



DETERMINATION OF MERGER NOTIFICATION M/19/006 – WICKLOW HOTEL PARTNERSHIP/ POWERSCOURT HOTEL RESORT AND SPA

Section 21 of the Competition Act 2002

Proposed acquisition by Wicklow Hotel Partnership, acting through its general partner, Wicklow Leisure Investments Limited of certain hotel assets operating as the Powerscourt Hotel Resort and Spa.

Dated 3 May 2019

Introduction

1. On 29 March 2019, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Wicklow Hotel Partnership (“WHP”), a newly formed limited Partnership wholly owned by Irish Holdings II LLC (“Irish Holdings”)¹, acting through its general partner Wicklow Leisure Investments Limited (“WLIL”) would acquire certain assets operating as the Powerscourt Hotel Resort and Spa (“Powerscourt”) (the “Proposed Transaction”).
2. Those assets comprise (i) the property assets of Sugarloaf Investment Property Holdings Limited (“SIPHL”) and (ii) the entire issued share capital of Sugarloaf Ventures Limited (“SVL”).

The Proposed Transaction

3. The Proposed Transaction is to be implemented pursuant to (i) a share purchase agreement dated 25 March 2019 pursuant to which WHP, through its wholly owned subsidiary, Enniskerry Ventures Limited², will purchase the entire issued share capital of SVL from Sugarloaf Investments Limited (“SIL”) and (ii) a contract dated 25 March 2019

¹ Irish Holdings operates under the brand name MHL Hotel Collection. For further information please see <https://www.mhlhotelcollection.com/>

² Enniskerry Ventures Limited is a newly incorporated company for the purposes of the acquisition and will be controlled by WHP through its general partner, WLIL.



for the sale of the long leasehold interest in Powerscourt and adjoining lands from SIPHL to WLIL, which is indirectly controlled by WHP.

4. Following completion of the Proposed Transaction, Powerscourt will be controlled by Irish Holdings and [...].

The Undertakings Involved

Irish Holdings

5. Irish Holdings is a limited liability company, incorporated in the State of Colorado, the United States, wholly owned and controlled by John Malone and Leslie Malone, United States-based investors. Irish Holdings is the sole investor in Irish Property QIAIF plc (“Irish Property”), an Irish-domiciled fund.
6. Irish Holdings directly, or indirectly through Irish Property, currently owns majority interests in the following nine Irish hotels (the “Existing Hotels”):
 - The Trinity City Hotel which offers 262 rooms in Dublin city centre and is classified as a *4 star* hotel by Fáilte Ireland³;
 - The Limerick Strand Hotel which offers 184 rooms in Limerick city and is classified as a *4 star* hotel by Fáilte Ireland;
 - The Hilton Dublin (Charlemont)⁴ which offers 193 rooms in Dublin 2 and is classified as a *4 star* hotel by Fáilte Ireland;
 - The InterContinental Hotel which offers 208 rooms in Dublin 4 and is classified as a *5 star* hotel by Fáilte Ireland;
 - The Westin Hotel which offers 172 rooms in Dublin city centre and is classified as a *5 star* hotel by Fáilte Ireland;
 - The Morgan Hotel which offers 168 rooms in Dublin city centre and is classified as a *4 star* hotel by Fáilte Ireland;

³ Fáilte Ireland Classification Scheme - http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/Hotel-Classification-Matrix.pdf

⁴ The Parties submit that Irish Holdings does not control the Hilton Dublin (Charlemont) within the meaning of section 16 of the Act. Rather, the Hilton Dublin (Charlemont) is operated under a long term management agreement by Hilton Corporation (approx. 20 years to run). In particular, the Hilton Dublin (Charlemont) management agreement provides that “[Hilton Corporation] shall have full control and discretion in the management and operation of the hotel”.



- The Spencer Hotel which offers 169 rooms in Dublin 1 and is classified as a 4 star hotel by Fáilte Ireland;
 - The Beacon Hotel which offers 88 rooms in Sandyford, Dublin 18 and is classified as a 4 star hotel by Fáilte Ireland; and,
 - The Galmont Hotel which offers 268 rooms in Galway and is classified as a 4 star hotel by Fáilte Ireland.
7. The Existing Hotels are operated by partnerships (“Operating Partnerships”) and each comprises a partnership of (i) a general partner controlled by Irish Holdings (“General Partner”), and (ii) limited partners including Irish Property, Paul Higgins, Propvur Limited, Paul Lally and Dovas Property & Investment Limited (the “Minority Owners”).
8. For the financial year ending 31 December 2018, Irish Holdings had a worldwide turnover of €[...], all of which was generated in the State.

Powerscourt

9. Based in County Wicklow, Powerscourt offers 198 rooms and is classified as a 5 star hotel by Fáilte Ireland. Its facilities include a 2,790 square metre spa, a 20 metre swimming pool and a fine dining restaurant, along with two other food and beverage areas.
10. SIPHL is a wholly owned subsidiary of SIL and is the holding company of Powerscourt. SVL is a wholly owned subsidiary of SIL and is the operating company of Powerscourt. Interstate Hotel Management Ireland Limited (an independent third party) performs hotel operator functions on behalf of SIL under a hotel management agreement but this contract will terminate shortly after completion of the Proposed Transaction.
11. For the financial year ending 31 December 2018, Powerscourt had a worldwide turnover of €[...], all of which was generated in the State.

Rationale for the Proposed Transaction

12. The parties state the following in the notification:

“Irish Holdings’ strategic rationale for the Proposed Transaction is to expand its property holdings in Ireland.”



Third Party Submissions

13. No submission was received.

Competitive Analysis

Horizontal overlap

14. There is a horizontal overlap between the activities of Irish Holdings and Powerscourt with respect to the supply of hotel accommodation in the State.
15. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. With respect to the relevant product market, it is not necessary for the Commission to define precise relevant markets in this instance because the product market definition adopted will not materially alter the Commission's assessment of the competitive impact of the Proposed Transaction.
16. In previous merger determinations in the hotel sector,⁵ the Commission has left open the precise product market while recognising the possibility of separate product markets for the supply of different star-rating hotel accommodation (such as *3 star*, *4 star* or *5 star*) or, alternatively, a combined product market for the supply of hotel accommodation for a grouping of these star-ratings. The Commission considers that there are no reasons to depart from that view in this instance.
17. For the purposes of reviewing the competitive impact of the Proposed Transaction, the Commission assessed its impact by reference to the potential market for the supply of *5 star* hotel accommodation, given that Powerscourt is a *5 star* hotel.
18. With respect to the geographic scope of the relevant market, the European Commission has, in previous decisions, noted that the relevant geographic market for the supply of hotel accommodation may be both national and local.⁶ In previous determinations, the Commission has left open the precise geographic market while recognising the

⁵ See, for example, the Commission's merger determination in *M/18/078 – Tetrach-Seed Portfolio Hotels* <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m-18-078-tetrarch-seed-portfolio-hotels/>

⁶ See, for example, the European Commission's decision in Case No COMP/M.4624 – EQT/Scandic which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m4624_20070425_20310_en.pdf



possibility of separate local geographic markets, for instance County Dublin⁷, and Galway City and surrounding areas⁸. The Commission does not need to come to a definitive view on the precise relevant geographic market in this instance since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the precise relevant geographic market is defined as national or local.

19. In light of the above, the Commission will assess the likely competitive effects of the Proposed Transaction with respect to potential markets for the supply of 5 star hotel accommodation in the State and at a local level.⁹

The provision of 5 star hotel accommodation in the State and at local level

20. On a national basis, the most recent Fáilte Ireland¹⁰ quarterly register estimates that there are 4,550 5 star hotel rooms in the State¹¹.
21. Irish Holdings currently has 380 5 star hotel rooms in the State and Powerscourt has 198 rooms. Following implementation of the Proposed Transaction the parties combined market share, with 578 5 star hotel rooms, is estimated at 12.7%, an incremental increase of approximately 4.4%. Therefore from a national geographic market viewpoint the Proposed Transaction does not raise any horizontal competition concerns.
22. Since Powerscourt is located in Wicklow, on the Dublin / Wicklow border, for the purposes of this competitive analysis, the Commission has assessed the competitive impact of the Proposed Transaction in the potential market for the supply of 5 star hotel

⁷ See, for example, the Commission's merger determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane*

<https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/05/M-17-027-Dalata-Clarion-Clayton-Public-1.pdf>

⁸ See *the Commission's merger determination in M/14/037 - Dalata/Pillo Hotel*

<https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/05/M-14-037-Dalata-Pillo-Hotel-Determination.pdf>

⁹ Hotel accommodation as measured by the number of hotel rooms.

¹⁰ Fáilte Ireland Quarterly Register – Q4 2018

http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/Non%20statutory/Q4-Register-of-Hotels-2018.pdf

¹¹ Supplied by the parties based on Fáilte Ireland's most recent quarterly register estimates.



accommodation in County Dublin and the Greater Dublin Area, which comprises Dublin, Wicklow, Meath and Kildare.¹²

23. The most recent Fáilte Ireland quarterly register estimates that in the Greater Dublin Area, there are approximately 2,200 rooms in *5 star* hotel accommodation. Irish Holdings currently own two *5 star* hotels in the State both based in Dublin with 380 rooms, representing a market share of [10-20] % in the Greater Dublin Area. Therefore following implementation of the Proposed Transaction the parties combined market share, with 578 rooms, is estimated at [20-30] %, an incremental increase of approximately [5-10] %.
24. Even if the Commission were to consider a narrower potential local market for *5 star* hotel accommodation in Co. Wicklow, the Proposed Transaction does not change the pre-transaction position as there is no overlap between the parties in this area. Also in the local geographic area the acquirer will continue to face competition from Druid's Glen Hotel and Golf Resort, a *5 star* Hotel in County Wicklow.
25. In light of the above, the Commission considers that the Proposed Transaction raises no horizontal competition concerns in the potential market for the supply of *5 star* hotel accommodation in the State or at a local level.

Vertical Relationship

26. The notifying parties state in the notification that there is no vertical relationship between Irish Holdings and Powerscourt. The Commission has not identified any vertical relationship between the parties. On this basis, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

27. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

¹² The Parties submit that in the present instance, the appropriate local market would be, at its narrowest, the Greater Dublin Area given: (i) the close proximity of Powerscourt to County Dublin (within 7 kilometres) and Dublin city centre (within 30 kilometres), (ii) [...] (iii) Powerscourt's offering and focus (resort and spa based hotel) [...]



28. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Wicklow Hotel Partnership, acting through its general partner Wicklow Leisure Investments Limited would acquire certain assets operating as the Powerscourt Hotel Resort and Spa will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission