



Determination No. M/04/071 of the Competition Authority, dated 21 December 2004, under Section 21 of the Competition Act, 2002

Notification No. M/04/071 – The proposed acquisition by Kantaka Enterprises Limited of RBS Hotel Investments (Ireland) Limited

Introduction

1. On 3 December 2004 the Competition Authority, in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Kantaka Enterprises Limited (“Kantaka”) would purchase the entire issued share capital of RBS Hotel Investments (Ireland) Limited (“RBS”) (“the proposed acquisition”).

The Parties

2. Kantaka was established for the specific purpose of acquiring RBS and is a consortium of five investors:
 - [...] has investment interests in one hotel in Wicklow and one hotel in Galway.
 - [...] has a relatively small investment interest in one hotel in Galway.
 - [...] has a 50% title interest in [one hotel in Dublin 2], an 80% title interest in the [one hotel in Dublin 4], and a 50% shareholding in the company that operates [one hotel in Dublin 2]. He also owns and operates one hotel in Galway and has substantial interests in a hotel in Galway and a hotel in Kilkenny.
 - [...] has a 50% title interest in the [one hotel in Dublin 2] and a 20% title interest in the [one hotel in Dublin 4]. He owns a hotel in Kerry and one in Tipperary and has substantial interests in three hotels in Galway, Kerry and Kilkenny.
 - [...] owns two hotels in Galway and a hotel in Meath, and has a 50% interest in a hotel in Kerry.
3. RBS is a subsidiary of Royal Bank of Scotland plc and was established for the specific purpose of acquiring and holding title to the Shelbourne Hotel (“Shelbourne”), Stephen’s Green, Dublin 2. The only business activity of RBS is that of landlord, as the Shelbourne Hotel is leased to and run by a third party company.

Analysis

4. The proposed transaction is a purchase of a leasehold interest in a well-known Dublin City hotel. Each of Kantaka’s five shareholders has investment interests in other hotels. However most of those hotels are located outside County Dublin. Between them, two Kantaka shareholders own two other Dublin City hotels, and one of those shareholders has a 50% stake in the operation of a third Dublin hotel. Given the total number of hotels in Dublin, the proposed acquisition will not result in any substantial change in ownership concentration in the hotel sector in Dublin. Further, because a



third party carries out the actual running of the Shelbourne, the proposed acquisition will not alter concentration at the operational level of the hotel sector in Dublin.

5. The parties submit that the Shelbourne may not compete directly against the other Dublin hotels in which Kantaka shareholders have invested, because the Shelbourne has a higher star rating than any of those other hotels. The Authority does not consider it necessary to define a relevant hotel market, in terms of quality or otherwise, given the minimal effects of the proposed acquisition on concentration.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Kantaka Enterprises Limited of the entire issued share capital of RBS Hotel Investments (Ireland) Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Edward Henneberry
Member of the Competition Authority