



DETERMINATION OF MERGER NOTIFICATION M/16/052 - HALSTONVILLE / TRAVELODGE HOTELS

Section 21 of the Competition Act 2002

Proposed acquisition by Halstonville Limited of certain subsidiaries of Smorgs Limited and certain assets, constituting the Travelodge group of hotels

Dated 28 November 2016

Introduction

1. On 21 October 2016, in accordance with section 18(1) 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 Halstonville Limited (“Halstonville”) would acquire: (i) through its wholly-owned subsidiary Mollydale Limited (“Mollydale”), the entire issued share capital of five companies which are currently subsidiaries of Smorgs Limited (“the Vendor”) and own and/or operate a portfolio of Travelodge hotels, namely Smorgs (Ireland) Limited; Smorgs ROI Management Limited; Smorgs Property Holdings Limited; Smorgs (Northern Ireland) Limited and Smorgs (NI) Management Limited (collectively “the Target Companies”), and (ii) through its wholly-owned subsidiary Devonmill Limited (“Devonmill”)¹, certain assets constituting the Travelodge Hotel Swords, located at Crowcastle, Swords, County Dublin, and the Travelodge Belfast Central Hotel, located at 15 Brunswick Street, Belfast, (collectively “the Target Assets”).²

The Proposed Transaction

2. The proposed transaction is to be implemented pursuant to:
 - a. a share purchase agreement (“SPA”) in relation to the acquisition of the entire issued share capital of each of the Target Companies, which own and/or operate eleven Travelodge hotels located in the State and in Northern Ireland, entered into between the Vendor and Halstonville, Mollydale and Devonmill on 8 October 2016;

¹ Devonmill is a wholly-owned subsidiary of Mollydale which is, in turn, a wholly-owned subsidiary of Halstonville. Mollydale is a special purpose vehicle established solely for the purpose of acquiring the Target Companies.

² For purposes of the proposed transaction, the Vendor and all of its subsidiaries are referred to in this Determination as “the Smorgs Group”.



- b. a contract for sale in relation to the sale of the Travelodge Hotel Swords, entered into between Smorgs Property Holdings Limited and Devonmill on 8 October 2016; and
 - c. a contract for sale in relation to the sale of the Travelodge Belfast Central Hotel, entered into between Smorgs Belfast Limited and Devonmill on 8 October 2016.
 3. Following completion of the proposed transaction, each of the Target Companies and the Target Assets would ultimately be jointly controlled by ELQ Investors VI Limited (“ELQ VI”), a wholly-owned subsidiary of The Goldman Sachs Group, Inc. (“Goldman Sachs”), and Piershine Limited (“Piershine”), both of which currently exercise joint control over Halstonville.³

The Undertakings Involved

The Acquirers

Goldman Sachs and ELQ VI

4. Goldman Sachs, headquartered in New York and registered in Delaware, USA, is a global financial services firm involved in a wide range of activities, including investment banking and securities and investment management services. Goldman Sachs’ customers include corporations, financial institutions, governments and high net worth individuals.⁴
5. Goldman Sachs has a number of portfolio companies active in the State, which are primarily active in financial services, fund management services and aircraft leasing.
6. Goldman Sachs’ real estate interests in the State currently comprise:
 - a. joint controlling interests in a number of hotels (see paragraph 10 below) through its joint controlling interests in Halstonville and each of Halstonville’s wholly-owned subsidiaries, namely Tifco Limited, Thornmont Limited, Rockyvale Limited, Diminuto Limited, Mollydale and Devonmill, (collectively “the Tifco Group”); and
 - b. controlling interests in [...] shopping centres⁵ through its wholly-owned subsidiaries [...]⁶ and ELQ Investors VIII Limited.

³ ELQ VI holds [...] % and Piershine holds [...] % of the issued share capital of Halstonville. On 15 July 2015, the Commission approved the acquisition by Goldman Sachs and Piershine of joint control of Tifco Limited (through Halstonville). The Commission’s merger Determination in M/15/029 – *Goldman Sachs/Piershine/Tifco* can be accessed at <http://www.ccpc.ie/enforcement/mergers/merger-notices/m15029-goldman-sachs-piershine-tifco>

⁴ See <http://www.goldmansachs.com>.

⁵ Bridgewater Shopping Centre (including Brunel House), Arklow; [...].

⁶ [...].



7. Goldman Sachs' worldwide turnover for the financial year ended 31 December 2014 was approximately €49 billion, of which approximately €[...] was generated in the State.

Piershine

8. Piershine is a Dublin-based trust company and is jointly owned and controlled by two individuals⁷ who each hold a 50% shareholding in Piershine. Piershine jointly owns and controls (with ELQ VI) Halstonville. Piershine generates no turnover, other than that which would be attributable to the Tifco Group.

Halstonville

9. Halstonville is a Dublin-based holding company, which is jointly owned and controlled by ELQ VI and Piershine. Halstonville holds 100% of the shares in the Tifco Group and generates no turnover within the State other than that which would be attributable to the Tifco Group.

Tifco Group

10. The Tifco Group currently owns six hotels within the State:
- The Crowne Plaza Dundalk – a 129 room four-star hotel located in Dundalk, County Louth;⁸
 - The Crowne Plaza Dublin Northwood – a 204 room four-star hotel located near Dublin Airport in Santry, County Dublin;⁹
 - The Crowne Plaza Blanchardstown – a 188 room four-star hotel, located in Blanchardstown, County Dublin;¹⁰
 - The Holiday Inn Express Northwood (Santry) – a 114 room three-star hotel located near Dublin Airport (adjacent to the Crowne Plaza Dublin Northwood);
 - The Hilton Hotel Kilmainham - a 120 room four-star hotel situated in Kilmainham, Dublin (close to Heuston Station); and
 - The Parliament Hotel, Dublin - a 63 room three-star hotel, located in Dublin City Centre.¹¹
11. Also within the State, the Tifco Group operates eight hotels:¹²
- Athlone Spring Hotel – a 67 room four-star hotel located in Athlone, County Westmeath;

⁷ Aidan Crowe and Gerald Houlihan.

⁸ The hotel has a roof top restaurant and two other dining facilities and is marketed as a conference destination with 12 meeting rooms and facilities for up to 400 conference delegates.

⁹ The hotel has dining and conference facilities along with banqueting facilities for 1,000 people.

¹⁰ The hotel has a 600-person conference or banqueting capacity.

¹¹ The hotel has a bar and restaurant.

¹² These hotels are operated pursuant to management agreements of between 1 and 5 years in duration.



- Clontarf Castle Hotel – a 111 room four-star hotel located in Dublin;
 - Cork Airport Hotel – an 80 room four-star hotel located near Cork Airport;
 - Cork International Hotel – a 145 room four-star hotel located near Cork Airport;
 - Farham Estate – a 158 room four-star hotel in Cavan;
 - Hotel Killarney – a 188 room three-star hotel located in Killarney, County Kerry;
 - Metropole Hotel – a 112 room three-star hotel located in Cork City; and
 - The Heritage Resort – a 97 room five-star hotel located in Killenard, County Laois.
12. For the financial year ending 31 December 2015, the Tifco Group’s worldwide turnover was €[...], all of which was generated in the State.

The Target Companies and Target Assets

13. The Target Companies, all of which are currently wholly-owned by the Vendor, own five Travelodge hotels within the State:
- Travelodge Phoenix Park - a 100 room three-star hotel in Castleknock, Dublin 15;
 - Travelodge Limerick Ennis Road - a 72 room three-star hotel in County Limerick;
 - Travelodge Rathmines - a 54 room three-star hotel in Rathmines, Dublin 6;
 - Travelodge Swords - a 130 room three-star hotel in Swords, County Dublin; and
 - Travelodge Waterford - a 56 room three-star hotel on the Cork Road, County Waterford.
14. Also within the State, the Target Companies operate another five Travelodge hotels:¹³
- Travelodge Dublin Airport South - a 125 room three-star hotel in Ballymun, Dublin 9;
 - Travelodge Limerick Castletroy - a 70 room three-star hotel in Castletroy, Limerick;
 - Travelodge Cork - a 60 room three-star hotel on Frankfield Road, Cork;
 - Travelodge Stephens Green - a 41 room three-star hotel on Mercer Street, Dublin 2;
and
 - Travelodge Galway - a 59 room three-star hotel on the Tuam Road, Galway.
15. The Target Companies also own and/or operate a Travelodge hotel in Derry, Northern Ireland. Another subsidiary of the Vendor, Smorgs Belfast Limited, which will not be acquired by Halstonville pursuant to the proposed transaction, currently owns and

¹³ These hotels are operated pursuant to lease agreements of between 10 and 35 years in duration.



operates the Travelodge Belfast Central Hotel, in Belfast, Northern Ireland, which forms part of the Target Assets¹⁴.

16. The Travelodge hotels which are to be acquired by Halstonville pursuant to the proposed transaction have either limited or no restaurant facilities and none of the Travelodge hotels has conference suites or meeting rooms.
17. For the financial year ending 31 March 2016, the Smorgs Group had worldwide turnover of approximately €18 million of which approximately €15.5 million was generated in the State.

The Vendor

18. The Vendor is a private limited holding company with its registered address at 12d Joyce Way, Park West Business Park, Nangor Road, Dublin 12. The Smorgs Group's principal activity is the provision of hotel facilities mainly through a portfolio of Travelodge hotels. Post-transaction, the Vendor and its remaining subsidiaries will become dormant and non-trading.¹⁵

Rationale for the Proposed Transaction

19. The notification states that:

“The Targets are being acquired in order to expand the Tifco Group’s existing interests in the hotel sector in Ireland.”

Third Party Submissions

20. No submission was received.

Competitive Analysis

21. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant product markets. While there are differences in the quality and range of services supplied by different hotels and also differences in relationships

¹⁴ Together with the Travelodge Swords Hotel.

¹⁵ The Vendor will retain ownership of 100% of the issued share capital in the following subsidiaries:

- Tower Hotel (Derry) Limited – which is a dormant company, registered in Northern Ireland, having disposed of its principal asset the ‘Tower Hotel Derry’ in 2014,
- Smorgs Belfast Limited – which is a company registered in the State, disposing of its interest in the Travelodge Belfast Central Hotel to Devonmill as part of the proposed transaction and which will therefore, post completion, become a non-trading dormant entity, and
- Smorgs NI Management Limited – which is a dormant company, registered in the State, and has never traded. For avoidance of doubt, this is a different company to Smorgs (NI) Management Limited, which is a company registered in Northern Ireland and which is part of the Target Companies.



between hotel owners and hotel operators, it is not clear in this instance that these differences necessarily imply distinctly separate markets. The Commission's conclusion concerning the competitive effects of the proposed transaction would be unaffected whether the relevant product market is defined broadly in the present case (e.g., to include the supply of all hotel accommodation and services) or narrowly, (e.g., the supply of three-star hotel accommodation).

22. In previous cases in the hotel sector, the Commission has left the precise product market open while recognising the possibility of distinct markets for the supply of three-star hotel accommodation and the supply of four-star hotel accommodation or, alternatively, a combined market for the supply of both three- and four-star hotel accommodation. The Commission considers that there are no reasons to depart from that view in this instance.
23. Similarly, it is also not necessary for the Commission to define precise relevant geographic markets in this instance, since the choice of geographic market, whether national encompassing the State or regional (i.e., within a drive time of approximately 20 minutes), will not materially alter the competitive impact of the notified transaction in the State. Consequently, the Commission considers that the issue of the appropriate geographic market can be left open in this instance.
24. However, for the purposes of its review of the competitive effects of the proposed transaction, the Commission has examined the competitive impact of the proposed transaction by reference to the narrowest possible relevant market, namely the regional supply of three-star hotel accommodation.
25. There is an overlap between the parties' activities in the State with respect to the provision of three-star hotel accommodation. The Target Companies and Target Assets comprise the Travelodge group of hotels, which are all three-star hotels, offering either limited or no restaurant facilities and none of which have conference suites or meeting rooms. Table 1 below lists the three-star hotels owned and/or operated by the parties in the State by region.

Table 1: Three-star hotels owned and/or operated by the parties in the State

Area	Target Companies & Target Assets	The Tifco Group	Overlap
Dublin	Travelodge Phoenix Park, Castleknock, Dublin 15 (100 three-star hotel rooms) Travelodge Rathmines, Dublin 6 (54 three-star hotel rooms) Travelodge Swords, County Dublin (130 three-star hotel rooms)	The Holiday Inn Express Northwood in Santry, close to Dublin Airport (114 three-star hotel rooms) The Parliament Hotel in Dublin City Centre (63 three-star hotel rooms)	Yes



	Travelodge Dublin Airport South, Ballymun, Dublin 9 (125 three-star hotel rooms) Travelodge Stephens Green, Mercer Street, Dublin 2 (41 three-star hotel rooms)		
Cork	Travelodge Cork, Frankfield Road, Cork (60 three-star hotel rooms)	Metropole Hotel in Cork (60 three-star hotel rooms)	Yes
Waterford	Travelodge Waterford, Cork Road, County Waterford (56 three-star hotel rooms)	-	No
Limerick	Travelodge Limerick, Ennis Road, County Limerick (72 three-star hotel rooms) Travelodge Limerick Castletroy, County Limerick (70 three-star hotel rooms)	-	No
Galway	Travelodge Galway, Tuam Road, Galway (59 three-star hotel rooms)	-	No
Killarney	-	Hotel Killarney in County Kerry (188 three-star hotel rooms)	No

26. As Table 1 demonstrates, the only overlap between the parties' activities in the State, on a regional basis, is in the supply of three-star hotel accommodation in each of Counties Dublin and Cork. Following implementation of the proposed transaction, the Tifco Group will own and/or operate 7 three-star hotels, with a total of 627 rooms, in County Dublin, and 2 three-star hotels, with a total of 172 rooms, in County Cork.
27. Hotel stock numbers published by Fáilte Ireland suggest that there are 66 three-star hotels, with a total of 7,425 rooms, in County Dublin and 31 three-star hotels, with a total of 1,411 rooms, in County Cork.¹⁶ The merged entity will therefore have an estimated market share of approximately 11% of three-star hotels and 8% of three-star hotel rooms in County Dublin and approximately 7% of three-star hotels and 12% of three-star hotel rooms in County Cork.
28. The merged entity's hotels in County Dublin will continue to face competition from other three-star hotels within County Dublin¹⁷, such as for example, Temple Bar Hotel,

¹⁶ http://www.failteireland.ie/Failteireland/media/WebsiteStructure/Documents/3_Research_Insights/1_Sectoral_SurveysReports/Accommodation_capacity_in_Ireland_2015.pdf?ext=.pdf

¹⁷ <https://ie.hotels.com/de691513-st3/booking-three-star-hotels-dublin-ireland-hotel-rooms/>



Cassidys Hotel, Maldron Hotels Pearce Street & Smithfield, Hilton Garden Inn Dublin Custom House, Arlington Hotel O'Connell Bridge and Beresford Hotel. In a more localised area, such as around Dublin Airport for instance, the merged entity's hotels will face competition from other three-star hotels, B&Bs and guesthouses in the area, such as Metro Hotel Dublin Airport, Airport Orchard B&B, San Juan B&B and Dublin Airport Manor.¹⁸ Other hotels in the area controlled by groups such as Carlton, Radisson BLU and Clayton, albeit mostly four-star hotels, are also expected to exercise some competitive constraint on the merged entity. Similarly, the merged entity's hotels in County Cork will continue to face competition from other three-star hotels within County Cork¹⁹, such as Jurys Inn Cork, Hotel Isaacs Cork, Maldron Hotel Cork, The Commons Express Inn and The Windsor Hotel. Post-acquisition, the merged entity would also face competition from a significant number of guesthouses and B&Bs, in addition to the hotels mentioned above.

29. Also, as noted in previous Commission Determinations, consumers have on-line access to information such as pricing and rating information. The availability of on-line information, and the extent to which it provides a competitive constraint, will remain unchanged by the implementation of the proposed transaction.
30. The proposed transaction does not raise any vertical competition concerns.
31. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

32. The SPA between the parties contains non-compete and non-solicitation covenants restricting the Vendor, for a period of eighteen months from the date of completion of the proposed transaction, from competing with the businesses of the Target Companies and the Target Assets on the island of Ireland and from soliciting existing customers and employees of the Targets.
33. The parties state that the restrictive covenants are necessary given the nature of the proposed transaction, i.e. the transfer of businesses as going concerns, which include the transfer of customer loyalty in the form of both goodwill and know-how. The parties therefore view the restrictive covenants to be directly related and necessary to the implementation of the proposed transaction.
34. The duration of the ancillary restraints does not exceed the maximum duration acceptable to the Commission²⁰ and the Commission considers the restrictions, as far

¹⁸ <http://www.booking.com/searchresults>.

¹⁹ <https://ie.hotels.com/de690492-st3/booking-three-star-hotels-cork-ireland-hotel-rooms/>

²⁰ In this respect, the Commission follows the approach adopted by the EU Commission in paragraph 20 of its "Commission Notice on restrictions directly related and necessary to concentrations" (2005). For more information see: [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN).



as they relate to the activities of the Vendor in the State, to be directly related and necessary to the implementation of the proposed transaction.



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 transaction whereby Halstonville Limited would acquire: (i) through its wholly-owned subsidiary Mollydale Limited, the entire issued share capital of five companies which are currently subsidiaries of Smorgs Limited and own and/or operate a portfolio of Travelodge hotels, namely Smorgs (Ireland) Limited; Smorgs ROI Management Limited; Smorgs Property Holdings Limited; Smorgs (Northern Ireland) Limited and Smorgs (NI) Management Limited, and (ii) through its wholly-owned subsidiary Devonmill Limited, certain assets constituting the Travelodge Hotel Swords, located at Crowcastle, Swords, County Dublin and the Travelodge Belfast Central Hotel, located at 15 Brunswick Street, Belfast, 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

Patrick Kenny
Member
Competition and Consumer Protection Commission