



## **DETERMINATION OF MERGER NOTIFICATION M/19/013 WORLD TRAVEL CENTRE/CORE TRAVEL**

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### **Section 21 of the Competition Act 2002**

**Proposed acquisition by World Travel Centre Holdings Limited of sole control of Core Travel Limited.**

**Dated 10 July 2019**

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### **Introduction**

1. On 30 May 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 World Travel Centre Holdings Limited (“World Travel Centre”), would acquire sole control of Core Travel Limited (“Core Travel”) from Core Travel Holdings Limited (the “Seller”) (the “Proposed Transaction”).

### **The Proposed Transaction**

2. The Proposed Transaction is to be implemented by way of a Share Purchase Agreement (“SPA”) dated 29 May 2019 between the Seller and World Travel Centre.
3. Under the terms of the SPA, World Travel Centre will acquire 100% of the issued share capital of Core Travel from the Seller. Following completion of the Proposed Transaction, World Travel Centre will acquire sole control of Core Travel and its subsidiary E Travel Ireland Limited.



## The Undertakings Involved

### *The Purchaser – World Travel Centre*

4. World Travel Centre is a holding company for two wholly-controlled subsidiaries – World Travel Centre Limited, incorporated in Ireland (“WTC ROI”) and World Travel Centre Limited, registered in Northern Ireland (“WTC NI”). WTC ROI provides travel agency services to customers in the State while WTC NI provides travel agency services primarily to customers in the United Kingdom.
5. WTC ROI provides both Business Travel Agency (“BTA”) and non-Business Travel Agency (“non-BTA”) services in the State:
  - a. WTC ROI’s BTA services consist of the offline sale of flights, on either a contract or ad-hoc basis, to business clients.
  - b. WTC ROI’s non-BTA services consist of the offline sale of flights and package holidays, on an ad-hoc basis, to non-business travellers.
6. WTC ROI is also active in the wholesale of flights to online, as well as ‘brick and mortar’, travel agents on behalf of airlines.
7. WTC NI generates turnover in the State by selling flights to Core Travel at the wholesale level. WTC NI also provides BTA services to customers in the United Kingdom (including Northern Ireland).
8. For the year ending 31 October 2018, World Travel Centre’s worldwide turnover was €142,581,690, of which [...] was generated in the State.

### *The Target – Core Travel*

9. Core Travel is a provider of travel agency services in the State and the United Kingdom. Core Travel has a wholly-owned non-trading direct subsidiary, E Travel Ireland Limited.
10. Core Travel provides both BTA and non-BTA services in the State:
  - a. Core Travel’s BTA services consist of the offline sale of flights to business clients. Core Travel sells such flights in its own right, and as a subcontractor. In this regard,



Core Travel engages in the offline sale of flights to business clients pursuant to a contract on behalf of Egencia LLC.<sup>1</sup>

b. Core Travel's non-BTA services consist of the offline sale of cruise holidays and the online sale of flights through a number of wholly owned websites, including:

i. [www.eflights.ie](http://www.eflights.ie);

ii. [www.e-travel.ie](http://www.e-travel.ie);

iii. [www.cruises.ie](http://www.cruises.ie); and

iv. [www.wedoflights.com](http://www.wedoflights.com)

11. Outside the State, Core Travel generates turnover from the online sale of flights to customers in the United Kingdom.

12. For the year ending 31 October 2018 Core Travel's worldwide turnover was €59,725,000, of which €36,009,000 was generated in the State.

### **Rationale for the Proposed Transaction**

13. The parties state in the notification that:

*"The parties view the Proposed Transaction as an opportunity for growth, initially in the United Kingdom and potentially worldwide."*

### **Third Party Submissions**

14. No submission was received.

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<sup>1</sup> Egencia LLC is a corporate travel management company and a subsidiary of Expedia Group, Inc. It does not have its own Irish office and in [...] appointed Core Travel to provide business travel customer service assistance to its clients based in Ireland. [...].



## Competitive Analysis

### *Horizontal Overlap*

15. There is a horizontal overlap between the parties' activities as both World Travel Centre and Core Travel supply BTA and non-BTA services in the State.

### *Product Market Definition*

16. The notifying parties have stated the following on product market definition:

*“The notifying parties submit that the relevant product market for the purpose of considering the Proposed Transaction is likely the market for all travel agency services... However, the notifying parties further submit that the CCPC may leave open the precise product market as the Proposed Transaction will not give rise to a substantial lessening of competition irrespective of how the market is defined.”*

17. The Commission's predecessor the Competition Authority (the “Authority”)<sup>2</sup> previously considered the provision of travel agency services in M/10/003 – *Club Travel/Budget Travel*.<sup>3</sup> However, the Authority did not consider it necessary to make a finding on the relevant product markets in that case as it considered that that transaction was unlikely to give rise to any competition concerns in any market for goods or services in the State.
18. The European Commission has defined a separate market for the services provided by travel agencies, defined as retailers of travel services<sup>4</sup> generally remunerated by the supplier of the service concerned.<sup>5</sup> Within travel agency services the European Commission has further distinguished between BTA and non-BTA services.<sup>6</sup>

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<sup>2</sup> In 2014, the Commission was established following an amalgamation of the Competition Authority and the National Consumer Agency pursuant to the Competition and Consumer Protection Act 2014.

<sup>3</sup> See merger determination in M/10/003 – *Club Travel/Budget Travel*, available at <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/05/M-10-003-Club-Travel-Budget-Travel.public.pdf>

<sup>4</sup> Travel services include the services offered by airlines, rail companies, hotel operators, car rental companies etc.

<sup>5</sup> See e.g. Case M.2794 – *Amadeus/GGL/JV*, paragraph 10; M.4600 – *TUI/First Choice*, paragraph 41; and M.4601 – *Karstadtquelle/My Travel*, paragraphs 30-31.

<sup>6</sup> See e.g. Cases M.4234 – *Carlson/One Equity Partners/Carlson Wagonlit*, paragraphs 12-13, and M.8046 – *TUI/Transat France*, paragraph 95.



19. In *M.8862 – GBT/HRG* (2018) the European Commission concluded that the market for the provision of BTA services included both online and offline BTA services as market inquiries indicated that BTAs need to be able to accommodate both distribution channels to compete effectively.<sup>7</sup> Additionally, the European Commission found high barriers to entry for non-BTA service providers entering the market for BTA services.<sup>8</sup> The Commission notes that neither World Travel Centre nor Core Travel offers online BTA services.
20. In *M.6163 – AXA/Permira/Opodo/GO Voyages/eDreams* (2011)<sup>9</sup> the European Commission's market investigation produced mixed results on the question of whether distribution of non-BTA services through offline and online channels are part of the same market. The European Commission ultimately left the question of market definition open.

#### *Views of the Commission*

21. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. It is not necessary for the Commission to conclude on the relevant product markets in respect of travel agency services, as regardless of whether the potential product markets are narrower (i.e., BTA and non-BTA services), or broader (i.e., all travel agency services), the Proposed Transaction is unlikely to raise any competition concerns.
22. However, for the purposes of assessing whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has analysed the impact of the Proposed Transaction by reference to the potential product markets for (i) BTA services and (ii) non-BTA services.

#### *Geographic market definition*

23. The notifying parties have stated the following on geographic market definition:

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<sup>7</sup> See Case *M.8862 – GBT/HRG*, paragraph 33.

<sup>8</sup> *Ibid*, paragraph 98.

<sup>9</sup> See Case *M.6163 – AXA/Permira/Opodo/GO Voyages/eDreams*, paragraph 23.



*The relevant geographic market for the purpose of considering the Proposed Transaction is likely EEA wide, or on a narrower basis, likely comprises the State and the United Kingdom. At its narrowest, the notifying parties submit that the geographic market is national in scope... However, the notifying parties further submit that the CCPC may leave open the precise geographic market definition as the Proposed Transaction will not give rise to a substantial lessening in any plausible geographic market.*

24. The European Commission has previously considered that the market for non-BTA services is national in scope, while leaving open the question of whether the market for BTA services is national or wider than national in scope.<sup>10</sup>
25. It is not necessary for the Commission to conclude on the relevant geographic market in respect of travel agency services, as regardless of whether the potential geographic market is narrower (i.e., the State), or broader (i.e., the EEA), the Proposed Transaction is unlikely to raise any competition concerns.
26. However, for the purposes of assessing whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has analysed its impact by reference to the narrowest potential geographic market, i.e., the market for BTA and non-BTA services in the State.

### *Competitive assessment*

#### BTA services

27. In line with its determination in M/10/003 – *Club Travel/Budget Travel*, the Commission considers the total projected licensable turnover (“PLTO”)<sup>11</sup> reported to the Commission for Aviation Regulation by travel agents licensed in the State to be an appropriate proxy for the size of the travel agent market in the State. For 2017, World Travel Centre’s business PLTO accounted for [...] of total business PLTO. Meanwhile, Core Travel’s business PLTO accounted for [...] of total business PLTO. Therefore, post-transaction the merged entity will possess [...] of the total business PLTO in the State.<sup>12</sup>

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<sup>10</sup> See Case M.8862 – *GBT/HRG*, paragraph 46.

<sup>11</sup> The Commission for Aviation Regulation, in Section 16.10 of its Guidelines on Tour Operators and Travel Agents Licences, defines projected licensable turnover as the “total of receipts estimated by an applicant [for a licence] in respect of overseas travel contracts during the period of time in the future for which a licence is sought.” This figure is used to calculate the bond that the Commission for Aviation Regulation requires travel agents to pay.

<sup>12</sup> The Commission for Aviation Regulation, 2017 Annual Report.



28. As an alternative proxy for the size of the travel agent market in the State the Commission has also taken account of the volume of tickets sold. World Travel Centre currently accounts for approximately [...] of business tickets issued in the State. Core Travel currently accounts for approximately [...] of business tickets issued in the State. Therefore, post-transaction the merged entity will account for [...] of business tickets issued in the State.<sup>13</sup>
29. Post-transaction the merged entity will face competition in BTA services from Club Travel HRG, American Express, FCM Travel Solutions, BCD Travel Services and Carlson Wagonlit Ireland, among others.

#### Non-BTA services

30. World Travel Centre's non-business PLTO accounted for [...] of total non-business PLTO. Meanwhile, Core Travel's non-business PLTO accounted for [...] of total non-business PLTO. Therefore, post-transaction the merged entity will possess [...] of total non-business PLTO in the State.
31. World Travel Centre currently accounts for [...] of non-business tickets issued in the State. Meanwhile, Core Travel currently accounts for [...] of non-business tickets issued in the State. Therefore, post-transaction the merged entity will account for [...] of non-business tickets issued in the State.
32. Post-transaction the merged entity will face competition in non-BTA services from Trailfinders Ireland, Cassidy Travel, Club Travel, FlightCentre and TUI Holidays Ireland, among others.
33. Given the low market shares of the merged entity post-transaction (whether measured by PLTO or tickets issued), and the large number of competitors in the market, the Commission considers that the Proposed Transaction is unlikely to raise any horizontal competition concerns in relation to the supply of either BTA or non-BTA services in the State.

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<sup>13</sup> Information provided to the Commission via the parties from the International Air Transport Association's ("IATA") Billing and Settlement Plan. This figure includes tickets issued at both the wholesale level and retail level.



### *Vertical overlap*

34. There is a vertical relationship between the parties as World Travel Centre sells wholesale tickets to Core Travel.
35. A potential anti-competitive effect sometimes associated with vertical integration is foreclosure. There are two possible market levels at which potential vertical foreclosure could arise in this instance: (i) upstream input foreclosure in the wholesale supply of tickets to providers of BTA and non-BTA services, and (ii) downstream foreclosure of BTA and non-BTA customers from wholesale ticket providers.

### *Input foreclosure – wholesale supply of tickets*

36. As the parties' activities do not overlap in the provision of wholesale tickets there will be no increase in the relevant market share post-transaction. Therefore, the ability of the merged entity to engage in input foreclosure would not increase as a result of the Proposed Transaction.
37. Furthermore, given the low market shares of the merged entity post-transaction in the provision of wholesale tickets ([...] of [...] tickets sold at wholesale level in the State)<sup>14</sup> the Commission considers that the merged entity will not possess the ability to foreclose the wholesale supply of tickets from downstream competitors in BTA and non-BTA services in the State.
38. Finally, the Proposed Transaction would change neither the number of airlines that can provide wholesale tickets nor the overall air transport capacity offered on the wholesale market.

### *Downstream customer foreclosure of wholesale tickets providers*

39. Given the small market shares of the parties in BTA and non-BTA services (i.e. no more than [...] under any measure) the Commission considers that, post-transaction, the

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<sup>14</sup> Ibid.





merged entity would not possess the ability to foreclose access to BTA and non-BTA service providers from rival upstream providers of wholesale scheduled flights.

40. On this basis the Commission considers that the Proposed Transaction does not raise any vertical competition concerns within the State.

#### *Conclusion*

41. 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**

42. Clause 12 of the SPA contains non-compete and non-solicitation obligations on the Seller. The duration of these obligations does not exceed the maximum duration acceptable to the Commission.<sup>15</sup> The Commission considers these non-compete and non-solicitation obligations to be directly related to and necessary for the implementation of the Proposed Transaction.

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<sup>15</sup> In this respect, the CCPC follows the approach adopted by the EU Commission in paragraphs 20 and 26 of the Commission Notice on restrictions directly related and necessary to concentrations [2005] OJ C56/03 (<https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52005XC0305%2802%29>).



### **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 World Travel Centre Holdings Limited would acquire sole control of Core Travel Limited from Core Travel Holdings Limited 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**