



DETERMINATION OF MERGER NOTIFICATION M/15/035 – TETRARCH / DAWSON HOTEL

Section 21 of the Competition Act 2002

Proposed acquisition of Dawson Hotel and Spa by Tetrarch Capital Limited

Dated 21 August 2015

Introduction

1. On 13 July 2015, in accordance with section 18(1) of the Competition Act 2002, as amended¹ (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Tetrarch Capital Limited (“Tetrarch”) would acquire the business and assets comprising the Dawson Hotel and Spa from Dawson Street Hotel Limited (in Receivership).

The Proposed Transaction

2. On 24 October 2014, Declan McDonald of PwC Ireland (the “Receiver”) was appointed as receiver over certain assets of Dawson Street Hotel Limited (in Receivership), including the business and assets comprising the Dawson Hotel and Spa. The proposed transaction is pursuant to (i) a business and asset purchase agreement (“BAPA”) between the Receiver, Dawson Street Hotel Limited (in Receivership) and Tetrarch, and (ii) a property sale agreement (“PSA”) between Bailieboro Spring Water Limited (in Receivership), Louis Murray (acting by the Receiver), Allied Irish Bank PLC (as mortgagee) and Tetrarch.² Both the BAPA and the PSA are dated 26 June 2015.

The Undertakings Involved

Tetrarch

3. Tetrarch is a private company headquartered in Dublin. In addition to its involvement in the hotel sector, Tetrarch is involved in the hospitality, leisure, office, retail and residential sectors.³
4. Within the State, and of most relevance to the proposed transaction, Tetrarch’s wholly-owned subsidiary Tetrarch Hotel Services Limited (“Tetrarch Hotels”)

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.

² The properties covered by the PSA are located at 35 and 36 Dawson Street, Dublin.

³ [The principals of the firm are Michael McElligott, James Byrne, Damien Gaffney and Ciara McElligott]. For information on Tetrarch see <www.tetrarchcapital.com>.



operates the following hotels either through long term leases or management contracts:

- Killashee House – a 5 star hotel located in Naas, County Kildare.
- The Marker – a 5 star hotel located in Dublin City.
- Mount Wolseley – a 4 star hotel located in Tullow, County Carlow.
- Mount Juliet – a 4 star hotel located in Thomastown, County Kilkenny.
- Powerscourt – a 5 star hotel located in Enniskerry, County Wicklow.
- Clonmel Park – a 4 star hotel located in Clonmel, County Tipperary.
- Citywest Hotel and Conference Centre – a 4 star hotel located in Saggart, County Dublin.⁴

5. Tetrarch Hotels also operates Jacobs Inn, a hostel located in Dublin City.
6. In addition, Tetrarch shareholders, outside of their interest in Tetrarch, have controlling interests in the ownership of the Clonmel Park, Mount Juliet and Mount Wolseley hotels.⁵
7. For the year ended 31 December 2014, Tetrarch's turnover was approximately €80.0 million all of which was generated in the State.

The Target – Dawson Hotel and Spa

8. The business and assets to be acquired comprise the Dawson Hotel and Spa, a four star hotel located in Dublin city centre. The Dawson Hotel and Spa's facilities include 36 rooms, a spa, a public bar, and two restaurants neither of which are open.⁶
9. For the year ended 31 December 2014, the Dawson Hotel and Spa's turnover was approximately €3.7 million, all of which was generated in the State.

Rationale for the Proposed Acquisition

10. As stated by Tetrarch in the notification, it is seeking to

⁴ Tetrarch Hotels sub-contracts the day to day operation of the Powerscourt and The Marker hotels to Interstate Hotels and Resorts ("Interstate"), an independent third party. See <<http://www.interstatehotels.com/portfolio>>. Tetrarch states, in correspondence dated 27 and 30 July 2015, that Interstate currently operates Powerscourt and The Marker on the basis of short term contracts with Tetrarch Hotels but that Tetrarch Hotels may in the near future directly manage and operate The Marker and Powerscourt hotels.

⁵ Tetrarch states, in correspondence dated 6 August 2015, that "Tetrarch principals (individually or collectively, outside of their interests in Tetrarch) own [...] of the voting rights and control the board of the entities that own and operate the hotel [...]."

⁶ The Dawson Brasserie closed in December 2014 and the basement level restaurant site is also vacant.



“secure the future of the Target Business ... by investing in the Target Business and improving the bedrooms and general offering.”⁷

Third Party Submissions

11. No submission was received.

Competitive Analysis

Market Definition

12. 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 markets.⁸
13. However, for the purposes of its analysis, the Commission has reviewed the impact of the transaction in the two most relevant business sectors in which the hotels and hostel operated by Tetrarch Hotels are currently active, and in which there may be some overlap, namely, the supply of hotel accommodation and the food service sector.

Hotel Accommodation

14. Tetrarch operates the seven hotels and one hostel listed in paragraphs 4 and 5 above, including the Marker Hotel and the Jacobs Inn Hostel, both of which are located in Dublin City within an approximate 10-15 minute drive time from the Dawson Hotel and Spa.
15. This does not, however, imply that the Dawson Hotel and Spa is necessarily a close competitor of either (i) the Marker Hotel (ii) the Jacobs Inn Hostel or (iii) any of the other hotels operated by Tetrarch. There is a degree of difference in the range and quality of services supplied given that the Dawson Hotel and Spa is a four star hotel, the Marker Hotel is a five star hotel, and the Jacobs Inn Hostel provides hostel accommodation. In addition, there are currently (and there would remain after the proposed transaction is put into effect) a number of other suppliers of hotel accommodation in the Dublin City area including for example: five star hotels such as The Shelbourne, The Westbury Hotel and The Westin; four hotels such as Maldron Hotel Cardiff Lane, O'Callaghan Davenport Hotel and Trinity City Hotel; and three star hotels such as Buswells Hotel, Temple Bar Hotel and The Fleet Street Hotel.

⁷ Notification page 6.

⁸ The Commission's conclusion concerning the competitive effects of the proposed transaction would be unaffected whether: (i) the relevant product market in the hotel sector is defined broadly in the present case to include all hotel accommodation and services or narrowly, i.e. three star or four star hotel accommodation; or (ii) the relevant product market in the food sector is defined broadly to include all segments of the food service sector or narrowly to include only a distinct hotel restaurant market. Likewise the choice of geographic market (e.g., a national market or a local market such as Dublin City or Dublin and surrounding areas) will not materially alter the competitive impact of the notified transaction in the State.



Thus, post-acquisition, the merged entity would face competition from a significant number of hotels, including and in addition to the hotels mentioned above.

16. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in the supply of hotel accommodation within the State.

Food Service

17. Tetrarch is a food service operator (e.g., through hotel restaurants providing dining services to hotel guests and other paying customers). Prior to December 2014, the Dawson Hotel and Spa was a food service operator and can be expected to be involved in the food service sector (providing services to hotel guests and other paying customers) subsequent to the completion of the proposed transaction.
18. This does not, however, imply that the Dawson Hotel and Spa is necessarily a close competitor with either the Marker Hotel or the other hotels operated by Tetrarch.⁹ There are currently (and there would remain after the proposed transaction is put into effect) a significant number of other suppliers of hotel restaurant services, including hotels listed above in paragraph 15. Within a broader food service market (i.e., broader than hotel restaurants) there would be many other competing food service operators including, for example, Dublin City restaurants and cafes that operate independently from hotels.
19. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in the food service sector within the State.

Vertical Issues

20. There is no vertical overlap in the activities of the parties and the proposed transaction does not give rise to vertical competition concerns.

Ancillary Restraints

21. No ancillary restraints were notified.

Conclusion

22. 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.

⁹ There is minimal overlap between the activities of the Dawson Hotel and Spa and Jacobs Inn in the food service sector as Jacob Inn hostel offers self-catering facilities only.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Tetrarch Capital Limited would acquire the business and assets comprising the Dawson Hotel and Spa from Dawson Street Hotel Limited (in Receivership) 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

Gerald FitzGerald
Member
Competition and Consumer Protection Commission