

*Case No IV/M.1133 -  
BASS PLC / SAISON  
HOLDINGS B.V.*

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION

Date: 23/03/1998

*Also available in the CELEX database*

*Document No 398M1133*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23.03.1998

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

**Subject: Case No IV/M. 1133 - BASS PLC/SAISON HOLDINGS BV**

Notification of 24 February 1998 pursuant to Article 4 of Council Regulation N° 4064/89

1. On 24 February 1998 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking Bass plc ('Bass') acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the issued share capital of Saison Holdings BV ('Saison') by way of acquisition of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

**I. THE PARTIES' ACTIVITIES AND THE OPERATION**

3. The business activities of the undertakings concerned are :
  - for Bass: ownership, franchising and operation of hotels (including the Holiday Inn and Crown Plaza brands); leisure retailing (including the ownership and operation of bars, amusement centres and restaurants) and the production and distribution of alcoholic and non-alcoholic drinks:
  - for Saison: ownership, franchising and operation of hotels (under the Intercontinental and Forum brands).

4. Under the operation, Bass will acquire the whole of the Intercontinental hotels ('ICH') business (which includes the hotels operated under the Forum brand). This consists of 188 hotels in 70 countries world wide, of which 40 are located in the EU. [...] of the EU hotels are owned or leased and managed by ICH; [...] are managed by ICH on behalf of third party owners/lessees; [...] are operated under franchise to third parties, and [...] are 'associated' - ie they are owned and operated independently of ICH, but appear in the ICH brochure and use its reservation system in return for a fee. Bass has 216 hotels in the EU, of which [...] are owned or leased and managed by Bass, [...] are managed on behalf of third parties, and [...] are franchised to third parties.

## **II. COMMUNITY DIMENSION**

5. Bass and Saison have a combined aggregate worldwide turnover in excess of ECU 5,000 million (Bass, ECU 7,338 million; and Saison, ECU 1,885 million ). Each of them has a Community-wide turnover in excess of ECU 250 million (Bass, ECU 6,559 million; and Saison ECU 559 million), but Saison does not achieve more than two-thirds of its aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

## **III. COMPETITIVE ASSESSMENT**

### **A. Relevant product market(s)**

6. The notifying party states that there are relevant product markets for the supply of 'upscale' and 'midscale' hotel services, based on a comparison of prices. However, it is not necessary to further delineate the relevant product markets because, in all alternative market definitions considered, effective competition would not be significantly impeded in the common market or any substantial part of that area.

### **B. Relevant geographic market(s)**

7. The notifying party states that the relevant geographic markets are either national or local (cities). However it is not necessary to further delineate the relevant geographic markets because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the common market or any substantial part of that area.

### **C. Assessment**

8. The parties have provided market share information on various alternative bases, which are considered below. Where information is on a 'value' basis, the parties

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have used ‘average daily room rates ‘ (ADRs) where available. ADR is an industry term which describes the actual average price paid over a given period, rather than the ‘brochure’ price; this is to take account of the fact that many customers (consumers as well as businesses) will often pay substantially less than the brochure price. They separate ‘upscale’ from ‘midscale’ (and ‘midscale’ from ‘economy’) hotel markets, principally on the basis of price and apparent customer perception. They further suggest that ICH hotels are in general significantly [...] <sup>8</sup> more expensive than Holiday Inns in any country or city where both are present, although prices of the Holiday Inns’ ‘upscale’ Crowne Plaza brand are closer to those of Intercontinental hotels, and those of ICH’s ‘midscale’ brand - Forum - are closer to those of Holiday Inns.

9. On this basis, the parties have identified overlapping national market shares of 15% or more, by number of hotels, or by rooms in hotels considered comparable on price (checked by survey) and other relevant factors, as follows:

- Netherlands (upscale): [...] <sup>9</sup> % by number of hotels (2 ICH and 4 Crowne Plaza hotels)

- Austria (upscale): [...] <sup>10</sup> % by number of rooms (one ICH and 2 Crowne Plaza)

Neither of these shares would be large enough, *prima facie*, to give rise to concerns about dominance.

10. At individual city level, the same analysis produces the following shares of 15% or more by rooms (all would be lower by number of hotels):

- Edinburgh upscale: [...] <sup>11</sup> % (one ICH, one Crowne Plaza, which is franchised)

- Vienna upscale: [...] <sup>12</sup> % (one ICH, one Crowne Plaza)

- Hamburg upscale: [...] <sup>13</sup> % (one ICH -managed but not owned; one Crowne Plaza).

- Berlin midscale: [...] <sup>14</sup> % (one Forum (ICH), three Holiday Inns).

As with the national shares, none of these shares appears likely to give rise to significant competition concerns.

11. A possible alternative method of analysis, adopted by the Commission in an earlier merger case <sup>15</sup>, is to distinguish a (national) market for hotel *chains*, on the grounds that an integrated chain may have competitive advantages (eg, the ability to offer bulk discounts to customers and suppliers throughout its network and/or on a national basis) not available to other types of competitor. An analysis

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<sup>15</sup> Accor/Wagons-Lits (case no. IV/M 126 of 26.4.92)

on this basis produces a market share of 15% or more (by room numbers) in only three EU Member States: Belgium<sup>16</sup> %, Finland<sup>17</sup> % and Greece<sup>18</sup> %. Again, these shares do not appear to be significant in competition terms.

12. A further, conservative, alternative approach would be to assume that all the parties' hotels, with the exception of the Intercontinental brand, (which is clearly more expensive than all the others involved) compete directly with each other. An analysis on this basis produces shares of 15% or more (by rooms) of a 'midscale' sector in the Netherlands<sup>19</sup> % and in the cities of Berlin<sup>20</sup> % and Frankfurt<sup>21</sup> %. The parties also point out that all except one of their hotels in the two German cities are franchised, which means that the parties have no control over pricing there. (For both parties, the franchisee is required to follow basic service standards laid down by the franchisor, and pays a fee in return for the use of the brand name and reservation system; otherwise the franchisee is financially and operationally independent.)
13. In order to attempt a more direct, strictly price-based approach to market definition and analysis, the parties have also provided a 'price break' analysis, based on a survey of prices for a standard double room for one particular night at the mid-week rate in any EU city where both parties have competing hotels. Hotels whose prices are within approximately 5% or 10% of each other are regarded, for this purpose, as being in the same market. On the 5% basis, this analysis produces shares in excess of 15% (by room numbers) in only one instance - Berlin<sup>22</sup> %. Again the parties point out that four out of their five Berlin hotels are franchised. On the 10% basis, there are, additionally, overlaps in Brussels<sup>23</sup> %, Hamburg<sup>24</sup> % and Frankfurt<sup>25</sup> % and the Berlin share increases to<sup>26</sup> %. However in all the cities mentioned there is a sizeable number of alternative hotels in the same price range (typically over a dozen within the 10% range), including 'chain' hotels.
14. The above analysis also showed that in the cities concerned there was a continuum of prices at all levels from the cheapest to the dearest, with no substantial 'break points' at which there were no hotels on offer. The relevant market may therefore be one for all hotels (except perhaps the very cheapest and the most expensive) on the basis of a 'chain of substitutes'. In such a market, possession of a large share of sales at any particular price level is unlikely to confer any market power; because customers could easily substitute a slightly higher- or lower -priced hotel for their first choice. On such a basis, the parties' share would of course be very small.

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15. In view of the foregoing, it appears that the notified operation will not have a significant impact on competition in the common market, and will not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or any substantial part of it.

#### **IV. CONCLUSION**

16. For the above reasons, the Commission decides not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,