

***Case No COMP/M.4615 -
MERLIN / TUSSAUDS***

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**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 26/04/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26/04/2007

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties:

Dear Sir/Madam,

Subject: Case No COMP/M.4615 – MERLIN / TUSSAUDS
Notification of 27.02.2007 pursuant to Article 4 of Council Regulation
No 139/2004
Publication in the Official Journal of the European Union No. C073,
30/03/2007, p. 26

I. INTRODUCTION

1. On 19.03.2007, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004¹ by which the undertaking Merlin Entertainments Group Luxembourg S.a.r.l. ("Merlin", Luxembourg) belonging to the Blackstone Group International Limited ("Blackstone", United Kingdom) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the Tussauds Group Limited ("Tussauds", United Kingdom) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EC) No 139/2004 ("the Merger Regulation") and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

¹ OJ L 24/1, 29 January 2004

II. THE PARTIES

3. **Merlin** owns and operates a number of leisure attractions including the Dungeons (in London, Edinburgh, York, Hamburg and Amsterdam), Sea Life Centres and Seal Sanctuaries in the UK, France, Belgium, Ireland, the Netherlands, Finland, Spain and Germany, the Earth Explorer theme park in Belgium, the Gardaland Theme Park and Hotel in Italy, and the four Legoland theme/amusement parks, one in each of the UK, Denmark, Germany and the USA. Merlin is controlled by Blackstone.
4. **Blackstone** is a private merchant banking firm based in the US and is active mainly in financial advisory services, private equity investing and property investment.
5. **Tussauds** is active in the leisure and entertainment industry. It owns and operates Madame Tussauds (in London, New York, Las Vegas, Amsterdam and Hong Kong), Alton Towers Theme Park, Thorpe Park, Chessington World of Adventures ("Chessington") in the UK, Heide Park in Germany, the London Eye and Warwick Castle in the UK.

III. THE CONCENTRATION

6. The proposed concentration involves the acquisition by Merlin, pursuant to a sale and purchase agreement dated 5 March 2007 ("SPA"), of Tussauds from Dubai International Capital LLC (DIC) and various minority shareholders in Tussauds. Leading to the acquisition of sole control the transaction therefore constitutes a concentration within the meaning of Art. 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 billion (Blackstone: EUR [...]; Tussauds: EUR 0.3 billion). The aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 250 million (Blackstone: EUR [...]; Tussauds: EUR [...]) for 2005. While Tussauds achieves more than two thirds of its Community wide turnover in the UK, Blackstone does not achieve more than two thirds of its Community wide turnover in any Member State. The notified transaction therefore has a Community dimension.

VI. RELEVANT MARKETS

A. RELEVANT PRODUCT MARKETS

8. The parties consider that the effects of the transaction should be assessed on the basis of an all leisure attractions market². For the purpose of the present notification, the parties have also provided an analysis of the effects of the proposed transaction on the basis of theme/amusement parks and zoos and visitor attractions. Theme/amusement parks are typically inland or seaside parks or piers which offer a recreational service focused on outdoor venues, with rides as a primary attraction but often featuring a broad range of other attractions (including zoos/other animal displays and outdoor shows). Visitor

² Consistent with the approach adopted by the UK's Office for National Statistics ("ONS") in analysing UK household expenditure. Following the ONS, the leisure attractions market would encompass cinemas; theatres, concerts, shows; museums, zoos, theme parks, houses and gardens.

attractions are typically attractions such as museums, galleries, historical landmarks, gardens etc.

9. The parties have also provided market shares for all visitor attractions in the UK, and the parties do not consider that it is appropriate to distinguish between attractions which have an entrance fee and those that do not. The market investigation³ has not resulted in a clear answer; however more competitors consider the market wider (including all leisure attractions). Nevertheless, the exact product market definition can be left open since the proposed transaction does not raise serious competition concerns in the narrowest market definitions ((i) theme/amusement parks and zoos, and (ii) visitor attractions).

B. RELEVANT GEOGRAPHIC MARKETS

10. According to the possible division of the product market of leisure attractions into the eventual markets of theme/amusement parks and zoos and the visitor attractions the relevant geographic markets shall be examined separately.

Theme/amusement parks

11. As regards theme/amusement parks, the parties submit that the relevant geographic market can usefully be considered on a national basis, although to the extent that theme/amusement parks are located near land borders, the relevant geographic market may be wider than national. In addition, to the extent that destination or mega theme/amusement parks are considered, the relevant geographic market will be wider than national. In this connection, the parties submit that the location of Disneyland Paris, which is within easy reach of London and the South-East of the UK by the Eurostar rail service either for day trips or overnight stays, is particularly relevant. Approximately 2.3 million visitors went to Disneyland Paris from the the UK in 2006.
12. However, the parties recognise that their primary catchment area for theme/amusement parks is for customers located within a two hour drive time of a park. In 2006, [...] per cent of Legoland Windsor's visitors came from the South-East of the UK, while in 2005, [...] per cent of both Chessington's and Thorpe Park's visitors came from within the two hour drive time area. On this basis, as regards the UK, the proposed transaction will bring Legoland Windsor (owned by Merlin) under the same ownership as Chessington and Thorpe Park (owned by Tussauds) in the South-East of the UK and within each other's catchment area.
13. The market investigation confirmed the above geographic market definition; the competitors consider the 2 hours drive distance appropriate, while some of them see the market as national for the biggest parks; however this question can be left open.

Visitor attractions

14. As regards visitor attractions, the parties are of the view that the geographic scope of the relevant market is more local than for theme/amusement parks. The parties' overlaps in visitor attractions primarily arise in London.

³ Questionnaires were sent to the competitors of the parties. Considering the nature of service provided by the parties the customers (i.e. the visitors) were not questioned.

15. The parties submit that the majority of the visitors to the parties' attractions are tourists who are staying overnight in London. In particular, in 2005 around [...] per cent of visitors to the London Eye, [...] per cent of visitors to Madame Tussaud's and [...] per cent of visitors to the London Dungeon were either national or international tourists staying overnight in London. On the whole, these tourists wish to visit attractions which are a short journey on public transport. Tourists can also purchase tickets from a number of tour operators which operate "hop-on, hop-off" bus routes.
16. Accordingly, the parties consider that the relevant geographical scope is London, and includes attractions which are within easy reach of Central London by public transport. The market investigation has confirmed this view; however this question can be left open.

VII. COMPETITIVE ASSESSMENT

Theme/amusement parks

17. The analysis of the impact of the transaction focuses on the theme/amusement parks and zoos on the basis of a regional market definition, as delineated by the South-East of the UK (but including Disneyland Paris), which would be the only affected market⁴. The combined market shares of the parties will be [15-25%] (volume) or [25-35%] (value).
18. The merged entity will face significant competition from a number of nearby attractions in the South-East of the UK (Brighton Pier: [15-25%] in volume, Eastbourne Pier: [5-15%] in volume, Adventure Island: [5-15%] in volume, Pleasurewood Hills, which is in the process of undertaking further investment in the park and therefore will become a much stronger regional competitor) and Disneyland Paris ([5-15%] in volume and [25-35%] in value).
19. In case Disneyland Paris is not considered as being part of the same geographic market, the combined market shares of the parties will be [15-25%] in volume or [35-45%] in value. The market shares of the competitors would also increase in a similar proportion. It should also be noted that the calculation of the market shares of the parties based on value overestimates their competitive position as the revenues of the competitors do not include their income from secondary spending by the visitors (e.g. on refreshments and/or merchandise), while the revenues of the parties contain all income. The parties' market share is therefore in reality lower than [35-45%].
20. Furthermore, the parties are not each other's closest competitors in the UK or the South-East of the UK, as they target different customer groups. Legoland Windsor, Thorpe Park and Chessington operate in different segments of the theme/amusement park industry. Thorpe Park's offer of "white-knuckle" rides is aimed at attracting teenagers and young adults, while Legoland Windsor and Chessington attract younger children with their families. The market investigation has confirmed this differentiation.
21. Chessington and Legoland Windsor are relatively close competitors as regards their target audiences (families with young children), however Legoland Windsor primarily attracts children aged up to 7-8 years old while Chessington attracts a significant portion of its attendance from children aged 8-12 and young teenagers. Legoland is identified with a young children's game while Chessington has a broader appeal to older children.

⁴ The parties' combined market share (by volume) on the national level is under 15 per cent [...] by volume and by value is [20-30%].

Chessington also offers white knuckle rides, so it targets older children and/or families having children across all age groups.

22. Moreover, there are other close competitors targeting children or families with children in the South-East of the UK, such as Paultons Park, Drusillas Park and Gulliver's Land.
23. Taking into consideration the market shares of the parties, the presence of strong competitors and the different target groups of theme parks on the relevant markets, the proposed transaction does not raise serious doubts as to its compatibility with the common market as regards theme/amusement parks.

Visitor attractions

24. The combined market share of the parties is under 15% in the narrowest possible market definition; therefore visitor attractions do not qualify as an affected market.

VIII. CONCLUSION

25. For the above reasons, the Commission has decided 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 (EC) No 139/2004.

For the Commission
Signed
Neelie KROES
Member of the Commission