

***Case No COMP/M.4760 -
AMADEUS / SABRE / JV***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 12/09/2007

***In electronic form on the EUR-Lex website under document
number 32007M4760***



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12-IX-2007

SG-Greffe(2007) D/205435

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sirs,

**Subject: Case No. COMP/M.4760 – Amadeus/ Sabre/ JV
Notification of 07.08.2007 pursuant to Article 4 of Council Regulation
No 139/2004**

I. INTRODUCTION

1. On 7 August 2007, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 ("the Merger Regulation")¹, by which the undertakings Amadeus IT Group, S.A. ("Amadeus", Spain) and Sabre Inc. ("Sabre", USA) acquire within the meaning of Article 3(1)(b) of the Merger Regulation joint control of a newly created company constituting a joint venture ("JV"). The name of the JV will be Moneydirect.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

II. THE PARTIES

3. **Amadeus** is the parent company of the Amadeus Group. The principal activity of the group is to provide solutions to the travel industry to manage the distribution and selling of travel services via its Global Distribution System ("GDS"). By using the Amadeus GDS, travel agents can make bookings with primarily airlines, hotel chains and car rental firms. In addition, Amadeus provides IT services to the airline industry (e.g. inventory management).

¹ OJ L 24, 29.1.2004 p. 1

4. **Sabre** is the principal operating company of the Sabre Group. The company has three primary business units, Sabre Travel Network, Travelocity and Sabre Airline Solutions. The Sabre Travel Network distributes travel-related services through the Sabre GDS. Travelocity is an online travel agency and Sabre Airline Solutions offers airlines passenger management services, software products and consulting services.
5. **Moneydirect** will be incorporated in Ireland. The parties anticipate that Moneydirect will have two fully-owned subsidiaries, the existing firm Moneydirect Pty. Ltd. (incorporated in Australia) and a US subsidiary (still to be incorporated). Moneydirect will provide payment processing and clearing services for the travel industry.

III. THE OPERATION

6. Amadeus will contribute its existing Moneydirect business to the JV.² Sabre's contribution to the JV will be financial only. Moneydirect will be jointly controlled by Amadeus and Sabre (each party will retain 50% of the company's share capital).³ The operation therefore constitutes an acquisition of joint control in accordance with Article 3(2) of the Merger Regulation.
7. The JV will be set up on a lasting basis. Moneydirect will have its own dedicated management, financing, staff and assets. The company will provide its own services and deal directly with its own third party customers. Any services provided by the JV to the parent companies will be carried out at an "arm's length" basis. The JV will therefore be "full function" within the meaning of Article 3(4) of the Merger Regulation.
8. The notified operation therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

9. The combined aggregate worldwide turnover of the undertakings concerned exceeds EUR 2,500 million (Amadeus EUR 2,683 million; Sabre EUR 2,283 million; Moneydirect EUR 1 million) and their aggregated Community-wide turnover exceeds EUR 100 million (Amadeus EUR [...] million; Sabre EUR [...] million). The parties' combined turnover exceeds EUR 100 million in more than three Member States (among them Germany, France and the UK)⁴ and each of the parties generate more than EUR 25 million in each of these three Member States.⁵ None of undertakings concerned generate more than two-

² The Australian company Moneydirect Pty. Ltd (including its New Zealand subsidiary), the Moneydirect proprietary software system, associated intellectual property rights and current customer agreements. The existing business does not operate within the EEA.

³ The JV's board of directors will be composed of four members. Two members will be appointed by Amadeus and two by Sabre. The chairman will alternate between the parties and he will not have a casting vote. Decisions are taken by simple majority. If the board is unable to decide on a matter, it will be referred to the CEOs of Amadeus and Sabre for resolution. Each party has a veto right for all decisions.

⁴ Germany: Amadeus EUR [...] million and Sabre EUR [...] million; France: Amadeus EUR [...] million and Sabre EUR [...] million; the UK: Amadeus EUR [...] million and Sabre EUR [...] million.

⁵ See previous footnote.

thirds of its turnover within one and the same Member State. It can therefore be concluded that the notified operation has a Community dimension pursuant to Article 1(3) of the Merger Regulation.

V. RELEVANT MARKETS

A. RELEVANT PRODUCT MARKET

10. The JV will be active in the field of payment processing and clearing systems. Moneydirect will set up, market and commercialise a payment processing and clearing platform for the travel sector. Moneydirect will not initially focus on transactions involving traditional airlines but on transactions carried out by other travel service providers such as hotels and car rental firms. The company will contract with travel agencies and travel service providers and will then process and clear payments between contracting parties.⁶
11. There are several competing processing and clearing platforms catering to the needs of the travel industry. The Bank Settlement Plan ("BSP") is operated by the International Air Transport Association ("IATA") which settles payments between most "legacy" airlines.⁷ Payment collection from travel agencies is performed by companies such as TourFinance, DER and the SPS Platform. Pegasus provides hotel distribution services including payment systems whereas WPS manages and processes data for the travel industry, including payment processing. Perot Systems provides IT solutions to the travel industry (and other industries).
12. Payment processing and clearing platforms are aimed at facilitating the processing of payments and related documentation. Their specific features vary from industry to industry but generally provide for pre-arranged procedures for invoicing and transfer of funds in an efficient and cost-effective manner.
13. For the purposes of market definition, it may possibly be appropriate to distinguish between payment processing and clearing platforms active in different industries. In the present case it is however not necessary for the Commission to determine whether payment processing and clearing for the travel industry constitutes a relevant product market distinct from payment processing and clearing in other industries, because the notified the transaction does not lead to competition concerns under any plausible product market definition.

B. RELEVANT GEOGRAPHIC MARKETS

14. To date, Moneydirect is only active in Australia, New Zealand and the Philippines. The JV will offer its services to travel businesses in the EU (initially in France and the United Kingdom) and the USA with the view to offer payment processing and clearing globally in the future.

⁶ Examples of such transactions would be payments from travel agent to hotel (transfer of deposit or pre-payment received by travel agent), from travel agent to car rental company (transfer of deposit or pre-payment received by travel agent) and hotel to travel agent (payment of commission).

⁷ Over 80% of worldwide airline revenues are processed via IATA travel agencies in the BSP system.

15. For the purposes of the present case, it is not necessary to determine the exact geographic scope of the relevant market(s) – for instance by defining national, EU-wide or worldwide markets – since the notified transaction does not lead to competition concerns under any plausible market definition.

VI. COMPETITIVE ASSESSMENT

A. NO HORIZONTAL OVERLAPS

16. Amadeus is currently not active in payment processing and clearing in the EEA. Sabre is not active in payment processing and clearing at all. It may therefore be concluded that the notified transaction will not result in any horizontal overlaps.

B. NO VERTICAL CONCERNS

17. The parent companies – i.e. the GDS businesses of Amadeus and Sabre and their respective travel agency businesses – are likely to become customers of the JV since they may disburse or receive payments to and from certain travel agents via Moneydirect. However, the notifying parties state that Moneydirect will have a large number of customers and that transactions to/from Amadeus and Sabre will account for a maximum of 10% of Moneydirect's total transaction volume. Travel agencies owned by Amadeus and Sabre account for a maximum of 6% of travel agency transactions in any Member State.
18. Given these circumstances, it may be expected that the relative importance in value terms of the vertical relationships between Amadeus and Sabre on the one hand and Moneydirect on the other, will be limited.
19. It may be concluded that no vertical relationship between Amadeus and Sabre and the JV will give cause for concern.

C. COORDINATION BETWEEN THE PARENT COMPANIES

20. One of the parent companies of the JV, Amadeus, has very strong market positions in the EU markets for GDS services.⁸ Moreover, GDS markets are highly concentrated with only three providers active in the EU (Amadeus, Sabre and Galileo/Worldspan). On the downstream side of the two-sided GDS market – in which GDS providers offer reservation, booking and ticketing services to travel agencies – Amadeus has market shares exceeding 50% in 18 Member States and exceeding 90% in seven Member States.⁹
21. Given the highly concentrated nature of the GDS market, any coordination of the competitive behaviour of Amadeus and Sabre in this market could be detrimental to competition. Certain third parties have communicated their concerns about the fact that

⁸ For an in-depth description and analysis of the markets for GDS services, see the Commission decision of 21.08.2007 in case COMP/M.4523 TRAVELPORT/WORLDSPAN (not yet published).

⁹ See TRAVELPORT/WORLDSPAN, para 69. The Commission considered the downstream side of the market to be national in scope.

Amadeus and Sabre will be cooperating in the JV.¹⁰ Their main concern is a perceived risk that the JV would be used as a vehicle to co-ordinate the competitive behaviour of Amadeus' and Sabre's GDS businesses and travel agency businesses. These third parties allege that data could be exchanged between the JV and the parent companies and ultimately between the parent companies (via the JV). Detailed data from three sources (Amadeus, Sabre and Moneydirect) could be combined and used to coordinate the behaviour of the parent companies in the GDS markets or be sold to airlines. The latter option would allegedly give advantages to airlines in contractual negotiations with travel agents. Finally, it is alleged that Amadeus and Sabre would use this information to favour their own retail travel agencies.¹¹

22. The emphasis of the Commission investigation of the notified transaction has therefore been to assess whether the JV has "*as its object or effect the coordination of the competitive behaviour of undertakings that remain independent.*"¹² There are no indications in the contractual arrangements between the parties included in the notification that would lead the Commission to believe that the objective of creating the JV is to coordinate the market behaviour of Amadeus and Sabre.
23. First, it ought to be noted that the current activities of the company that will form the nucleus of the JV (Australian firm Moneydirect Pty. Ltd.) are very limited compared to the activities of the parent companies and that none of them are active in the field of payment transactions and clearing in the EU.¹³
24. Second, the principal activity of the parent companies – the provision of GDS services – is not an activity which is situated upstream or downstream from the activity of the JV. Having access to GDS services is not a pre-requisite to be able to supply payment transaction and clearing services. The GDS market may be described as a neighbouring market in the sense that the payment transaction and clearing services provided by the JV will be offered to companies active in the travel industry, including GDS providers such as Amadeus and Sabre. However, the number of potential customers to the JV within the travel industry (and possibly outside it) is much wider than Amadeus and Sabre. Considering these circumstances, the market for GDS services cannot be considered to be closely related to the provision of payment transaction and clearing services.
25. Third, the Commission has analysed closely the arrangements that will be put in place by Amadeus and Sabre to prevent anti-competitive information "spill-over" to and from the JV. The Joint Venture Agreement specifies which types of information will be shared between Moneydirect, Amadeus and Sabre. No information that is not normally available to shareholders of a JV will be disclosed by Moneydirect to its parent companies. As a general rule, information obtained and produced by the JV will be treated as confidential

¹⁰ The Group of National Travel Agents' and Tour Operators' Associations within the EU ("ECTAA"), the Guild of European Business Travel Agents ("GEBTA") and the German Travel Association (Deutscher ReiseVerband, "DRV") have contacted the Commission in this respect.

¹¹ Amadeus and Sabre both operate on-line travel agencies.

¹² Article 2(4) of the Merger Regulation.

¹³ The turnover of Moneydirect Pty. Ltd. was EUR 1 million compared to EUR 2,683 million for Amadeus and EUR 2,283 million for Sabre.

and will not be made available to the parent companies. Amadeus' and Sabre's access to information will be limited to their own respective transactions.¹⁴ The parties state in the Joint Venture Agreement that they consider it paramount to keep confidential pricing and transaction information of the JV's customers. The only persons from the parent companies that will be granted access to detailed information about customers' payment transactions will be employees formally seconded to the JV that do not have any sales or managing function within Amadeus or Sabre.

26. Given the very limited size of the JV in relation to the principal activities of the parent companies, given the fact that GDS services are not closely related to payment transaction and clearing services and provided that the contractual arrangements limiting information flows between the JV and the parent companies are put in place and strictly adhered to, the Commission considers it unlikely that the JV will be used as a vehicle to co-ordinate the competitive behaviour of Amadeus' and Sabre's GDS businesses and travel agency businesses.¹⁵
27. The Commission can therefore conclude that the notified operation does not have as its object or likely effect to coordinate the competitive behaviour of Amadeus and Sabre in a market which is upstream or downstream from that of the JV or in a neighbouring market closely related to the market in which the JV is active.

VIII. CONCLUSION

28. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and 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

¹⁴ The provisions concerning transfer of information are included in [...] of the Joint Venture Agreement included in the notification.

¹⁵ Should it turn out later that the JV is used to coordinate anti-competitive market behaviour; it may of course be subject to ex-post investigation under the Community anti-trust rules (articles 81 and 82 of the EC Treaty).