

***Case No COMP/M.7358 -  
DNATA / STELLA***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 09/10/2014

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## EUROPEAN COMMISSION

Brussels, 9.10.2014  
C(2014) 7470 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

### **To the notifying party:**

Dear Sir/Madam,

**Subject: Case M.7358 - Dnata / Stella**  
**Commission decision pursuant to Article 6(1)(b) of Council Regulation**  
**No 139/2004<sup>1</sup>**

- (1) On 4 September 2014, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which dnata (the United Arab Emirates) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the UK travel services business of Stella Travel Services UK Limited and of Stella Global UK Limited (together, 'Stella', the United Kingdom) by way of a purchase of shares.

#### **1. THE PARTIES**

- (2) **dnata** is a sister company of Emirates, the international airline. Dnata and Emirates are wholly-owned by the Investment Corporation of Dubai ("ICD"), which is in turn wholly-owned by the Government of Dubai. ICD plays no part in the management of

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ('the Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

Emirates Group<sup>2</sup>. The Transaction will be carried out by dnata Travel Holdings UK Limited within the Emirates Group.

- (3) **Stella** is a UK travel business, originally set up as a subsidiary business of the Stella Travel Group, an Australian hotels and leisure travel business. The UK business is ring-fenced from the wider Stella structure and is also the only trading asset in the wider structure. Stella does not have any activities outside the United Kingdom. Stella and the Emirates Group are referred to as the "**Parties**".

## 2. THE CONCENTRATION

- (4) On 4 September 2014, dnata entered into a binding share purchase agreement with STS UK Holdco II Limited and Stella Global Travel PTY Limited to purchase the entire issued share capital of Stella.
- (5) Therefore, the Transaction results in a concentration under Article 3(1)(b) of the Merger Regulation.

## 3. EU DIMENSION

- (6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million<sup>3</sup>, namely ICD EUR 16 600<sup>4</sup> million and Stella EUR 253 million. Each of them has an EU-wide turnover in excess of EUR 250 million: ICD [above EUR 250 million]; Stella EUR 253 million, but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- (7) The notified operation has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

## 4. COMPETITIVE ASSESSMENT

### 4.1. Market definition

#### 4.1.1. Product market definition

##### *Parties' activities*

- (8) Stella's business is structured around four core business divisions: (i) tour operating and distributing of flights ("flight consolidating") primarily offering long-haul flights and package holidays (via the companies **Travelbag and Travel2**), (ii) online travel agency business offering nearly exclusively short-haul dynamic packages (flights and hotel bookings) (via the company **Sunmaster**), (iii) supply of hotel rooms for inclusion in short haul holiday packages around the Mediterranean (via the company

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<sup>2</sup> The Emirates Group consists of dnata, Emirates, a further sister company, dnata World Travel, and their various subsidiaries.

<sup>3</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

<sup>4</sup> This turnover corresponds to the Emirates Group. In any event, ICD and Stella have an aggregate EU-wide turnover above EUR 5 000 million.

**Triton**) and (iv) franchise and affiliate travel agency management business (via the company **Global Travel Group**).

- (9) The Emirates' Group activities in these markets are: (i) the tour operating business (primarily long-haul business) (via the company **Emirates Holidays**), (ii) long-haul package holidays and distributing independent scheduled long-haul flights, hotels and car hire products (via the company **Gold Medal Travel**), (iii) online travel agency distributing primarily short haul holiday products (including dynamic packages) (via the company **Travel Republic**) and (iv) online flight only sales (via the company **Netflights**).

*Parties' view*

- (10) The Parties submit that their activities overlap in relation to the following markets: (i) the supply of long haul holidays (through their respective tour operating businesses Travelbag/Travel2 and Emirates Holidays/Gold Medal); (ii) the distribution of flights to other travel agents and consumers (through their respective flight consolidator businesses in Travelbag/Travel2 and Gold Medal and Netflights); and (iii) the distribution of leisure travel services in the United Kingdom (through their online travel agency businesses Sunmaster.co.uk and TravelRepublic.co.uk/Netflights.com).
- (11) The Parties consider that there is one relevant product market for the supply of long haul holidays, including both packages and independent holidays, and that this market should not be further segmented by online/offline channel of supply. The Parties further argue that a further separation of the market on the basis of the country of destination or holiday type is not a plausible relevant market definition. Lastly, the Parties consider that the market for the distribution of leisure travel services should not be further sub-segmented according to online/offline channels of distribution or by product type.

*Commission's assessment*

- (12) In its previous decisions, the Commission considered that tour operators gather several services such as flights, car rental, and hotel accommodation from the upstream markets in so-called "package holidays". Downstream, travel agencies provide end customers with these package holidays. Alternatively, end-customers purchase flights, car rental and hotel accommodation separately, either from upstream suppliers (airlines, hotels), or travel agencies (this was defined by the Commission's practice as "independent holidays", i.e. holidays where the customers purchase individually every piece of their travel)<sup>5</sup>. Upstream, at the wholesale level, the Commission previously defined a separate market for wholesale supply of airline seats to tour operators<sup>6</sup> as well as a separate market for the procurement markets for hotel accommodation in destination holiday resorts<sup>7</sup>.

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<sup>5</sup> See *inter alia* Commission decisions n° M.5038 – *Telefónica/Turned/Rumbo* of 28 February 2008, paragraph 9; M.4600 - *TUI/ First Choice* of 4 June 2007, paragraph 12 *et seq.*; M.4234 – *Carlson/One Equity Partners/Carlson Wagonlit* of 3 July 2006, paragraph 12 and M.1524 – *Airtours/First Choice* of 22 September 1999, paragraph 5 *et seq.*

<sup>6</sup> Commission decision n° M.5867 – *Thomas Cook / Öger Tours* of 14 September 2010, paragraph 15.

<sup>7</sup> Commission decision n° M.4601 – *KarstadtQuelle / MyTravel* of 4 May 2007, paragraph 46.

- (13) While leaving the precise market definition open, the Commission has most often defined a market for the distribution of travel services which was divided into (i) business travel services and (ii) leisure travel services and further subdivided into (i) offline (brick-and-mortar) travel agency (package holidays, independent holidays) and (ii) online travel agency (package holidays, independent holidays and leisure flights).<sup>8</sup> Further distinctions between long-haul and short-haul holidays, between "independent" and "package holidays"<sup>9</sup> were also mentioned. Lastly, the Commission envisaged the possibility of segmenting the market for foreign package holidays (long-haul and short-haul) by holiday type, for example "sun and sea" holidays, "city breaks", or by destination. However, in previous decisions the Commission did not consider it necessary to make such a further distinction.<sup>10</sup>
- (14) In any event, the precise market definition can be left open as the effects of the Transaction would remain the same irrespective of the market definition adopted.

#### 4.1.2. *Geographic market definition*

- (15) The Parties argue that the markets identified above are national in scope. Because of the activities of Stella, the relevant national market is the United Kingdom.
- (16) In previous decisions, the Commission found that the geographic scope of the market was national<sup>11</sup>. For the purposes of this decision, the Commission will assess the impact of the Transaction in the United Kingdom.

#### 4.1.3. *Conclusion*

- (17) In light of the Parties' activities and the Commission's previous decision practice in these markets, the Commission considers that it is relevant to assess the competitive effects due to horizontal overlaps on the following markets: (a) the market for the distribution of travel services further split into (i) the supply of long haul holidays and (ii) the supply of short-haul holidays and (b) the distribution of flights to other travel agents and consumers. The Commission also considered possible sub-segmentations of these markets as described above: online/offline and a wider holiday market (including independent holidays and package holidays) or package holidays only. The distinction between leisure and business is not relevant because the Parties do not provide business travel services.
- (18) In addition, the Commission assessed the effects of the Transaction because of the vertical relationships between (i) the market for the wholesale supply of airline seats by Emirates to different categories of customers (tour operators, travel agents and consolidators) and the market for the distribution of travel services; and (ii) the supply of beds to tour operators and travel agents by Stella (via Triton) and the market for the distribution of travel services.

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<sup>8</sup> Commission decisions n° M.6163 – *AXA/Permira/Opodo/Go Voyages/E-dreams* of 30 May 2011, paragraphs 18 *et seq.*; M.5996 – *Thomas Cook/Travel Business of co-operative group/Travel Business of Midlands Society* of 6 January 2011, paragraph 28.

<sup>9</sup> Commission decision n° M.5867 – *Thomas Cook / Öger Tours* of 14 September 2010, paragraph 10.

<sup>10</sup> Commission decision n° M.4601 – *KarstadtQuelle / MyTravel* of 4 May 2007, paragraph 25.

<sup>11</sup> Commission decisions n° M.5867 – *Thomas Cook / Öger Tours* of 14 September 2010, paragraph 11 and n° M.6163 – *AXA/Permira/Opodo/Go Voyages/E-dreams* of 30 May 2011, paragraphs 29 *et seq.*

## 4.2. Assessment

### 4.2.1. Horizontal overlaps

- (19) The Parties submit that on no plausible market definition does the combined market share approach 20% and therefore there are no horizontally affected markets. In any event, a number of significant players such as Expedia, Trailfinders or TUI Travel plc will continue to operate on the market and constrain the Parties.
- (20) On the market for supply of long-haul holidays in the United Kingdom, the combined market share of the Parties does not exceed [10-20]%, even if this market was further segmented into online and offline supply of long haul holidays.
- (21) On the market for supply of long-haul package holidays in the United Kingdom, the combined market share of the Parties does not exceed [5-10]%. If this market was further segmented into online and offline supply of long-haul package holidays, the combined market share would be minimal ([0-5]%) on the online market while on the offline market it would be [10-20]%.
- (22) As regards the market for online supply of short-haul holidays in the United Kingdom, the Parties' combined market share is [5-10]%, while on the market for online supply of short-haul package holidays in the UK, their combined market share does not exceed [10-20]%. On a wider market including also the other distribution channels, their combined market share is minimal ([0-5]%).<sup>12</sup>
- (23) On the market for offline distribution of flights in the United Kingdom, their combined market share is below [5-10]% while on the market for online distribution of flights in the UK it reaches merely [0-5]%. Lastly, if any of the markets were to be defined on a per destination basis, the Parties submit that their combined market shares would remain well below 20%.
- (24) In light of the above and of all the available evidence, the Commission considers that the Transaction does not lead to any horizontally affected market on any plausible market, and therefore it does not raise any serious doubts as to its compatibility with the internal market.

### 4.2.2. Vertical relationships

- (25) The Transaction leads to two vertical relationships: (i) the market for the wholesale supply of airline seats by Emirates to different categories of customers (tour operators, travel agents and consolidators) and the market for the distribution of travel services and (ii) the supply of beds to tour operators and travel agents by Stella (via Triton) and the market for the distribution of travel services.

#### 4.2.2.1. Wholesale supply of airline seats and distribution of travel services

- (26) On the market for the supply of seats to different categories of customers (tour operators, travel agents and consolidators) in the United Kingdom, Emirates' market share is below [10-20]%. When looking at Emirates' share on the supply of

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<sup>12</sup> Travel Republic and Sunmaster are both online travel agencies, focusing on the short haul holidays segment, principally to Mediterranean destinations.

seats to different categories of customers (tour operators, travel agents and consolidators) in the United Kingdom on the long-haul segment, its market share is [10-20]%<sup>13</sup>. However, this market share is likely to be overstated because it excludes services offered by some categories of carriers such as charter airlines. If one would consider Emirates' position on a route-by-route basis, its market share would be between 30% and 70% on certain holiday routes between London and other parts of the world such as Dubai, Perth (Australia) or Mahe Is (Seychelles), etc. On holiday routes departing from regional airports in the United Kingdom (New Castle, Manchester, Glasgow and Birmingham) to other parts of the world, Emirates would have even larger market shares.

- (27) The Commission considered whether the Parties would have the ability and incentive to engage in a foreclosure strategy as regards the provision of the wholesale supply of airline seats on these destinations and whether there will be any detrimental effect on competition on the downstream market for the distribution of travel services. The Commission considers that any input or customer foreclosure can be excluded because of the upstream presence of other competing carriers on these routes as well as the limited presence of the Parties on the downstream market for the distribution of travel services (whatever the segmentation) post Transaction.
- (28) As mentioned above, on a UK-wide market for the provision of airline seats to different categories of customers (tour operators, travel agents and consolidators), Emirates' market share is limited, even when looking only at long-haul destinations. On route-by-route basis, other carriers such as British Airways, Virgin Atlantic, Virgin Australia, Qatar Airlines offer direct services and numerous other indirect services are also available. Tour operators and travel agents will therefore have sufficient alternatives available for their offerings of package holidays. Emirates will not have the incentive to foreclose access to the competitors of the Parties to its seats on destinations ex-the United Kingdom as the sales of Emirates to the Parties represent only a rather small share of Emirates' sales of seats to travel agents and tour operators. Indeed in 2013, Emirates sold the overwhelming majority of its seats to competitors of the Parties while the sales to the Parties accounted for a small share on all flights ex-the United Kingdom<sup>14</sup>.
- (29) In any event, the Parties' customers are leisure passengers which will likely be more flexible in their choice of holiday destination and will therefore likely consider more than one destination when making their choice. In fact, travel agents and tour operators in the United Kingdom offer distribution of travel services to a number of destinations worldwide. For instance, the Parties' share of acquisitions of airline seats to long-haul destinations from Emirates amounted to only [10-20]% in 2013. In addition, the United Arab Emirates does not appear as a top long-haul holiday destination for passengers travelling from the United Kingdom. Holidays to the United States continue to dominate the long-haul market with a share of 27%

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<sup>13</sup> Even if one were to assess Emirates' position on the supply of seats to tour operators ([10-20]%) or travel agents ([10-20]%) separately, their share would remain below 30%.

<sup>14</sup> Even if one would consider flights from individual airports in the United Kingdom (New Castle, Manchester, Glasgow and Birmingham), the share would remain below [10-20]%.

followed by other destinations such as Tunisia, Mexico and Egypt, while the share represented by travel to the United Arab Emirates was only 5%<sup>15</sup>.

4.2.2.2. Supply of beds to tour operators and travel agents and distribution of travel services

- (30) On the market for the provision of hotel accommodation to tour operators and travel agents, the presence of Triton is minimal (in any event not leading to a vertically affected market). The Parties' presence on the market for the distribution of travel services stays below 20% as explained above. No customer or input foreclosure can therefore be expected.

4.2.2.3. Conclusion on vertical relationships

- (31) In light of the above and of all the available evidence, the Commission considers that the Transaction does not raise serious doubts because of these vertical relationships.

**5. CONCLUSION**

- (32) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission*

*(signed)*  
*Joaquín ALMUNIA*  
*Vice-President*

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<sup>15</sup> Mintel Report, Long-haul Holidays UK, March 2014, page 38. Annex 8 to the Form CO.