



EUROPEAN COMMISSION  
DG Competition

***Case M.8231 - KUONI TRAVEL HOLDING / MTS GLOBE***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 15/11/2016

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## EUROPEAN COMMISSION

Brussels, 15.11.2016  
C (2016) 7435 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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,

**Subject: Case M.8231 - Kuoni Travel Holding / MTS Globe  
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004<sup>1</sup> and Article 57 of the Agreement on the European Economic Area<sup>2</sup>**

- (1) On 12 October 2016, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which Kuoni Travel Holding Ltd. ("Kuoni", Switzerland), controlled by EQT VII, belonging to the EQT group of private investments funds, acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control over Mediterranean

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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.

<sup>2</sup> OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

Travel Service ("MTS") Globe of Spain, by way of purchase of shares<sup>3</sup> (the "Transaction"). Kuoni and MTS Globe are collectively referred to as "the Parties".

## **1. THE PARTIES**

- (2) Kuoni is a service provider to the global travel industry and governments, mainly active in three areas:
  - a) Global Travel Distribution ("GTD"), whereby Kuoni is active as a business to business ("B2B") wholesaler and service provider of hotel accommodation and land services to travel agents, tour operators and other intermediaries;
  - b) Global Travel Services ("GTS"), whereby Kuoni provides group tour packages including hotels and services such as restaurant, sightseeing and expert guides as well as local destination management services (e.g safari experiences or desert overnight stays) to tour operators and (online) travel agents;
  - c) Visa Facilitation Services ("VFS") Global, whereby Kuoni provides visa application outsourcing services to governments through the operation of visa application centres.<sup>4</sup>
- (3) Kuoni, through GTD<sup>5</sup> and GTS, is a global intermediary of travel services, including hotel accommodation services, to travel agents ("TAs"), online travel agents ("OTAs"), tour operators ("TOs"), and other intermediaries.
- (4) MTS Globe consists of Anchorix Holding AG ("AHAG"), OTS Open Travel Services Holding Malta Ltd. ("OTS Malta") and OTS Service and Holding Switzerland Ltd. ("OTS CH").
- (5) MTS Globe is a service provider to the travel industry focusing on beach destinations in the Mediterranean area. More specifically, MTS Globe focuses on two core activities:
  - a) Destination management services including tour guiding, bus & shuttle transfers, excursions, car rentals and round trips (operating in 12 countries, mainly around the Mediterranean) provided at the place of destination to end customers through TOs, and OTAs;
  - b) Intermediation of hotel accommodation primarily to TOs and OTAs, through its Open Travel Service division ("MTS OTS").

## **2. THE CONCENTRATION**

- (6) The concentration will be implemented by means of a share purchase agreement entered into by an affiliated entity of Kuoni, Kuoni Global Travel Services AG

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<sup>3</sup> Publication in the Official Journal of the European Union No C 385, 19/10/2016, p.38.

<sup>4</sup> Kuoni's activities in the VFS business area do not give rise to any horizontal overlap or vertical relationship in the context of the Transaction. Therefore, Kuoni's activities in the VFS business area will not be further assessed in the framework of this decision.

<sup>5</sup> Under the Gullivers Travel Associates ("GTA") division/brand.

("Kuoni GTS AG"). Kuoni GTS AG will acquire 100 % of the shares in AHAG, 99,91 % of the shares in OTS Malta and 70 % of the shares in OTS CH from Toreto Holding AG and Mr Rembert Euling (together the "Seller"). Since OTS Malta is the owner of the remaining 30 % of the shares in OTS CH, Kuoni GTS AG will indirectly own all shares in OTS CH.

- (7) Therefore, the Transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

### **3. EU DIMENSION**

- (8) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Kuoni: EUR [...]; MTS Globe: EUR [...]). Each of them has an EU-wide turnover in excess of EUR 250 million (Kuoni: EUR [...]; MTS Globe: EUR [...]), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.

- (9) The Transaction therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

### **4. COMPETITIVE ASSESSMENT**

#### **4.1. Relevant market definition**

##### **4.1.1. B2B supply of destination management services**

- (10) The Commission has not previously assessed the existence of a possible market for the B2B supply of destination management services.

- (11) The Parties submit that the B2B supply of destination management services constitutes the relevant product market for the assessment of the Transaction.<sup>6</sup> Moreover, the geographic scope of the market for B2B supply of destination management services is national, or potentially even narrower in scope.<sup>7</sup>

- (12) The Commission considers that for the purpose of this decision, the precise scope of the relevant product and geographic markets can be left open, as the Transaction does not raise serious doubts under any plausible market definition.

##### **4.1.2. Packaged group tours**

- (13) In Case M.8046 - TUI/Transat France, the Commission considered a market for package holidays, but ultimately left open whether package holidays constitute a different market from independent holidays. In the same case, the Commission also left open whether the hypothetical market for package holidays could be further segmented by type (between club, stays, tour and à la carte) or by destination (between domestic and foreign package holidays, between short/medium haul foreign package holidays and long haul foreign package holidays or between package holidays by destination country and package holidays by groups of

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<sup>6</sup> Form CO, page 40.

<sup>7</sup> Form CO, page 41.

destination countries such as Southern Europe and Northern Europe).<sup>8</sup> As regards the geographic scope of the hypothetical market for package holidays, the Commission has defined the market as national.<sup>9</sup>

- (14) The Parties submit that the B2B supply of group tour packages (excluding airline reservations) constitutes the relevant product market for the purpose of the Transaction.<sup>10</sup> Moreover, the market for B2B supply of group tour packages (excluding airline reservations) is global in scope.
- (15) The Commission considers that for the purpose of this decision, the precise scope of the relevant product and geographic markets can be left open, as the Transaction does not raise serious doubts under any plausible market definition.

#### **4.1.3. Hotel intermediation**

- (16) In Case M.7968 - EQT Service UK/Kuoni Travel Holding,<sup>11</sup> the Commission considered, but ultimately left open, the existence of a market for hotel intermediation. As to the geographic scope of the hypothetical market for hotel intermediation, the Commission has previously considered that it is world-wide on the upstream side (i.e. the provision of booking inventory by travel service providers, such as hotels), and at least national on the downstream side (i.e. the provision of services to travel agents, tour operators, etc).<sup>12</sup>
- (17) The Parties submit that hotel intermediation constitutes the relevant product market for the purpose of the Transaction. This market could be further segmented into a market for (i) B2B hotel intermediation (that is a market including B2B intermediaries, such as B2B wholesalers and Global Distribution Systems ("GDS") but excluding business to consumer ("B2C") intermediaries, such as OTAs, TAs and TOs) and further into a market for (ii) intermediated hotel reservations by B2B wholesalers (that is a market excluding GDS).<sup>13</sup> Moreover, the geographic scope of the market for intermediated hotel reservations is world-wide or at least EEA-wide.<sup>14</sup>
- (18) The Commission considers that for the purpose of this decision, the precise scope of the relevant product and geographic markets can be left open, as the Transaction does not raise serious doubts under any plausible market definition.

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<sup>8</sup> Commission decision of 20 October 2016 in Case M.8046 - TUI/Transat France, , paragraphs 55 and 56.

<sup>9</sup> Commission decision of 20 October 2016 in Case M.8046 - TUI/Transat France, paragraph 65.

<sup>10</sup> Form CO, page 43.

<sup>11</sup> Commission decision of 22 April 2016 in Case M.7968 - EQT Service UK/Kuoni Travel Holding, paragraph 18.

<sup>12</sup> Commission decision of 19 January 2016 in Case M.7802 - Amadeus/Navitaire, paragraph 45.

<sup>13</sup> Form CO, page 46 and 47.

<sup>14</sup> Form CO, page 47.

#### **4.1.4. Hotel accommodation**

- (19) The Commission has previously considered hotel accommodation services constitute a separate product market and that such a market comprises both chain and independent hotels.<sup>15</sup> The Commission has also previously considered, but ultimately left open, whether the market for hotel accommodation services could be segmented on the basis of: (i) price/comfort level (based in particular on the stars awarded to the particular hotel), which indicates the standard and facilities the customer may expect; and/or (ii) ownership type (that is, chain hotels and independent hotels).<sup>16</sup> As to the geographic scope of the market for hotel accommodation, the Commission has previously considered, but ultimately left open, whether it may be both national and local.<sup>17</sup>
- (20) The Parties submit that hotel accommodation constitutes the relevant product market for the purpose of the Transaction. A further segmentation based on price/comfort level and grading of stars is inappropriate since overlaps in prices and facilities among hotels in different star categories lead to a continuous chain of substitution among hotels. A further segmentation based on ownership is also inappropriate because independent and chain hotels are entirely substitutable from a demand perspective. Moreover, the geographic scope of the market for the provision of hotel accommodation is EEA-wide or national.<sup>18</sup>
- (21) The Commission considers that for the purpose of this decision, the precise product and geographic market definition can be left open, since the Transaction does not raise serious doubts under any plausible market definition.

#### **4.2. Competitive assessment**

- (22) The Transaction will not give rise to any horizontally affected market.<sup>19</sup>
- (23) The Transaction will, however, lead to a vertical relationship between the upstream activities in hotel accommodation services of Scandic Hotel Groups ("Scandic"), a hotel chain controlled by EQT and MTS OTS in downstream hotel intermediation

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<sup>15</sup> Commission decision of 27 June 2016 in Case M.7902 - Marriott/Starwood paragraphs 46 and 47.

<sup>16</sup> Commission decision of 22 April 2016 in Case M.7968 - EQT Services UK / Kuoni Travel Holding, paragraph 12; Commission decision of 19 December 2012 in Case M.6738 - Goldman Sachs/KKR/QMH, paragraph 14; Commission decision of 2 February 2011 in Case M.6058 - Bank of Scotland/Barclays Bank/Kew Green Hotels, paragraph 13; Commission decision of 20 July 2005 in Case M.3858 - Lehman Brothers/SCG/Starwood/Le Meridien, paragraph 16; Commission decision of 16 February 2001 in Case M.2197 - Hilton/Accor/Forte/Travel Services JV, paragraph 26.

<sup>17</sup> Commission decision of 27 June 2016 in Case M.7902 - Marriott/Starwood, paragraphs 110, 118 and 119; Commission decision of 19 December 2012 in Case M.6738 - Goldman Sachs/KKR/QMH, paragraph 16; Commission decision of 2 February 2011 in Case M.6058 - Bank of Scotland/Barclays Bank/Kew Green Hotels, paragraph 15; Commission decision of 20 July 2005 in Case M.3858 - Lehman Brothers/SCG/Starwood/Le Meridien, paragraph 18; Commission decision of 16 February 2011 in Case M.2197 - Hilton/Accor/Forte/Travel Services JV, paragraph 28.

<sup>18</sup> Form CO, page 52 and 53.

<sup>19</sup> The Parties' activities overlap in relation to (i) destination management services, and (ii) hotel intermediation. However, their activities are largely complementary, focusing on different types of customers and destinations. Therefore, these activities will not be further assessed in the framework of this decision.

business services, which could source room inventory from Scandic and resell such inventory as part of the B2B services they provide to the travel industry.<sup>20</sup>

- (24) Such a vertical relationship gives rise to affected markets because of Scandic's estimated shares exceeding 30% on the possible upstream market for hotel accommodation based on hotel chains in Sweden and in 18 local markets for hotel accommodation in Sweden, Finland and Norway as set out in the table below.<sup>21</sup>

Local <sup>22</sup> market	Scandic market share, based on number of available rooms (% volume)
<b>Sweden</b>	
Arvika	[30-40] %
Bollnäs	[30-40] %
Borås	[20-30] %
Falun	[30-40] %
Gällivare	[20-30] %
Gävle	[30-40] %
Karlskrona	[20-30] %
Karlstad	[30-40] %
Linköping	[40-50] %
Strömstad	[30-40] %
Södertälje	[50-60] %
Trollhättan	[50-60] %
Värnamo	[50-60] %
Örebro	[30-40] %
Östersund	[30-40] %
<b>Finland</b>	
Kajana	[40-50] %
<b>Norway</b>	
Finnmark	[40-50] %
Sør-Trøndelag	[30-40] %

Source: Form CO

- (25) According to the Parties, the vertical link is purely hypothetical as there is no actual relationship between Scandic and MTS Globe and it is unlikely that they would enter into a customer/supplier relationship in the future.

<sup>20</sup> The Commission assessed the vertical relationship between Kuoni and Scandic in Case COMP/M.7968 - EQT Services UK / Kuoni Travel Holding, paragraphs 34-53 and concluded that Kuoni and Scandic would have neither the ability nor the incentive to engage in any input or customer foreclosure strategy.

<sup>21</sup> EQT controls the hotel chain Scandic Hotel Groups ("Scandic"), which is primarily active in Northern Europe.

<sup>22</sup> In Arvika, Gällivare and Värnamo, the only Scandic hotel in the area is a franchised hotel (that is a hotel that is operated under Scandic's brand but neither owned nor managed by Scandic). In Östersund, there are two Scandic hotels, one of which is a franchised hotel. In Strömstad, the only Scandic hotel is a partner hotel (that is an hotel that is operated independently under its own brand and not managed by Scandic). In Sør-Trøndelag, two of the seven Scandic hotels are partner hotels. See Commission decision of 22 April 2016 in Case M.7968 - EQT Services UK / Kuoni Travel Holding, footnote 17.

#### 4.2.1. Input foreclosure

- (26) The Commission has assessed whether the merged entity would likely foreclose its competitors from access to hotel inventory post-Transaction. In particular, the Commission has considered whether the merged entity would have (i) the ability to foreclose other intermediaries' access to hotel inventory, and (ii) the incentive to do so.<sup>23</sup>
- (27) For the reasons set out below, the Commission concludes that the merged entity would have neither the ability nor the incentive to foreclose competitors from access to its inventory.
- (28) First, MTS OTS' share on the markets for hotel intermediation is well below [20-30] % under any plausible market definition.
- (29) Second, MTS OTS is not offering inventory from any hotels in any countries where Scandic and its competitors are active.
- (30) Third, other intermediaries could replace Scandic with other hotels chains such as Accor, Best Western and Intercontinental Group and independent hotels in various locations across the EEA, should Scandic chose to restrict its hotel content solely to the GTA/OTS businesses.
- (31) Fourth, Scandic accounted for only [...] % of the total room nights sold in the EEA in 2015 and therefore its room inventory is unlikely to be an important input for intermediaries.
- (32) Fifth, distribution through GTA accounted for only [...] % of Scandic's sold room nights and Scandic sold no room nights through OTS in 2015.

#### 4.2.2. Customer foreclosure

- (33) The Commission has also assessed whether, post-Transaction, the merged entity would likely foreclose Scandic's competitors from accessing customers on the downstream market for distribution of hotel accommodation services. In particular, the Commission has considered whether the merged entity would have (i) the ability to reduce its purchases from Scandic's competitors, and (ii) the incentive to do so.<sup>24</sup>
- (34) For the reasons set out below, the Commission concludes that the merged entity would have neither the ability nor the incentive to foreclose other hotels.
- (35) First, even if the merged entity would cease sourcing from Scandic's competitors, those competitors would continue to have access to customers through their own channels. This is because a considerable proportion of hotel rooms are sold through the own distribution channels of hotels (direct customers contacts, hotel/chain websites, and call centres) without depending on GTA and OTS. In Scandic's case these channels represent approximately [...] % of all room nights sold in the EEA in

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<sup>23</sup> Non-Horizontal Merger Guidelines, paragraphs 31-32.

<sup>24</sup> Non-Horizontal Merger Guidelines, paragraphs 58-59.



2015.<sup>25</sup> The remainder is sold through intermediaries, including GDSs, OTAs and wholesalers.

- (36) Second, Scandic and its competitors will continue to have numerous alternatives in relation to the B2B distribution of their inventory. As regards the distribution through intermediaries, hotels make their content available through GDSs, OTAs, and multiple B2B wholesalers that sell identical or equivalent hotel inventory in competition with each other. Hotels also conclude agreements with offline TAs and tour operators. GTA's and OTS' estimated share of hotel inventory sales in the B2B intermediation segment is [...]%, both globally and in the EEA.
- (37) Third, Kuoni's GTA business and MTS OTS represent a small share of all hotel bookings in the EEA. GTA's and OTS' global sales' activities accounted for the booking of [...] million and [...] million room nights in the EEA respectively in 2015, which would correspond to less than [...]% of the total number of room nights sold in the EEA.
- (38) Fourth, Scandic accounted for only [...]% and [...]% of the room nights booked through GTA at hotels in the EEA and the GTA business accounted for approximately [...]% of Scandic's room night bookings in 2015.
- (39) Fifth, the analysis would not change when considering the merged entity's market position at national and local level.
- (40) In the first place, at national level in Sweden, Scandic accounted for less than [...]% of the room nights booked through GTA business in 2015. Moreover, MTS Globe is not active in the distribution of hotel inventory from hotels located in Sweden as well as in other countries where Scandic and its competitors are active.
- (41) In the second place, at local level, Scandic's hotels are not an important input to the downstream markets, in which the GTA/OTS businesses and the competitors of these businesses operate. In addition, a number of competing hotels are present at local level, including in the two cities where Scandic achieves its highest market share, namely Södertälje and Trollhättan: (i) in Södertälje, Scandic faces competition from hotel chains such as Nordic Choice and Sweden Hotels; and (ii) in Trollhättan, additional hotel chains include Nordic Choice, Best Western, Sweden Hotel and Countryside Hotels.

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<sup>25</sup> Reference period Q1- Q2 of 2015.

**5. CONCLUSION**

- (42) 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 and Article 57 of the EEA Agreement.

*For the Commission*  
*(Signed)*  
*Margrethe VESTAGER*  
*Member of the Commission*