

***Case No IV/M.867 -  
WAGONS-LITS /  
CARLSON***

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

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Article 6(1)(b) NON-OPPOSITION

Date: 007/03/1997

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 07.03.1997

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject: Case No IV/M.867 - Wagons-Lits/Carlson  
Notification of 7th February 1997 pursuant to Article 4 of Council  
Regulation (EEC) No 4064/89

1. On 7th February 1997 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the Compagnie Internationale des Wagons-Lits et du Tourisme, S.A.(CIWLT), belonging to the group Accor, S.A. and Carlson Travel Group Inc. (CTG), belonging to the Carlson Companies Inc. (CCI) a subsidiary of the Carlson Holding Inc., will merge the worldwide business travel operations of CIWLT and CTG, at present governed by the 1994 Union Agreement (U.A.), as well as the leisure travel operations conducted by CIWLT into a new concentrative joint venture (Newco).
2. After examination, 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 functioning of the EEA Agreement.

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

3. Accor S.A. is a French-based undertaking operating a range of activities related to travel and business services including hotels, service vouchers, catering, travel agencies, restaurants, railway services and car rental.

Accor's wholly owned Belgian subsidiary CIWLT operates Accor's retail travel agency operations through the Carlson Wagonlit Travel agencies. In its travel operations, CIWLT is primarily involved in the provision of business travel services but also provides leisure travel services. CIWLT is also involved in railway services and car rental services, which are not parts of the proposed concentration.

4. CCI, a subsidiary of Carlson Holding Inc., based in Minneapolis, Minnesota, USA, is active in the hotel and restaurant industries. CCI, through CTG, operates travel agents, tour operators and other travel-related services. It operates the leisure travel services in the United Kingdom through its subsidiary MTG (UK) Ltd, which is not part of the notified concentration.
5. Under the U.A. the parties currently operate a worldwide business travel agency network, trading under the name of Carlson Wagonlit Travel. The U.A. was notified to the Commission on 18th May 1994. The Commission issued a comfort letter on 17th June 1994 confirmed on 7th September 1994 - case IV 35.081. (CIWLT conducts the business travel operations in Europe, North Africa and South America and CTG conducts the business travel operations in the USA and Canada. CIWLT and CTG, through their cooperative joint venture CW Travel Holding NV conduct these services in the Asia-Pacific region and through their cooperative joint venture CWUK conduct them in the United Kingdom).
6. The activities being merged in Newco are the worldwide business travel agency network, trading under the name of Carlson Wagonlit Travel, at present governed by the U.A, as well as the leisure travel operations of CIWLT, which cannot viably be separated from its business travel operations. However the main objective of the concentration is that Newco will provide business travel services.

## **II THE JOINT VENTURE**

7. Newco will be owned 50:50 by CIWLT and by CTG. The shareholders will have control over strategic matters, including approval of the annual budget and business plan. The board of directors will be composed of an equal number of representatives of the parents' groups. The board of directors must approve the annual budget and business plan and the entering into important material transactions with the affirmative vote of the half of its members. The Chief Executive Officer will be appointed unanimously by the board of directors. Newco will operate on a lasting basis. Since it will inherit the existing Carlson Wagonlit Network it will perform all the function of an autonomous economic entity.
8. CCI and Accor will withdraw from the business travel market. Accor will have no further interest or operation in the EEA area in leisure travel services other than some *de minimis* activities related to incentive travel and tour operators. [...]

## **III COMMUNITY DIMENSION**

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<sup>1</sup> Deleted business secret

9. Accor and CCI groups have a combined aggregate worldwide turnover in excess of ECU 5,000 million (Accor, ECU 4,753 million; and CCI, ECU [...] million). Each of them has a Community-wide turnover in excess of ECU 250 million (Accor, ECU 3,523 million; and CCI, ECU [...] million), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension. It does not constitute a cooperation case pursuant to Article 57 of the EEA Agreement.

#### **IV COMPETITIVE ASSESSMENT**

##### **A. Relevant product markets**

10. The notifying parties state that there are two relevant product markets - business travel services and leisure travel services. The first meets the needs of companies for the business travel of their management and employees in accordance with the corporate travel budget and plan. The second consists of services supplied to individuals in connection with their non-business, vacation and personal travel needs.

This approach has been followed by the Commission decision IV/M 564 Havas Voyage /American Express of 6th April 1995.

##### **B. Relevant geographic markets**

11. The notifying parties submit that for business travel services the geographic market is EEA-wide if not worldwide. They emphasize that the increased globalization of the industry is having a great impact on corporate travel budgets and policy as corporate staff need more and more cross-border travel services. Companies are seeking seamless international services, so they contact business travel agencies irrespective of where their corporate headquarters are situated.

It is however not necessary to delineate further the relevant geographic market for business travel services because, even in the alternative of considering the relevant geographic market as national, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

The notifying parties state that the relevant geographic market for leisure travel services is national, as the Commission held in decision IV/M 564 Havas Voyage/American Express.

##### **C. Impact of the concentration**

12. The market share for the business travel services to be contributed to Newco will be at the worldwide level [between 3-8%]<sup>2</sup> (Amex [between 3-8%]<sup>3</sup> and Business Travel International [between 2-7%]<sup>4</sup>); and at EEA level [between 5-10%]<sup>5</sup>

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<sup>2</sup> Deleted business secret

<sup>3</sup> Deleted business secret

<sup>4</sup> Deleted business secret, replaced by range

<sup>5</sup> Deleted business secret, replaced by range

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(Amex [between 10-15%]<sup>7</sup> and Business Travel International [between 5-10%]<sup>8</sup> ). At member State level, the market share will be above 20% only in Denmark ( [between 30-40%]<sup>10</sup> ), followed by DAN (10-20%) and MAERKS (8-15%).

13. The market share for the leisure travel services contributed by CIWLT to Newco will be about [between 2-7%]<sup>11</sup> in the EEA as a whole. In no member State is the market share significant.
14. In view of the market position of the parties to the concentration, it appears that the notified operation will have no impact on competition in the EEA. Consequently, the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

## V ANCILLARY RESTRICTIONS

15. The parties submit as ancillary restrictions the three following provisions:
  - a) The provision by which CCI and Accor agree not to compete with Newco in business travel services, except for *de minimis* business travel services that are incidental to their leisure travel services, incentive travel services, hotel and cruise business and other retained business.

The Commission considers that this provision serves to define the concentrative character of Newco and that it is therefore an integral part of the concentration. The *de minimis* business travel services to be provided by the parent companies which are incidental to their retained services do not prevent the conclusion that the operation constitutes a concentration ( see the point 20 of the Commission notice on the distinction between concentrative and cooperative joint ventures).

- b) [...] <sup>12</sup>

The Commission considers that, in so far as this provision serves to define the concentrative character of Newco, it is an integral part of the concentration.

- c) [...] <sup>13</sup> (*CTG, through its subsidiary MTG (UK)Ltd, operates leisure travel services in the EEA, only in the UK. It is not part of the notified concentration*).

This provision, by which the parties limit geographically and temporarily the scope of the operation, is to be considered as linked and subordinate in

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<sup>7</sup> Deleted business secret, replaced by range

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<sup>10</sup> Deleted business secret, replaced by range

<sup>11</sup> Deleted business secret, replaced by range

<sup>12</sup> Deleted business secret concerning commercial policy of the parties and the use of the trademarks

<sup>13</sup> Deleted business secret

importance to the main object of the concentration. Therefore this provision can reasonably be considered as an ancillary restriction.

## **VI CONCLUSION**

16. 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 functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,