

*Case No IV/M.988 -  
MÆRSK DFDS  
TRAVEL*

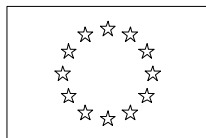
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**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 004/11/1997

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 04.11.1997

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties:

Dear Sirs,

**Subject: Case No IV/M.988 - MAERSK/DFDS TRAVEL**

Notification of 06.10.1997 pursuant to Article 4 of Council Regulation N° 4064/89

1. On 06.10.1997, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertakings Maersk Air A/S ("Maersk Air") and DFDS A/S ("DFDS") acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertaking Maersk DFDS Travel I/S ("Maersk DFDS Travel"), a newly created company constituting a joint venture.
2. After examination of the notification, 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. The business activities of the undertakings concerned are: Maersk Air is Denmark's leading independent airline company and belongs to the A.P. MØLLER Group which has wide interests in, for example, container shipping, bulk carriers, tankers, supply ships and drilling rigs. DFDS is a Danish supplier of sea transport and related services, for example the ferry operator Scandinavian Seaways, and belongs to the LAURITZEN Group which operates within the shipping, transport, industrial and shipyard sectors.
4. Maersk DFDS Travel is a travel agency primarily active in the selling of business travel tickets. It provides services mostly to large Danish corporate customers for most kinds of travel - but mainly flight and hotel reservations - to destinations world-wide, often using for

one and the same trip several suppliers of both air transport and hotel accommodation, as well as car rental and other land transportation. In addition, the joint venture accepts bookings for some leisure travels, but primarily for its corporate customers. This activity represents less than 5% of the turnover of the joint venture. The main activities of the joint venture are in Denmark but it also operates a few travel agencies in the UK, Sweden and Norway with the main purpose to service existing Danish customers in these markets.

5. Prior to the operation, each parent set up a special purpose company, Maersk Travel and DFDS Travel, with the sole purpose to administer the parents' 50% interests in the joint venture. The Supervisory Board of the joint venture consists of at least four members [...] appointed 50/50 by the parents. All decisions [...]! Therefore, Maersk DFDS Travel is jointly controlled by Maersk Air and DFDS through their respective wholly-owned subsidiaries Maersk Travel and DFDS Travel.
6. Maersk DFDS Travel has acquired both parent's travel agency divisions in Denmark, the UK, Sweden and Norway, and the parents have thus withdrawn from the travel agency business. Both parents continue to act as direct suppliers for their own products, i.e. the sales of air transport and ferry tickets, respectively. However, the purchases made by the joint venture from its parents will not constitute a significant part of the joint venture's purchases.<sup>2</sup> The joint venture will, therefore, not be the main customer of its parents. Moreover, it would be exceptional that a business travel ticket sold by the joint venture would combine the transport means of both parents, in particular considering that DFDS is, for its main part of activities, carrying leisure passengers. Finally, airline tickets and ferry tickets appear in general not to be substitutable, and even if limited substitutability existed, it must be examined for each specific route.<sup>3</sup> Based on the above, the joint venture cannot be seen as an instrument for producing or reinforcing coordination between the parents in the upstream market. The joint venture will, therefore, perform on a lasting basis all the functions of an autonomous economic entity and its creation will not give rise to coordination of the competitive behaviour of the parties amongst themselves.
7. The operation was entered into effect on 1 January 1997. The Commission will therefore consider a possible application of Article 14 of the Merger Regulation.

## **II. COMMUNITY DIMENSION**

8. The parties have a combined aggregate worldwide turnover in excess of ECU 5,000 million (A.P. Møller: ECU [...] million; and Lauritzen: ECU 1,834 million). Each of them has a Community-wide turnover in excess of ECU 250 million (A.P. Møller: ECU [...] million; and Lauritzen: 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.

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<sup>1</sup> Deleted for publication.

<sup>2</sup> For the first half of 1997 (where Maersk DFDS Travel already has been operating), Maersk DFDS Travel's turnover with Maersk Air was about [...] %, while with DFDS it was less than [...] %.

<sup>3</sup> See Commission decision in case IV/M.616, *Sabena/Swissair*, of 23 June 1995.

### **III. COMPETITIVE ASSESSMENT**

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

9. The notifying parties submit that within travel agency services two distinct relevant product markets can be identified: business travel services and leisure travel services. This approach has been followed by the Commission in other decisions<sup>4</sup>. For the assessment of the present case it is, however, not necessary to delineate the relevant product markets because, even on the narrowest market definitions, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

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

10. The notifying parties recognise that both business and leisure travels may still be national in character. The establishment of local travel agencies is crucial for success since the business is primarily performed via telephone contacts between the customer and the agency which makes the local language and general understanding of the local travel pattern an important factor. However, it is also noted that the Commission has indicated in a recent decision involving a world-wide business travel agency network that the market for business travels could even be EEA-wide, if not world-wide<sup>5</sup>. It is, however, not necessary to decide upon the scope of the relevant geographic markets since even in the narrowest definitions effective competition would not be significantly impeded in the EEA or any substantial part of that area.

#### **C. Assessment**

11. Following the operation, Maersk DFDS Travel enjoys a market share in Denmark of [...]<sup>6</sup> % on the market for business travels (Maersk: [...] % and DFDS: [...]<sup>8</sup> %) and has become the second largest travel agency in Denmark. The largest competitor, Carlson Wagonlit, has a market share of [...]<sup>9</sup> %, followed by Dan Transport [...]<sup>10</sup> %, DSB [...]<sup>11</sup> % and a number of other competitors with market shares above 5%. In the other markets where Maersk DFDS Travel will be active, namely the UK, Sweden and Norway, its market shares are insignificant, i.e. less than [...]<sup>1</sup> %.

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<sup>4</sup> See in particular Commission decisions in case IV/M.299, *Thomas Cook/Ltu/West LB*, of 14 July 1992; and case IV/M.564, *Havas Voyage/American Express*, of 6 April 1995.

<sup>5</sup> See Commission decision in case IV/M.867, *Wagons-Lits/Carlson*, of 7 March 1997.

<sup>6</sup> Deleted for publication: less than 20%.

<sup>7</sup> Deleted for publication: less than 15%.

<sup>8</sup> Deleted for publication: less than 6%.

<sup>9</sup> Deleted for publication: between 30-40%.

<sup>10</sup> Deleted for publication: between 10-20%.

<sup>11</sup> Deleted for publication: less than 2%.

12. The market share of Maersk DFDS Travel in leisure travels is estimated to [...] % in Denmark and even more insignificant in the EEA as a whole.
13. In view of the market position of the parties to the concentration, it appears that the notified operation will have an insignificant 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. CONCLUSION**

14. 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,

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<sup>12</sup> Deleted for publication: less than 3%.