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Common Market for
Eastern and Southern Africa

Case No. CCC/MER/04/19/2018

Decision¹ of the Forty-Sixth Committee Responsible for Initial Determination on the Application for Authorisation of the Merger involving TUI AG and Hotelbeds Group

ECONOMIC SECTOR: Hospitality

5th October 2018 – Johannesburg, South Africa

¹ In the published version of this decision, some information may have been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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Introduction and Relevant Background

1. On 2nd May 2018, the COMESA Competition Commission (hereinafter referred to as the "Commission") received a notification for approval of a merger between TUI AG and Hotelbeds Group ("**HBG**").
2. The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations, 2004 (the "Regulations"). Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the proposed transaction between the parties would, or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. The Committee Responsible for Initial Determination (hereinafter referred to as the "CID") established that the parties operated in more than one COMESA Member State. This therefore meant that the regional dimension requirement under Article 23(3) of the Regulations was satisfied and asserts jurisdiction on the Commission to assess the transaction.

The Parties

TUI AG

4. The parties submitted that TUI AG, a stock corporation according to German law, was the ultimate parent company of the TUI Group, an integrated leisure tourism group operating in approximately 180 countries through its various subsidiaries. TUI AG provides travel agency and tour operator services.

HBG

5. The parties submitted that HBG provides destination management services such as the organisation of excursions, tours and trips, guest welcome and transfers, and ground services for the cruise industry. HBG also offers meetings, incentives, conferences and events services.

Nature of the Transaction

6. The parties submitted that the transaction entails the acquisition by TUI AG of all the shares currently held by HNVR Midco Limited and HNVR Holdco Limited (indirectly) in the entities which carry out the HBG destination management services business.

Competition Analysis

7. The CID defined the relevant markets the provision of hotel and destination management services in the Common Market.
8. The CID observed that while both parties were present in the market for the provision of destination management services in COMESA, TUI AG, as a vertically integrated provider, primarily offered such services to other TUI group businesses. As such, the merger was unlikely to lead to a significant market share accretion in the Common Market given that TUI AG was offering its services internally.
9. The CID observed that there was a potential vertical relationship between TUI AG's activities as a tour operator and the upstream destination management services it procures from HBG for its customers in Mauritius. The CID however considered that HBG's operations in Mauritius represented a small proportion of overall demand for destination management services in Mauritius (with approximately 12% of the market). Given the relatively significant number of destination management services providers in Mauritius, there will be no ability for the merging parties to foreclose access for competitors upstream or downstream as a result of the transaction.

Determination

10. The CID determined that the merger is not likely to lessen competition in the Common Market and was compatible with the COMESA Treaty objective of full market integration. The CID therefore ratified the merger authorisation issued by the Director of the Commission on 30th August 2018.
11. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 5th of October 2018



Commissioner Patrick O. Okilangole
(Chairperson)



Commissioner Brian M. Lingela
(Member)



Commissioner Thembelihle P. Dube
(Member)