

ANTICIPATED ACQUISITION BY HOMAIR VACANCES SA OF EUROCAMP LIMITED

ME/6445-14

The CMA's decision on reference under section 33(1) given on 4 September 2014.
Full text of the decision published on 15 September 2014.

Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

Summary

1. **Homair Vacances SA (Homair)** is proposing to acquire **Eurocamp Limited (Eurocamp)** (the **Parties**) through its wholly owned subsidiary **Starlight Camping Limited (Starlight)**¹ (the **Merger**). The Competition and Markets Authority (**CMA**) considers the Parties will cease to be distinct, that the share of supply test is satisfied and that accordingly arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
2. The CMA has assessed the Merger on the basis of the supply of mobile home and pre-sited camping holidays in continental Europe to UK consumers.
3. The CMA considers that following the Merger there will remain sufficient constraints on the Parties from rival tour operators including Canvas, Matthews Holidays and Venue Holidays to prevent the merged entity raising prices and/or worsening their offer to customers. In addition, direct sales by campsites/ campsite operators such as Siblú will offer a constraint on the parties after the Merger to some extent.
4. The CMA therefore considers that there is no realistic prospect of a substantial lessening of competition as a result of the Merger.
5. This Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

¹ Starlight is a newly-incorporated company which is a 100% subsidiary of Ingénierie Loisirs Développement (ILD) SAS which in turn is a 100% subsidiary of Homair

Assessment

Parties

6. **Homair**² is a French based public company offering outdoor holiday accommodation to consumers across Europe and online booking services for that accommodation. Homair operates a fleet of mobile homes, tents, chalets and studio rooms spread over campsites in France, Spain, Italy, Croatia and Portugal. In January 2011 Homair acquired, through its wholly owned subsidiary Ingénierie Loisirs Développement (ILD) SAS, the Thomson Al Fresco business unit³ (**Al Fresco**) from TUI Travel Plc.⁴ Homair's provision of holidays to UK consumers is primarily conducted through Al Fresco.
7. **Al Fresco** was established in 2003 and operates from the North West of England. Since 18 January 2011 it has operated as a subsidiary of Homair. Al Fresco is a tour operator, offering family holidays in outdoor holiday accommodation primarily to UK consumers and online booking services. The business operates a fleet of mobile homes situated on campsites in Croatia, France, Italy, Holland, Austria and Spain.⁵
8. **Eurocamp** is the parent of the group of companies which make up the camping division of the Holidaybreak Group.⁶ It is a tour operator offering holidays and holiday packages to consumers across Europe in outdoor holiday accommodation such as mobile homes, tents, chalets, bungalows, lodges and other self-catering accommodation. Eurocamp offers holidays across Europe, namely in France, Italy, Spain, Portugal, Holland, Austria, Switzerland, Germany, Luxembourg, Croatia and Denmark. The Parties submitted that Eurocamp derives [%] of its revenue from selling holidays to UK consumers. and that Eurocamp's UK turnover for the year ended 31 March 2014 was £[%].⁷

Transaction

9. Pursuant to an agreement announced on 2 June 2014, Homair, through its subsidiary Starlight, will acquire the entire share capital of Eurocamp. The CMA

² Homair's principal shareholder ([%]) is Iliade SAS (Iliade), a French holding company. In turn Montefiore Investment (Montefiore), a French investment management company, owns a [%] share of Iliade giving Montefiore indirect sole control of Homair.

³ Consisting of the French based company Al Fresco Holidays SAS and its UK subsidiary Al Fresco Holidays UK Limited

⁴ http://www.homair-finance.com/component/option,com_actusnews/Itemid,37/lang,en/comm20101129_uk.pdf
http://www.homair-finance.com/component/option,com_actusnews/Itemid,37/lang,en/comm20110118_uk.pdf

⁵ <http://www.alfresco-holidays.com/what-is-included>

⁶ Holidaybreak Limited (UK)

⁷ Inclusive of promotional and non-accommodation revenue

received a satisfactory statutory merger notice on 9 July 2014, and the statutory deadline for a decision by the CMA is therefore 4 September 2014.

Jurisdiction

10. As a result of the proposed transaction, Homair will acquire the entire issued share capital of Eurocamp thus obtaining control over it. The enterprises of Homair and Eurocamp will therefore cease to be distinct.⁸
11. The Parties overlap in the provision to UK consumers of mobile home and camping holidays in continental Europe, with a combined share of supply of at least [40 to 50]% (increment [0 to 10]%).⁹ The CMA therefore considers that the share of supply test in section 23 of the Enterprise Act 2002 (the Act) is met in this case. Accordingly, the CMA considers that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

Product Frame of Reference

12. The Parties submitted that the appropriate product frame of reference should include the provision of all types of short-haul and self-drive holidays to UK consumers.
13. However, in adopting a cautious approach the CMA has considered a number of possible approaches to the product frame of reference, It has considered examining the Merger on the basis of:
 - a. The destination campsite or region;
 - b. The method of booking – through a tour operator or direct with the campsite; and/or
 - c. Other types of accommodation and holiday type.

⁸ Within the meaning of section 23(1)(a) of the Act

⁹ The Parties estimated that their combined share of supply following the merger will be [40 to 50]% based on estimated share of revenue of UK bookings for 2013. The CMA notes evidence in internal documents, namely the *Roland Berger Strategy Report* of 29 November 2013 page 222 (the **Roland Berger Report**), a due diligence report commissioned by Starlight in relation to the merger, suggesting a market share/share of supply for the combined entity of [50 to 60]% and representations from third parties suggesting a share of [70 to 80]%. The CMA however considers it is not necessary to reach a conclusion on this as, in any event, the jurisdictional threshold is met.

The destination campsite or region

14. In a previous case, relating to the provision of mobile home and pre-sited camping holidays to UK consumers, the Office of Fair Trading (**OFT**)¹⁰ did not restrict its analysis to holidays on particular campsites or regions.¹¹ The CMA has not found any compelling evidence to depart from that conclusion in this case.
15. In particular, the Parties have submitted a number of internal documents suggesting comparisons by consumers of alternatives has become increasingly prevalent and that consumers are researching and choosing between different locations.¹² These findings were broadly corroborated in the CMA's market testing with third parties, for example, a rival tour operator suggested that customers would readily switch between locations within a region.
16. As a result, the CMA considers that if a price increase were applied to a particular campsite, other campsites within the same region would be likely to represent sufficiently close substitutes so that some customers would consider switching. Although the precise boundaries of any region, and the extent of substitutability between different regions, is unclear, it has not been necessary for the CMA to define distinct boundaries in this regard as such distinctions have no material impact on the competitive assessment. For the purposes of the assessment, the CMA has analysed the provision of mobile home and pre-sited camping holidays in continental Europe to UK customers.

Method of booking

17. When booking a mobile home or camping holiday, a customer can purchase a package that includes all of the different components (accommodation, travel, etc.) or alternatively can book independently, purchasing the component parts separately. The CMA's market testing pointed to advantages of each approach (for example, the convenience and financial protection associated with a package holiday¹³) but also highlighted that distinctions between the two are becoming increasingly blurred. In particular, the Parties submitted that the Parties themselves are supplying both the package and underlying components

¹⁰ See OFT decision in *Holidaybreak plc/Eurosites*, 27 November 2002, ME/1546/02

¹¹ Campsites on prime coastal locations and/or with higher star ratings

¹² See, for example, *Buzz Brand Tracking and Consumer Insight* presentation, a document setting out the results of consumer research commissioned by Al Fresco, 1 February 2013 (**the Al Fresco Presentation**), page 20; Roland Berger Report, pages 118, 119 and 124; *The Mintel Report on Camping and Caravanning 2013*, (the **Mintel Report**), pages 37-39

¹³ For instance, ATOL cover means that if a travel company fails a consumer may be entitled to a refund if they are yet to travel. If a consumer buys a land- or sea- based holiday such as coach, rail or cruise holiday from an ABTA Member they may be entitled to a refund if their travel company fails and the holiday can no longer go ahead. See www.abta.com for full details of ATOL and ABTA. This distinction was also highlighted in internal documents, see Roland Berger Report, page 113

separately. Specifically, only [X]% of Al Fresco customers bought a ‘package’ of accommodation and travel in 2013. The proportion purchasing these together from Eurocamp, though [X]%, has [X] since 2002.

18. Furthermore, campsite operators have come together to offer collective brands – such as Yelloh and Siblu – that compete with tour operators and market directly to UK consumers either using their own English language websites or through catalogues.
19. In light of the above, the CMA considers that, in the particular context of the provision of mobile home and pre-sited campsite holidays, holidays booked directly with campsites may fall within the relevant market. The CMA notes that this constraint is partly represented by readily identifiable competitors and so goes on to consider the extent of this constraint as part of the competitive assessment.

Other types of accommodation and holiday type

20. The CMA has considered whether other types of accommodation/holiday are sufficiently substitutable for customers to warrant including them in the relevant product scope.
21. The Parties submitted that competition takes place across all accommodation types. The Parties suggested that there is no material difference between the characteristics of a short stay in a quality mobile home sited on a family focussed campsite and a short stay in a self-catering apartment/lodge/chalet based on a family oriented resort.
22. The Parties submitted a number of documents that were consistent with a proposition that they also compete against other types of accommodation. For example, the Parties referred to the results of their customer survey indicating that Eurocamp customers regularly switch between different types of holiday.¹⁴ Other documents highlight the Parties extensively monitor participants in the wider holiday market.¹⁵
23. The CMA’s market testing produced mixed views, with two third parties suggesting that some customers view mobile home holidays as niche and may be unlikely to switch to other holiday types. However, some third parties suggested that other forms of holiday accommodation were competitors with

¹⁴ *The Eurocamp Customer Intention Survey* of 31 March 2014 (“the **Eurocamp Survey**”) Eurocamp Survey, page 3

¹⁵ *Growth plan for a market leading business*, management presentation to Homair, 5 February 2014 page 22; Roland Berger Report of, page 187; Eurocamp Survey, pages 20 to 23

one third party suggesting that customers would readily switch to a holiday in self-catering apartments or other forms of self-catering accommodation.

24. The CMA recognises that other forms of accommodation or holiday type may be substitutes for some customers and act as a constraint on the Parties but, given the mixed evidence, has taken a cautious approach and considered mobile home and camping holidays separately from other holiday types. In the absence of competition concerns on any basis the precise product scope in this regard is left open.

Conclusions on product frame of reference

25. In light of the evidence above, the CMA has taken a cautious approach and considered this merger on the basis of the supply of mobile home and pre-sited campsite holidays.

Geographic Frame of Reference

26. The Parties submitted that the relevant geographic market should be short-haul and self-drive holidays sold to consumers in the UK.
27. The CMA notes that the majority of sales of holidays are now made online¹⁶ with the next most popular channel being through national call centres.¹⁷ The CMA has not found any evidence or received any representations that the Parties or their competitors specifically target particular regions of the UK, or offer particular price differentials as between regions. UK consumers are, for the most part, based in the UK and though the operators of websites may be based outside the jurisdiction, the point of sale is nonetheless in the UK.
28. The CMA therefore considers that the appropriate geographic frame of reference is likely to be the supply of European mobile home and pre-sited campsite holidays in continental Europe to customers in the UK.

Counterfactual

29. At Phase I, the CMA assesses the effects of a merger against the most competitive counterfactual provided that it considers this situation to be a realistic prospect. In practice, the CMA generally adopts the prevailing conditions of competition (or the pre-merger situation in the case of completed mergers) as the counterfactual against which to assess the impact of a merger. However, the CMA will assess the merger against an alternative

¹⁶ Roland Berger Report concluded that 68% of UK customers across all holiday types now book their holidays online, page 124; the AI Fresco Presentation estimated 60%, page 12

¹⁷ AI Fresco Presentation, page 12

counterfactual where, based on the evidence available to it, it considers that the prospects of prevailing conditions continuing is not realistic. In this case, there is no evidence supporting a different counterfactual, and the Parties have not put forward arguments in this respect. Therefore, the CMA considers the prevailing conditions of competition, namely that Al Fresco and Eurocamp would continue to operate as independent organisations, to be the relevant counterfactual.¹⁸

Competitive Assessment

Horizontal Effects

30. The CMA has considered the extent of competition between the Parties that will be lost as a result of the Merger and the competition they will continue to face post-merger to assess the likelihood of unilateral effects arising.
31. With regard to the provision of mobile home and pre-sited camping holidays in continental Europe to UK consumers the Parties estimated that they have a share of supply of [40 to 50]% (increment [0 to 10]%).
32. The CMA's market testing suggested that the Parties may have over-estimated the revenues of some of their competitors and they may therefore have under-estimated their own shares. Some third parties also estimated the Parties share of supply to be between 70% and 80% which raises prima facie competition concerns about a merger between the Parties. Given this the CMA has assessed the closeness of competition between them.
33. The Parties submitted that they are not particularly close competitors arguing that Eurocamp and Al Fresco have contrasting propositions appealing to different consumers. Eurocamp considers itself to be 'upmarket' of Al Fresco, providing holidays on higher quality campsites with more extensive additional services such as children's clubs.
34. However, third parties, while recognising the Parties have different propositions, considered that they compete, with some indicating that they compete closely.
35. The CMA notes internal strategy documents support this with some highlighting a distinction between Al Fresco (which focuses on families and younger consumers looking principally for value¹⁹) and Eurocamp (which is increasingly focusing on more 'upmarket' form of camping, sometimes known as 'glamping',

¹⁸ See *Mergers Assessment Guidelines*, paragraph 4.3.5 *et seq.*

¹⁹ Al Fresco Presentation, pages 5 to 9

and more sophisticated, comfortable forms of accommodation²⁰). However, other internal documents suggest that the Parties target a broadly similar demographic of consumers. The CMA does not consider that the internal documents of the Parties demonstrate that they are not close competitors.

36. The CMA found some evidence that indicated that Eurocamp's business on a campsite underperformed after Al Fresco entered the campsite although this was not consistent for all of the entry events.²¹ Some of the Parties' major price promotions in 2014 were launched on the same day (or within a few days of each other). Sales data was potentially consistent with the proposition that the Parties may have won/lost some sales from and to each other in the days after launching major price promotions. Although the extent to which weight could be attached to this evidence was limited, the CMA considers that it corroborates other evidence that the Parties are competing.

Competition remaining on the Parties post-merger

37. The Parties argued that, post-merger, they would still face significant external pricing constraints limiting their ability and incentive to raise prices.
38. The Parties submitted that, post-merger, the merged entities would still face competition from direct competitors offering similar mobile home holidays to UK consumers. The Parties cited Canvas (which offers mobile home holidays on 91 campsites across a number of European countries), Vacansoleil and Selectcamp, and campsite groups such as Siblu, FranceLoc and Yelloh Villages as examples of direct competitors.
39. In the CMA's market testing Canvas was mentioned as a direct competitor in the provision of mobile home holidays to UK consumers by most respondents. Furthermore, a number of other tour operators were mentioned as operating in this sector, for example: Venue; Lifestyle Holidays; Matthews Holidays; and Mobile Home Direct. This indicates that the merged entity would face competitive constraints from direct rivals sufficient to prevent an increase in prices and/or a worsening of the Parties' offer.
40. Further, internal documents point to the same and other competitors. For example, the Al Fresco Presentation indicates that Siblu and Canvas are immediate competitors to Al Fresco (as well as Eurocamp). The CMA notes that an internal document suggests that Eurocamp's closest competitor is

²⁰ *Eurocamp/Keycamp; A Greater Share of the Future Presentation*

²¹ For instance, between 2009 and 2013 there were 14 instances in which Al Fresco entered a campsite that Eurocamp was already active. In [X] of these instances, in the year of entry, Eurocamp revenue growth on the campsite [X] than for Eurocamp as a whole.

Canvas.²² Furthermore internal business documents from each of the Parties indicate that, prior to the Merger being proposed, they regularly made close comparisons to Canvas, Matthews Holidays and Siblu.²³

41. The CMA notes the results of the Eurocamp Survey which assessed which other providers their customers had subsequently taken a “Eurocamp-style holiday” with. Of other tour operators these results refer to Siblu, Canvas and Al Fresco, with Canvas named by respondents more often than any other supplier. The presence of Canvas and Siblu as competitors is consistent across a variety of contexts covered by the Eurocamp Survey, namely: who they had a Eurocamp-style holiday with after they last booked with Eurocamp; who they most recently booked with if they booked a Eurocamp-style holiday; who they are considering booking a Eurocamp style holiday with; and, who they have booked a Eurocamp style holiday with this year.²⁴
42. Some of the competitors mentioned in the evidence above are tour operators, others, such as Yelloh Villages and Siblu, sell mobile home holidays on their own campsites or are effectively acting as ‘associations’ of campsites. The internal document evidence as well as its market testing has confirmed to the CMA that Yelloh and Siblu act as direct competitors, and a competitive constraint, to the Parties.
43. Other evidence from internal documents provided by the Parties, indicates an increased prevalence on the part of consumers to book directly with campsites. The Al Fresco Presentation, when outlining the results of a consumer behaviour study, outlined that when respondents were asked if they preferred to book their travel and accommodation directly, [X] % indicated it was ‘like me’ to do so.²⁵ The Eurocamp Survey, when outlining its main findings states that “[X]” with around [X] % of respondents having already booked a ‘Eurocamp-style’ holiday with [X] % of those customers having gone direct.²⁶
44. In addition, the internal documents provided by the Parties say:
 - In 2011, [X] % of customers of the Parties indicated that they had previously booked directly with campsites²⁷;

²² Roland Berger Report, page 222

²³ Al Fresco Presentation, pages 28, 29, 32, 35,48; *Holidaybreak Limited Board Meeting-Camping Division Report*, 4 February 2014, page 1; *Holidaybreak Limited Executive Meeting-Camping Division Report*, 25 March 2013, page 4

²⁴ Eurocamp Survey, page 2

²⁵ Al Fresco Presentation, page 13

²⁶ Eurocamp Survey, page 2

²⁷ Roland Berger Report, page 53

- The AI Fresco presentation notes that almost [X] of customers surveyed²⁸ booked directly with the accommodation provider for their last holiday;
- Survey evidence indicates that a [X] proportion of previous Eurocamp customers who proceed to book another 'Eurocamp-style' holiday do so by purchasing directly from a campsite²⁹; and
- The AI Fresco Presentation also notes that [X]% respondents prefer to book direct with a campsite and only [X]% said they would never do so.

45. A report provided by the Parties suggests the Parties [X].³⁰

46. Most responses to the CMA from campsites/campsite operators supported the position that direct sales impose a constraint on tour operators; most campsites/campsite operators indicated that they were actively engaged in selling directly to UK consumers using either their own English language websites or through catalogue distributors. One campsite indicated that it sold 20.5% of its overall site capacity through direct sales (as opposed to 50.5% which it set aside for the Parties). Tour operator competitors, in their responses to the CMA's market testing, all stated that direct sales from campsites acted as a constraint to price rises.

47. The CMA considers that the above evidence indicates that the Parties will continue to face a constraint, at least to some extent, from holidays booked directly with campsites.

Conclusions

48. The CMA therefore considers that the Parties will continued to be sufficiently constrained by the offerings of direct competitors and will face some constraint from direct bookings with campsites.

49. The CMA therefore considers that the Parties, as a result of the Merger, will not be able to profitably raise the prices of their holidays to UK customers. As such the CMA considers the Merger does not give rise to a realistic prospect of a substantial lessening of competition by virtue of horizontal unilateral effects.

²⁸ Results from the *AI Fresco Brand Tracking Survey*. This was an online survey of consumers that had taken a European Camping Parc holiday in the last three years and would consider taking another in the future. [X]% of 410 respondents stated that they had booked their last main holiday direct with the accommodation provider.

²⁹ Eurocamp Survey, pages 23 to 25

³⁰ Roland Berger Report, page 232

Barriers to Entry or Expansion

50. The Parties submitted that barriers to entry and expansion in this market are low, particularly for operators already present on campsites who could, if it were profitable to do so, simply redirect capacity previously targeted at other nationalities, to UK consumers. The Parties pointed to the expansion of campsites and associations of campsites penetrating the market through direct selling online, and highlighted the growth of Al Fresco. The CMA notes that Al Fresco grew from operating on 43 campsites in 2008, to operating on 62 in 2013.
51. The CMA has not had to reach any conclusions on the sufficiency of entry or expansion as no significant lessening of competition concerns has been found to arise on any basis.

Third Party Comments

52. Two third parties raised concerns relating to the size of the merged entity and the impact this would have on competition, these concerns have been addressed above.
53. One campsite was concerned that Eurocamp may reduce the number of mobile home units on its site. The CMA received some concern that the merger may lead to greater pricing pressure in the market. These concerns on pricing pressure included one tour operator who indicated that the merger party may be able to negotiate lower rental and manufacturer fees to the detriment of smaller operators. The CMA considers that in many cases an increase in buyer power is not likely to give rise to anti-competitive effect and some of the benefits of greater market power may in fact be passed on to a merged firm's customers.
54. The CMA did not consider that the merger party was likely to have anti-competitive leverage with campsites due to their ability to market directly to UK consumers (or other nationalities) or to facilitate entry/expansion by other tour operators. The CMA's market testing also, on the whole suggested that the campsites would maintain a relatively strong bargaining position as against tour operators. One campsite stated their view that their negotiating position would not be reduced as a result of the merger. Another campsite represented their view that it would not affect price negotiation.
55. Furthermore, while the Parties may have greater negotiating strength with manufacturers (eg for mobile homes) the CMA anticipates that these manufacturers will (or could) serve a broader customer base than tour operators serving mainly UK (or French) customers.

56. There were no other specific concerns raised by customers in relation to the Merger. All other third party concerns have been discussed above.

Decision

57. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.
58. This Merger will therefore **not be referred** under section 33(1) of the Act.

Sheldon Mills
Senior Director of Mergers
Competition and Markets Authority
4 September 2014