

Completed acquisition by South Staffordshire plc of Cambridge Water plc

ME/5254/11

The OFT's decision on reference under section 32(b) given on 5 January 2012. Full text of decision published 9 January 2012.

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

PARTIES

1. South Staffordshire Plc ('South Staffordshire') is a public company limited by shares and incorporated in the United Kingdom. South Staffordshire owns South Staffordshire Water Plc ('South Staffordshire Water') and is the holding company for a number of non-regulated service businesses that operate predominantly in the UK water sector. South Staffordshire is an indirect wholly-owned subsidiary of investment funds management by Alinda Capital Partners LLC.
2. South Staffordshire Water is a water company whose assets include a network infrastructure (mains infrastructure, water treatment works and pumping stations) for the supply of water in the South Staffordshire area and does not have regulated sewerage businesses. South Staffordshire also has a number of subsidiaries providing non-regulated business activities. The turnover for the year ended 31 March 2011 for both South Staffordshire and South Staffordshire Water was £159.5 million and £87.8 million respectively.

3. Cambridge Water plc ('Cambridge Water') was a wholly-owned subsidiary of HSBC Bank Plc ('HSBC')¹ (until its acquisition by South Staffordshire Plc on 3 October 2011).
4. Cambridge Water is also a water company that owns a network infrastructure (mains infrastructure, water treatment works and pumping stations) for the supply of water in the Cambridge area and does not have regulated sewerage businesses. Cambridge Water has limited non-regulated business activities, principally comprising of the billing of sewerage charges to its customers on behalf of the appointed sewerage undertaker Anglian Water. Its turnover in the last financial year to 31 December 2010 was £20.1 million.

TRANSACTION

5. South Staffordshire acquired Cambridge Water on 3 October 2011 for a consideration of £[] million.
6. The parties notified the OFT of the completed merger on 10 November 2011. The administrative deadline for a decision is 13 January 2012. The statutory deadline for a decision is 3 February 2012.

JURISDICTION

7. The Water Industry Act 1991 (as amended) ('the Act') provides under section 32 that the OFT must refer a merger to the Competition Commission, if it believes that it is or may be the case that such a merger has taken place of two or more water enterprises in England and Wales. The OFT notes that both enterprises, Cambridge Water and South Staffordshire Water are water enterprises as defined by section 35(1) of the Act and that they have ceased to be distinct as a result of the Transaction.
8. The Act also provides that a mandatory reference to the Competition Commission shall be made where turnover exceeds £10 million. In

¹ HSBC Bank plc, a wholly owned subsidiary of HSBC Holdings Plc, acquired Cambridge Water plc on 5 August 2011, from CKI UK Water Limited, an indirect wholly-owned subsidiary of Cheung Kong Infrastructure Holdings Limited.

this instance, the UK turnover of Cambridge Water and South Staffordshire Water each exceeds £10 million and thus the turnover threshold under the Act is satisfied.

9. The OFT therefore believes that it is or may be the case that a merger of two water enterprises within the meaning of section 32(b) of the Act has taken place.
10. The OFT issued an invitation to comment on 15 November 2011. No concerns were raised from third parties.

DECISION

11. The OFT has therefore decided to refer the completed acquisition by South Staffordshire of Cambridge Water to the Competition Commission pursuant to section 32(b) of the Act.