

Completed acquisition by Pennon Group Limited of Bournemouth Water Investments Limited

ME/6532/15

Parties

1. Pennon Group plc (**Pennon**) owns South West Water Limited (**SWWL**), a water and sewerage company operating in the South West of England, and Viridor Waste Management Limited, a waste management company. The turnover of SWWL for the year ending 31 March 2014 was around £520 million in the UK (almost all of which came from regulated water and sewerage activities).
2. Bournemouth Water Investments Limited (**Bournemouth Water**) is a water only company operating in the Bournemouth area in the south of England. Its turnover for the year ending 31 December 2014 was around £49 million in the UK.

Transaction

3. On 16 April 2015 Pennon acquired Bournemouth Water (then named Sembcorp Bournemouth Water Investments Limited) (the **Merger**).

Jurisdiction

4. The Competition and Markets Authority (**CMA**) considers that both SWWL and Bournemouth Water are water enterprises as defined in section 35(1) of the Water Industry Act 1991 (the **Act**) and that they have ceased to be distinct as a result of the Merger. The CMA therefore believes that it is or may be the case that a merger of two or more water enterprises has taken place. Section 32(b) of the Act provides that the CMA has a duty to refer such a merger for a phase 2 investigation.
5. The turnover of both SWWL and Bournemouth Water, to the extent that they are water enterprises, exceeds £10 million. Therefore, the CMA considers that the exclusion under section 33 of the Act (that the value of the turnover of the water enterprise taken over does not exceed or would not exceed £10 million, or if the water enterprise belonging to the acquirer has a turnover which does

not exceed or would not exceed £10 million) to the duty to refer does not apply.

6. The Merger completed on 16 April 2015. The four month deadline for enforcement action on reference under section 24 of the Enterprise Act 2002¹ is therefore 16 August 2015.
7. Pennon submitted a merger notification to the CMA on 20 May 2015. The CMA is making the present decision on reference within 40 working days from this date, although the CMA notes that there is no statutory time period within which it must make this decision.²

Decision

6. The CMA is required to make a merger reference of a water merger unless the value of the turnover thresholds, discussed above, are not met.
7. The CMA therefore decides to refer the Merger to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 to conduct a phase 2 investigation.

Sheldon Mills

Senior Director, Mergers

Competition and Markets Authority

8 June 2015

¹ As applicable to water mergers pursuant to regulation 4 of the Water Mergers (Modification of Enactments) Regulations 2004 (SI 2004/3202).

² The statutory time period for merger references under section 34ZA of the Enterprise Act 2002 does not apply to water mergers pursuant to regulation 3 of the Water Mergers (Modification of Enactments) Regulations 2004, as amended by the Enterprise and Regulatory Reform Act 2013 (Competition) (Consequential, Transitional and Saving Provisions) (No. 2) Order 2014 (SI 2014/549), paragraph 22(2) of Schedule 1. The CMA will nevertheless handle any notification of water mergers as promptly as is practicable in the circumstances, and, in practice, would generally expect to make a reference of a qualifying water merger within 40 working days of receiving a complete notification (see [Mergers of water or sewerage undertakings in England and Wales: Explanatory note](#) (CMA2supp, April 2014), paragraph 4).