



Proposal by
The Water Services Regulation
Authority (Ofwat)
That South Staffordshire plc. replace
Cambridge Water plc. as the water
undertaker for the Cambridge Water
supply area and for the consequential
modification of South Staffordshire's
conditions of appointment.

Introduction

1. The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. CCWater has four regional committees in England and a committee for Wales. This response reflects the view of the Central and Eastern Regional Committee.
2. We welcome the opportunity to comment on Ofwat's proposal to modify South Staffordshire's conditions of appointment, so that South Staffordshire replaces Cambridge as water undertaker for the Cambridge's area.

General Comments

3. CCWater considers any merger proposal on its merits and we would wish to see tangible benefits for consumers detailed in any merger proposal. We note that South Staffordshire considers that the merger will benefit the company by:
 - improving the resilience of both operations and customer service in the Cambridge area;
 - reducing the corporate costs of operating two separate companies.
4. In our response to the Competition Commission enquiry, we raised concerns about the potential risk to customers that the integration of two companies could lead to deterioration in service.

Although we acknowledge South Staffs' plans to avoid this we asked that South Staffordshire give the following commitments:

Price: the merged company would share the cost savings arising out of a merger with customers at the earliest opportunity.

Customer service: maintain customer service levels in the two constituent companies during the merger period and that the merged entity should commit to ensuring that best practice in one company is replicated in the other company.

5. We are therefore pleased to note that South Staffordshire has confirmed their commitment in both of these areas.

In our discussions with the company they have indicated that they intend to share in the region of £500,000 with customers. Although the benefit to customers will only apply from the start of the next price review in 2015, we agree that how this is shared is best decided in conjunction with the existing local customer engagement

groups.

We also welcome the other commitments given by the company to:

- Retain The Cambridge Water name.
- Keep local operational staff, including call centre and administration, together with senior management in Cambridge.
- Appoint a non-executive director with links to the Cambridge area to the Board of the unified company.
- Maintained separate charging levels in the two areas.

In order to ensure that customers in Cambridge's area will not have higher charges than they would have done if Cambridge's licence had not been terminated, we are supportive of Ofwat's proposal to include wording in Condition E of South Staffordshire's conditions of appointment until 31 March 2015.

We believe that these measures will aid continuity of service to customers in the Cambridge region and help reduce the risks that can be associated with mergers between two companies.

6. We also support Ofwat's proposal that South Staffordshire will continue to collect and maintain separate information for both geographical regions, so that customers can be sure that commitments given during the 2009 price review are honoured.
7. We have enjoyed a good working relationship with both companies in the past and look forward to continuing this with the future. We therefore have no objection to Ofwat granting a single licence.

Enquiries should be directed to:

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