

25 October 2007

## **OFT REFERS WATER TANK MERGER TO THE COMPETITION COMMISSION**

The OFT today referred to the Competition Commission (CC) the acquisition by Killarney Manufacturing Group Limited (via Silverline Tanks Limited) of Balmoral Tanks. The merger combines the UK's two largest suppliers of sectional water tanks made from glass reinforced plastic. For certain drinking water storage needs, this type of tank is by far the logical or only choice for customers, and Killarney would be the market leader with over 50 per cent of supply in the UK.

Simon Pritchard, the OFT's Senior Director of Mergers, said:

The merger removes the main competitive dynamic in the market between the two largest players who win tenders from each other more than from anyone else. As fringe competitors are around a fifth the size, we had doubts that their expansion, or new entry, would be of a scale and speed to replace this lost competition. Overall, we foresee a substantial risk of post-merger price increases by Killarney, and so we are referring this case in the interests of customers and consumers."

The parties offered behavioural undertakings in lieu of a reference to the CC, but the OFT did not consider that they addressed the key competition concerns raised by the merger.

## NOTES

1. The Reference Test — The OFT has a duty to make a reference to the CC if the OFT believes 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; and the creation of that situation may be expected to result, in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.
2. Under the Enterprise Act 2002 a relevant merger situation is created if two or more enterprises have ceased to be distinct enterprises; and the value of the turnover in the United Kingdom of the enterprise being taken over exceeds £70 million; or as a result of the transaction, in relation to the supply of goods or services of any description, a 25% share of supply in the UK (or a substantial part thereof) is created or enhanced.
3. The CC may extend the 24 week period within which it is required to publish its report by no more than eight weeks if it considers that there are special reasons why the report cannot be published within that period.
4. The text of these decisions will be placed on the Office of Fair Trading's web site at [www.offt.gov.uk](http://www.offt.gov.uk) and will also appear in the Office's Weekly Gazette as soon as is reasonably practicable.

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