# Labour Lord warns KKR’s Thames Water bid risks repeating private equity pitfalls



In a recent session in the UK Parliament on Tuesday, April 29, Labour Lord Prem Sikka raised significant concerns regarding the prospective ownership of Thames Water, one of the country's largest water supply and treatment companies serving approximately 16 million people, including areas in Oxfordshire. Lord Sikka criticised the business model of the US private equity firm Kohlberg Kravis Roberts (KKR), named as Thames Water’s nominated future owner, describing it as focused on "profiteering, high leverage, low investment, asset stripping and high cash extraction."

KKR, which already holds a minority stake in Northumbrian Water, is among six interested parties in the bid to acquire Thames Water. The company advanced KKR’s bid in March and aims to submit the terms of a possible deal shortly, with expectations for completion set for the latter half of the year. Despite limited public details, Thames Water has indicated that the deal would significantly reduce its sizeable debt, which is estimated to be at least £16bn.

Lord Sikka expressed deep scepticism about the potential effects of the acquisition, noting the historical context that private equity involvement previously contributed to Thames Water’s financial difficulties. He remarked, "Thames Water was put on the road to ruin by private equity. Now its shareholders have designated KKR, another private equity group, as their preferred bidder. KKR’s business model is profiteering, high leverage, low investment, asset stripping and high cash extraction." He added, "That will inevitably multiply Thames’ problems."

In response to these concerns, Thames Water stated that there was still "no certainty" over the agreement. Environment Minister Baroness Hayman of Ulloch declined to comment on the deal specifics, deeming it inappropriate for the government to intervene. However, she emphasised earlier in the parliamentary session that any investors would be "expected to show that Thames Water will meet its statutory and regulatory obligations."

Aside from financial and ownership issues, Thames Water has recently faced scrutiny over its operational challenges, including significant increases in infrastructure upgrade costs and environmental concerns. Notably, the company encountered public criticism for a dramatic rise in expenses relating to the upgrade of its Oxford Treatment Plant, which is the largest in the Upper Thames Valley region. The cost estimate for remedial work soared from £40 million in 2021 to £435 million currently. Olly Glover, the Liberal Democrat MP for Didcot and Wantage, publicly demanded transparency from Thames Water, urging the company to “show their workings and explain how such a huge cost increase can be possible.”

Thames Water attributed the steep rise in costs partly to "underlying operating costs," as reported by the Financial Times, yet detailed explanations remain limited. This surge in spending is compounded by other ongoing operational challenges such as water quality issues and instances of sewage being discharged into rivers, further complicating the company’s public relations landscape.

The Oxford Times is reporting that as Thames Water navigates through this pivotal period of potential ownership transition, financial restructuring, and public scrutiny, the outcomes will likely influence its future operations and the services provided to millions of customers in the UK.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.cityam.com/thames-water-kkr-makes-4bn-offer-for-majority-stake/> - This article reports that KKR has offered £4 billion for a majority stake in Thames Water, corroborating the claim that KKR is among six interested parties in the bid to acquire Thames Water.
2. <https://www.ft.com/content/edd76ff0-37de-4e89-beb9-0d0d33b3054b> - This Financial Times article details the tenfold increase in the cost of upgrading Thames Water's Oxford sewage treatment plant, supporting the information about significant increases in infrastructure upgrade costs.
3. <https://www.ft.com/content/21ec8e46-5864-42cf-9840-7fdd36f810ce> - This piece discusses Thames Water's operational challenges, including significant increases in infrastructure upgrade costs and environmental concerns, aligning with the article's mention of the company's operational difficulties.
4. <https://www.parallelparliament.co.uk/mp/olly-glover/debate/2024-10-23/commons/westminster-hall/water-companies-regulation-and-financial-stability> - In this debate, MP Olly Glover highlights Thames Water's financial struggles and operational issues, including sewage overflows and leaks, which corroborates the article's mention of the company's operational challenges.
5. <https://www.hansard.parliament.uk/Lords/2024-07-23/debates/35E3782A-48B9-4EA8-9A1F-8F99A6DA862B/details> - This Hansard record captures a debate in the House of Lords where Lord Prem Sikka expresses concerns about Thames Water's financial stability and the potential impact of private equity involvement, supporting the article's mention of Lord Sikka's scepticism regarding the acquisition.
6. <https://www.leftfootforward.org/2024/04/let-thames-water-go-bust-its-time-to-bring-water-back-into-public-ownership/> - In this article, Prem Sikka argues for bringing water companies back into public ownership, aligning with his expressed concerns about private equity's role in Thames Water's financial difficulties.
7. <https://www.oxfordmail.co.uk/news/25126003.kkrs-thames-water-bid-spotlight-house-lords/?ref=rss> - Please view link - unable to able to access data