

Completed acquisition by Copart, Inc. of Green Parts Specialist Holdings Ltd (Hills Motors)

Provisional findings report

5 May 2023

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The Competition and Markets Authority has excluded from this published version of the provisional findings report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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Summary

Overview

1. The Competition and Markets Authority (**CMA**) has provisionally found that the completed acquisition by Copart UK Limited, a wholly owned subsidiary of Copart, Inc. (**Copart**), of the entire issued share capital of Green Parts Specialist Holdings Ltd (formerly named ILT Project Limited) (**Hills Motors**) (the **Merger**) has resulted or may be expected to result in a substantial lessening of competition (**SLC**) in the supply of salvage services in the UK. Copart and Hills Motors are together referred to as the **Parties** and for statements referring to the future, as the **Merged Entity**.
2. We have provisionally found that the Merger may not be expected to give rise to an SLC in: (i) the supply of damaged and other used vehicles to dismantlers in the UK; (ii) the supply of damaged and other used vehicles to non-dismantlers in the UK; (iii) the supply of recycled original equipment manufacturer (**OEM**) vehicle parts (**recycled parts**) to insurance repair networks in the UK; and (iv) the supply of recycled parts to other customers in the UK.
3. This is not our final decision, and we invite any interested parties to make submissions on these provisional findings by no later than **5pm on Friday 26 May 2023**. Please make any response to these findings by email to copart.hills-motors@cma.gov.uk. We will take all submissions received by this date into account in reaching our final decision.

Who are the businesses and what services do they provide?

4. Copart is a global provider of online vehicle auctions and vehicle remarketing services. Hills Motors is a UK-based provider of vehicle recycling and remarketing services.
5. The Parties both provide services – including collection (recovery), storage and remarketing for sale via online auctions – to customers looking to dispose of and commercialise damaged and other used vehicles in the UK. The Parties principally overlap in the supply of such services to insurance companies. They also provide these services to other customers, including private individuals (Copart via its Cash For Cars business and Hills Motors via its scrapacar.co.uk website), local authorities (such as the police) and vehicle rental, fleet management and finance companies.

6. Hills Motors dismantles vehicles to supply recycled parts, whereas Copart does not. Hills Motors has a particular focus on its recycled parts supply capabilities, including through the development of its 'The Green Parts Specialists' platform.

How have we assessed the impact of the Merger?

7. In a completed merger, we are required to determine whether it has resulted, or may be expected to result, in an SLC within any market or markets in UK. In deciding whether a merger may be expected to result in an SLC, the question we are required to answer is whether there is an expectation — a more than 50% chance — that it will result in an SLC.
8. In assessing whether this is the case, we have focused on three broad ways, or 'theories of harm', in which the Merger could give rise to an SLC:
 - (a) the first considers whether the Merger would result in an SLC in the supply of salvage services in the UK by removing a competitive constraint;
 - (b) the second considers whether the Merger would result in an SLC in the supply of damaged and other used vehicles to dismantlers and to non-dismantlers, respectively, in the UK by removing a competitive constraint; and
 - (c) the third considers whether the Merger would result in an SLC in the supply of recycled parts to insurance repair networks or other customers, respectively, in the UK by enabling the Merged Entity to harm the competitiveness of rivals in those markets by restricting access to damaged and other used vehicles used as an input.
9. We discuss our provisional findings in respect of these theories in further detail below.

What evidence have we looked at?

10. To assess the impact of the Merger, we gathered a substantial volume of evidence that we considered in the round to reach our provisional findings.
11. We held site visits and hearings with each of Copart and Hills Motors and received several submissions from the Parties – including a response to our [phase 1 decision](#) issued on 28 November 2022 (**Phase 1 Decision**), a subsequent response to our [Issues Statement](#) (in which we set out the theories of harm on which we planned to focus our phase 2 investigation) and

a response to our working papers and annotated Issues Statement (the **AIS**), which set out our emerging thinking and was shared with the Parties ahead of our hearings with them – as well as responses to our information requests. We gathered and analysed a substantial volume of contemporaneous documentary evidence from the Parties, including internal documents relating to recent tenders and email correspondence regarding the rationale for the Merger and the Parties' business plans.

12. We gathered evidence from customers and competitors via written questionnaires and video conference calls in order to better understand the markets and obtain their views on the potential impact of the Merger on competition. This included evidence from 18 competitors in salvaging and dismantling and 19 customers of salvage services (of which the majority were insurance companies). We also received input from other industry associations and players.
13. Finally, we considered evidence from the Parties and third parties received during our phase 1 investigation of the Merger.

What would have happened absent the Merger?

14. To determine the impact that the Merger may have on competition, we have considered what would have likely happened absent the Merger. This is known as the counterfactual. In this case, based on the evidence we gathered, our provisional conclusion is that the most likely counterfactual is the pre-Merger conditions of competition.
15. We have received evidence that a salvager offering a recycled parts service is important to a material portion of customers. Given that insurers' preferences in this regard is an industry-wide development, we have considered the competitive impact of this, and in particular its impact on Copart's competitive position, in the competitive assessment.

The impact of the Merger on the supply of salvage services in the UK

16. We have provisionally concluded that the Merger would result in an SLC in the supply of salvage services in the UK by removing a competitive constraint. In our assessment, we first considered the extent of competition between the Parties that would be lost because of the Merger, and then considered whether that loss would be substantial in view of the constraints that the Merged Entity would face post-Merger from remaining rivals. As part of this assessment, we considered evidence on the structure of the market and the

Parties' position over time, the closeness of competition between the Parties – in particular, recent competitive interactions and how this would have likely continued absent the Merger – and the constraint remaining from alternative providers.

Market structure and the Parties' position over time

17. We estimated shares of supply using data from the Parties and other salvagers on the volume of vehicles they handled on behalf of salvage service customers – including all customers, whether insurance companies, public authorities, private individuals, rental, finance or fleet companies, etc – in the UK from 2019 to 2022. Based on these estimates for 2022, Copart is the largest supplier by a significant distance, with a market share of over 40%. The next largest suppliers are Recycling Lives, IAA, e2e and Hills Motors. There is a tail of smaller suppliers, including Charles Trent, Silverlake and SureTrak.
18. We also estimated shares of supply based on volumes identified by the Parties and other salvagers as being supplied by insurance customers, as this is the main area of overlap between the Parties. On this basis, as compared with the supply of salvage services overall, Copart remains the market leader, but with a higher share of supply of over 60%. Copart is over three times the size of the next largest supplier, IAA. Hills Motors' share of supply is similar to its share of supply of salvage services overall. Owing to the much smaller presence of Recycling Lives and Charles Trent in this segment, the Merger combines the first and fourth largest players.
19. While share of supply estimates are inherently backward-looking, they provide useful information as to the relative position of the largest players in the supply of salvage services. In particular, we consider Copart's leading position – which has remained consistent over time – indicative of its sustained success in winning salvage service contracts.
20. While there is variation in our share of supply estimates – including our sensitivity analyses – based on the different ways in which we have assessed the data, they all show that Copart is substantially larger than any other player and that the Merger will lead to a material increment. We consider that more weight should be placed on the shares based on vehicles received from insurance companies, given the nature of the Parties' overlap.
21. We have considered this evidence in the round alongside other evidence as outlined below.

Closeness of competition between the Parties

22. Our provisional view is that, while historically Hills Motors has placed only a weak constraint on Copart, the competitive constraint by Hills Motors on Copart was increasing in recent competitive interactions and, absent the Merger, the competitive constraint from Hills Motors would likely have increased further. This is in the context of a market in which competition (in particular for large insurance customers) mainly takes place among a small number of firms.
23. In particular, evidence gathered from the Parties, their customers and competitors shows that:
- (a) The Parties are two of a small number of players – Copart, IAA, e2e, Hills Motors, SureTrak – with demonstrable success in winning and servicing large national salvage contracts for insurance companies (**‘large national insurance contracts’**). While the way in which the Parties service these contracts differs – Copart services its contracts in-house whereas Hills Motors operates a network of suppliers – several insurance customers with large national insurance contracts told us that it is acceptable for national coverage to be provided via subcontracting, subject to certain service level parameters being met.
 - (b) Copart is one of a small number of players – Copart, IAA, e2e and Recycling Lives – with a proprietary auction platform. Prior to the Merger, Hills Motors had made a significant investment in developing its own auction technology. While Hills Motors pre-Merger had not launched its own auction platform, there is evidence that Hills Motors had well-developed platform technology.
 - (c) While, historically, Hills Motors and Copart have not been considered to be alternatives by customers, there is evidence of this changing in recent years following Hills Motors winning a contract with Ageas, a large national insurance customer. While Hills Motors’ model for servicing the Ageas contract has some unique features, the evidence suggests that it is capable of being replicated, with certain adjustments, for other large national contracts. In particular, there is evidence of recent competitive interactions between the Parties in relation to large insurance customers. This indicates that going forward the model used by Hills Motors may have wider appeal with customers, particularly in the context of the growing importance of recycled parts, where it has a strong position.
 - (d) While the views of customers expressed in response to our investigation show a lack of perceived closeness of competition between the Parties, in

weighing this evidence in our assessment, we have had regard to the particular market context in this case, taking into account the small number of significant rivals to Copart in the supply of salvage services and the juncture in time at which the Merger occurred (Hills Motors having won the Ageas contract in 2020 and the value of the recycled parts opportunity to insurers having gained traction relatively recently). This timing may mean that the views of customers today are not particularly probative as evidence of the degree of closeness of competition between the Parties had the Merger not taken place. For example, half of Copart's customers who responded to our investigation do not appear to have tendered their contracts since 2020 (when Hills Motors won the Ageas contract). By contrast, the observed behaviour of customers in recent competitive interactions suggests that the competitive constraint by Hills Motors on Copart in salvage services was increasing.

- (e) Consistent with other evidence we have gathered and assessed above, Copart's internal documents indicate that its closest competitor is IAA followed by, more distantly, e2e. However, Copart's documents also show that, prior to the Merger, it was monitoring Hills Motors alongside a small number of competitors and was targeting the same customers.
- (f) Internal documents submitted by Hills Motors – including documents relating to tenders, benchmarking exercises and Hills Motors' auction platform as well as internal strategy documents – show that, prior to the Merger, Hills Motors had ambitions to continue to compete for salvage service customers, including Copart's existing customers.

Remaining constraints post-Merger

24. We have provisionally found there to be weak alternative constraints on the Merged Entity. In particular, while IAA places a strong constraint on the Merged Entity, e2e only provides a moderate constraint on the Merged Entity, which is likely to be weaker following the Merger. In addition, of the other salvagers identified by the Parties, most place a weak constraint on the Merged Entity. While we expect the historically weak constraint from Charles Trent to increase in the future, for example, we consider that the constraint would not be as strong as constraint from Hills lost as a result of the Merger given Hills Motors' more developed IT systems and proven track record of servicing a large national insurance contract outside of e2e.

The impact of the Merger on the supply of damaged and other used vehicles to dismantlers in the UK

25. We have provisionally found that the Merger has not and may not be expected to give rise to an SLC as a result of horizontal unilateral effects in the supply of damaged and other used vehicles to dismantlers in the UK.
26. We provisionally consider that the market for the supply of damaged and other used vehicles to dismantlers in the UK includes vehicles sourced from salvage service customers (directly or indirectly, via subcontracting arrangements or purchasing from salvager auctions) but excludes vehicles sourced from other vehicle remarketers who specialise in the sale of used vehicles (eg BCA and Manheim) and platforms listing vehicles for sale.
27. Available share of supply data show that the Merged Entity has a high share of supply of all vehicles handled by salvagers – which may be used for dismantling – and a very high (over 60%) share of supply of the vehicles most suitable for dismantling (Category B vehicles) with a material increment (attributing to Hills Motors the volumes of Category B vehicles it supplies to subcontractors). However, evidence received from dismantlers shows that the Parties are not significant alternatives to each other in practice.
 - (a) Copart sells Category B vehicles to verified licensed dismantlers via its online auctions, whereas the vast majority of vehicles supplied by Hills Motors to dismantlers are supplied through sub-contracting arrangements.
 - (b) Further, Hills Motors supplies vehicles via sub-contracting to a limited subset of all dismantlers.
 - (c) For those dismantlers receiving sub-contracted volumes from Hills Motors, most receive the majority of their volumes from sources other than the Parties. In particular, seven out of ten that responded to our investigation received less than half of their volumes from the Parties.

The impact of the Merger on the supply of damaged and other used vehicles to non-dismantlers in the UK

28. We have provisionally found that the Merger has not and may not be expected to give rise to an SLC as a result of horizontal unilateral effects in the supply of damaged and other used vehicles to non-dismantlers in the UK.

29. We provisionally consider that the market for the supply of vehicles to non-dismantlers in the UK includes salvagers as well as other vehicle remarketers (eg BCA and Manheim) and platforms listing vehicles for sale.
30. We have not sought to estimate shares of supply but have focused on the closeness of competition between the Parties and the extent to which there are significant alternatives in practice.
 - (a) Data from the Parties shows that most buyers buy a small number of vehicles with the vast majority of Hills Motors' buyers only buying very few vehicles annually. For Copart there are more large-scale buyers, however, most still buy a small number.
 - (b) Survey evidence submitted by the Parties shows that, among non-dismantler respondents, the most commonly identified alternatives were eBay, Auto Trader, Gumtree, Facebook Marketplace and IAA. Hills Motors was only identified by a small proportion of respondents and was identified less frequently than other salvagers. While the evidence the Parties submitted from the websites of eBay, Facebook Marketplace and Gumtree does not support that these platforms have a credible supply of Category B vehicles, there is evidence of some of the vehicles identified by the Parties being Category N or S vehicles or roadworthy vehicles and as such equivalent to vehicles the Parties generally supply to non-dismantlers.
 - (c) Copart's internal documents are consistent with there being some overlap in the vehicles available for non-dismantlers.

The impact of the Merger on the supply of recycled parts to insurance repair networks and other customers in the UK

31. We have provisionally found that the Merger has not and may not be expected to give rise to an SLC as a result of input foreclosure of rival suppliers of recycled parts to insurance repair networks or other customers in the UK through the Merged Entity restricting access to damaged and other used vehicles used in the supply those parts.
32. In assessing whether the Merged Entity would have the ability to foreclose rivals in the supply of recycled parts to insurance repair networks and to other customers in the UK, we have considered whether the Merged Entity would have the ability to harm the competitiveness of rivals in those markets by restricting access to damaged and other used vehicles used as an input. Given the presence of vertically integrated rivals in both markets we have considered both:

- (a) whether the Merged Entity would have control of an important input in the supply of recycled parts to (i) insurance repair networks and (ii) other customers in the UK, having regard to available share of supply of data; and
- (b) the extent to which the Merged Entity's rivals in the supply of recycled parts to both customer groups are dependent on the Merged Entity for their inputs (such that a foreclosure strategy could harm their competitiveness).
33. As to whether the Merged Entity would have control of an important input, as set out above, the available share of supply data show that the Merged Entity has a high share of supply of all vehicles handled by salvagers – which may be used for dismantling – and a very high (over 60%) share of supply of the vehicles most suitable for dismantling (Category B vehicles) with a material increment (attributing to Hills Motors the volumes of Category B vehicles it supplies to subcontractors). Viewed in isolation, this would suggest that the Merged Entity has an important position in the supply of damaged and other used vehicles to dismantlers.
34. However, available share of supply data for the UK show that the only players besides the Merged Entity with a material presence in the supply of recycled parts to insurance repair networks that may be impacted by a foreclosure strategy are Silverlake, IAA and Charles Trent, all of whom are vertically integrated and receive the majority of their insurance vehicles – being those vehicles most suitable for dismantling to supply parts – from contracts with insurance customers (whether held independently, in the case of IAA, or through consortia). We therefore provisionally conclude that the Merged Entity does not have the ability to harm the competitiveness of these rivals.
35. In the supply of recycled parts to other customers in the UK, IAA, Charles Trent and Silverlake are also the largest suppliers. Further, the market is highly fragmented, with a large number of players (including Hills Motors) each with a small share of supply of less than 5%. Hills Motors' insignificant size in this market suggests that a foreclosure strategy with respect to dismantlers serving other customers would be unlikely to be profitable, as any potential gains from foreclosure would likely be very limited.
36. Given that all significant rivals – in both the supply of recycled parts to insurance repair networks and the supply of recycled parts to other customers in the UK – are vertically integrated, such that they have alternative sources of insurance vehicles (the vehicles most suitable for dismantling for parts), we provisionally conclude that the Merged Entity does not have the ability to harm the competitiveness of rivals that impact competition in either market.

Countervailing factors

37. As we have provisionally found that the Merger gives rise to an SLC in the supply of salvage services in the UK, we have considered whether there are countervailing factors that may prevent or mitigate an SLC arising in this market. There are two main ways in which this could happen:
- (a) through the entry and/or expansion of third parties in reaction to the effects of a merger; or
 - (b) through merger efficiencies (specifically, at this stage, we consider rivalry-enhancing efficiencies).

Entry and expansion in the supply of salvage services

38. On the basis of the available evidence, it is our provisional view that barriers to entry and expansion in the provision of salvage services are high, and that it is not likely that entry or expansion of sufficient scale would occur in a timely and sufficient manner to mitigate or prevent an SLC from arising as a result of the Merger. This view takes into account the evidence we have in relation to the scale (whether in-house or achieved through operation of a network) needed to compete for and service national contracts – in particular, large national insurance contracts – and associated capital investment and regulatory requirements as well as the prospects of expansion by existing players.

Merger efficiencies

39. Based on the evidence currently available, our provisional view is that it is unlikely that rivalry-enhancing efficiencies will arise from the Merger to prevent the SLC we have provisionally identified as arising as a result of the Merger. In order for us to take rivalry-enhancing efficiencies into account in our assessment, the efficiencies must:
- (a) enhance rivalry in the in the supply of the products or services where an SLC may otherwise arise;
 - (b) be timely, likely and sufficient to prevent an SLC from arising (having regard to the effect on rivalry that would otherwise result from the merger);
 - (c) be a direct consequence of the merger; and
 - (d) benefit customers in the UK.

40. While the Parties have submitted that the Merger will benefit salvage service customers and better enable Copart to compete with IAA, the Parties have not to date put forward verifiable evidence to demonstrate that such suggested efficiencies would be timely, likely, sufficient and specific to the Merger to offset the SLC we have provisionally identified. In particular, we have not seen evidence that any such efficiencies are reliant on the Merger in question and would not be brought about by other means.

Provisional conclusions

41. As a result of our assessment, we have provisionally concluded that:
- (a) the completed acquisition of Hills Motors by Copart has resulted in the creation of a relevant merger situation (**RMS**); and
 - (b) the creation of that RMS has resulted, or may be expected to result, in an SLC in the market for the supply of salvage services in the UK due to horizontal unilateral effects.

Provisional findings

1. The reference

- 1.1 On 9 December 2022, the Competition and Markets Authority (**CMA**), in exercise of its duty under section 22(1) of the Enterprise Act 2002 (the **Act**), referred the completed acquisition by Copart UK Limited, a wholly owned subsidiary of Copart, Inc. (**Copart**),¹ of the entire issued share capital of Green Parts Specialist Holdings Ltd (formerly named ILT Project Limited) (**Hills Motors**) (the **Merger**) for further investigation and report by a group of CMA panel members (the **Inquiry Group**). Copart and Hills Motors are together referred to as the **Parties** or, for statements referring to the future, as the **Merged Entity**.
- 1.2 In exercise of its duty under section 35(1) of the Act, the CMA must decide:
- (a) whether a relevant merger situation has been created; and
 - (b) if so, whether the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.
- 1.3 We are required to prepare and publish a final report by 20 July 2023.²
- 1.4 Our terms of reference, along with information on the conduct of the inquiry, are set out in Appendix A and Appendix B respectively.
- 1.5 This document, together with its appendices, constitutes the Inquiry Group's provisional findings, published and notified to the Parties in line with the CMA's rules of procedure.³ Further information can be found on our webpage.⁴

2. The Parties and the Merger

Copart

- 2.1 Copart is a global provider of online vehicle auctions and vehicle remarketing services. Copart was founded in 1982 and is headquartered in the United

¹ Copart refers to Copart, Inc. together with all entities under common ownership or common control, or over which it exerts material influence within the meaning of section 26 of the Act excluding Hills Motors.

² See [Notice of extension of inquiry period under section 39\(3\)](#) dated 6 April 2023.

³ [CMA rules of procedure for merger, market and special reference groups \(CMA17\)](#).

⁴ [Copart/Hills Motors merger inquiry](#).

States. In addition to the UK, Copart has operations in countries in Asia, Europe and South America.⁵

- 2.2 Copart, Inc. is a public limited liability company listed on the NASDAQ stock exchange. The turnover of Copart in the financial year ending 31 July 2022 was approximately £2.66 billion worldwide, of which approximately £[~~2~~] million was generated in the UK.⁶

Copart's activities globally

- 2.3 Copart supplies services to customers (which it refers to as 'sellers') looking to dispose of and commercialise damaged and other used vehicles. Such services include collection (also referred to as 'recovery'), storage, remarketing for sale via its proprietary online auction technology, which it refers to as VB3.⁷ Copart's online auctions are open to registered customers (which Copart refers to as 'members'), which can be accessed globally. The vehicles are then collected or delivered to the customer from the physical auction site location in question.
- 2.4 Copart's vehicle sellers consist primarily of insurance companies, but also include banks, finance companies, charities, fleet operators, dealers, vehicle rental companies, and individuals.⁸ The majority of the vehicles sold on behalf of insurance companies are either damaged vehicles deemed a total loss, not economically repairable by the insurance companies or are recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made.⁹ Copart sells the vehicles principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers, exporters, and to the general public.¹⁰

Copart's activities in the UK

- 2.5 Copart entered the UK in 2007 through the acquisition of Universal Salvage Plc. It has since expanded through the acquisition of other businesses and their sites (on which vehicles are stored pending their sale) throughout the

⁵ <https://www.copart.com/Content/us/en/About-Copart/Our-History>.

⁶ Copart's response to the CMA's RFI dated 17 February 2023 (**Phase 2 RFI 4 to Copart**), question 23.

⁷ Copart, [Form 10-K: annual report for year ending 31 July 2022](#).

⁸ Copart, [Form 10-K: annual report for year ending 31 July 2022](#).

⁹ Copart, [Form 10-K: annual report for year ending 31 July 2022](#).

¹⁰ Copart, [Form 10-K: annual report for year ending 31 July 2022](#).

UK.¹¹ Pre-Merger, Copart operated from 15 sites in the UK with a total acreage of [REDACTED] acres.¹²

- 2.6 As with its global operations, in the UK Copart supplies services – including collection, storage and remarketing for sale via its proprietary online auction technology – to ‘sellers’ looking to dispose of and commercialise damaged and other used vehicles. Copart does not dismantle vehicles.¹³ A small proportion (approximately [REDACTED]%) of vehicles handled by Copart in the UK are bought by customers and dismantled by those customers at facilities provided by Copart.¹⁴ Copart then disposes of the remaining vehicle as waste if the customer requires it. These ‘self-service’ dismantling facilities, previously known as U-Pull-It, have recently been rebranded as Copart Recycling.¹⁵ As a corollary of these self-dismantling operations, Copart makes a small volume of ‘leftover’ parts (tyres and alloys, engines) available for sale.¹⁶

Hills Motors

- 2.7 Hills Motors is a UK-based provider of vehicle recycling and remarketing services. Hills Motors was founded in 1978.¹⁷
- 2.8 The turnover of Hills Motors in the financial year ending 30 November 2021 was approximately £[REDACTED] million, of which £[REDACTED] million was generated in the UK.¹⁸ Hills Motors estimated turnover for the financial year ending 30 November 2022 is £[REDACTED] million.¹⁹
- 2.9 Like Copart, Hills Motors supplies services – including collection (recovery), storage and remarketing for sale via online auctions²⁰ – to customers looking to dispose of and commercialise damaged and other used vehicles.
- 2.10 Unlike Copart, Hills Motors also dismantles vehicles and extracts their original equipment manufacturer (**OEM**) parts (**recycled parts**) for resale and reuse in

¹¹ These include the acquisition of: Century Salvage Sales Ltd in 2007, Simpson Bros (York) Holding Ltd and AG Watson Auto Salvage and Motors Spares (Scotland) Ltd 2008, D Hales Ltd in 2010 and John Hewitt and Sons Ltd in 2011. See [Copart's British Car Auction Locations | Copart UK](#).

¹² Parties' response dated 27 January 2023 to the CMA's Issues Statement dated 13 January 2023 (**Parties' response to the Issues Statement**), Table 1, page 4; Copart's response to the CMA's notice issued under section 109 of the Act dated 12 September 2022 (**Notice 2 to Copart**), question 4.

¹³ Parties' response to the Issues Statement, Table 1, page 4.

¹⁴ Copart response to Phase 2 Notice 1, Annex 3.

¹⁵ See further [Copart Recycling | Car Breakers Yards Edinburgh & York](#).

¹⁶ Parties' response to the CMA's RFI dated 25 October 2022 (**RFI 4**), question 10.

¹⁷ See [GREEN PARTS SPECIALIST \(ORMSKIRK\) LTD overview - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](#).

¹⁸ Final merger notice submitted by Copart UK Limited and Hills Salvage and Recycling Limited to the CMA on 30 September 2022 (**FMN**), paragraph 26.

¹⁹ Hills Motors' statutory accounts for 2022 are not yet available. Hills Motors' response to the CMA's RFI dated 17 April 2023 (**Phase 2 RFI 6 to Hills Motors**), question 3.

²⁰ Unlike Copart, Hills Motors operates its online auctions using third-party auction technology.

vehicle repairs. While Hills Motors generates the majority of its revenues through its activities in the supply of salvage services and associated vehicle sales,²¹ it has a particular focus on the development of its recycled parts supply capabilities, including through the development of its The Green Parts Specialists platform (see paragraph 3.21 below).

- 2.11 Hills Motors operates out of four sites in the UK with a total of around [REDACTED] acres:²² three (two for storage and one for salvaging, dismantling and scrapping) located in Lancashire and a fourth site in Scotland (used for salvaging and dismantling, acquired as part of Hills Motor's acquisition of DA Autoparts in 2021).²³ In February 2022 Hills also acquired a further site in Gloucester as a delivery hub for the supply of green parts.²⁴

The Merger

- 2.12 Pursuant to a share purchase agreement dated 5 July 2022, Copart UK Limited, a wholly owned indirect subsidiary of Copart, Inc., acquired the entire issued share capital of Hill Motors.²⁵ The Merger completed on 5 July 2022, for a consideration of £[REDACTED].²⁶

The Merger rationale

- 2.13 The Parties submitted that the rationale for the Merger is for Copart to provide customers with an end-to-end salvage and in-house dismantling service, including the supply of recycled parts.²⁷ Copart submitted that the Merger was in response to customer demand for such a service and competition from competitors vertically integrated in the supply of salvage services and in-house dismantling to supply recycled parts.²⁸
- 2.14 With regard to customer demand, the Parties submitted that insurance companies and other salvage service customers are increasingly requesting

²¹ Hills Motors described its principal activity in the year ended 30 November 2021 as the sale of motor salvage purchased from insurance companies within the North West of England, Hill's Salvage & Recycling Ltd annual report for the year ended 30 November 2021, provided as Annex 3a to Hills Motor's response to Phase 2 Notice 1, page 2. A financial due diligence report prepared in the context of the Merger allocates Hills Motors' consolidated revenues for FY21 (before adjustments for consolidation) as follows: £[REDACTED] salvage; £[REDACTED] dismantling; £[REDACTED] scrap; £[REDACTED] services; £[REDACTED] to other group entities. FMN, Annex 16 [REDACTED], 24 June 2022, page 26.

²² Parties' response to the Issues Statement, Table 1, page 4.

²³ [REDACTED]. Parties' response to Phase 2 RFI 1, question 13. Hills Motors also has a parts distribution yard leased to [REDACTED]. Parties' response to the Issues Statement, Table 1, page 4.

²⁴ [REDACTED]. Hills Motors' response to the CMA's notice issued under section 109 of the Act dated 22 December 2022 (**Phase 2 Notice 1 to Hills Motors**), question 21.

²⁵ FMN, paragraphs 6 and 7.

²⁶ Comprising: £[REDACTED] [REDACTED]. FMN, paragraphs 6 and 7.

²⁷ FMN, paragraph 10 and Parties' initial response dated 5 January 2023 to the CMA's Phase 1 Decision dated 28 November 2022 (**Parties' response to the Phase 1 Decision**), paragraph 7.

²⁸ Parties' response to the CMA's RFI dated 16 December 2022 (**Phase 2 RFI 1**), question 1.

that salvagers provide in-house dismantling services in order to facilitate their increased use of recycled parts, which have environmental and financial benefits.²⁹ The Parties highlighted the following drivers of such demand:

- (a) increased demand for recycled parts arising from significant supply chain delays and the reduced production of new cars and new car parts as a result of the COVID-19 pandemic, the UK's exit from the EU and the war in Ukraine; and
- (b) a renewed focus on climate change further to the COVID-19 pandemic, with many of Copart's customers making new and renewed commitments to demonstrate their environmental, social and governance (**ESG**) credentials. The Parties submitted that such commitments require that customers ensure their ESG credentials extend to the entire footprint of their operations.³⁰

2.15 Copart submitted that these new customer demands led to Copart not being able to participate or not being invited to numerous tenders which require such services and/or losing contracts altogether.³¹ Copart submitted that, consequently, it considers that a large portion of its business is at material risk³² and that, in order to respond to its customers' demands and to maintain its ability to compete, it had to act quickly and a swift acquisition of a dismantler was the only viable solution.³³

2.16 Copart's internal documents are broadly consistent with the stated rationale, in that they highlight customer demand for a recycled parts solution³⁴ and that a key driver for the Merger was to respond to competitive threat from IAA.³⁵

3. Industry background

'Salvage' services

3.1 As described above, the Parties both supply services to customers looking to dispose of and commercialise damaged and other used vehicles (which may have minimal or, in some cases, no damage). Such services include collection (also referred to as 'recovery'), storage and remarketing for sale via online auctions. These customers supply vehicles to the Parties, who then dispose

²⁹ Parties' response to the Phase 1 Decision, paragraph 7.

³⁰ Parties' response to the Phase 1 Decision, paragraph 13

³¹ FMN, paragraph 41.

³² Parties' response to the Issues Statement, paragraph 45.

³³ Parties' response to Phase 2 RFI 1, paragraph 12.

³⁴ For example, a presentation titled '[REDACTED]' dated February 2022 [REDACTED]. Copart, annex COP_0000906, '[REDACTED]', 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart.

³⁵ For example, [REDACTED]. Copart, annex COP_0000893, '[REDACTED]', submitted in response to Phase 2 Notice 2 to Copart.

of the vehicles via auction (in the case of Copart) or via auction or via dismantling for parts (in the case of Hills Motors) or, where required, by ensuring the vehicle is scrapped in its entirety either in-house or by supplying to scrappers.

'Salvage' vehicles

ABI-categorised vehicles

- 3.2 The Parties' main customers supplying vehicles are insurance companies looking to ensure the safe disposal and commercialisation of (i) damaged vehicles that cannot be repaired ('total loss') or have been deemed uneconomical to repair ('constructive total loss') or (ii) recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made.³⁶
- 3.3 In the UK, the Association of British Insurers (**ABI**) and Lloyd's Market Association (**LMA**) have produced a code of practice for the categorisation of motor vehicle 'salvage'³⁷ (the **ABI code**). The ABI code applies to ABI member insurers and, more widely, represents industry best practice (including for self-insured vehicle owners).³⁸ The ABI code sets out steps that should be followed where stolen and/or damaged vehicles have been received or recovered by an insurance company, self-insured owner or authority (such as the police). It requires that:
- (a) all stolen recovered vehicles (which may or may not be damaged) and (non-stolen) damaged vehicles received or recovered are notified to the motor insurance bureau (**MIB**) by way of entry in the Motor Insurers Anti-Fraud and Theft Register (**MIAFTR**);³⁹ and
 - (b) all damaged vehicles received or recovered must be inspected by an appropriately qualified person and categorised in accordance with the code (ie, using the **ABI categories**).
- 3.4 The ABI categories (summarised in Table 3.1 below) determine how the vehicles should be handled.⁴⁰ As can be seen from Table 3.1, under the ABI

³⁶ Copart, [Form 10-K: annual report for year ending 31 July 2022](#).

³⁷ See [Code of practice for the categorisation of motor vehicle salvage](#), ABI and LMA, November 2019. The September 2017 code of practice was the first revised code in ten years and included key changes to the categorisation of salvage vehicles (removing previous categories C and D and introducing categories S and N). See further: [Online Auction - Categorisation of Salvage Vehicles - Copart UK](#).

³⁸ Note of a call with a third party, February 2023, paragraph 4.

³⁹ See [CUE & MIAFTR \(mib.org.uk\)](#).

⁴⁰ There are some variations to these categories depending on the nature of the damage (eg flood, fire, smoke) and type of vehicle (eg, motorcycles and their derivatives). See Section 9 of the [code-of-practice-for-the-disposal-of-motor-vehicle-salvagenov2019.pdf \(abi.org.uk\)](#), page 13.

code, the level of damage dictates the appropriate means of commercialising the vehicle, with those deemed non-repairable being required to be scrapped in their entirety (Category A) or broken for reusable parts (Category B) whereas lesser damaged vehicles may be categorised as suitable for repair (Category S and Category N). The scrapping or breaking of vehicles for parts must be undertaken by an authorised treatment facility (**ATF**).

Table 3.1: ABI categories

Category	Definition	Required treatment
A (Scrap)	Post-inspection, the vehicle has been declared unsuitable or beyond repair and must be crushed in its entirety.	The vehicle identification number (VIN) and any parts of the vehicle cannot be used again. The MIAFTR entry must be completed confirming intention to destroy (ensuring that the vehicle registration certificate (V5C) is not reissued). A certificate of destruction must be issued in accordance with government guidelines. The vehicle will be classified as waste and governmental waste controls apply. This means that the vehicle must be depolluted and disposed of by an ATF.*
B (Break)	Post-inspection, the vehicle has been declared unsuitable or beyond repair.	The VIN, structural framework (ie, the bodyshell, frame, chassis) and any parts of the structural framework cannot be used again. Non-structural, usable parts can be recycled. For the remainder of the vehicle, the required treatment for Category A vehicles applies (meaning it must be depolluted and disposed of by an ATF).
S (Repairable Structural)	Post-inspection, the vehicle has been declared suitable for repair. The vehicle has sustained damage to the structural framework (ie, the bodyshell, frame, chassis) and the insurer/self-insured has decided not to repair the vehicle.	During repair, in the event that the structural framework (or a part of it) is replaced, it is either crushed or returned to the vehicle manufacturer. Where the vehicle is broken to recycle its parts, the required treatment for Category B vehicles applies (meaning it must be depolluted and disposed of by an ATF).
N (Repairable Non-Structural)	Post-inspection, the vehicle has been declared suitable for repair. The vehicle has <u>not</u> sustained damage to the structural framework (ie, the bodyshell, frame, chassis) and the insurer/self-insured has decided not to repair the vehicle.	Where the vehicle is broken to recycle its parts, the required treatment for Category B vehicles applies (meaning it must be depolluted and disposed of by an ATF).

Source: [Code of practice for the categorisation of motor vehicle salvage](#), ABI and LMA, November 2019, Section 6.0 Salvage Categorisation Matrix.

* See Appendix 1, page 13 and [Scrapping your vehicle and insurance write-offs: How to scrap your vehicle - GOV.UK \(www.gov.uk\)](#).

Stolen recovered and other uncategorised vehicles

3.5 Where a (stolen) vehicle has minimal, non-structural or no damage, it need not be categorised under the ABI code. This means that, under the code, vehicles that have been ‘written off’ by insurers (ie as total losses or constructive total losses) receive a categorisation (as such, we refer to these vehicles as ‘**insurance write-off**’ or ‘**ABI-categorised**’ vehicles) whereas stolen recovered vehicles received by insurers (and supplied to their salvager) do not.

- 3.6 Insurance customers supply to the Parties both insurance write-off vehicles and stolen recovered and other uncategorised vehicles with the majority being insurance write-off vehicles.⁴¹ We refer to vehicles sourced from insurance customers collectively as ‘**insurance vehicles**’ in our assessment where relevant.
- 3.7 The Parties’ customers also include fleet management companies, claims management companies, finance companies, public authorities (eg the police) and/or private sellers.⁴² Vehicles supplied by such customers may not be categorised under the ABI code. Vehicles not categorised under the ABI code may be given an ‘informal’ category. For example, Copart uses category ‘U’ to designate ‘unrecorded’ and ‘X’ to designate ‘stolen’ vehicles.

Salvagers

- 3.8 For the purposes of this provisional findings report, we use the term ‘**salvager**’ to refer to the Parties and other providers offering similar services – namely, those that typically service insurance customers, among others (see further paragraph 7.10 below). We refer to these services as ‘**salvage services**’.
- 3.9 At the most basic level for salvage services customers, salvagers offer collection, storage and remarketing services (ie presenting at auction) among others. These will typically include services to deal with accident/incident damaged vehicles that are not roadworthy, ie cannot be returned to the road without repair (or, in some cases, not at all). For customers such as insurance companies they may provide more specialist services, including services to cater to the claims process.⁴³
- 3.10 Salvagers’ offerings are differentiated in the sense that the exact offering differs between salvagers and can also differ based on the contract with the salvage service customer. Some ways in which their offerings can differ include:
- (a) The payment model used. One payment method is the ‘**PAV model**’ where the salvager purchases the vehicle from the salvage service

⁴¹ For example, in 2022, [%] of the vehicles independently sourced by Hills Motors from insurance customers were either Category A, Category B, Category N or Category S vehicles. Hills Motors’ response to Phase 2 RFI 5 to Hills Motors, question 1. This is also consistent with Copart receiving [%] of its vehicles from insurance customers in 2022 and [%] of the vehicles it received in 2022 being either Category A, Category B, Category N or Category S. Copart’s response to Phase 2 Notice 1 to Copart, annex 3, tabs Q11 and Q13.

⁴² FMN, paragraphs 43 and 45.

⁴³ For example, Copart identified a number of services which it described as ‘essential’ ingredients to deliver the requirements of its customers. These included flood restoration, vehicle category management, personal effects management, claims settlement, etc. Copart’s site visit presentation, slide 13. [%]. Copart, annex COP_0000082, ‘[%]’, 20 January 2021 submitted in response to Phase 2 Notice 1 to Copart.

customer for a set percentage of the pre-accident value of the vehicle. Another is the ‘**profit share**’ or ‘**consignment model**’ where the salvage service customer retains ownership of the vehicle until sale and receives a set percentage of the price paid for the vehicle at auction. Copart largely uses the consignment model,⁴⁴ and we understand that in some cases salvagers use a mixture of payment methods with the same salvage service customer.⁴⁵

- (b) The geographic coverage. Some salvagers operate nationally whereas others generally operate in the areas local to their sites.⁴⁶ In addition, some salvage service customers such as insurance companies are seeking national contracts whereas others, such as local authorities, are seeking local contracts.⁴⁷ Where customers are seeking a national contract, we consider the extent to which this needs to be provided independently or can be provide via consortia or sub-contracting/outsourcing (see paragraph 8.42 below).
- (c) In-house dismantling and recycled parts services.⁴⁸ Pre-Merger Copart did not provide an in-house recycled parts service. In contrast, other salvagers such as Hills Motors and IAA are both salvagers and licensed dismantlers such that they can provide salvage service customers with in-house dismantling and recycled parts services.
- (d) Auction platform. Copart, IAA, e2e and Recycling Lives all have a proprietary auction platform⁴⁹ whereas other salvagers use third-party auction technology.⁵⁰ These auction platforms are two-sided. On one side, the value of an auction to vehicle sellers is likely to increase with the number of buyers using the auction, as this will likely increase the competition for their vehicles and thus the returns on those vehicles. Similarly, the value of an auction to the vehicle buyers is likely to increase

⁴⁴ [REDACTED]. Parties’ Response to Phase 2 RFI 1, question 7.

⁴⁵ For example, [REDACTED]. Third-party response to the CMA’s Phase 2 competitor questionnaire (previous respondents), December 2022, question 9.

⁴⁶ Third-party responses to the CMA’s Phase 1 competitor questionnaire, October 2022, question 2; third-party responses to the CMA’s Phase 2 competitor questionnaire, December 2022, question 2; third-party responses to the CMA’s Phase 2 competitor questionnaire (previous respondents), December 2022, question 4.

⁴⁷ Third-party responses to the CMA’s Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA’s Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA’s Phase 2 customer questionnaire, December 2022, question 10. Also see note of a call with a third party, February 2023, paragraph 4 and note of a call with a third party, February 2023, paragraph 11.

⁴⁸ A recycled parts service involves agreeing to supply such parts to a salvage services customer or its repair network as part of an overall salvage contract.

⁴⁹ Parties’ response to the Issues Statement, paragraph 20.

⁵⁰ For example, historically, e2e and its members (including Hills Motors) used the auction platform developed by SYNETIQ, but following SYNETIQ’s acquisition by IAA, e2e has developed its own auction platform that is also used by its members.

with the number of sellers as this is likely to increase the number of vehicles that are suitable for their needs on the platform.

- (e) Fees. Salvagers charge ‘seller fees’ to salvage service customers⁵¹ as well as ‘buyer fees’ to customers purchasing a vehicle on an auction platform.⁵²

3.11 Our provisional view is that Copart is the largest salvager in the UK (see paragraph 8.12). Other than Copart, the main salvagers include:

(a) IAA.

- (i) IAA has been active in the UK since around 2015 and was primarily active in the supply of salvage services until its acquisition of SYNETIQ in 2021 which was active in both salvaging as well as the dismantling of vehicles and the sale of recycled parts.⁵³
- (ii) IAA currently has 18 sites for salvaging covering [REDACTED] and has capacity for [REDACTED]. [REDACTED] of these sites – covering [REDACTED] and with capacity for [REDACTED] – are also used for dismantling.⁵⁴
- (iii) [REDACTED].⁵⁵ Its largest customers are insurance companies, such as [REDACTED].⁵⁶
- (iv) IAA has proprietary auction technology⁵⁷ and while historically IAA sold Category B vehicles on its auction platform, it has recently stopped doing so further to its acquisition of SYNETIQ (and instead has adopted the SYNETIQ model of dismantling Category B vehicles in-house).⁵⁸

(b) e2e Total Loss vehicle Management (e2e).

- (i) e2e is a consortium comprised of a number of salvagers which are also active in dismantling of vehicles and the sale of recycled parts.

⁵¹ For example, see [Salvage Car Auctions & Used Vehicles | Buy Online | Copart UK](#). There are also a range of other fees depending on the service being provided.

⁵² Copart describe buyer fees as the fees based on final vehicle sale price, payment method and purchase volume. See: [What are bidding and buying fees? | Online Help & Support | Copart UK](#). Copart also charges a registration fee, a renewal fee, an internet bid fee, a lot retrieval fee, a late payment fee and a relist fee. Although some are only paid in specific situations. See [Fees and when to pay - ensure you are aware of all fees | Online Help & Support | Copart UK](#) and [Online Vehicle Auctions Copart UK: Salvage & Used Cars, Trucks & More](#).

⁵³ SYNETIQ was formed in 2019 through a merger of Car Transplants Limited, Motorhog Limited (including FAB Recycling Limited) and DH Systems Consultancy Limited, an IT solutions provider. See [IAA / SYNETIQ](#), paragraphs 21 and 22.

⁵⁴ Third-party response to the CMA’s Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁵⁵ Third-party response to the CMA’s Phase 1 competitor questionnaire, October 2022, question 3.

⁵⁶ Third-party response to the CMA’s Phase 1 competitor questionnaire, October 2022, question 2 and Annex 2.

⁵⁷ Third-party response to the CMA’s Phase 1 competitor questionnaire, October 2022, question 2.

⁵⁸ Note of a call with a third party, February 2023, paragraphs 6 to 8.

That is, its members are regional salvagers who through e2e collaborate to compete for and service national insurance and other contracts.

- (ii) An internal document from Copart indicates that e2e has sites covering [REDACTED] acres (it is unclear if this includes or excludes Hills Motors' sites),⁵⁹ and another that e2e's members may have up to [REDACTED] sites (this excludes Hills Motors' sites).⁶⁰
- (iii) e2e provides salvage services to [REDACTED].⁶¹ Its largest customers are [REDACTED].⁶²
- (iv) e2e has its own proprietary auction platform⁶³ and e2e (and, correspondingly, e2e members using the e2e platform) does not sell Category B vehicles via its auction.

(c) Hills Motors.

- (i) Prior to the Merger, Hills Motors was on the board of directors and a collecting member of the e2e consortium. Hills Motors currently has two sites for salvaging, its headquarters in Lancashire covers [REDACTED] and another site in Scotland which [REDACTED].⁶⁴ Hills Motors' customers include insurance companies, public authorities, fleet management companies, claims management companies and members of the public.⁶⁵ Hills Motors has a contract with one large insurance company, Ageas,⁶⁶ which it services using a network of suppliers (which we refer to as the '**Ageas network**').

(d) Charles Trent, Silverlake, Combellack, ASM, SureTrak and Recycling Lives.

- (i) Charles Trent is a member of the e2e consortium. Charles Trent currently has [REDACTED] sites covering [REDACTED] acres with capacity for [REDACTED] vehicles. [REDACTED].⁶⁷ Charles Trent holds one small insurance contract

⁵⁹ Copart, annex COP_0000691, '[REDACTED]' submitted in response to Phase 2 Notice 1 to Copart.

⁶⁰ Copart, annex COP_0000320, '[REDACTED]' submitted in response to Phase 2 Notice 1 to Copart.

⁶¹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 3.

⁶² Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, annex 2.

⁶³ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 2. See also <https://www.e2etotalloss.com/news/e2e-upgrades-its-premier-online-auction-platform-salvagemarket>.

⁶⁴ Parties' response to Phase 2 RFI 1, question 13. [REDACTED].

⁶⁵ Hills Motors' response to Phase 2 Notice 1 to Hills Motors, Annex 3, tab Q13.

⁶⁶ [Ageas sets up seamless supply of green car parts with Hills Salvage - Ageas](#).

⁶⁷ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 7.

independently⁶⁸ and received over 20,000 vehicles in 2022 from its ownership of motorwise.com.

- (ii) Silverlake is a member of the e2e consortium. Silverlake has a single site covering [REDACTED] acres and with capacity for [REDACTED] vehicles.⁶⁹ Silverlake's main contracts are those that it services through the e2e consortium, SureTrak and as part of the Ageas network,⁷⁰ although it also receive vehicles from police forces and a large number of end-of-live (**ELV**) vehicles from members of the public and trade.⁷¹
- (iii) Combellack is a member of the e2e consortium. Combellack has one site covering [REDACTED] acres with the capacity for [REDACTED] vehicles.⁷² Combellack's main contracts are those that it services through the e2e consortium, [REDACTED].⁷³
- (iv) ASM is a member of the e2e consortium. ASM has one main site and [REDACTED] satellite sites which collectively cover [REDACTED] acres.⁷⁴ ASM's main contracts are those that it services through the e2e consortium [REDACTED].⁷⁵
- (v) SureTrak uses a subcontracted network of independent salvagers.⁷⁶ SureTrak provides salvage services to insurance companies, fleet management companies and claims management companies.⁷⁷ [REDACTED].⁷⁸
- (vi) Recycling Lives has eight sites covering [REDACTED].⁷⁹ Its model is mainly focused on scrapping vehicles, although it removes and then exports gearboxes and engines from some vehicles. Recycling Lives purchases most of its vehicles from households and its second largest source is salvage service contracts with police forces. While

⁶⁸ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁶⁹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁷⁰ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, Annex 2.

⁷¹ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, Annex 1.

⁷² Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 10.

⁷³ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁷⁴ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁷⁵ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 1 and Annex 2; third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 3 and Annex 1.

⁷⁶ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 11.

⁷⁷ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 3.

⁷⁸ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁷⁹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

Recycling Lives provide salvage services to some insurance companies, this is for a very small number of vehicles per year.⁸⁰

- 3.12 Other salvagers that have been identified by the Parties include other members of e2e such as Reclamet and Overton⁸¹ and other independent salvagers such as Jonathan Lloyd and Redcorn.⁸²

Other vehicle remarketers

- 3.13 The Parties have submitted that they compete with companies that sell used vehicles to customers but do not source those vehicles from insurance companies. This includes BCA, Manheim and Aston Barclay.⁸³

- 3.14 In relation to these companies:

(a) BCA describes itself as the UK's largest used vehicle business.⁸⁴ It is part of the Constellation Automotive Group which also includes the webuyanycar and cinch brands.⁸⁵ Webuyanycar purchases vehicles from the public,⁸⁶ while BCA holds auctions through which trade customers can purchase vehicles⁸⁷ and members of the public can purchase vehicles through cinch.⁸⁸

(b) Manheim's wholesale business in the UK is a vehicle auction business, which mainly deals with commercial vehicles and some heavy goods vehicles. Manheim's auction customers are all registered traders (which could also be body shops) which have to be qualified with a validated Manheim account. Manheim mainly receives vehicles from three customer dealer groups: (i) franchise and independent dealers; (ii) fleets; and (iii) direct from an OEM.⁸⁹ Manheim is part of the Cox Automotive group which also includes Auto Trader, which is a marketplace for new and used vehicles.⁹⁰

⁸⁰ Note of a call with a third party, paragraphs 1, 2 and 10.

⁸¹ Parties' response to the Phase 1 Decision, pages 20 and 21.

⁸² Parties' response to the Phase 1 Decision, pages 20 and Parties' response to the Issues Statement, paragraph 28.

⁸³ FMN, paragraph 135, Parties' response to the Phase 1 Decision, paragraphs 74 and 75 and Copart's main party hearing transcript, pages 5 and 6.

⁸⁴ <https://www.bca.co.uk/>.

⁸⁵ <https://www.constellationautomotive.com/>.

⁸⁶ <https://www.webuyanycar.com/>.

⁸⁷ <https://www.bca.co.uk/buy/register>.

⁸⁸ <https://www.bca.co.uk/buy/register/general-public>.

⁸⁹ Note of a call with a third party, January 2023, paragraphs 1 and 5.

⁹⁰ <https://www.autotrader.co.uk/>.

(c) Aston Barclay describes itself as a national car and van auction and remarketing specialist.⁹¹ Aston Barclay holds auctions which trade customers can purchase vehicles from.⁹²

3.15 We refer to these companies as ‘**other vehicle remarketers**’ and consider them in our assessment of the relevant market and our competitive assessment.

Recycled parts

3.16 It is possible to dismantle vehicles in order to remove OEM parts from them which can then be supplied to customers looking to repair vehicles. We refer to these part as ‘**recycled parts**’, but in the vehicle salvage and recycling industry, they may also be referred to as ‘reclaimed parts’ or ‘green parts’.⁹³

3.17 There are many different customers of recycled parts including members of the public, garages, body shops, insurance repair networks and export customers (see paragraph 7.63). In recent years there has been an increase in the demand for recycled parts for use in insurance repairs. This has included agreements between insurance companies and suppliers of recycled parts.⁹⁴ The expectation is for this trend to continue, in particular, insurance companies that responded to our investigation expect the use of recycled parts to increase over the next three to five years for reasons including: the current low usage of recycled parts, insurance companies’ corporate ESG targets, demand from their customers and supply chain issues (including the impact of the COVID-19 pandemic).⁹⁵

3.18 Many salvagers are active in both salvaging and the dismantling of vehicles for parts. For example, of those salvagers identified above, IAA,⁹⁶ Hills

⁹¹ <https://www.astonbarclay.net/>.

⁹² <https://www.astonbarclay.net/services/buying-with-aston-barclay/> and <https://www.astonbarclay.net/trade-application/>.

⁹³ In its [Phase 1 Decision](#), the CMA referred to recycled OEM parts as ‘green parts’. In this provisional findings report, we refer to ‘recycled parts’, however the meaning remains the same.

⁹⁴ <https://www.ageas.co.uk/press-releases/2020-press-releases/ageas-sets-up-seamless-supply-of-green-car-parts-with-hills-salvage/>, <https://www.lv.com/insurance/press/lv-general-insurance-appoints-new-salvage-supplier-to-help-fuel-sustainability>, <https://www.syntiq.co.uk/syntiq-zurich-partner-to-reduce-co2-impact-of-vehicle-repair/>.

⁹⁵ Third-party responses to the CMA’s Phase 2 customer questionnaire, December 2022, question 14; third-party responses to the CMA’s Phase 2 customer questionnaire (previous respondents), December 2022, question 8.

⁹⁶ <https://www.syntiq.co.uk/about-syntiq/>.

Motors,⁹⁷ Charles Trent,⁹⁸ [redacted],⁹⁹ Silverlake,¹⁰⁰ ASM,¹⁰¹ Reclamet,¹⁰² Overton¹⁰³ and Redcorn.¹⁰⁴

- 3.19 While customers can purchase recycled parts directly from dismantlers (eg via phone or website),¹⁰⁵ they are also able to purchase them via eBay.¹⁰⁶ In this regard, eBay allows recycled parts to be sold via its general platform (ebay.co.uk) but in 2021 also launched a new business-to-business recycled parts portal called ‘green parts for business’ with support of insurers (**eBay’s business-to-business portal**).¹⁰⁷
- 3.20 Only sellers which have Vehicle Recyclers Association (**VRA**) certification under the VRA Standard for Reclaimed Parts from End-of-Life Vehicles can use eBay’s business-to-business portal which allows them to sell to both body shops and garages.¹⁰⁸ VRA certification is intended to provide an independent assessment of a recycler’s policies and procedures, aimed at ensuring that every reclaimed vehicle part has been accurately identified, recorded, tested and graded.¹⁰⁹
- 3.21 In addition to eBay’s business-to-business portal, we are aware of:
- (a) Hills Motors’ ‘The Green Parts Specialists’ platform (the **GPS platform**).¹¹⁰ The GPS platform is a portal for repairers to make requests for parts. [redacted].¹¹¹
 - (b) IAA’s mygreenparts platform.¹¹² Mygreenparts platform is an enterprise resource planning portal which connects to the Audatex system used by UK body shop industry in repair work.¹¹³ [redacted].¹¹⁴
 - (c) Solera’s InPart system¹¹⁵ integrates with the other Audatex suite of products used by body shops in the repair and parts procurement

⁹⁷ <https://parts.hills-motors.co.uk/>.

⁹⁸ <https://www.trents.co.uk/about-us>.

⁹⁹ Third-party response to the CMA’s Phase 1 competitor questionnaire, October 2022, question 2.

¹⁰⁰ <https://www.silverlake.co.uk/>.

¹⁰¹ <https://www.asm-autos.co.uk/asm-guides/car-recycling/> .

¹⁰² <https://www.reclamet.co.uk/>.

¹⁰³ <https://overton-automotive.co.uk/>.

¹⁰⁴ <https://www.redcorn.co.uk/spare-parts/>.

¹⁰⁵ For example, see <https://parts.hills-motors.co.uk/>, <https://www.trents.co.uk/> and <https://www.trents.co.uk/contact-us> and <https://www.syntiq.co.uk/parts-breaking/>.

¹⁰⁶ For example, https://www.ebay.co.uk/b/Car-Parts-Accessories/6030/bn_1528081.

¹⁰⁷ eBay UK joins forces with Aviva and LV to improve use of recycled (youtalk-insurance.com).

¹⁰⁸ <https://www.ebayforbusiness.co.uk/>.

¹⁰⁹ <https://www.vracertification.org.uk/>.

¹¹⁰ <https://www.green-parts.co.uk/>.

¹¹¹ Parties’ response to Phase 2 RFI 1, question 21.

¹¹² <https://www.mygreenparts.co.uk/>.

¹¹³ [redacted].

¹¹⁴ Note of a call with a third party, February 2023, paragraph 16.

¹¹⁵ <https://global.inpart.es/frmDocument.aspx?IdDocumentType=ay0TM6fzSxQ%3d>.

processes. If a dismantler using Solera's other product Pinnacle Pro (see below) configures their system to export a file that Audatex can retrieve and format for Audasource, then body shops can access its recycled parts. There is not a direct link between Pinnacle and the Solera products.¹¹⁶

3.22 We are also aware of a parts management software called Pinnacle Pro.¹¹⁷ Pinnacle can be used by dismantlers to manage the parts they have and, for example, provide information to eBay or other sales channels.¹¹⁸ We understand that dismantlers can list their parts on Pinnacle such that they can also be seen by other dismantlers and that dismantlers can then purchase parts off each other to meet the demand of their customers.¹¹⁹

4. Relevant merger situation

4.1 Under section 35 of the Act and pursuant to our terms of reference (see Appendix A), we are required to decide whether a relevant merger situation (**RMS**) has been created.

4.2 An RMS has been created if the following two criteria are met:

(a) first, two or more enterprises have ceased to be distinct within the statutory period for reference; and

(b) second, either:

(i) the UK turnover associated with the enterprise which is being acquired exceeds £70 million (the **turnover test**); or

(ii) the enterprises that cease to be distinct both supply or acquire goods or services of a particular description and, after the merger, together supply or acquire at least 25% of those goods or services in the UK (or in a substantial part of it), with the merger resulting in an increment to the share of supply or acquisition (the **share of supply test**).¹²⁰

4.3 We consider these two criteria in turn below.

¹¹⁶ Email from a third party, April 2023.

¹¹⁷ <https://hollanderinternational.com/pinnacle-professional/>.

¹¹⁸ Third-party response to supplementary competitor questionnaire, March 2023, question 11; third-party response to supplementary competitor questionnaire, March 2023, question 6.

¹¹⁹ Hills Motors' main party hearing, page 53; third-party response to supplementary competitor questionnaire, March 2023, questions 5 and 6; third-party response to supplementary competitor questionnaire, March 2023, question 11; third-party response to supplementary competitor questionnaire, March 2023, question 6.

¹²⁰ Sections 23 and 24 of the Act.

Enterprises ceasing to be distinct

Enterprises

- 4.4 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.¹²¹ A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge’.¹²²
- 4.5 Copart and Hills Motors are both active in the supply of salvage services and damaged and other used vehicles and generate turnover from these activities.¹²³ We are therefore satisfied that each of Copart and Hills Motors is a ‘business’ and the activities of each business constitute ‘enterprises’ for the purposes of the Act.

Ceasing to be distinct

- 4.6 The Act provides that two enterprises cease to be distinct if they are brought under common ownership or common control.¹²⁴
- 4.7 The Merger concerns the acquisition by Copart, through Copart UK Limited, of the entire issued share capital of Hills Motors and, therefore, full legal control of it. Accordingly, we are satisfied that as a result of the Merger the enterprises of Copart and Hills Motors have ceased to be distinct.

The applicable statutory period

- 4.8 The Act requires that the enterprises must have ceased to be distinct within either not more than four months before the date on which the reference is made or, where the merger took place without having been made public and without the CMA being informed of it, four months from the earlier of the time that material facts are made public or the time the CMA is told of material facts.¹²⁵ The four-month period may be extended under section 25 of the Act.
- 4.9 The Merger completed on 5 July 2022 and was first made public on 12 July 2022. The four-month deadline for a decision under section 24 of the Act was

¹²¹ Section 129(1) of the Act.

¹²² Section 129(1) and (3) of the Act.

¹²³ Copart UK Ltd’s Annual report and financial statements for the year ended 31 July 2021, page 29. A financial due diligence report prepared in the context of the Merger allocates Hills Motors’ consolidated revenues for FY21 (before adjustments for consolidation) as follows: £[redacted] salvage; £[redacted] dismantling; £[redacted] scrap; £[redacted] services; £[redacted] to other group entities. FMN, Annex 16 ‘[redacted]’, 24 June 2022, page 26.

¹²⁴ Section 26 of the Act.

¹²⁵ Section 24 of the Act.

extended under section 25(1) of the Act to 9 December 2022. On 28 November 2022 the CMA further extended the deadline under section 25(4) of the Act to allow Copart the opportunity to offer undertakings in lieu of a reference.¹²⁶ On 5 December 2022 Copart informed the CMA that it would not offer such undertakings to the CMA. Accordingly, pursuant to section 25(5)(b) of the Act, the extension to the four-month period ended on 19 December 2022. The reference was made on 9 December 2022. We are therefore satisfied that the enterprises ceased to be distinct within the applicable statutory period for reference.

Turnover or share of supply test

- 4.10 The turnover test is not satisfied as the turnover in the UK of Hills Motors does not exceed £70 million (see paragraph 2.8 above).
- 4.11 According to the Parties' estimates and the CMA's estimates based on volume (number of vehicles handled), Copart and Hills Motors have a combined share of supply of more than 25% in the supply of salvage services in the UK with an increment arising as a result of the Merger.¹²⁷ Accordingly, the share of supply test in section 23(4) of the Act is satisfied.

Provisional conclusion on RMS

- 4.12 We provisionally conclude that an RMS has been created, given:
- (a) Copart and Hills Motors are both enterprises that have ceased to be distinct within the statutory period for reference; and
 - (b) the share of supply test is met on the basis of the Parties having a combined share of at least 25% in the supply of salvage services in the UK with an increment resulting from the Merger.

5. Counterfactual

- 5.1 At phase 2, the CMA has to make an overall judgement as to whether or not an SLC has occurred or is likely to occur.¹²⁸ Applying the SLC test involves a

¹²⁶ Section 73(2) of the Act.

¹²⁷ We have estimated shares of supply of salvage services to all customers in the UK based on number of vehicles handled (see paragraph 8.11 and Table 8.1 below). We have also estimated shares of supply of salvage services to insurance customers the UK based on number of vehicles handled (see paragraph 8.20 and Table 8.2 below). As noted at paragraph 9.3(a) below, we also used these estimates as our starting point when estimating shares of supply of damaged and other used vehicles to dismantlers in the UK. We also estimated shares of supply of category B vehicles in the UK (see paragraph 9.3(b) and Table 11.1 below). In each case, Copart and Hills Motors have a combined share of supply of more than 25% with an increment arising as a result of the Merger.

¹²⁸ [CMA's Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.13.

comparison of the prospects for competition with the merger against the competitive situation without the merger: the counterfactual. The counterfactual is not a statutory test but rather an analytical tool used in answering the question of whether the merger gives rise to an SLC.¹²⁹

- 5.2 To help make the SLC assessment, we will select the most likely conditions of competition as its counterfactual against which to assess the merger.¹³⁰ For a completed merger such as this, the counterfactual may consist of the pre-merger conditions of competition or conditions of competition that involve stronger or weaker competition between the merger firms than under the pre-merger conditions of competition.¹³¹
- 5.3 The conclusion on the counterfactual does not seek to ossify the market at a particular point in time. For example, an assessment based on the pre-merger conditions of competition might reflect that, absent the merger under review, a merger firm would have continued making investments in improvements, innovations or new products.¹³²
- 5.4 The counterfactual is not intended to be a detailed description of those conditions of competition that would have prevailed absent the merger.¹³³ Those conditions are better considered in the competitive assessment.¹³⁴ The counterfactual assessment will often focus on significant changes affecting competition between merger firms, such as entry into new markets in competition with each other, significant expansion by the merger firms in markets where they are both present, or exit by one of the merger firms.¹³⁵
- 5.5 Only events that would have happened in the absence of the merger under review—and are not a consequence of it—can be incorporated into the counterfactual.¹³⁶

The Parties' submissions

- 5.6 The Parties submitted that the appropriate counterfactual in this case is the prevailing conditions of competition, but that the CMA should take into

¹²⁹ CMA129, paragraph 3.1.

¹³⁰ CMA129, paragraph 3.13.

¹³¹ CMA129, paragraph 3.2. The conditions of competition before a merger in anticipated acquisitions are generally referred to as the 'prevailing conditions of competition' and in completed acquisitions as the 'pre-merger conditions of competition'.

¹³² CMA129, paragraph 3.3.

¹³³ CMA129, paragraph 3.7.

¹³⁴ CMA129, paragraph 3.7.

¹³⁵ CMA129, paragraph 3.8.

¹³⁶ CMA129, paragraph 3.4.

account the impact of increasing demand for recycled parts from insurance companies and other customers on Copart's competitive position.¹³⁷

- 5.7 As set out above (see paragraph 2.14), the Parties submitted that the increase in demand for recycled parts has been due to significant supply chain issues, reduction in the production of new cars and new car parts, as well as a renewed focus on climate change, with many of Copart's salvage service customers making new and renewed commitments to demonstrate their ESG credentials.¹³⁸
- 5.8 Copart submitted that these new customer demands led to Copart not being able to participate or not being invited to numerous tenders which require such services and/or losing contracts altogether.¹³⁹ Copart submitted that, consequently, it considers that a large portion of its business is at material risk¹⁴⁰ and that, in order to respond to its customers' demands and to maintain its ability to compete, it had to act quickly and a swift acquisition of a dismantler was the only viable solution.¹⁴¹ Copart further submitted that the Merger is the only way that Copart can continue to compete for salvage service contracts.¹⁴²

Our assessment

- 5.9 As set out above, the counterfactual is not intended to be a detailed description of the conditions of competition that would prevail absent the merger (which are better considered in the competitive assessment).¹⁴³ The counterfactual assessment will often focus on significant changes affecting competition between the merger firms, such as entry into new markets in competition with each other, significant expansion by the merger firms in markets where they are both present, or exit by one of the merger firms.¹⁴⁴
- 5.10 Consistent with the Parties' submissions, we have received evidence that a salvager offering a recycled parts service is important to a material portion of customers (see paragraph 8.30(a)). Given that insurers' preferences in this regard is an industry-wide development, we consider that it is more appropriately considered in the competitive assessment than in detail in the counterfactual assessment.

¹³⁷ FMN, paragraph 37.

¹³⁸ The parties, transaction and rationale, paragraph 5.2b.

¹³⁹ FMN, paragraph 41.

¹⁴⁰ Parties' response to the Issues Statement, Paragraph 45.

¹⁴¹ Parties' response to CMA RFI 1, paragraph 12.

¹⁴² Parties' response to the AIS and working papers, paragraph 27.

¹⁴³ [CMA129](#), paragraph 3.7.

¹⁴⁴ [CMA129](#), paragraph 3.8.

- 5.11 With regard to Copart's submission that the Merger is the only way that Copart can continue to compete for salvage service contracts,¹⁴⁵ we note that the Parties have not submitted that, absent the Merger, Copart would exit the market (such that an exiting firm counterfactual would be appropriate). Further, we have not received evidence that the Merger is the only means of Copart facilitating a recycled parts supply service as part of its salvage service offering. For example, as discussed in paragraph 8.30(b) below, Copart's internal documents indicate that [REDACTED].¹⁴⁶
- 5.12 We therefore consider that the most likely counterfactual is the pre-Merger conditions of competition, in which Copart would have continued to consider the options available to it meet demand for a recycled parts supply service as part of its salvage service offering. We have considered the competitive impact of insurers' demand for a recycled parts supply service, and in particular its impact on Copart's competitive position, in the competitive assessment (see paragraph 8.30 below).
- 5.13 Lastly, as noted above, only events that would have happened in the absence of the merger under review (and are not a consequence of it) can be incorporated into the counterfactual.¹⁴⁷ We understand from the Parties' submissions that Hills Motors decided to [REDACTED] and to resign from e2e as a result of the Merger.¹⁴⁸ We therefore consider the counterfactual of the pre-Merger conditions of competition is one in which Hills Motors would have [REDACTED] and remained on the board of directors and a collecting member of e2e.

6. Framework for our assessment and our evidence base

Theories of harm

- 6.1 Theories of harm describe the possible ways in which an SLC may be expected to result from a merger and provide the framework for analysis of the competitive effects of a merger.
- 6.2 We have considered, broadly, three theories of harm in our assessment, namely whether the Merger may give rise to an SLC as a result of:
- (a) horizontal unilateral effects in the supply of salvage services in the UK;

¹⁴⁵ Parties' response to the AIS and working papers, paragraph 27.

¹⁴⁶ See: Copart, annex COP_0000893, '[REDACTED]', submitted in response to Phase 2 Notice 2 to Copart; and Copart, annex COP_0000906, '[REDACTED]', 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart, slides 6, 12 and 13.

¹⁴⁷ CMA129, paragraph 3.4.

¹⁴⁸ FMN, paragraph 61 and Parties' response dated 24 August 2022 to the CMA's questions of 17 August 2022, question 1.

- (b) horizontal unilateral effects in the supply of damaged and other used vehicles to:
 - (i) dismantlers in the UK; and
 - (ii) non-dismantlers in the UK; and
- (c) input foreclosure of rival suppliers of recycled parts in the UK through restricted access to vehicles used for dismantling.

6.3 We set out below an overview of our evidence base before turning to our assessment of market definition and our assessment of the competitive impact of the Merger in relation to each of these theories of harm. As we have provisionally found that the Merger has resulted or may be expected to result in an SLC in the supply of salvage services in the UK, we then consider whether there are countervailing factors that may prevent or mitigate an SLC arising.

Overview of our evidence base

- 6.4 To assess the impact of the Merger, we have gathered a substantial volume of evidence that we considered in the round to reach our provisional findings.
- 6.5 We held a site visit and hearing with each of Copart and Hills Motors and received several submissions from the Parties – including a response to our Phase 1 Decision, a subsequent response to our Issues Statement (in which we set out the theories of harm on which we planned to focus our phase 2 investigation) and a response to working papers working papers and AIS setting out our emerging thinking that we shared with the Parties ahead of our hearings with them – as well as responses to our information requests. We gathered and analysed a substantial volume of contemporaneous documentary evidence from the Parties, including internal documents relating to recent tenders and email correspondence regarding the rationale for the Merger and the Parties' business plans.
- 6.6 We gathered evidence from customers and competitors via written questionnaires and video conference calls in order to better understand the markets and obtain their views on the competitive impact of the Merger. This included evidence from 18 competitors in salvaging and dismantling ([REDACTED]) (14 active in both the onward sale of vehicles and dismantling vehicles to supply parts and four ([REDACTED]) focussed on dismantling to supply parts only) as well as two other vehicle remarketers ([REDACTED]) and 19 customers of salvage services ([REDACTED]) (of which 16 were insurance companies ([REDACTED])). We also received input from other industry associations and players ([REDACTED]).

- 6.7 Finally, we considered evidence from the Parties and third parties ([X]) received during our phase 1 investigation of the Merger.
- 6.8 We set out more details on the evidence that we have gathered, how we have used it and the weight we have attached to it in our competitive assessment.

7. Market definition

Introduction

- 7.1 Where the CMA makes an SLC finding, this must be ‘within any market or markets in the United Kingdom for goods or services’.¹⁴⁹ An SLC can affect the whole or part of a market or markets.¹⁵⁰
- 7.2 The assessment of the relevant market (or markets) is an analytical tool that forms part of the analysis of competitive effects of the merger and should not be viewed as a separate exercise.¹⁵¹ It involves identifying the most significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.¹⁵² The outcome of any market definition exercise does not determine the outcome of the CMA’s analysis of the competitive effects of the merger in any mechanistic way. In assessing whether a merger may give rise to an SLC, the CMA may take into account constraints outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. In many cases, especially those involving differentiated products, there is often no ‘bright line’ that can or should be drawn.¹⁵³
- 7.3 We first discuss below the relevant product markets for our assessment of the Merger and then the relevant geographic markets.

Product market

The supply of salvage services

- 7.4 As described above, the Parties both provide services – including collection (recovery), storage and remarketing for sale via online auctions – to

¹⁴⁹ In the context of a phase 2 decision in respect of a completed merger, under section 35(1)(b) of the Act. See also [CMA129](#), paragraph 9.1.

¹⁵⁰ [CMA129](#), paragraph 9.1.

¹⁵¹ [CMA129](#), paragraph 9.1. In this regard, it is a tool intended to assist in reaching a properly based outcome, *Meta Platforms, Inc. v Competition and Markets Authority*, CAT 26 [2022], paragraph 41.

¹⁵² [CMA129](#), paragraph 9.2.

¹⁵³ [CMA129](#), paragraph 9.2.

customers looking to dispose of and commercialise damaged and other used vehicles.

The Parties' submissions

7.5 The Parties submitted that the appropriate product frame of reference for the purpose of analysing the overlap between the Parties' activities in relation to services was the supply of salvage services, without sub-segmentation by type of customer.¹⁵⁴ In particular:

(a) The Parties submitted that 'salvage services' are 'salvage vehicle commercialisation services'.¹⁵⁵

(b) As to the meaning of 'salvage vehicles':

(i) Initially, the Parties submitted that salvage vehicles are damaged vehicles that are typically deemed no longer fit for use on the road and/or uneconomical for repair, following a road accident, theft or weather-damage and can be sourced from a number of suppliers such as insurance companies, fleet management companies, claims management companies, finance companies, dealers, as well as public authorities (eg the police) and/or by private sellers.¹⁵⁶

(ii) Consistent with this, the Parties submitted that 'salvaged vehicle' is a generic term to describe unwanted goods (ie including but not limited to vehicles supplied by insurance companies and having received an ABI categorisation).¹⁵⁷ The Parties acknowledged, however, that 'salvage vehicle' is also a term used by insurance companies to describe a vehicle that has been through an insurance claim process and assigned an ABI category.¹⁵⁸

(iii) In response to the CMA's AIS and working papers, the Parties clarified that 'salvage' is predominantly an insurance term for damaged goods and vehicles that are graded using the ABI code. The Parties submitted that, by contrast, the 'automotive industry' uses terms such as damaged, degraded, devalued or ELV and uses the NAMA or BVRLA schemes¹⁵⁹ for grading vehicle damage. However,

¹⁵⁴ FMN, paragraphs 80-83.

¹⁵⁵ Specifically, the Parties submitted that suppliers compete to either sell salvage vehicles on behalf of customers (broker model) or purchase salvage vehicles (for a combination of salvage auction and dismantling). FMN, paragraphs 43 and 45.

¹⁵⁶ FMN, paragraphs 44 and 45.

¹⁵⁷ Copart's response to the CMA's RFI dated 24 January 2023 (**Phase 2 RFI 3 to Copart**), question 3.

¹⁵⁸ Copart's response to the CMA's RFI dated 17 February 2023 (**Phase 2 RFI 4 to Copart**), question 4.

¹⁵⁹ [NAMA | Grading \(nama-uk.com\)](https://www.nama-uk.com) and [BVRLA Returning your leased vehicle](https://www.bvrla.com).

the Parties submitted that these ‘salvage’ vehicles (ie, ABI-categorised vehicles) and other damaged vehicles are in essence the same thing.¹⁶⁰

- (c) Copart submitted that competitors in the supply of salvage services include BCA, Manheim (Cox Automotive) and Aston Barclay.¹⁶¹

Our assessment

7.6 In line with our guidelines, we have started our assessment of the relevant product market with the relevant products and services of the Parties and, in identifying what other significant competitive alternatives should be included in the relevant market, have paid particular regard to demand side factors (ie the behaviour of customers).¹⁶²

7.7 The Parties’ principally overlap in the provision of vehicle disposal and commercialisation services to insurance companies. For example, according to data submitted by the Parties, in 2022, customers identified as insurance customers accounted for well over half of both Parties’ volumes (over [REDACTED]% of Copart’s volumes and over [REDACTED]% of Hills Motors’ volumes¹⁶³).¹⁶⁴

7.8 The Parties also provide these services to other customers.

- (a) Both Parties purchase vehicles from private individuals – Copart via its Cash For Cars business¹⁶⁵ and Hills Motors via its ‘scrapacar.co.uk’ website.¹⁶⁶ According to data submitted by the Parties, these customers accounted for [REDACTED]% of Copart’s volumes and [REDACTED]% of Hills Motors’ volumes in 2022.¹⁶⁷ Copart also acquired an additional [REDACTED]% of volumes in 2022 from other websites that purchased from private individuals and sales from trade customers.¹⁶⁸

- (b) Both Parties have received vehicles from public authorities. In particular, Hills Motors has historically held [REDACTED] disposal contracts with the [REDACTED].¹⁶⁹ In

¹⁶⁰ Specifically, the Parties submitted that ‘in essence, salvage and damaged vehicles beyond repair are the same thing’ (Parties’ response to the AIS and working papers, paragraph 71). The CMA notes however that many ABI-categorised vehicles (and other damaged vehicles) are repairable.

¹⁶¹ FMN, paragraph 135 and Parties’ response to the Phase 1 Decision, paragraphs 74 and 75.

¹⁶² [CMA129](#), paragraphs 9.6 and 9.7.

¹⁶³ [REDACTED]. Hills Motors’ response to Phase 2 Notice 1, Annex 3.

¹⁶⁴ Copart’s response to Phase 2 Notice 1, annex 3, tab Q13; Hills Motors’ response to Phase 2 RFI 5, question 1.

¹⁶⁵ [We Buy Accident Damaged Cars - Selling Your Car Made Easy - Copart UK](#).

¹⁶⁶ [Scrap My Car | Scrap Your Car For Cash | Instant Quote \(scrapacar.co.uk\)](#).

¹⁶⁷ For Copart, based on [REDACTED]; and for Hills Motors, based on those identified as [REDACTED]. Copart’s response to Phase 2 Notice 1, annex 3, tab Q13; Hills Motors’ response to Phase 2 Notice 1, annex 3, tab Q13.

¹⁶⁸ For Copart, based on [REDACTED] and [REDACTED]. Copart’s response to Phase 2 Notice 1, annex 3, tab Q13.

¹⁶⁹ Parties’ response to the Issues Statement, paragraph 27.

2022 these customers accounted for [REDACTED] handled by Copart and [REDACTED]% of Hills Motors' volumes.¹⁷⁰

- (c) Both Parties have customers identified as rental, fleet management and finance companies. In 2022 these customers accounted for [REDACTED]% of Copart's business and [REDACTED]% of Hills Motors volumes.¹⁷¹

Salvagers

- 7.9 Based on evidence from recent tenders submitted by the Parties¹⁷² and their customers, as well as the views of the Parties' customers on who they consider to be alternatives to the Parties, the Parties' main competitors are IAA, e2e, SureTrak, Recycling Lives, Charles Trent, ASM, Silverlake and Combellack. In particular, these companies were the only competitors invited to tender by customers who responded to our investigation¹⁷³ or identified as alternatives that could provide similar services to the Parties.¹⁷⁴ ¹⁷⁵
- 7.10 We collectively refer to these players and similar players as '**salvagers**' and provisionally consider them to be part of the relevant market. We refer to this as the supply of '**salvage services**'.

Other vehicle re-marketers

- 7.11 As set out above (see paragraph 7.5(c)), Copart submitted that vehicle remarketers BCA, Manheim (Cox Automotive) and Aston Barclay compete in the supply of salvage services.¹⁷⁶

¹⁷⁰ For Copart, based on those identified as [REDACTED]; and for Hills Motors, based on those identified as [REDACTED]. Copart's response to Phase 2 Notice 1, annex 3, tab Q13; Hills Motors' response to Phase 2 Notice 1, annex 3, tab Q13.

¹⁷¹ For Copart, based on those identified as [REDACTED] and for Hills Motors, based on those identified as [REDACTED]. Copart's response to Phase 2 Notice 1, Annex 3, tab Q13; Hills Motors' response to Phase 2 Notice 1, Annex 3, tab Q13.

¹⁷² Parties' response to Phase 1 RFI 1, 'RFI1 - Annex 4 - [REDACTED]'.

¹⁷³ Third-party responses to the CMA's phase 1 customer questionnaire, October 2022, annex 2; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, annex 2; third-party responses to the CMA's phase 2 customer questionnaire (previous respondent), December 2022, annex 2.

¹⁷⁴ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; and third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

¹⁷⁵ One respondent did not identify any alternatives that could meet their requirements or provide any tender data and did not have any views about the impact of the Merger on competition in the supply of salvage services, salvage vehicles or recycled parts in the UK. Third-party response to CMA's Phase 2 customer questionnaire, questions 8 and 16 and Annex 2. One respondent, [REDACTED], told us that it used Copart to sell some vehicles and strip vehicles for saleable parts before disposing of the remaining parts of the vehicle. This respondent accounted for just 150 vehicles per year, had no concerns about the Merger, did not identify any salvagers that met its requirements and held a tender in 2022 that included European Metal Recycling, e-ppl and Exact Systems. Given these companies have not been identified by customers where the Parties materially overlap, by the Parties or other competitors and a review of their websites we have not considered these companies or this customer further in our assessment. Copart's response to Phase 2 Notice 1 to Copart, Annex 3; third-party response to CMA's Phase 2 customer questionnaire, questions 2, 4, 8 and 16 and Annex 2; <https://uk.emrgroup.com/about-us>; <https://www.e-ppl.co.uk/About-e-ppl-pg49.aspx>; <https://exactsystems.uk.com/?preloader=false>.

¹⁷⁶ FMN, paragraph 135; Parties' response to the Phase 1 Decision, paragraphs 74 and 75.

7.12 The evidence received during our investigation shows that these companies do not, for the most part, compete with salvagers for the same types of contract. Specifically:

- (a) Customers that responded to our questionnaire did not identify BCA, Manheim or Aston Barclay when asked about alternatives to the Parties for their salvage service needs.¹⁷⁷
- (b) Opportunities data submitted by the Parties¹⁷⁸ and customers' tenders¹⁷⁹ do not identify any occasions where the Parties competed against BCA, Manheim or Aston Barclay.¹⁸⁰

7.13 Therefore, our provisional view is that these players (which we refer to as **'other vehicle remarketers'**) are not in the relevant product market. However, we acknowledge that some customers (such as private individuals) may have a choice between using other vehicle remarketers such as BCA and the Parties.¹⁸¹ Therefore, as per our guidelines, we consider the out-of-market constraint other vehicle remarketers place on the Parties as part of our competitive assessment.¹⁸²

The supply of damaged and other used vehicles

The Parties' submissions

7.14 The Parties submitted that the appropriate product frame of reference for the purpose of analysing the overlap between the Parties' activities in relation to vehicles was the supply of salvage vehicles, without sub-segmentation by the type of customer from which the vehicle was sourced or damage (ie, ABI) category.¹⁸³

¹⁷⁷ We asked customers to list all salvagers that they believed could meet their requirements (and to rank the suitability of their offering). Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7. Similarly when specifically asked about players such as BCA and Manheim, customers did not identify them as alternatives to salvagers. Note of a call with a third party, February 2023, paragraph 11; note of a call with a third party, February 2023, paragraph 1; note of a call with a third party, February 2023, paragraph 9.

¹⁷⁸ Parties' response to Phase 1 RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'.

¹⁷⁹ Third-party responses to the CMA's phase 1 customer questionnaire, October 2022, annex 2; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, annex 2; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, annex 2.

¹⁸⁰ We are aware of [§<] where Copart competed against [§<]. Parties' response to the Issues Statement, paragraph 44.

¹⁸¹ For example, members of the public can sell their vehicle to BCA via its webuyanycar brand. See [Sell your car in under an hour | Buy my car | webuyanycar](#).

¹⁸² CMA129, paragraph 9.4.

¹⁸³ FMN, paragraphs 90-91.

- 7.15 As set out above (see paragraph 7.5(b)), in their submissions the Parties generally used ‘salvage vehicle’ as a generic term to describe unwanted vehicles (ie irrespective of whether the vehicle was supplied by an insurance or other customer). In the Parties’ response to the AIS and working papers, the Parties clarified that ‘salvage’ is predominantly an insurance term for damaged goods and vehicles graded under the ABI code.¹⁸⁴ The Parties submitted that, while the terminology used to describe such ‘salvage’ (ie, ABI-categorised) vehicles and other ‘automotive industry’ damaged vehicles differ, such vehicles are in essence the same.¹⁸⁵
- 7.16 The Parties submitted that vehicles supplied through an insurance claim process are substitutable with damaged (and, in some cases, undamaged) vehicles supplied through other channels and that focusing only on ‘salvage’ vehicles – rather than damaged (and relatively undamaged vehicles) – ignores many of the main competitive constraints on the Parties in the supply of vehicles.¹⁸⁶
- 7.17 In particular, the Parties submitted that:
- (a) Constellation Automotive Group (BCA, WeBuyAnyCar, cinch) and Cox Enterprises (Autotrader, Manheim Auctions, Dealer Auction) are two of Copart’s closest competitors, selling vehicles from non-insurance customers that are similar to those sold by Copart.¹⁸⁷ Internal documentary evidence from Copart shows [REDACTED].¹⁸⁸
 - (b) Supply is very fragmented and significant volumes of vehicles are supplied outside of the ‘salvage’ channel.¹⁸⁹ Suppliers outside of the ‘salvage’ channel sell vehicles similar to those being sold by the Parties that appear to be being purchased by the same types of customers that the Parties sell to.¹⁹⁰
 - (c) There are more severely damaged vehicles sold outside of an insurance claims process than those that go through it. This is because 7.3 million vehicles failed the MOT test of which 2.5 million failed because of

¹⁸⁴ Parties’ response to the AIS and working papers, paragraph 71.

¹⁸⁵ Parties’ response to the AIS and working papers, paragraph 71.

¹⁸⁶ Parties’ supplementary submission – Competition in the supply of vehicles, pages 1 and 2.

¹⁸⁷ Parties’ response to the Issues Statement, paragraphs 50-51.

¹⁸⁸ Parties’ response to the AIS and working papers, paragraph 77, Copart, annex COP_0000272, [REDACTED], submitted in response to Phase 2 Notice 1 to Copart and Copart’s response to Phase 2 RFI 4, question 9, annexes 4 and 8.

¹⁸⁹ Parties’ response to the Issues Statement, paragraph 52.

¹⁹⁰ Parties’ supplementary submission – Competition in the supply of vehicles, page 2.

structural damage. Furthermore, vehicle owners do not always claim on their insurance after an accident for a range of reasons.¹⁹¹

- (d) The sources for similar vehicles are clearly evidenced in Copart's customer surveys. A survey of all customers purchasing vehicles from Copart's website – which had approximately 1,800 respondents, which Copart submitted were broadly representative of its overall customer base¹⁹² – showed that: over [X] % of respondents also looked to purchase from eBay, [X] % from Facebook Marketplace, over [X] % from Autotrader, over [X] % from BCA;¹⁹³ average buyers used at least two suppliers in addition to Copart and in some cases substantially more; and over [X] % of respondents were most interested in vehicles for which only minor repairs were needed. A survey of Copart's Category B customers reflected a similar trend, with purchasers considering a range of sources.¹⁹⁴
- (e) Category B vehicles – which are those that have been declared unsuitable or beyond repair represent [20-30%] of Copart's sales but only [5-10%] by gross revenues.¹⁹⁵
- (f) Further, there are significant volumes of vehicles similar to Category B vehicles (as well as the other vehicles sold by Copart) sold through other channels. In this regard, the Parties submitted that the results of a survey undertaken by Copart of its Category B buyers,¹⁹⁶ point to such customers purchasing vehicles from a wide range of alternatives, including BCA, Cox Enterprises (Auto Trader and Manheim), eBay, Facebook Marketplace and Gumtree.¹⁹⁷ Using the results of this survey and publicly available information on vehicle volumes (including listings) of the alternative sources identified, the Parties submitted estimated shares of supply for Category B 'equivalent' vehicles, according to which the Parties' estimated share of supply was no more than [X] %.¹⁹⁸ The Parties focussed on Category B alternatives on the basis that, if there are

¹⁹¹ Parties' supplementary submission – Further evidence on the availability of Cat. B equivalent vehicles, pages 1-3.

¹⁹² [X]. Parties' supplementary submission – Competition in the supply of vehicles, page 7; Copart's response to Phase 2 RFI 4, annex 1, tab Q4-8.

¹⁹³ The Parties submitted that the survey showed this was the case across different customer types and irrespective of the number of vehicles purchased. Parties' response to the AIS and working papers, paragraph 74.

¹⁹⁴ Parties' response to the AIS and working papers, paragraph 74.

¹⁹⁵ Parties' response to the AIS and working papers, paragraph 74.

¹⁹⁶ The Parties submitted that this received approximately 1,800 responses, with respondents being broadly in line with Copart's total buyer base, heavily weighted to private buyers. Parties' supplementary submission – Competition in the supply of vehicles, page 7.

¹⁹⁷ Parties' supplementary submission – Competition in the supply of vehicles, pages 2 and 9.

¹⁹⁸ Parties' supplementary submission – Competition in the supply of vehicles, pages 7 to 20.

sufficient substitutes for Category B and equivalent vehicles, concerns in the supply of other categories and equivalents are less likely.¹⁹⁹

- (g) With respect to the methodology followed in estimating shares of supply for Category B substitutable vehicles, the Parties submitted that:
- (i) For BCA and Manheim, they were unable to access their marketplaces and so estimated number of Category B equivalent vehicles available from those suppliers based on indirect evidence from the Parties. For BCA, the Parties submitted that Copart has been told by [X] that approximately 20% of the vehicles sold are 'more suited' to Copart.²⁰⁰ Therefore, the Parties submitted that BCA has approximately 200,000 vehicles equivalent to Category B annually for sale on its site. For Manheim, the Parties submitted that Manheim lists 8,500 vehicles for sale. Using the Parties' knowledge, they estimate this is equivalent to 30,000 – 40,000 vehicles suitable for dismantling annually. As a result, the Parties estimated that BCA and Manheim have a [X]% and [X]% share of supply of vehicles for dismantling respectively.²⁰¹
 - (ii) Auto Trader lists 420,000 vehicles, of which approximately 9,400 are specifically categorised as Category S/C/N/D²⁰² and so can be identified as directly competing with Copart and Hills Motors. If Auto Trader listings match its annual sales proportionately to Copart, Auto Trader's annual sales of Category S/N/C/Ds would be approximately [X].²⁰³
 - (iii) For each of eBay, Facebook Marketplace, and Gumtree's websites, the Parties used a web-scraping tool to 'scrape' the number and type of vehicles for sale.²⁰⁴ The Parties searched for listings that included the phrases 'spares' and/or 'repairs' as to match vehicles that are equivalent to Category B vehicles (as those vehicles are not repairable).²⁰⁵ The Parties submitted that they found 3,165 Category

¹⁹⁹ Parties' supplementary submission – Competition in the supply of vehicles, page 7.

²⁰⁰ Parties' supplementary submission – Competition in the supply of vehicles, page 14.

²⁰¹ Parties' supplementary submission – Competition in the supply of vehicles, pages 14-15.

²⁰² From October 2017 the ABI replaced Categories C and D which were for repairable vehicles with Categories N and S. For example, see [Salvage is Changing | Charles Trent \(trents.co.uk\)](#).

²⁰³ The Parties submitted that they were not able to full verify the Category B equivalent vehicles on Auto Trader and therefore only consider it to have cat S/N/C/Ds only. Parties' supplementary submission – Competition in the supply of vehicles, page 10.

²⁰⁴ Parties' supplementary submission – Competition in the Supply of Vehicles, page 10.

²⁰⁵ We note that for eBay the Parties searched for listings that contained either 'spares' or 'repairs' or both in the 'Cars, Motorcycles & Vehicles' category; for Facebook Marketplace the Parties searched for the number of postings that included the phrase 'spares or repair cars'; and for Gumtree the Parties searched for 'spares' and 'repairs' in the 'Car' category in the UK. The Parties consider this highly conservative as an exhaustive list of

B equivalents on eBay between 9 March 2023 and 13 March 2023, 3,034 on Facebook Marketplace between 10 March 2023 and 13 March 2023 and 807 on Gumtree on the 28 February 2023 (for 'repair') and 2 March 2023 (for 'spares').²⁰⁶ The Parties submitted that this exercise shows there are 100-150,000 category B equivalent vehicles sold on eBay,²⁰⁷ 80-100,000 category B equivalent vehicles sold on Facebook Marketplace²⁰⁸ and 80-100,000 Category B equivalent vehicles sold on Gumtree²⁰⁹ annually.²¹⁰ As a result, the Parties estimated that eBay has a 15-20% share of supply of vehicles for dismantling and Facebook Marketplace and Gumtree each have a 10-15% share.²¹¹

7.18 In contrast to the above, in the context of a derogation request submitted in October 2022, the Parties considered only [§] as potential platforms that Hills Motors could sell its vehicles through.²¹² With regard to eBay, the Parties submitted that whilst salvagers are also commonly and increasingly using multipurpose retail platforms, notably eBay, to sell vehicles to customers, these platforms are currently not a viable option for Hills Motors and its (upstream or downstream) customers, given that salvagers' downstream customers (dismantlers, body repairers, etc.) rarely if ever purchase vehicles from platforms such as eBay, as most vehicles are unrecorded. In other words, the Parties submitted, these vehicles are most often not reported to the insurance companies and their provenance is unknown. The Parties further submitted that these vehicles are also often unchecked, whereas salvage cars should always be properly and officially assessed before onwards sale, a service which eBay neither provides nor requires, and no identity checks are carried out on sellers by eBay.²¹³

Our assessment

7.19 The Parties supply damaged and other used vehicles (which may have minimal or no damage) in the UK. The majority of vehicles handled by the Parties are vehicles that have been written off by insurance companies and categorised under the ABI code. For example, in each year from 2019 to 2022

terms was not used (eg damaged, repairable, etc.) Parties' supplementary submission – Competition in the supply of vehicles, pages 7, 11, 12 and 13.

²⁰⁶ Parties' supplementary submission – Data supporting competition in the supply of vehicles.

²⁰⁷ Based on 760 listings being auctioned off over 48 hours (ie if every two days 760 vehicles were auctioned this would be equal to 138,700 vehicles in a year).

²⁰⁸ Based on 748 listings being removed within 72 hours (ie if every three days 748 vehicles were sold via Facebook Marketplace this would be equal to 91,007 vehicles in a year).

²⁰⁹ Based on 275 out of the 807 unique listings being posted within the last 24 hours.

²¹⁰ Parties' supplementary submission – Competition in the supply of vehicles, page 11, 12 and 13.

²¹¹ Parties' supplementary submission – Competition in the supply of vehicles, page 14.

²¹² Derogation request letter dated 18 October 2022, pages 1 to 6.

²¹³ Derogation request letter dated 18 October 2022, page 6.

between [X]% and [X]% of vehicles sourced by Copart were assigned an ABI category (A, B, S or N).²¹⁴ For Hills Motors this figure was [X]% in 2019, but has increased to [X]% in 2022.²¹⁵ Stolen recovered vehicles (which may be from insurance companies but do not receive an ABI categorisation) represented around [X]% of vehicles sourced by Copart annually for 2019-2022.²¹⁶ For Hills Motors this figure was [X]% in 2019, but has fallen to [X]% in 2022.²¹⁷

- 7.20 Below we have considered whether the most significant competitive alternatives to the Parties in the supply of vehicles differ to those in the supply of salvage services and whether this differs by customer type.

Other vehicle remarketers and platforms listing vehicles for sale

- 7.21 We received some evidence indicating that other vehicle remarketers and digital platforms listing vehicles for sale are not significant alternatives for customers purchasing vehicles from the Parties and other salvagers.

(a) First, key competitors [X] of the Parties told us that they do not consider BCA or Manheim as competitors in the supply of vehicles.²¹⁸ IAA explained that it only sells vehicles to registered trade buyers (instead of households or individual buyers), and that it considered itself and other salvage operators (such as Copart, Hills and e2e) to be niche suppliers in the wider used car market in the sense that they sell vehicles alongside other vehicle auction and remarketing platforms such as BCA, Manheim, G3 and Aston Barclay. However, the majority of vehicles sold by salvage operators are more seriously damaged and require significant repair before use, while vehicles sold by BCA and Manheim are less damaged and are often roadworthy.

(b) Similarly, BCA and Manheim told us that they operate in a different market and do not compete with Copart.²¹⁹ Manheim told us the cars it receives from fleets are generally end-of-lease vehicles, which may have wear and tear, be damaged or have defects and malfunctions but are still road worthy and not like those involved in major accidents. By contrast, Manheim noted that Copart mainly deals with recovered vehicles which

²¹⁴ Copart's response to Phase 2 Notice 1 to Copart, annex 3.

²¹⁵ Based on independently sourced volumes. See Hills Motors' response to Phase 2 RFI 5 to Hills Motors, question 1.

²¹⁶ Copart's response Phase 2 Notice 1 to Copart, annex 3.

²¹⁷ Based on independently sourced volumes. See Hills Motors' response to Phase 2 RFI 5 to Hills Motors, question 1.

²¹⁸ Note of a call with a third party, February 2023, paragraph 4; Note of a call with a third party, February 2023, paragraph 3.

²¹⁹ Note of a call with a third party, January 2023, paragraphs 4, 7 and 8; Email from a third party, February 2023.

are not road worthy. Manheim noted that it does deal with old vehicles but they are typically still roadworthy. Further, Manheim explained that only traders can purchase vehicles from its auctions and not members of the public.²²⁰

(c) As set out above (see paragraph 7.18), the Parties submitted in the context of a derogation request that salvagers' downstream customers (dismantlers, body repairers, etc.) rarely if ever purchase vehicles from platforms such as eBay, as most vehicles are unrecorded.

(d) Copart's internal documents indicate that [REDACTED].²²¹ [REDACTED].²²²

7.22 However, we also received evidence indicating that the most significant alternatives to the Parties²²³ differ depending on whether customers are dismantlers (purchasing vehicles for dismantling for scrap or reusable parts) or other customers (looking to repair and reuse or resell vehicles). We consider this evidence below.

The Parties' customers

7.23 The Parties submitted that the primary buyers of salvage vehicles are vehicle dismantlers (who must be ATFs),²²⁴ rebuilders, repair licensees, used vehicle dealers, body shops, exporters, and the general public.²²⁵ Dismantlers either scrap the vehicle, dismantle the vehicle to sell its parts or resell the vehicle (eg, to rebuilders, used vehicle dealers or the general public).²²⁶ Vehicle rebuilders and repair licensees purchase salvage vehicles to repair and resell, whereas used vehicle dealers generally purchase recovered stolen or slightly damaged goods for resale.²²⁷

7.24 Approximately [REDACTED] of vehicles handled by Copart are sold to dismantlers.²²⁸ Dismantlers make up a larger proportion of sales than other customers because the majority of Copart customers purchase a small number of vehicles, whereas many dismantlers purchase a large number of vehicles (eg in 2021 [REDACTED]% bought 20 or more, [REDACTED]% bought 50 or more and [REDACTED]% bought 100 or more).²²⁹ By contrast, we understand that in 2022 Hills Motors'

²²⁰ Note of a call with a third party, January 2023, paragraph 1.

²²¹ See Copart, annex COP_0000134, [REDACTED]; Copart, annex COP_0000543, [REDACTED], both submitted in response to Phase 2 Notice 1.

²²² Copart's response to Phase 2 RFI 4, document '[REDACTED]'.
²²³ In particular, the extent to which customers purchasing vehicles from the Parties also consider purchasing vehicles from digital platforms listing vehicles, such as eBay, Facebook Marketplace and Gumtree.

²²⁴ See Table 3.1.

²²⁵ FMN, paragraph 66.

²²⁶ FMN, paragraph 67.

²²⁷ FMN, paragraphs 69-70.

²²⁸ Copart's response to Phase 2 Notice 1 to Copart, Annex 3.

²²⁹ Copart's response to Notice 3 to Copart, Annex 2, tab Q1.

top ten ATF customers accounted for less than [REDACTED]% ([REDACTED]) of the vehicles it sold at auction.²³⁰ However, Hills Motors supplies vehicles to some dismantlers through subcontracting arrangements as part of its operation of the Ageas network.²³¹

Dismantlers (ATFs)

- 7.25 Dismantlers purchase vehicles for dismantling for scrap or reusable parts. Under the ABI code, vehicles that are broken for parts or scrapped must be handled by licensed ATFs. In these provisional findings, we use the term 'dismantler' to refer to dismantlers broadly, including those active wholly or predominantly in dismantling vehicles for scrap and those dismantling vehicles in whole or part for supplying recycled parts.
- 7.26 Dismantlers may source vehicles from a range of sources including, for vertically integrated dismantlers, directly from salvage service customers (ranging from vehicles sourced pursuant to contracts with insurance customers and other customers, such as local authorities, to local customer 'drop ins'), indirectly from salvage service customers through consortia (such as e2e and SureTrak) or sub-contracting arrangements (such as via the Hills Motors network operated for the Ageas contract) as well as by purchasing from salvager auctions. The options available to dismantlers differ depending on the customer's business model. For example, smaller dismantlers may solely rely on purchasing from salvager auctions²³² whereas others may rely on a combination of purchasing from salvager auctions and local drop ins.²³³
- 7.27 Below we consider evidence on the different vehicles and their sources used by dismantlers. This includes: (i) insurance vehicles (including insurance write-off vehicles that are categorised under the ABI code); (ii) vehicles from other salvage service customers such as local authorities and drop ins; and (iii) vehicles sold by other vehicle remarketers and on other digital platforms.
- *Insurance vehicles*
- 7.28 Data received from third parties shows that dismantlers obtain insurance vehicles from a range of sources. This includes, for vertically integrated dismantlers, directly pursuant to salvage service contracts held with insurance

²³⁰ Hills Motors' response to Phase 2 RFI 3 to Hills Motors, annex B; Hills Motors' response to Phase 2 RFI 3 to Hills Motors, annex A, tab 'Q6'.

²³¹ In 2022 this amounted to [REDACTED] vehicles or [REDACTED]% of all vehicles independently sourced by Hills Motors. Hills Motors' response to Phase 2 RFI 3 to Hills Motors, Annex B; Hills Motors' response to Phase 2 RFI 5 to Hills Motors, spreadsheet '[REDACTED]'.

²³² Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9b; email from a third party, March 2023.

²³³ Note of a call with a third party, January 2023, paragraph 3; email from a third party, March 2023.

customers and indirectly via consortia or sub-contracted arrangements (through which volumes are allocated to the salvager/dismantler by consortium or network operator). Both vertically integrated and non-vertically integrated dismantlers may also purchase vehicles from salvager auctions.

7.29 The extent to which dismantlers rely on these different sources of insurance vehicles varies significantly. For example, in 2022:

- (a) IAA received [redacted]% of all its insurance vehicles directly from salvage service contracts with insurance customers.²³⁴
- (b) Charles Trent received the majority of its insurance vehicles from volumes allocated to it as part of consortia servicing salvage service contracts with insurance customers, while also receiving some from Hills Motors via sub-contracting arrangements and purchasing some from Copart's auctions.²³⁵
- (c) All Parts received all its insurance vehicles from Hills Motors via sub-contracting arrangements.²³⁶
- (d) AutoSpares received around half of its insurance vehicles from Hills Motors via sub-contracting arrangements and received the other half from consortia.²³⁷
- (e) Global Auto Salvage purchased virtually all of its insurance vehicles from Copart's auctions with a very small proportion ([redacted]% in 2022) from IAA's auctions.²³⁸

7.30 According to evidence submitted by dismantlers ([redacted]), insurance vehicles are the most important vehicles for dismantling to supply recycled parts to insurance repair networks (ie, for use in insurance repairs) and other customers in the UK (see paragraph 7.63).²³⁹ For example:

- (a) IAA said that the most important source of vehicles for dismantling to supply recycled parts to insurance repair networks in the UK is contracted salvage volume from insurance customers in the UK. This is due to the fact the typical vehicles in need of repair tend to match the 'book' of the insured vehicles, and therefore salvage vehicles, of that insurer (eg, age, make, model, etc). IAA submitted that the superior importance of

²³⁴ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²³⁵ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²³⁶ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²³⁷ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²³⁸ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²³⁹ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, questions 4 and 9.

insurance-sourced vehicles is quantifiable: IAA typically sells on average [X] parts per vehicle from an insurance customer sourced vehicle as compared with [X] parts per vehicle sourced from police forces or other direct purchase routes.²⁴⁰ IAA said that insurance vehicles are also the best source for other (non-insurance) customers given the number of parts that can be removed from them compared to other vehicles.²⁴¹

- (b) Traynors said that, based on its experience, vehicles from private individuals are older than those from insurance contracts and auctions, and that in most cases newer cars are in demand for the insurance repair network. Traynors further noted that it typically obtains fewer parts per vehicle from older cars. Accordingly, Traynors considered insurance contracts and auctions would be the most important source of vehicles to supply recycled parts to insurance repair networks.²⁴² Traynors said that, while for dismantling for recycled parts to be supplied to other (non-insurance) customers, a large proportion of vehicles come from private cars, a supply of insurance and auction vehicles is important to satisfy most customers with newer cars.²⁴³
- (c) Charles Trent said that its main sources of vehicles used for dismantling to supply recycled parts for insurance repair networks comprise (i) insurance salvage service customers and (ii) Copart's auction platform. Charles Trent explained that vehicles supplied by insurance customers directly, known as premature ELVs, are typically newer on average than from natural ELVs. Charles Trent further submitted that there is a significantly higher parts yield from vehicles supplied by insurance customers compared to that from natural ELVs. The parts that insurance repair networks seek are a 'great match' for the premature ELVs that are being written off. Sourcing vehicles from Copart's auction platform is much more selective; Charles Trent will consider the make, model, age and quality of the vehicle that best matches its dismantling requirements.²⁴⁴ Charles Trent said that insurance salvage service customers and Copart's auction platform are also used, along with natural ELVs, to supply other (non-insurance) customers.²⁴⁵

7.31 According to evidence submitted by dismantlers, among insurance vehicles, the type of vehicles most suitable for dismantling for parts are typically the more damaged vehicles (ie Category B vehicles). This is because these

²⁴⁰ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 4.

²⁴¹ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9.

²⁴² Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 4.

²⁴³ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9.

²⁴⁴ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 4.

²⁴⁵ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9.

vehicles are not suitable for repair and so are generally cheaper than lesser damaged, repairable vehicles, such that it is profitable to dismantle them for parts. For example:

- (a) One dismantler that purchases from Copart's auctions told us it only looks at Category B vehicles because Categories S and N are more expensive as they can be sold whole.²⁴⁶
- (b) Another dismantler that purchases from Copart's auctions told us that generally it is more cost-effective to buy Category B vehicles. However, the dismantler explained that, as insurance reuse of parts in the UK is increasing, it is purchasing a proportionally higher amount of Category S vehicles for breaking than it did previously, although overall this remains a small percentage (10-15%) of the vehicles it buys for breaking. The dismantler also told us that, while it will buy some Category N vehicles for breaking, these represent a very small percentage (less than 5%) of the vehicles it purchases for breaking, as these vehicles are lighter damage vehicles that have a strong value in the used vehicles market at the moment.²⁴⁷
- (c) One dismantler explained that it decides which vehicles to dismantle for parts mostly based on the salvage category that is decided by the insurance company. The dismantler told us that it might also choose to dismantle some Category N vehicles and Category S vehicles if it considers that the value of the parts that can be removed plus the value of the remaining scrap metal would be greater than the value of selling the vehicle complete. The dismantler said that at the moment this is generally not the case.²⁴⁸

7.32 Data received from the Parties and third-party dismantlers also indicates that most of the vehicles dismantled to supply recycled parts are Category B vehicles:

- (a) We gathered data from third-party dismantlers on the number of salvage vehicles sourced in the UK annually in the past four years that they dismantled in-house to supply recycled parts to all customer groups, split by vehicle category.²⁴⁹ Based on this data, in the last four years around 67% ([~~8~~]) of vehicles dismantled in-house to supply recycled parts were

²⁴⁶ Note of a call with a third party, January 2023, paragraph 3.

²⁴⁷ Note of a call with a third party, March 2023, paragraph 10.

²⁴⁸ Third-party response to the CMA's phase 2 competitor questionnaire (previous respondents), December 2022, question 9.

²⁴⁹ A, B, S, N, U, X, other informal category or other uncategorised.

Category B vehicles compared to below 10% ([REDACTED]) that were Category S and N respectively.²⁵⁰

(b) Data submitted by Hills Motors²⁵¹ on the number of salvage vehicles sourced in the UK annually in the past four years split by category²⁵² shows that around [REDACTED]% of salvage vehicles dismantled by Hills Motors to supply recycled parts in 2019-21 were Category B vehicles. In 2022 just over [REDACTED]% of salvage vehicles dismantled by Hills Motors were Category B vehicles while Category S and N vehicles were [REDACTED]% and [REDACTED]% of all dismantled vehicles respectively. This indicates that small numbers of Category S and N vehicles can be substitutes for Category B vehicles to dismantle for recycled parts. However, the bulk of dismantled vehicles are Category B vehicles.

7.33 While the evidence above specifically considers the level of damage of insurance vehicles, we consider this to be informative of considerations that will apply when considering vehicles sourced from other channels (ie non-repairable vehicles will generally be the most suitable for dismantling for parts as they will typically be cheaper than lesser damaged vehicles capable of being repaired and reused on the road).

- *Other salvage service customers*

7.34 Dismantlers also dismantle vehicles received from other salvage service customers. Based on evidence received from dismantlers, this includes vehicles from members of the public and from regional contracts with police forces or local authorities.²⁵³

7.35 Data received from third-party dismantlers shows that these sources can make up a material volume of vehicles used by dismantlers. For example, in 2022 such sources accounted for over [REDACTED]% of the vehicles handled by Silverlake, over [REDACTED]% of the vehicles handled by Charles Trent and Traynors and over [REDACTED]% of the vehicles handled by Recycling Lives.²⁵⁴

7.36 However, dismantlers told us that, while they will dismantle these vehicles and they can be used to supply recycled parts to customers, they generally yield a

²⁵⁰ Third-party responses to the CMA's phase 2 competitor questionnaire (previous respondents), December 2022, Annex 1, tab Q8. [REDACTED].

²⁵¹ Hills Motors' response to Phase 2 RFI 3 to Hills Motors, annex B, Q14b tab.

²⁵² A, B, S, N, U, X, other informal category or other uncategorised.

²⁵³ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, question 1.

²⁵⁴ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, question 1.

smaller number of useable parts than insurance vehicles and are generally older, such that demand for parts from these vehicles is lower.²⁵⁵

7.37 On this basis, while these vehicles can be used as substitutes for insurance vehicles, there is evidence that they are differentiated with insurance vehicles being of greater value to dismantlers – in particular, for the purpose of dismantling for supplying parts to insurance customers – than vehicles from other salvage service customers.

- *Other vehicle remarketers and digital platforms listing vehicles for sale*

7.38 Data received from third-party dismantlers shows that vehicles from other vehicle remarketers (such as BCA and Manheim) and digital platforms listing vehicles for sale (such as eBay, Facebook Marketplace and Gumtree) make up a very small proportion of vehicles handled by dismantlers and in many cases are not used by dismantlers. In particular, in 2022:

- (a) Only two out of the twelve dismantlers, including some of the largest in the supply of recycled parts, we received data from purchased vehicles from BCA and Manheim. [redacted] purchased [redacted]% of its volumes as direct purchases from other third-party sources, including from BCA and Manheim and [redacted] purchased [redacted]% of its volumes from BCA and Manheim.²⁵⁶
- (b) Only two out of the twelve dismantlers we received data from purchased vehicles from eBay, Facebook Marketplace, Gumtree, etc. Pic Up Spares purchased [redacted]% of its volumes from such sources and Forest Auto Salvage purchased [redacted]% of its volumes from such sources.²⁵⁷

7.39 Consistent with this, dismantlers that responded to our questionnaire did not identify either other vehicle remarketers or digital platforms listing vehicles for sale in their top 10 suppliers of vehicles for dismantling for recycled parts.²⁵⁸ Furthermore, when dismantlers were asked who their alternatives are for the supply of vehicles for dismantling, dismantlers did not identify these alternatives.²⁵⁹

7.40 Further, when directly asked ([redacted]) dismantlers who source vehicles from at least one of the Parties told us that they do not use BCA or Manheim to purchase vehicles for dismantling. These dismantlers told us that this is

²⁵⁵ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, questions 4 and 9.

²⁵⁶ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, questions 4 and 9.

²⁵⁷ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, questions 4 and 9.

²⁵⁸ Third-party responses to the CMA's Phase 1 competitor questionnaire, question 10.

²⁵⁹ Third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), question 11; third-party response to the CMA's Phase 2 customer questionnaire, question 13.

because these sites are more expensive²⁶⁰ than Copart, they have fewer vehicles²⁶¹ or vehicles that are not suitable.²⁶² Instead, these dismantlers told us that salvagers have the largest supply of suitable vehicles on an auction site.²⁶³ One of these dismantlers also said that while it is possible to source vehicles from digital platforms like eBay and Facebook, these sources cannot replace salvagers in terms of quantity and variety of vehicle.²⁶⁴

7.41 Evidence on the behaviour of Hills Motors and certain submissions from the Parties are less clear on whether vehicles from these sources may be a viable alternative to insurance vehicles. Specifically:

- (a) Hills Motors itself does not source vehicles from any of the other vehicle remarketers and digital platforms that the Parties have described.²⁶⁵ Although Hills Motors explained that it had never needed to explore purchasing vehicles from other vehicle remarketers before due to the vehicles it received from e2e, [REDACTED].²⁶⁶
- (b) Hills Motors said that vehicles received from Ageas are best suited to supply recycled parts back to the Ageas repair network.²⁶⁷
- (c) As set out above (see paragraph 7.18), the Parties submitted in the context of a derogation request that salvagers' downstream customers (dismantlers, body repairers, etc.) rarely if ever purchase vehicles from platforms such as eBay, as most vehicles are unrecorded.²⁶⁸

7.42 Evidence from Copart's internal documents indicates that the overlap between the vehicles handled by salvagers and the used vehicles available from BCA and Manheim is most likely to be in relation to uncategorised vehicles that might not be structurally damaged rather than those primarily purchased by dismantlers (ie Category B vehicles and their equivalents).²⁶⁹

7.43 In considering the evidence available on the alternative sources of vehicles used by dismantlers, we place more weight on this customer evidence than on the dismantler surveys provided by the Parties for two reasons.

²⁶⁰ Note of a call with a third party, February 2023, paragraph 20.

²⁶¹ Note of a call with a third party, February 2023, paragraph 14.

²⁶² Note of a call with a third party, March 2023, paragraph 14.

²⁶³ Note of a call with a third party, February 2023, paragraph 19; note of call with a third party, February 2023, paragraph 14; Note of call with a third party, March 2023, paragraph 13.

²⁶⁴ Note of a call with a third party, February 2023, paragraph 19.

²⁶⁵ Hills Motors' main party hearing transcript, paragraphs 7 to 14, page 61 and paragraphs 1 to 5, page 63.

²⁶⁶ Hills Motors' main party hearing transcript, paragraphs 6 to 9, page 63 and paragraphs 12 to 17, page 65.

²⁶⁷ Hills Motors' main party hearing transcript, paragraphs 8-12, page 70.

²⁶⁸ Derogation request letter dated 18 October 2022, pages 1 to 6.

²⁶⁹ See Copart, annex COP_0000134, [REDACTED]; and Copart, annex COP_0000543, [REDACTED] both submitted in response to Phase 2 Notice 1 to Copart.

- (a) First, because of the detail provided by each type of evidence. The CMA questionnaire to the largest dismantlers for recycled parts asked dismantlers to 'list the top 10 suppliers of vehicles for dismantling'.²⁷⁰ Furthermore, calls with third parties provided an opportunity to discuss their views in more detail. In contrast, respondents to Copart's Category B purchasers survey were asked 'Where else do you purchase/source vehicles for dismantling for used parts?'.²⁷¹ As such we do not know the volumes of vehicles they purchase (or consider they could purchase) from those alternatives.
- (b) Second, due to the low sample sizes secured by Copart's customer surveys. In the survey of all customers purchasing vehicles from Copart's website the number of respondents identifying as a 'dismantler' was just 25 and there were only 43 respondents to the survey of Copart's Category B purchasers.²⁷² As set out in the CMA's good practice guide, if less than 100 responses are secured, the CMA puts less reliance on statistical inferences about the populations from which they have been drawn.²⁷³ This means that we do not treat the survey results as representative of all ATF customers.

7.44 Furthermore, as set out above, the derogation request submitted by the Parties²⁷⁴ is consistent with the detailed evidence we have from the largest dismantlers for recycled parts that eBay is not a viable option for vehicles for dismantling.

7.45 Finally, we have reviewed and assessed the Parties' submission that there are alternative suppliers of Category B equivalent vehicles as set out at paragraph 7.17(f) and 7.17(g) above. As to the Parties' submission that there are more severely damaged vehicles sold outside of an insurance claims process than those that go through it, the evidence provided indicates that there are vehicles failing their MOT and that vehicle owners, when asked, state that they may not always claim on their insurance after an accident. In this regard, we acknowledge that some customers after a failed MOT or an accident may seek to sell their vehicle and not engage in an insurance claim. However, it does not provide direct evidence on what happens to vehicles that fail their MOT or the behaviour of vehicle owners when they have actually been in a crash. Nor does it provide evidence on how damaged these

²⁷⁰ Third-party Phase 1 questionnaire to customers, question 15(a); third-party Phase 2 questionnaire to customers, question 12.

²⁷¹ Copart's response to Phase 2 RFI 3 to Copart, annex 2.

²⁷² Copart's response to Phase 2 RFI 3 to Copart, annex 2; Copart's response to Phase 2 RFI 4 to Copart, annex 1.

²⁷³ [Survey_good_practice.pdf \(publishing.service.gov.uk\)](#), paragraph 2.32.

²⁷⁴ Derogation request letter dated 18 October 2022, pages 1 to 6.

vehicles are or the actual volume of vehicles that go on to be sold through other channels.²⁷⁵

7.46 In relation to the Parties' estimates of the number of vehicles equivalent to a Category B vehicle we have used the Parties' underlying data to check the advert postings and assess if the vehicle is indeed equivalent to a Category B. We checked a random selection of the postings.²⁷⁶

- (a) The Parties provided the link to the advert, and we checked to assess if the vehicle was categorised and if it was roadworthy. We also assessed the pictures provided and checked the description.
- (b) In total, our spot check encompassed 139 postings that were randomly selected across the three sites.²⁷⁷ While we acknowledge that this is not a high proportion of the vehicles submitted by the Parties, our spot check showed that there were very few Category B equivalent vehicles and some were not vehicles.²⁷⁸ Furthermore, this is in line with what dismantlers have submitted to the CMA about the limited availability of Category B or equivalent vehicles via sources other than a salvager.
- (c) Of the random selection of advert postings that were checked, some of the listings were not vehicles and were instead recycled parts from a vehicle. Over half of the vehicles were roadworthy and one quarter of the vehicles were listed as Category S or N vehicles and as such are repairable and thus less suitable for ATF customers. The average cost of the vehicles of the random selection of adverts we could gather pricing data on were significantly higher than Copart's average selling price of £[REDACTED] for a Category B vehicle.^{279,280}
- (d) We are not able to quantify the number of vehicles on BCA and Manheim's site. We note that BCA and Manheim told us during our

²⁷⁵ Parties' supplementary submission – Further evidence on the availability of Cat. B equivalent vehicles, pages 1-3.

²⁷⁶ To ensure we spot checked a random selection of advert listings, a random number generator was used in excel. The listings were numbered from the one till the maximum number of listings. The formula randomly selected 50 numbers between the first and the maximum number of listings provided by the Parties. For Gumtree, some of the listings that the random generator selected were not available anymore. For these listings, we continued to go down the listings until we found one that was available.

²⁷⁷ This was made up of 48 from eBay, 48 from Facebook Marketplace and 43 from Gumtree.

²⁷⁸ For example: a repair manual ([Suzuki GSX-R600 & GSX-R750 Service & Repair Manual \(Matthew Coombs\) Free Postage | eBay](#)), a static caravan ([ATLAS CONCEPT - 39X12 - STATIC CARAVAN - NEEDS REPAIRS | eBay](#)) and a side panel ([2003 Fiat Ducato REPAIRABLE DAMAGED SALVAGE SIDE PANEL | in Loughborough, Leicestershire | Gumtree](#)).

²⁷⁹ Of the vehicles randomly selected that we could gather pricing data on, 73 out of 90 were higher than Copart's average selling price of £[REDACTED] for a Category B vehicle. On average the vehicles randomly selected cost £3,801.26 across the three platforms. We recognise that this was not always the final price of the vehicle and the vehicle might not have been sold or sold for less, however given the average price is significantly higher, we recognise that even with this caveat, the prices are higher than Copart's average selling price.

²⁸⁰ Copart, annex COP_0000878 '[REDACTED]', 4 June 2021, submitted in response to Phase 2 Notice 2 to Copart.

investigation that they do not compete with Copart in the supply of salvage vehicles, which suggests that their vehicles are not generally likely to be viable Category B substitutes for a dismantler.

7.47 Overall, considering the Parties' evidence on the alternative sources of Category B vehicles, we consider that, although some of the vehicles supplied on eBay, Facebook Marketplace, and Gumtree could be suitable for dismantling for parts, they are not alternatives for professional dismantlers looking to extract parts in large volumes for recycling. The vehicles on eBay, Facebook Marketplace and Gumtree are not equivalent to Category B vehicles, are more expensive and, insofar as some vehicles may be suitable, these are not easily identifiable without high search costs. Therefore, these sites are not credible alternatives for professional dismantlers looking to extract parts in large volumes for recycling.

- *Provisional conclusion on damaged and other used vehicles supplied to dismantlers*

7.48 On balance, we provisionally conclude that the relevant product market for the supply of damaged and other used vehicles to dismantlers comprises insurance vehicles and vehicles sourced from other salvager service customers – whether sourced directly, indirectly via consortia or sub-contracting arrangements or from salvager auctions) – but excludes vehicles sold by other vehicle remarketers and digital platforms listing vehicles for sale. In coming to this view, for the reasons set out above, we put more weight on the detailed evidence provided by dismantlers rather than on the evidence provided by Copart from its survey of dismantler customers.

7.49 We have considered (i) differentiation – in terms of both the source (insurance vehicles versus other) and level of damage (Category B and its equivalents versus other, lesser damaged vehicles) – in the types of vehicles used by dismantlers and (ii) constraint from vehicles supplied by non-salvagers where relevant in our competitive assessment.

Non-dismantlers

7.50 Non-dismantlers generally source their vehicles from salvager auctions and other third-party sources and do not source vehicles pursuant to direct contracts with salvage service customers or sub-contracts with salvagers. The vehicles available to dismantlers and non-dismantlers on salvager auctions differ in that, under the ABI code, only licensed ATFs can process non-repairable vehicles that may be broken for parts (Category B vehicles) or that must be scrapped (Category A vehicles). Of the salvage auction platforms, only Copart and Recycling Lives sell Category B vehicles – being, in broad

terms, those most suitable for breaking for parts – whereas all sell Category S and N vehicles.²⁸¹

7.51 For non-dismantler customers, we received evidence from Copart on the alternatives considered by customers that indicates that other vehicle remarketers and digital platform listing vehicles for sale are significant alternative sources of vehicles to those sold by the Parties. In particular:

- (a) The Parties submitted a clear and full description of two online surveys conducted by Copart of its active members in August 2022 and January 2023.²⁸² The first survey secured 1,392 respondents, equivalent to a response rate of 5%; the second 1,547 respondents, equivalent to 3%. It is not certain how representative the respondents were of all Copart members, nor whether the two surveys should be regarded as independent samples or two waves of a single survey with largely the same respondents. We have, however, given it moderate weight as evidence of other sources of vehicles considered by its customers with these sources including BCA, Manheim, Auto Trader, eBay, Facebook Marketplace and Gumtree.
 - (b) Our assessment of the evidence submitted by the Parties from these alternatives suggests that while they may not be Category B equivalent they may be equivalent to Category N and S or vehicles the Parties handle that fall outside of the ABI code. In addition, as identified by the Parties Auto Trader specifically lists Category N and S vehicles.
 - (c) No non-dismantler has come forwards to the CMA to complain about the Merger.
- *Provisional conclusion on damaged and other used vehicles supplied to non-dismantlers*

7.52 On balance, we provisionally conclude that the relevant product market for the supply of damaged and other used vehicles to non-dismantlers includes other vehicle remarketers. While these companies may not compete as closely with the Parties as other salvagers and BCA/Manheim do not consider themselves to be competing with the Parties, there is evidence of an overlap of vehicles especially with Auto Trader and digital platforms such as eBay, Facebook Marketplace and Gumtree.

²⁸¹ None of the salvager auction platforms sell Category A vehicles.

²⁸² Copart's response to Phase 2 RFI 3, Annex 1 and Annex 3.

The supply of recycled parts

- 7.53 Hills Motors has the capability to dismantle vehicles in-house in order to remove OEM parts which can then be supplied to customers such as insurance repair networks,²⁸³ body shops,²⁸⁴ garages and the general public in order to be refitted into vehicles as part of repair work. We refer to these part as ‘recycled parts’, but in the vehicle salvage and recycling industry, they may also be referred to as ‘reclaimed parts’ or ‘green parts’.
- 7.54 Recycled parts are heterogenous in nature and therefore not necessarily demand-side substitutes. They can include outer parts such as bumpers, doors, and bonnets as well as mechanical parts like engines and gear boxes. The suitability of an individual recycled part for an individual vehicle repair depends on a range of factors including the type of part (bumper, door, engine, etc) and the make, model and age of the vehicle that they are sourced from. For example, if the 2019 version of a Ford Fiesta requires a new engine, only a compatible recycled part can be used – that is, only an engine removed from another 2019 version of a Ford Fiesta.
- 7.55 We consider below the evidence on:
- (a) the demand-side substitutability between the recycled, new OEM and (new) non-OEM version of a given part;²⁸⁵ and
 - (b) whether it is appropriate to aggregate all recycled parts into one market or whether there may be separate markets for recycled parts based on customer type.

The Parties’ submissions

- 7.56 The Parties submitted that recycled parts are constrained by new OEM parts. Specifically, they submitted that:
- (a) OEM and non-OEM parts still account for approximately 95%+ of the parts basket used by repair networks and so are preferred. Recycled parts are not expected to grow beyond 5% of demand. In such circumstances, OEM parts will always be substitutable for recycled parts, but recycled parts may not always be substitutable for OEM parts, if the price of recycled parts was to increase by 5-10% or there was to be a

²⁸³ When referring to ‘insurance repair networks’ as customers we are referring to where a body shop purchases a recycled part for the purposes of insurance repairs.

²⁸⁴ When referring to ‘body shops’ as customers we are referring to where a body shop purchases a recycled part for the purposes of non-insurance repairs.

²⁸⁵ We have not received any evidence of there being demand for recycled non-OEM parts. In these provisional findings, references to ‘OEM parts’ or ‘non-OEM’ parts are to the new such parts unless otherwise specified.

marginal delay in the availability of a recycled part it is not credible that repair-shops would not then switch to an OEM part when this makes up the vast majority of their parts usage and for which there is a strong preference.²⁸⁶

- (b) Hills Motors noted that price and speed of delivery is important and its limited experience working with Ageas showed that both insurer and repairer will readily switch between recycled and new OEM parts.²⁸⁷ Hills Motors also noted that other commercial customers will weigh up similar factors but may be less constrained in their choice of supplier than an insurer's repair network. Hills Motors also said that private buyers (ie consumers) are more driven by price than time constraints.²⁸⁸
- (c) The availability of new OEM parts can impact the demand and value of recycled parts such that if new OEM parts are readily available and affordable, the demand for recycled parts may decrease, affecting their value.²⁸⁹
- (d) Hills Motors aims to provide a recycled part with the same guarantees and expedited delivery experience comparable to new OEM and non-OEM parts but at a more competitive price, although taking into account the time required to prepare the part for reuse, this is commonly not the case.²⁹⁰

Our assessment

Recycled parts, new OEM and non-OEM parts

- 7.57 Consumers or their agents seeking to repair a vehicle have a choice of whether to use a new part (whether the OEM part or, where available, the non-OEM version) or a recycled part.²⁹¹ In principle, these are functional alternatives such that there is a degree of substitutability.
- 7.58 However, we received evidence that differences in price, availability and customer preferences mean that it is appropriate to distinguish between recycled parts, new OEM parts and non-OEM parts when defining the product market:

²⁸⁶ Parties' supplementary submission – Vertical assessment, pages 29-30.

²⁸⁷ Hills Motors' response to Phase 2 RFI 3, question 12.

²⁸⁸ Hills Motors' response to Phase 2 RFI 3, question 12.

²⁸⁹ Hills Motors' response to Phase 2 RFI 3, question 9.

²⁹⁰ Hills Motors' response to Phase 2 RFI 3, question 12.

²⁹¹ A customer's agent can include the insurer covering the vehicle's insurance policy, the body shop or garage hired for the repair.

- (a) We understand that recycled parts are typically significantly cheaper than their new OEM counterparts (although prices can vary). For example, one dismantler told us that recycled parts are generally around 50% of the price of the new OEM equivalent²⁹² and another that it aimed to set its prices at 50% of the Retail Recommended Price (**RRP**).²⁹³ Consistent with this, [redacted].²⁹⁴ Similarly, eBay’s business-to-business portal advertises ‘Savings of up to 70% versus OEM parts RRP’ for recycled parts.²⁹⁵
- (b) Salvage service customers that responded to our investigation gave various reasons for the use of recycled parts such as:
- (i) where there is a mandated requirement from insurers to use recycled parts where possible (in circumstances where the use of recycled parts is permitted under the terms and conditions of the contracts with policyholders);²⁹⁶
 - (ii) where the use may not be mandated, but the insurer prefers or encourages the use of recycled parts²⁹⁷ over new parts and ask repairers to use recycled parts subject to the customer’s preferences;²⁹⁸ and
 - (iii) when new OEM or non-OEM parts are not available or command a longer delivery timeframe and/or a higher price. In such cases a recycled part may be used subject to the customer’s approval.²⁹⁹
- (c) Consistent with the above, the ABP’s State of Industry report for 2022, identified the following circumstances in which body shops use recycled parts:³⁰⁰
- (i) [redacted];
 - (ii) [redacted]; and
 - (iii) [redacted].

²⁹² Note of a call with a third party, February 2023, paragraph 24.

²⁹³ Note of a call with a third party, January 2023, paragraph 6.

²⁹⁴ FMN, annex 16, page 66.

²⁹⁵ See [eBay green parts for business : Home Page \(ebayforbusiness.co.uk\)](https://www.ebayforbusiness.co.uk), accessed 27 April 2023.

²⁹⁶ Third-party response to the CMA’s Phase 2 customer questionnaire (previous respondents), December 2022, question 8.

²⁹⁷ Third-party response to the CMA’s Phase 2 customer questionnaire, December 2022, question 14; note of a call with a third party, February 2023, paragraph 7.

²⁹⁸ Note of a call with a third party, February 2023, paragraph 17; note of a call with a third party, February 2023, paragraph 7.

²⁹⁹ Third-party response to the CMA’s Phase 2 customer questionnaire, December 2022, question 14; third-party responses to the CMA’s Phase 2 customer questionnaire (previous respondents), December 2022, question 8.

³⁰⁰ [redacted].

- 7.59 As outlined above, the Parties have suggested that the recycled parts market is small, such that it will not exceed 5% of the parts used in repairs in the UK. Consistent with this, evidence from [REDACTED]³⁰¹ and salvage service customers³⁰² shows that the usage of recycled parts in terms of total parts is relatively low. Evidence considered below analyses the growth potential of recycled parts.
- 7.60 Overall, evidence shows that demand for recycled parts has been growing and is expected to grow in the future, particularly among insurance repair networks.
- (a) Competitors³⁰³ and salvage service customers³⁰⁴ that responded to our questionnaires expect the usage of recycled parts to grow over the medium run. The drivers of this growth are expected to be cost considerations,³⁰⁵ lack of availability of new parts³⁰⁶ and the ESG commitments³⁰⁷ of salvage service customers.
- (b) The ABP's State of Industry report for 2022 included a survey where [REDACTED]% of the responding body shops had increased their usage of recycled parts in 2022.³⁰⁸
- (c) While only a single data point, data from the Parties and third parties on the volume of recycled parts sold to insurance repair networks (for use in insurance repairs) indicate that between 2021 and 2022 this market grew by [10-20%].³⁰⁹

³⁰¹ [REDACTED].

³⁰² Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 14; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8.

³⁰³ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 24; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 17.

³⁰⁴ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 14; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8.

³⁰⁵ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 14; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 17.

³⁰⁶ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 14; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8; third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 24; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 17.

³⁰⁷ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 14; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 17.

³⁰⁸ ABP: State of industry report for 2022, pages 13-15.

³⁰⁹ Hills Motors' response to Phase 2 Notice 1 to Hills Motors, annex 3; third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 7.

- 7.61 While evidence shows that the usage of recycled parts is much smaller than the usage of new parts, it is expected to grow especially among insurance repair networks and, in and of itself, the proportion of repair work that utilises recycled parts does not show whether recycled parts compete with new OEM and non-OEM parts.
- 7.62 Overall, based on the evidence considered above, we are of the provisional view that new OEM and non-OEM parts are not in the same market as recycled parts. Further, while there is a degree of substitutability between these alternatives, we have not considered new OEM and non-OEM parts as an out-of-market constraint in our competitive assessment given our findings as set out in chapter 11.

Customer groups

- 7.63 While ‘recycled parts’ captures a range of parts that will not be demand-side substitutes, dismantlers use their dismantling capabilities to supply a broad spectrum of parts. There are, however, some broad differences in the demand for different types of parts by different customer groups and players active in the supply of recycled parts to different customer groups. Based on the evidence obtained, we understand there are three broad customer types. These are:
- (a) Insurance repair networks. This customer group refers to body shops undertaking repair work on behalf of insurance companies. The Parties submitted that this customer group can include a limited number of other customers that take a similarly rigorous approach to recycled parts to the insurance repair networks.³¹⁰ The demand for recycled parts among insurers is relatively nascent³¹¹ and has increased recently and is expected to grow as set out above.
 - (b) Other customers. This customer group includes small businesses such as garages and private individuals for their business and private use. This channel is long-established and accounts for the majority of recycled parts sales in terms of volume and value.³¹²
 - (c) Export. This channel refers to the sale of recycled parts to customers overseas. The Parties and dismantlers have told us that these customers supply parts to countries in which, owing to lower regulatory standards

³¹⁰ Parties’ supplementary submission – Vertical assessment, page 28.

³¹¹ Note of call with a third party, January 2023, paragraph 4.

³¹² Note of call with a third party, January 2023, paragraph 4.

and lower labour costs, the damaged parts are repaired for reuse (also referred to as 're-man' parts).³¹³

7.64 Below we consider the alternatives available for each of these customer types and if it would be appropriate to define one collective market or separate markets. We focus on the:

- (a) types of parts demanded by different customer groups;
- (b) quality of parts demanded by different customer groups;
- (c) price and level of service differences by customer groups; and
- (d) alternatives available to customer groups to choose from.

- *Types of parts demanded by different customer groups*

7.65 The demand for different types of parts differs by customer groups. In particular:

- (a) Insurance repair networks generally only purchases non-mechanical and non-safety related parts.³¹⁴ In general, insurance vehicles needing repair are younger and hence the demand of the insurance repair network is restricted to parts procured from newer vehicles.³¹⁵
- (b) Other customers tend to purchase all kinds of recycled parts to carry out business or private repairs.³¹⁶
- (c) Export customers tend to purchase only mechanical parts such as gearboxes and engines in bulk. This customer group generally purchases mechanical parts procured from older vehicles.³¹⁷

³¹³ Note of a call with a third party, January 2023, paragraphs 8 to 10; Parties' response to Phase 2 RFI 1, question 16; note of a call with a third party, April 2023, paragraph 1; note of a call with a third party, February 2023, paragraph 1.

³¹⁴ Note of a call with a third party, March 2023, paragraph 15; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 12; third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8; third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14; Hills Motors' response to Phase 2 RFI 3 to Hills Motors, questions 10 and 11; Parties' response to Phase 2 RFI 1, question 16.

³¹⁵ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 3.

³¹⁶ Note of a call with a third party, January 2023, paragraph 22; note of a call with a third party, January 2023, paragraph 4; note of a call with a third party, March 2023, paragraph 15; Hills Motors' response to Phase 2 RFI 3 to Hills Motors, questions 10 and 11; Parties' response to Phase 2 RFI 1, question 16.

³¹⁷ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9; note of a call with a third party, January 2023, paragraph 10; Parties' response to Phase 2 RFI 1, question 16.

- *Quality of parts demanded by different customer groups*

7.66 There are also differences in the quality of parts demanded by different customer groups. In particular:

- (a) Insurance customers that responded to our questionnaire said that for their insurance repair networks the provenance of the parts sourced is important.³¹⁸ In light of this, the VRA, in partnership with eBay launched a certification scheme (the **VRAC**) for dismantlers based on an annual audit. This certification includes a recommended practice for grading parts to ensure that the quality of parts is standardised. The VRAC enables dismantlers to signal their ability to provide both quality assurance and provenance of parts to customers.³¹⁹ Insurance repair networks only purchases parts from VRAC dismantlers and primarily Grade A parts³²⁰ (as per the VRA grading scheme).³²¹
- (b) Other customers in the UK do not have a strict requirement on quality. For example, IAA told us that these customers are also receptive to Grade B and C³²² parts (as per the VRA grading scheme).³²³ While dismantlers who responded to our questionnaires told us that they do not distinguish between customer groups based on the parts sold,³²⁴ we have not received evidence that suggests other customers in the UK place the same level of emphasis on the provenance of parts as insurance repair networks.
- (c) Dismantlers active in the supply of recycled parts to exporters told us that this customer segment tends to purchase older, lower quality parts.³²⁵

³¹⁸ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 12; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, questions 7 and 8; note of a call with a third party, February 2023, paragraph 4.

³¹⁹ Parties' response to Phase 2 RFI 1 (Hills Motors), question 17.

³²⁰ Grade A parts are the highest quality parts, with no, or minimal, damage or wear. See [UK STANDARD FOR RECLAIMED PARTS FROM END-OF-LIFE VEHICLES \(vracertification.org.uk\)](https://www.vracertification.org.uk).

³²¹ Note of a call with a third party, March 2023, paragraph 4; note of a call with a third party, February 2023, paragraph 31; third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14; third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8.

³²² Grade B parts contain a small or moderate amount of damage or wear, and Grade C parts contain more than a moderate amount of damage of wear. See [UK STANDARD FOR RECLAIMED PARTS FROM END-OF-LIFE VEHICLES \(vracertification.org.uk\)](https://www.vracertification.org.uk).

³²³ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14. Another dismantler said that the offer higher quality parts through the VRA certification scheme than to end consumers. Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14..

³²⁴ Third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14.

³²⁵ Note of a call with a third party, April 2023, paragraph 1; note of a call with a third party, January 2023, paragraph 10.

- *Price and service differences by customer groups*

7.67 There are some differences in the price sensitivity of different customers groups with other customers putting more focus on price than, for example, insurance repair networks who might balance price and speed of delivery.³²⁶

7.68 The main differences appear to be in terms of the level of service requirements. In particular, insurance repair networks may be provided with additional services not typically required by other customers³²⁷ including – in addition to more standardised service requirements such as guaranteed delivery dates³²⁸ and limited or lifetime warranty³²⁹ – (i) ringfencing of parts;³³⁰ (ii) automated purchasing of parts via digital platforms;³³¹ (iii) data on cost and carbon savings;³³² and (iv) credit terms.³³³

- *Alternatives available to customer groups to choose from*

7.69 While certain sales channels are open to all customers (eg direct sales via dismantlers websites and call centres),³³⁴ there are some differences in the alternatives available to the different customers groups.

7.70 Other (non-insurance) customers in the UK tend to purchase recycled parts from online platforms such as eBay's general consumer platform. While dismantlers seek to sell recycled parts to other customers via their own e-commerce websites, tele-sales, on-site trade counters and word of mouth,³³⁵ evidence received suggests that eBay is the most popular source of recycled parts for other (non-insurance) customers based on both the volume and value of parts supplied via eBay relative to direct supply by dismantlers.³³⁶ Most dismantlers that dismantle vehicles for recycled parts are active in this sales channel. For example, there were over [] sellers of recycled parts on

³²⁶ Hills Motors' response to P2 RFI 3 to Hills Motors, question 12; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, questions 9 and 14.

³²⁷ Third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondent), December 2022, question 9 and 14; note of a call with a third party, February 2022, paragraph 20.

³²⁸ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 12.

³²⁹ Parties' response to Phase 2 RFI 1 (Hills Motors), question 16.

³³⁰ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14; note of a call with a third party, February 2023, paragraphs 3 and 4; third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 5 and 6.

³³¹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 12.

³³² Note of a call with a third party, February 2022, paragraph 20.

³³³ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14.

³³⁴ Parties' response to Phase 2 RFI 1 (Hills Motors), question 16; third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14.

³³⁵ For example, see <https://parts.hills-motors.co.uk/>, <https://www.trents.co.uk/> and <https://www.trents.co.uk/contact-us> and <https://www.synetiq.co.uk/parts-breaking/>.

³³⁶ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 10.

³³⁷ Third-party response to the CMA's RFI dated 24 January 2023, question 2.

eBay in 2022.³³⁷ Suppliers in this segment compete based on their ability to provide quick delivery and attractive prices.³³⁸

- 7.71 Insurance repair networks are able to use additional sales channels that may not be available to all other customers in the UK (although they may be available to body shops or garages not engaging in insurance repair work). As set out in paragraph 3.21, there are several specific digital platforms that insurance repair networks can use and these are eBay's business-to-business recycled parts portal,³³⁹ Hills Motors' GPS platform,³⁴⁰ IAA's mygreenparts platform;³⁴¹ and Solera's InPart system.³⁴² We are also aware of a parts management software called Pinnacle Pro³⁴³ which can be used by dismantlers to manage the parts they have and, for example, provide information to eBay or other sales channels.³⁴⁴ We understand that dismantlers can list their parts on Pinnacle Pro such that they can also be seen by other dismantlers and that dismantlers can then purchase parts off each other to meet the demand of their customers.³⁴⁵
- 7.72 Evidence we have received shows that insurance salvage service customers may include recycled parts provisions in their salvage service contracts,³⁴⁶ have standalone contracts with one or more recycled parts suppliers³⁴⁷ or may allow recycled parts to be used without having contracts with any specific recycled parts suppliers.³⁴⁸
- 7.73 Only a subset of recycled parts suppliers are active in the sale of parts to insurance repair networks. For example, while [redacted].³⁴⁹
- 7.74 We have not received evidence on the specific sales channels through which recycled parts are exported or sold to exporters. However given that the nature of their demand is based on commanding a large volume of similar

³³⁷ Third-party response to the CMA's RFI dated 24 January 2023, question 2.

³³⁸ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14; note of a call with a third party, February 2023, paragraph 20; third-party response to the CMA's RFI dated 24 January 2023, question 2.

³³⁹ <https://www.ebayforbusiness.co.uk/>.

³⁴⁰ <https://www.green-parts.co.uk/>.

³⁴¹ <https://www.mygreenparts.co.uk/>.

³⁴² <https://global.inpart.es/frmDocument.aspx?IdDocumentType=ay0TM6fzSxQ%3d>.

³⁴³ <https://hollanderinternational.com/pinnacle-professional/>.

³⁴⁴ Third-party response to supplementary competitor questionnaire, March 2023, question 11; third-party response to supplementary competitor questionnaire, March 2023, question 6.

³⁴⁵ Hills Motors' main party hearing, page 53; third-party response to supplementary competitor questionnaire, March 2023, questions 5 and 6; third-party response to supplementary competitor questionnaire, March 2023, question 11; third-party response to supplementary competitor questionnaire, March 2023, question 6.

³⁴⁶ Note of a call with a third party, February 2023, paragraph 6.

³⁴⁷ Note of a call with a third party, February 2023, paragraph 6.

³⁴⁸ Note of a call with a third party, February 2023, paragraph 7; third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 8.

³⁴⁹ Third-party response to the CMA's RFI dated 24 January 2023, question 2.

parts (engines and gearboxes), we understand that having a larger-scale operation is more likely to be needed to meet the demand of this customer group. Several large dismantlers like Recycling Lives,³⁵⁰ Hills Motors³⁵¹ and IAA³⁵² are active in this segment.³⁵³

Provisional conclusions on the supply of recycled parts

- 7.75 On balance, our provisional view is that new OEM and non-OEM parts are not in the same market as recycled parts. Further, while there is a degree of substitutability between these alternatives, we have not considered new OEM and non-OEM parts as an out-of-market constraint in our competitive assessment given our findings as set out in chapter 11.
- 7.76 On balance, our provisional view based on the differences between customer groups set out above is that there are separate product markets for different customer groups. Specifically we have provisionally found that there are separate product markets for:
- (a) the supply of recycled parts to insurance repair networks;
 - (b) the supply of recycled parts to other (non-insurance) customers; and
 - (c) the supply of recycled parts for export.
- 7.77 In the course of our investigation, we have not received evidence to suggest that the Merger gives rise to concerns about the competitive impact of the Merger on the supply of recycled parts for export. Given this, we do not consider this market further in our competitive assessment set out in chapter 11.

Geographic market

The supply of salvage services

- 7.78 The Parties submitted that the relevant geographic market should be defined as UK-wide.³⁵⁴ However, the Parties also submitted that the Parties' offerings are differentiated on the basis that (among other things) Hills Motors is a regional player and cannot offer nationwide salvage services.³⁵⁵

³⁵⁰ Note of a call with a third party, April 2023, paragraph 1.

³⁵¹ Parties' response to Phase 2 RFI 1, question 16.

³⁵² Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 15(c).

³⁵³ Note of a call with a third party, January 2023, paragraph 9.

³⁵⁴ FMN, paragraph 92.

³⁵⁵ Parties' response to the Issues Statement, paragraph 6.

- 7.79 As set out above, the Parties predominantly overlap in the supply of salvage services to insurance customers (see paragraph 7.7). The majority of customers that responded to our investigation were large insurance customers (ie insurance customers with a requirement for services for over 10,000 vehicles annually) who submitted that national coverage is one of the most important factors when selecting a salvager to provide salvage services.³⁵⁶ We have considered in the competitive assessment the extent to which this needs to be provided independently or can be provided via consortia or sub-contracting/outsourcing (see paragraph 8.42).
- 7.80 In contrast some customers, such as police forces and local authorities require salvage services in a specific region or local area. While such customers make up a material proportion of Hills Motors volumes ([REDACTED]% in 2022),³⁵⁷ we understand that they make up only a small proportion of Copart's volumes.³⁵⁸ As we have not seen any evidence of Hills Motors and Copart competing against each other for regional contracts and understand that more salvagers compete for such contracts, we have not considered this further.

The supply of damaged and other used vehicles to dismantlers and to non-dismantlers

The Parties' submissions

- 7.81 The Parties submitted that the relevant geographic market should be defined as UK wide.³⁵⁹ The Parties also submitted that the strength of competition from the alternative channels identified by the Parties as competing in the supply of vehicles is strong across the UK as other vehicle remarketers have auction sites across the country and digital platforms listing vehicles for sale have vehicles available throughout the UK including in the near vicinity of Copart and Hills Motors.³⁶⁰
- 7.82 However, the Parties also submitted that:
- (a) Copart's buyers will mostly purchase vehicles from their sites that are within a short distance.³⁶¹

³⁵⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10.

³⁵⁷ Based on customers identified as '[REDACTED]', which included [REDACTED], in Hills Motors data. See Hills Motors' response to Phase 2 Notice 1 to Hills Motors, Annex 3, tab Q13.

³⁵⁸ Customers identified as '[REDACTED]' in Copart's data accounted for [REDACTED] in 2022 and we could not identify any [REDACTED] in the data. See Copart's response to Phase 2 Notice 1 to Copart, Annex 3, tab Q13.

³⁵⁹ FMN, paragraph 92.

³⁶⁰ Parties' supplementary submission – Competition in the supply of vehicles, page 5.

³⁶¹ Copart's response to Phase 2 RFI 3 to Copart, question 1e(i).

- (b) The Parties do not consider Hills Motors to be active in the supply of vehicles nationally, but rather, the overlap is limited to the catchment area in which Hills Motors operates.³⁶²
- (c) Hills Motors sells vehicles primarily from its main site and satellite sites in Skelmersdale ([redacted]% of sales) and its additional satellite site nearby in Burscough ([redacted]%). The Parties submitted that taking these sites together, the catchment area for Hills Motors' vehicle sales is just over [redacted] miles.³⁶³
- (d) While Hills Motors' catchments are wider than Copart's, this reflects Copart's multiple sites and that Hills Motors sells higher value vehicles (as it dismantles the lower value vehicles that Copart sells). As a result, the Parties do not consider that Hills Motors is active, at least to any material extent, in the sale of vehicles nationally.³⁶⁴
- (e) There are two Copart sites that are within 100 miles of Hills Motors, namely Copart's sites at Chester (49 miles) and Wolverhampton (91 miles).

Our assessment

7.83 The Parties both supply damaged and other used vehicles in the North-West of England at Hills Motors Skelmersdale site and Copart's Chester site.³⁶⁵ Some customers purchase damaged and other used vehicles locally to reduce transport costs. For example, analysis submitted by the Parties shows that 80% of the Parties' customers travel between [redacted] and [redacted] miles or [redacted] minutes on average to collect a vehicle from Copart's Chester site and [redacted] minutes to collect a vehicle from Hills Motor's site in Skelmersdale.³⁶⁶

7.84 At the same time:

- (a) The catchment areas for the Parties' auctions appear to be large. The Parties have submitted that the catchment area for Hills Motors' sites is [redacted] miles³⁶⁷ and on a similar basis we have calculated that the catchment

³⁶² Parties' response to the AIS and working papers, paragraph 80.

³⁶³ This reflects the distance within which 80% of buyers for Hills Motors' vehicle sales in 2020 and 2022 were located were sold, excluding vehicles collected by subcontractors for Hills Motors. Parties' supplementary submission – Competition in the supply of vehicles, page 15 and 17.

³⁶⁴ Parties' supplementary submission – Competition in the supply of vehicles, page 5.

³⁶⁵ Copart's auction site in Chester is the only one identified to be within close proximity to Hills Motors site in Skelmersdale by the Parties.

³⁶⁶ Copart's response to Phase 2 RFI 3 to Copart, question 1 and Hills Motors's response to Phase 2 RFI 3 to Hills Motors. question 2 and 3.

³⁶⁷ This reflects the distance within which 80% of buyers for Hills Motors' vehicle sales in 2020 and 2022 were located were sold, excluding vehicles collected by subcontractors for Hills Motors. Parties' supplementary submission – Competition in the supply of vehicles, page 16 and 17.

area for Copart's two closest sites are [redacted] miles for Chester and [redacted] miles for Wolverhampton.³⁶⁸ Although this varies by customer with the catchment areas being [redacted] miles for Chester and [redacted] miles for Wolverhampton when considering dismantlers.³⁶⁹ In addition, as part of its Ageas network and for the duration of the contract, Hills Motors sub-contracts vehicles to be collected by third-party dismantlers across the UK.³⁷⁰

- (b) We have not heard concerns about the supply of vehicles post-Merger in specific geographic locations.
- (c) While we have not assessed the volumes sold at each site, the same salvagers tend to operate in each location that Copart is active in. IAA are active in each site area identified by Copart. Recycling Lives and the members of e2e and have auctions across the UK.³⁷¹ This is also the case when considering other vehicle remarketer and digital platforms listing vehicles for sale as set out in the Parties' submissions.³⁷²
- (d) There is no evidence that buyer fees or the services offered vary by region for Copart, IAA and e2e.³⁷³

7.85 In light of the above, we consider that the appropriate geographic market for the supply of damaged and other used vehicles to dismantlers and to non-dismantlers is national. We consider the scope for regional variation in competitive dynamics where relevant in our competitive assessment.

The supply of recycled parts to insurance repair networks and to other customers in the UK

The Parties' submissions

7.86 The Parties have submitted that:

³⁶⁸ Based on data submitted to support Copart's response to Phase 2 RFI 3 to Copart. Email from [redacted], Euclid Law, to [redacted] dated 7 February 2022.

³⁶⁹ Based on data submitted to support Copart's response to Phase 2 RFI 3 to Copart. Email from [redacted], Euclid Law, to [redacted] dated 7 February 2022.

³⁷⁰ For example, [redacted]. [redacted] submitted in response to the CMA's notice issued under section 109 of the Act dated 12 September 2022 (**Notice 2 to Hills Motors**).

³⁷¹ Copart's response to Phase 2 RFI 3 to Copart, annex A.

³⁷² Parties' supplementary submission – Competition in the supply of vehicles, page 5.

³⁷³ There is no mention that buyer fees are set regionally on Copart, IAA or e2e's websites. See [What are bidding and buying fees? | Online Help & Support | Copart UK](#), [Copart UK Member Fees Explained | Copart UK](#), [Frequently Asked Questions | IAA \(iaaiuk.co.uk\)](#), [What charges are made as fees on administration? – SYNETIQ Limited \(zendesk.com\)](#) and [SalvageMarket](#).

- (a) the supply of green parts is national and Hills Motors ships recycled parts across the UK;³⁷⁴ and
- (b) Hills Motors also exports parts. Parts for export may tend to be different to those supplied in the UK (eg, export volumes tend to be lower value parts such as engines and gearboxes).³⁷⁵

Our assessment

- 7.87 Based on the evidence received, we understand that recycled parts can be and are transported across the UK by recycled parts suppliers and are available nationwide via digital platforms such as eBay.³⁷⁶
- 7.88 We note that recycled parts are increasingly being demanded by insurance companies, as set out above, and these companies operate UK-wide and require recycled parts across the UK.
- 7.89 We have not received evidence that the geographic market differs depending on the customer type.
- 7.90 We therefore provisionally conclude that the relevant geographic markets for the supply of recycled parts to insurance repair networks and for the supply of recycled parts to other customers are both UK-wide.

Provisional conclusions on market definition

- 7.91 For the reasons set out above, we provisionally conclude that the relevant markets for the assessment of the Merger are:
- (a) the supply of salvage services in the UK;
 - (b) the supply of damaged and other used vehicles to dismantlers in the UK;
 - (c) the supply of damaged and other used vehicles to non-dismantlers in the UK;
 - (d) the supply of recycled parts to insurance repair networks in the UK; and
 - (e) the supply of recycled parts to other customers in the UK.

³⁷⁴ Parties' response to the Issues Statement, paragraph 112.

³⁷⁵ Hills Motors' response to the CMA's RFI dated 17 February 2023, question 2.

³⁷⁶ Parties' response to the Issues Statement, paragraph 112; third-party response to supplementary competitor questionnaire, March 2023, question 3. [redacted] submitted that [redacted]; eBays 'Green Parts for Business' platform provides assurance on next day delivery for over 90% of the parts listed on its platform, see [eBay green parts for business : Home Page \(ebayforbusiness.co.uk\)](https://www.ebayforbusiness.co.uk).

8. Horizontal unilateral effects in the supply of salvage services in the UK

- 8.1 This section sets out our assessment of whether the Merger has given or may be expected to give rise to an SLC as a result of horizontal unilateral effects in the supply of salvage services in the UK.
- 8.2 Unilateral effects can arise in a horizontal merger when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals. Unilateral effects giving rise to an SLC can occur in relation to customers at any level of a supply chain, for example at a wholesale level or retail level (or both) and are not limited to end consumers.³⁷⁷
- 8.3 The competitive constraint eliminated by a merger may be an existing constraint, or a potential or future constraint.³⁷⁸ The CMA will generally take a forward-looking approach to the assessment of any theories of harm, considering the effects of the merger both now, and in the future.³⁷⁹
- 8.4 The concern under horizontal unilateral effects essentially relates to the elimination of a competitive constraint by removing an alternative to which customers could switch. The CMA's main consideration is whether there are sufficient remaining good alternatives to constrain the merged entity post-merger. Where there are few existing suppliers, the merger firms enjoy a strong position or exert a strong constraint on each other, or the remaining constraints on the merger firms are weak, competition concerns are likely. Furthermore, in markets with a limited likelihood of entry or expansion, any given lessening of competition will give rise to greater competition concerns.³⁸⁰
- 8.5 In our assessment, we have considered evidence on:
- (a) the market structure and position of the Parties in the supply of salvage services in the UK;
 - (b) the degree of closeness of competition between the Parties; and

³⁷⁷ CMA129, paragraph 4.1.

³⁷⁸ CMA129, paragraph 4.2.

³⁷⁹ CMA129, paragraph 2.14.

³⁸⁰ CMA129, paragraph 4.3.

(c) the alternatives that will constrain the Merged Entity post-Merger.

Market structure and the Parties' position over time

- 8.6 One way in which the CMA may assess whether there are sufficient remaining alternatives is through a consideration of measures of market concentration such as shares of supply.³⁸¹ While the focus of the CMA's assessment is on the change in the competitive constraints on the merger firms arising from the merger, where one merger firm has a strong position in the market, even small increments in market power may give rise to competition concerns.³⁸²
- 8.7 In differentiated markets, horizontal unilateral effects are more likely where the merger firms are close competitors or where their products are close substitutes.³⁸³ Shares of supply can be useful evidence when assessing closeness of competition, particularly when there is persuasive evidence on demand- and supply-side substitution as to which potential substitutes should be included or excluded, and when, although differentiated, the degree of differentiation between firms is more limited.³⁸⁴ In other cases, such as where the boundaries of the market are not as clear cut, where reliable estimates of shares of supply are not readily available, or where there is a high degree of differentiation, the CMA may rely to a greater extent on other sources of evidence on closeness of competition.³⁸⁵
- 8.8 The CMA may calculate concentration measures on multiple different bases, including and excluding different firms, depending on which firms the CMA wishes to compare. The CMA may then attach greater weight to concentration measures that include firms whose products are more substitutable, and less weight to concentration measures that include firms whose products are less substitutable.³⁸⁶
- 8.9 In this case, we place greater weight on concentration measures calculated on the basis of insurance customers because, as outlined above (see paragraph 7.7), the Parties predominantly overlap in the supply of salvage services to insurance customers. Therefore, to the extent that concentration measures are informative in this case, they are most informative when

³⁸¹ CMA129, paragraphs 4.3 and 4.4.

³⁸² CMA129, paragraph 4.12(a).

³⁸³ CMA129, paragraph 4.8.

³⁸⁴ In such circumstances, a firm with a higher share of supply is more likely to be a close competitor to its rivals, (and therefore a merger that removes the competitive constraint such a firm exerts on its rivals would be more likely to raise competition concerns). CMA129, paragraph 4.14.

³⁸⁵ CMA129, paragraph 4.15.

³⁸⁶ CMA129, paragraph 9.3.

considering the position of the Parties, and alternatives, in relation to this overlap.

Shares of supply

8.10 To estimate current and historical market shares, we asked the Parties and other salvagers to provide, for each of calendar years 2019 to 2022 inclusive, the number of salvage vehicles³⁸⁷ that they sourced in the UK overall and split by categorisation (ie ABI category, informal category or other uncategorised).³⁸⁸ We asked for the category-level data overall and split by source of vehicle.³⁸⁹

Shares of supply for salvage services to all customers

8.11 Table 8.1 below sets out our market share estimates for the period 2019 to 2022 based on all salvage vehicles sourced from salvage service customers in the UK (ie, including vehicles from all customers, whether insurance companies, local authorities, private individuals, rental, finance or fleet companies, etc), whether categorised under the ABI code, categorised informally or uncategorised). This is based on data from Parties and competitors on their independently sourced volumes (meaning that, where contracts are serviced by consortia or networks of suppliers, the volumes are allocated to the owner of the contract).³⁹⁰

³⁸⁷ While the question referred to 'salvage vehicles', we explicitly included a request for vehicles falling outside of the ABI categories. That is, those that may fall into informal categories such as categories U and X and uncategorised vehicles. In addition, we defined salvage service customers as including insurance companies, fleet management companies, claims management companies and the police.

³⁸⁸ Phase 2 Notice 1 to Copart, question 11; Phase 2 Notice 1 to Hills Motors, question 11; the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 2; the CMA's Phase 2 customer questionnaire, December 2022, question 4.

³⁸⁹ Specifically, for each category (ABI, informal, other) of vehicle identified, by (i) whether they were sourced from upstream customers or other sources (eg other salvagers) (ii) for vehicles sourced from upstream customers, by whether they were sourced from insurance companies or other upstream customers, separately for each of vehicles sourced independently and vehicles sourced via a consortium.

³⁹⁰ For example, volumes handled by e2e members pursuant to a contract won by e2e are allocated to e2e and not its members. Similarly, volumes handled by subcontractors on behalf of Hills Motors pursuant to the Ageas contract won by Hills Motors are allocated to Hills Motors.

Table 8.1: Shares of supply for salvage services to all customers in the UK, 2019 to 2022 (based on number of vehicles handled)

Salvager	(%)			
	2019	2020	2021	2022
Copart	[50-60]	[40-50]	[40-50]	[40-50]
Hills Motors	[0-5]	[0-5]	[0-5]	[0-5]
Combined	[50-60]	[50-60]	[40-50]	[40-50]
Recycling Lives	[10-20]	[10-20]	[10-20]	[20-30]
IAA	[10-20]	[10-20]	[10-20]	[10-20]
e2e	[5-10]	[5-10]	[5-10]	[5-10]
Charles Trent	[5-10]	[0-5]	[5-10]	[0-5]
Silverlake	[0-5]	[0-5]	[0-5]	[0-5]
SureTrak	[0-5]	[0-5]	[0-5]	[0-5]
Other	[0-5]	[0-5]	[0-5]	[0-5]
Total	100	100	100	100

Source: CMA analysis of data from the Parties (Copart's response to Phase 2 Notice 1 to Copart, Annex 3, tab Q11 and Hills Motors response to Phase 2 RFI 5, question 1), third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 2; third-party responses to the CMA's Phase 2 competitor questionnaire, December 2022, question 4 and third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 4; third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1; third-party response to follow-up question, April 2022.

Notes:

For one competitor ([§]) we only have data on its ABI category volumes and we have used 2021 volumes to infer their volumes in 2022. For three competitors ([§]) our data for the period 2019 to 2021 does not include non-ABI category volumes in 2 volumes. For one competitor ([§]) we have used data from 2021 to infer its volumes for 2020 to 2019.

8.12 Based on these estimates for 2022, Copart is the largest supplier by a

significant distance, with a market share of [40-50%], followed by Recycling Lives (with a share of [20-30%]). The next largest suppliers are IAA ([10-20%]), e2e ([5-10%]) and Hills Motors ([0-5%]). There is a tail of smaller suppliers, including Charles Trent ([0-5%]), Silverlake ([0-5%]) and SureTrak ([0-5%]). The Merger combines the first and fifth largest players.

8.13 The nature of demand in salvage services (in which contracts are usually tendered around every three years) mean that shares of supply at a point in time may not be particularly probative of a suppliers' competitive strength. Shares of supply may, however, provide an indication of the relative size and strength of competitors, and also whether a supplier has maintained a similar position in the market over a period of time.³⁹¹ In this regard we have considered below estimated shares of supply over a four-year period – in which several large customers (with annual volumes of over 10,000 vehicles) have tendered their contracts or engaged in benchmarking exercises³⁹² – together with evidence on recent or ongoing tenders that will not be reflected in our estimated shares.

³⁹¹ See [Phase 1 Decision](#), paragraph 40.

³⁹² Parties' response to RFI 1, 'RFI1 - annex 4 - Copart and Hills Motors Customers and Tender Opportunities', Copart's response to Phase 2 Notice 1 to Copart, annex 3, tab Q13; third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, annex 2; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, annex 2; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, annex 2.

- 8.14 Copart's market position has been stable over time, albeit its share of supply has decreased slightly in recent years (from [50-60%] in 2019 to [40-50%] in 2022), whereas Recycling Lives' share has grown (from [10-20%] in 2019 to [20-30%] in 2022). We consider that this is largely due to Recycling Lives increasing the number of vehicles it sourced from members of the public (from [§] in 2019 to [§] in 2022)³⁹³ and falls in the number of insurance volumes following the COVID-19 pandemic³⁹⁴ and not due to Copart losing large customers to other salvagers (see paragraph 8.16 below).
- 8.15 IAA's and e2e's shares have remained broadly stable (with a slight decrease from 2019 to 2022). Hills Motors' share has increased (from [0-5%] in 2019 to [0-5%] in 2022) – as a result of it winning the Ageas contract in 2020 (see paragraph 8.39(d)) – while Charles Trent's has decreased (from [5-10%] in 2019 to [0-5%] in 2022). Silverlake's share has remained stable while SureTrak's has decreased slightly from 2019 to 2022.
- 8.16 The outcome of recent tenders – for example, [§];³⁹⁵ Copart having lost the LV contract to IAA (accounting for around [§] vehicles in 2022)³⁹⁶ but having won additional volumes from [§] ([§])³⁹⁷ – is not reflected in our estimates. If these are taken into account, Hills Motors share falls to [0-5%] ([§]) and Copart's increases to [40-50%] ([§]) with the combined share increasing to [50-60%].³⁹⁸
- 8.17 Similarly, we are aware of ongoing opportunities – eg, for [§], representing more than 10,000 vehicles annually (around [§]³⁹⁹) and for [§]⁴⁰⁰ – which may impact the shares of individual players and the position of smaller suppliers.
- 8.18 This notwithstanding, the estimates provide useful information as to the relative position of the largest players in the supply of salvage services. In particular, we consider Copart's leading position – which has remained

³⁹³ Third-party response to follow-up question, April 2022.

³⁹⁴ [§].

³⁹⁵ We understand that Hills Motors contract with [§] ends in [§]. Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 2.

³⁹⁶ We understand that between 2019-2021 Copart had received between [§] and [§] vehicles annually from LV, but this had reduced in 2022 following LV switching to IAA. Copart's response to Phase 2 Notice 1 to Copart, Annex 3.

³⁹⁷ Parties' response to the Issues Statement, paragraph 44; Copart's response to Phase 2 Notice 1, Annex 3; note of a call with a third party, February 2023, paragraph 7; third-party response to CMA's Phase 2 customer questionnaire, question 2.

³⁹⁸ We have not been able to identify the volumes lost via the [§] based on the data available. Parties' response to the Issues Statement, paragraph 44; Copart's response to Phase 2 Notice 1.

³⁹⁹ Third-party response to customer questionnaire, Annex 2.

⁴⁰⁰ [§]. Third-party response to follow-up question, April 2022; note of a call with a third party, February 2023, paragraph 3; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 2.

consistent over time – indicative of its sustained success in winning salvage service contracts.

Shares of supply for salvage services to insurance customers

8.19 As outlined above, insurance companies account for the majority of Copart’s and Hills Motors’ volumes (over [X]% and [X]% in 2022, respectively).⁴⁰¹ To better understand the main constraints on the Parties in the supply of salvage services to these customers, we estimated shares of supply of salvage services to insurance companies only.

8.20 Table 8.2 below sets out our estimated shares of supply for the period 2019 to 2022 based on volumes identified by the Parties and other salvagers as being supplied by insurance customers. As with Table 8.1, volumes are allocated based on the owner of the contract and include both vehicles falling with the ABI categories (ie Categories A, B, S and N) and those falling into informal categories (eg Category U and X) or other uncategorised vehicles (where supplied by insurance customers).

Table 8.2: Shares of supply for salvage services to insurance customers in the UK, 2019 to 2022 (based on number of vehicles handled)

Salvager	(%)			
	2019	2020	2021	2022
Copart	[60-70]	[60-70]	[60-70]	[60-70]
Hills Motors	[0-5]	[0-5]	[0-5]	[0-5]
Combined	[60-70]	[70-80]	[70-80]	[60-70]
Recycling Lives	[0-5]	[0-5]	[0-5]	[0-5]
IAA	[10-20]	[10-20]	[10-20]	[10-20]
e2e	[10-20]	[0-10]	[0-10]	[0-10]
Charles Trent	[0-5]	[0-5]	[0-5]	[0-5]
Silverlake	[0-5]	[0-5]	[0-5]	[0-5]
SureTrak	[0-5]	[0-5]	[0-5]	[0-5]
Other	[0-5]	[0-5]	[0-5]	[0-5]
Total	100	100	100	100

Source: CMA analysis of data from the Parties (Copart’s response to Phase 2 Notice 1 to Copart, Annex 3, tab Q11 and Hills Motors response to Phase 2 RFI 5, question 1), third-party responses to the CMA’s Phase 2 competitor questionnaire (previous respondents), December 2022, question 2; third-party responses to the CMA’s Phase 2 competitor questionnaire, December 2022, December 2022, question 4; third-party responses to the CMA’s Phase 1 competitor questionnaire, October 2022, question 4; third-party response to follow-up question, April 2022.

Notes:

For one competitor ([X]) we have used 2021 volumes to infer their volumes in 2022.

[X].

8.21 As compared with our estimates for the supply of salvage services overall, we note:

- (a) Copart remains the market leader, but with a higher share of supply ([60-70%] in 2022) relative to its share of supply of salvage services to all

⁴⁰¹ For Copart: Copart’s response to Phase 2 Notice 1, Annex 3, tab Q13. For Hills Motors: this is based on independently sourced volumes Hills Motors’ response to Phase 2 RFI 5, question 1.

customers ([40-50%] in 2022). Copart is [over three] times the size of the next largest supplier, IAA. Hills Motors' share of supply is similar ([0-5%] in 2022). However, taking account of the much smaller presence of Recycling Lives and Charles Trent (see below), the Merger combines the first and fourth largest players.

- (b) Recycling Lives – the second largest player (and the one seeing the most significant growth over the course of 2019 to 2022) by volume in the supply of salvage services to all customers – has only a minimal share of supply (less than [0-5%]) to insurance customers.⁴⁰²
- (c) IAA and e2e are the second and third largest suppliers, each having a slightly higher share of supply to insurance customers as compared with their share of supply to all customers. IAA's share of supply to insurance customers has grown (from [10-20%] in 2019 to [10-20%] in 2022) while e2e's has remained broadly consistent between 2019 and 2022, being [5-10%] in 2022 (having decreased slightly from [10-20%] in 2019).
- (d) Like Recycling Lives, Charles Trent also has a minimal presence (less than [0-5%]) in the supply of salvage services to insurance customers, compared with [0-5%] in the supply to all customers.⁴⁰³
- (e) SureTrak has a slightly larger share of supply to insurance customers ([0-5%] in 2022) as compared to its share of supply to all customers ([0-5%] in 2022).⁴⁰⁴
- (f) Similarly to the supply of salvage services to all customers, over time Copart's share has declined slightly from [60-70%] in 2019 to [60-70%] in 2022 whilst Hills Motors' share has increased from [0-5%] in 2019 to [0-5%] in 2022, following Hills Motors securing the Ageas contract in 2020.

8.22 As set out above (see paragraph 3.3), the ABI code requires that all stolen recovered vehicles and damaged vehicles received by insurance companies are notified to the motor insurance bureau (MIB) by way of entry in the Motor Insurers Anti-Fraud and Theft Register (MIAFTR).⁴⁰⁵ We have therefore used

⁴⁰² Based on data provided by Recycling Lives to the CMA, over [X%] of vehicles handled by Recycling Lives in 2022 were from sources other than insurance companies. Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 2; third-party response to follow-up question, April 2022.

⁴⁰³ We understand that this is because Charles Trent only has one relatively small insurance customer and, outside of its involvement in e2e, sources the majority of its volumes from its ownership of motorwise.com which purchases vehicles directly from members of the public. Note of a call with a third party, March 2023, paragraph 8; note of a call with a third party, September 2022, paragraph 6.

⁴⁰⁴ [X]. Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022.

⁴⁰⁵ The ABI Code, pages 7 and 10. See also [CUE & MIAFTR \(mib.org.uk\)](#).

data from the MIAFTR database and on the Parties' volumes of ABI category vehicles as a sensitivity analysis.

- 8.23 We calculated Copart's share of supply for 2021 using the actual total number of MIAFTR category notifications ([REDACTED]) as a proxy for total market size.⁴⁰⁶ On this basis, Copart's share was lower, but still [over 40%] in 2021 and Hills Motors's share was substantively the same [0-5%].⁴⁰⁷ While we do not have actual data on MIAFTR category notifications in 2022, [REDACTED]. Taking this figure as a proxy for total market size, the share of Copart would have been higher than in 2021 [40-50%] and Hills Motors' share, at [0-5%], would not substantively differ to its share in 2021.⁴⁰⁸

The Parties' submissions

- 8.24 The Parties submitted that the CMA's market share analysis contains a number of significant limitations and flaws.⁴⁰⁹ In particular:
- (a) The Parties submitted that such large variations as between the CMA's bottom-up analysis and the MIAFTR total market size indicated that little or no evidential weight can be placed on the CMA's market share analysis.⁴¹⁰
 - (b) The Parties further submitted that using MIAFTR data as a proxy for total market size understates the total market size, as it is an insurance only database and excludes non-ABI category vehicles such as category U and X vehicles and much of the salvaging activity undertaken on behalf of fleet management companies, leasing / financing companies, car rental companies (where there is no insurance claim) and local authorities.⁴¹¹ Rather, the Parties submitted that, based on a market size of 1.1 million annual total salvaged vehicles in the UK (taking account of the Parties' estimates of salvage vehicles coming from fleet management companies

⁴⁰⁶ We received MIAFTR data from the same source as the ABP report (on the actual total number of MIAFTR category notifications for 2021 and estimated total notifications for 2022). Email from a third party, January 2023, attached spreadsheet 'MIAFTR data'.

⁴⁰⁷ We have used Copart's volume of ABI volumes in 2021 which was [REDACTED] vehicles and Hills Motors volume of ABI volumes in 2021 which was [REDACTED] vehicles. This based on [REDACTED]. Copart's response to Phase 2 Notice 1 to Copart, Annex 3, tab Q11 and MIAFTR database and Hills Motors' response to Phase 2 RFI 5 to Hills Motors, question 1.

⁴⁰⁸ We have used [REDACTED] and [REDACTED]. Parties' response to the Issues Statement, paragraphs 31. Copart's response to Phase 2 Notice 1 to Copart, Annex 3; Hills Motors' response to Phase 2 RFI 5, question 1.

⁴⁰⁹ In this regard, the Parties submitted that, compared to the evidence from customers and the Parties' tender data, this market share analysis should not be accorded weight in supporting the finding of an SLC in salvage services. Parties' response to the AIS and working papers, paragraph 45.

⁴¹⁰ Parties' response to the AIS and working papers, paragraph 49.

⁴¹¹ Parties' response to the Issues Statement, paragraphs 31 and 32.

and rental companies), Copart has an estimated share of supply of [REDACTED]%.⁴¹²

- (c) The Parties also submitted that the growth in Hills Motors' volumes observed by the CMA is not an indication of Hills Motors' growth trajectory as:
- (i) the Ageas contract overstates Hills Motors' market presence given that [REDACTED]% of it was outsourced (and, similarly, Hills Motors outsourced [REDACTED]);⁴¹³
 - (ii) [REDACTED], any increment is not an example of a reduction in competition and this is not trivial as Ageas accounts for [REDACTED] of Hills Motors' volumes ([REDACTED]% in 2021);⁴¹⁴ and
 - (iii) growth in the size of Hills Motors is due to the Ageas contract which emerged from unique circumstances and is not indicative of Hills Motors' presence in the market, or future credibility as a bidder for national insurance contracts.⁴¹⁵
- (d) Lastly, the Parties submitted the CMA's market share analysis is backward-looking and ignores Copart's competitive position in future absent a recycled parts offering⁴¹⁶ – Copart is at significant risk of losing further salvage service insurance contracts and its inability to compete for fleet company contracts due to its lack of recycled parts offering.⁴¹⁷

8.25 With regard to these submissions:

- (a) We acknowledge that there is variation in our share of supply estimates – including our sensitivity analyses – based on the different ways in which we have assessed the data. However, we consider that despite there being variation they all show that Copart is substantially larger than any other player and that the Merger will lead to a material increment.
- (b) We note that Parties have an estimate of the potential share of supply of Copart based on estimates of the volumes of salvage vehicles handled by fleet management companies and rental companies. These estimates are based on a number of assumptions that are not evidenced or tested and therefore we put limited weight on this evidence. In addition, our market

⁴¹² Parties' response to the Issues Statement, paragraphs 33 and 34.

⁴¹³ Parties' response to the Phase 1 Decision, paragraph 36.

⁴¹⁴ Parties' response to the Phase 1 Decision, paragraph 36.

⁴¹⁵ Parties' response to the AIS and working papers, paragraph 46.

⁴¹⁶ Parties' response to the AIS and working papers, paragraph 50.

⁴¹⁷ Parties' response to the Issues Statement, paragraphs 43-45.

shares cover salvagers that have been identified as competing in the main overlap between the Parties, insurance related volumes, and as such provide an indication of the relative size of the Parties in the main overlap.

(c) While Hills Motors' outsources [REDACTED] volumes under some of its contracts, we note that Hills Motors is the current holder of the Ageas contract and [REDACTED] such that the increment is relevant.⁴¹⁸ We consider representations on the Ageas contract and the extent to which Hills Motors and Copart compete for national contracts in the assessment of the closeness of competition below.

(d) We consider the Parties' representations on Copart's future competitive position below.

8.26 Further, while we consider that our market share analysis is informative in considering the relative position of different players – and that more weight should be placed on the shares based on vehicles received from insurance companies given the nature of the Parties' overlap – we consider this evidence in the round alongside other evidence as outlined below.

Other evidence on market position

8.27 Copart's internal documents show that it benchmarked its size, based on landbank acreage, against both IAA and e2e. An internal document from Copart states that [REDACTED]. [REDACTED].^{419,420} [REDACTED].⁴²¹

8.28 To the extent a salvager's capacity can be taken as indicative of its competitive position, this information is consistent with our share of supply estimates in indicating the significant size of Copart as compared to rivals. Although we note that Hills Motors share of supply is larger than may be expected given it operates out of four sites in the UK with a total of [REDACTED] acres.⁴²² In this regard we note that, owing to use of networks to fulfil national contracts, looking at individual player's capacity in isolation is not fully reflective of competitive conditions in this market. For example, Copart appears to have aggregated the acreage of e2e members. By the same

⁴¹⁸ Copart's main party hearing transcript, pages 19 and 20.

⁴¹⁹ As noted below, [REDACTED]. Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁴²⁰ Copart, Annex COP_0000691, [REDACTED], submitted in response to Phase 2 Notice 1. The document also includes a reference to '[REDACTED]' and it is unclear what this relates to.

⁴²¹ Parties' response to Phase 2 RFI 1, annex 2, 'Copart Sites' and Copart's response to CMA's Notice dated 23 February 2023, question 4 and 'Phase 2 – Notice 2 (Copart) – Annex 4'.

⁴²² Parties' response to Issues Statement, 27 January 2023, Table 1, page 4.

approach, Hill Motor's capacity to fulfil national contracts should take account of the capacity of subcontracted members of the network used to that end.

- 8.29 We note, however, that of the smaller salvagers – with the exception of Recycling Lives, whose model is differentiated (see paragraph 8.167) – Hills Motors appears to be the largest in terms of site and storage capacity and has in recent years been on a growth trajectory.⁴²³ For example, [REDACTED].⁴²⁴

Copart's competitive position absent the Merger

- 8.30 We note the Parties' submissions that shares are not reflective of Copart's future market position owing to its lack of a recycled parts supply service meaning that the Merger is the only way that Copart can continue to compete for salvage service contracts.⁴²⁵ For the reasons set out below, we consider that while there is evidence of Copart facing increased competition from suppliers offering recycled parts capabilities, our share of supply estimates remain informative of Copart's market position post-Merger and it is not plausible that, absent the Merger, Copart could not 'credibly' compete in future opportunities.

- (a) While most customers said that the demand for recycled parts was likely to increase in the next three to five years, their views on the importance of a salvager offering a recycled parts service were more mixed. Some customers ([REDACTED])⁴²⁶ indicated that it was important when choosing a salvager, but others ([REDACTED])⁴²⁷ indicated that it was not important.⁴²⁸ On this basis it is clear that Copart has a strong incentive to provide a recycled parts offering as it is important to some customers and those customers are material, but not that it could not 'credibly' compete in future

⁴²³ We note that Hills Motors have [REDACTED] acres of land. In comparison, the next largest salvager [REDACTED] has [REDACTED] acres and [REDACTED] has [REDACTED] acres of land. The remaining salvagers that responded to our questionnaire have less than [REDACTED] acres of land. Third-party responses to the CMA's Phase 2 competitor questionnaire, December 2022, question 10; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁴²⁴ Hills Motors, document '[REDACTED]', slides 3 and 11 submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁴²⁵ Parties' response to the AIS and working papers, paragraph 27.

⁴²⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10; note of a call with a third party, February 2023, paragraph 11.

⁴²⁷ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 10. Another customer said it did not have a recycled parts requirement in its contracts with salvage service providers. Note of a call with a third party, February 2023, paragraph 7.

⁴²⁸ Some responses were more ambiguous with a couple ([REDACTED]) noting it was of growing importance and one salvager noting it was not essential, but they could see the benefits of a salvager providing a recycled parts offering. One final customer merely stated it had not been a consideration the last time they tendered. Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10.

opportunities. This is particularly the case when customers will consider multiple factors as part of their tender evaluation and trade-off the strengths and weaknesses of different offerings.

(b) The Parties' view that Copart cannot credibly compete in tenders going forward without the Merger is premised on their contention that Copart must have an in-house, end-to-end dismantling facility in order to offer a recycled parts solution, and that it must be Hills Motors. We have received evidence that – to the extent that the ability to procure recycled parts as part of their salvage service contract is important to insurers – it is not a pre-requisite that this is achieved through the salvager offering an in-house solution. For example, Hills Motors supplies recycled parts in part through operating a network of suppliers for Ageas⁴²⁹ (and, [REDACTED]⁴³⁰).⁴³¹ This is consistent with Copart's internal documents, which indicate that Copart considered multiple plausible options for delivering a recycled parts offering, [REDACTED]:

(i) An email from [REDACTED]. to [REDACTED]⁴³² states:

'[REDACTED]'

(ii) A presentation titled [REDACTED].^{433,434} [REDACTED].⁴³⁵

(iii) In respect of the latter, Copart submitted that, [REDACTED]. [REDACTED].⁴³⁶ This indicates that the acquisition of Hills Motors was not the only option available to Copart, but rather the preferred option, to protect its current position (see paragraph 8.112 below).

(c) Copart's consistently high share over time shows that it has been significantly more successful at winning salvage service contracts than other players. Given its track record and the availability of other options (see above), we consider it implausible that absent the Merger Copart would not find a means of competing so as to be a 'credible' competitor in future tenders.

⁴²⁹ Hills Motors' response to Phase 2 RFI 3 to Hills Motors, question 13.

⁴³⁰ FMN, paragraph 152.

⁴³¹ The Parties submitted that [REDACTED]. For example, at the Main Party Hearing [REDACTED]. The Parties have also submitted that [REDACTED]. Hills Motors' main party hearing transcript, page 53 and Parties' response to the AIS and working papers, paragraph 52(a) and (b).

⁴³² Copart, annex COP_0000893, '[REDACTED]', submitted in response to Phase 2 Notice 2.

⁴³³ [REDACTED].

⁴³⁴ Copart, Annex COP_0000906, '[REDACTED]', 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart, slide 6. See also Copart, Annex COP_0000913, '[REDACTED]', 6 February 2022 submitted in response to Phase 2 Notice 2 to Copart, slide 7.

⁴³⁵ Copart, Annex COP_0000906, '[REDACTED]', 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart, slides 12 and 13.

⁴³⁶ Copart's response to Notice 2 to Copart, question 11.

- (d) Consistent with this, we have received evidence of Copart competing successfully in recent tenders notwithstanding a lack of an in-house recycled parts solution.⁴³⁷ The CMA has received evidence of Copart losing only one material customer (LV/Allianz) and the Parties submitted that this was as a result of Copart not having recycled parts capability.⁴³⁸ At the same time we understand that it has won [REDACTED] volumes from another material customer ([REDACTED]).⁴³⁹ This indicates that as yet the lack of having a recycled parts supply service has not impacted materially on Copart's position.
- (e) The Parties have submitted that a key part of the rationale for the Merger was to compete with IAA's proposition. Consistent with this, Copart's internal documents (discussed in paragraph 8.112 below) indicate that [REDACTED]. To the extent that IAA and others – including Hills Motors – are able to win more contracts, these shares of supply may not fully reflect their competitive strength. However, Copart is currently the largest supplier by some distance (with a share of [more than three] times the size of IAA). Therefore, we consider that even if these shares overstate Copart's position in the counterfactual, they are nevertheless informative of the market structure, with Copart likely to continue as the leading player absent the Merger, taking into account evidence on other options available to it set out above.

8.31 Finally the Parties stated that a lack of a recycled parts offering means Copart is unable to compete for fleet company contracts.⁴⁴⁰ We have not considered this point in detail, but note that the key overlap between the Parties is in relation to insurance customers such that it is not clear how Copart's ability to compete in relation to fleet company contracts is relevant to assessing whether the Merger has given or may be expected to give rise to a SLC as a result of horizontal unilateral effects in the supply of salvage services in the UK.

⁴³⁷ The Parties submitted information on the rating framework for, and outcome of, [REDACTED] tender opportunities since 2016 for which, the Parties stated, the customer requested or required that a salvager provide a recycled-parts offering as part of its salvage service. The CMA understands that [REDACTED]. [REDACTED]. Therefore, the evidence available to the CMA indicates that Copart still continued to compete in the majority of these opportunities, and it won [REDACTED] of these opportunities. Copart's response to the CMA's notice under section 109 of the Act dated 3 November 2022, question 5.

⁴³⁸ Parties' response to the Issues Statement, paragraph 44.

⁴³⁹ This is based on [REDACTED] and our understanding that [REDACTED]. Copart's response to Phase 2 Notice 1 to Copart, annex 3, tab Q13; note of a call with a third party, February 2023, paragraph 6 to 16.

⁴⁴⁰ Parties' response to the Issues Statement, paragraphs 43-45.

Provisional view on the market structure and the Parties' position over time

- 8.32 Overall, the shares of supply indicate that Copart in particular has a strong position in the supply of salvage services in the UK and that the Merged Entity would be the largest player by a substantial distance. This is particularly the case in relation to insurance related business which is the main area of overlap.
- 8.33 We have considered this evidence together in the round with the other evidence on the closeness of competition between the Parties and the constraints remaining from alternative suppliers post-Merger.

Closeness of competition between the Parties

- 8.34 In a differentiated market, horizontal unilateral effects are more likely where the merger firms are close competitors or where their products are close substitutes. The merger firms need not be each other's closest competitors for unilateral effects to arise. It is sufficient that the merger firms compete closely and that the remaining competitive constraints are not sufficient to offset the loss of competition between them resulting from the merger.⁴⁴¹
- 8.35 Closeness of competition is a relative concept. Where there is a degree of differentiation between the merger firms' products, they may nevertheless still be close competitors if rivals' products are more differentiated, or if there are few rivals. The CMA will consider the overall closeness of competition between the merger firms in the context of the other constraints that would remain post-merger. Where the CMA finds evidence that competition mainly takes place among few firms, any two would normally be sufficiently close competitors such that the elimination of competition between them would raise competition concerns, subject to evidence to the contrary. The smaller the number of significant players, the stronger the *prima facie* expectation that any of the two firms are close competitors. In such a scenario, the CMA will require persuasive evidence that the merger firms are not close competitors in order to allay any competition concerns.⁴⁴²
- 8.36 In our assessment of closeness of competition between the Parties, we have considered:
- (a) the service propositions of the Parties, having regard to the nature of the contracts they compete for and how they service them; and

⁴⁴¹ CMA129, paragraph 4.8.

⁴⁴² CMA129, paragraph 4.10.

- (b) the extent of competition between the Parties expected absent the Merger, having regard to evidence on the Parties' participation in tenders and other contract opportunities to date, their internal documents and the views of customers and competitors.

The Parties' salvage service propositions

The Parties' submissions

8.37 The Parties submitted that Copart and Hills Motors offer differentiated services across a range of metrics. In particular, the Parties submitted that:

- (a) The Parties provide a fundamentally different salvage service: Copart is active in the resale and remarketing of used, wholesale and salvage vehicles, is active nationally and sees itself primarily as a marketplace firm (operating almost entirely on a profit-share model with its clients) whereas Hills Motors is a regional dismantler and recycling specialist.⁴⁴³
- (b) Hills Motors is not and has never been a national competitor.⁴⁴⁴ Hills Motors does not have the following capabilities, which salvagers must be able to provide in order to compete for nationwide contracts: (i) national coverage (ie multiple locations across the country from where vehicles can be collected and processed); (ii) considerable storage capacity to effect speedy and cost-efficient collection of vehicles; and (iii) a competitive auction platform.⁴⁴⁵
- (c) With respect to Hills Motors' inability to provide national coverage:
- (i) The vast majority of customers prefer to deal with one company that will fulfil the contract nationwide, whereas Ageas is an outlier as it has historically dealt with a number of providers to meet its needs.⁴⁴⁶
- (ii) A considerable number of customers responding to the CMA's market test stated that they had a preference for working with a single salvager.⁴⁴⁷
- (iii) Hills Motors does not meet the factors identified as important to customers for whom subcontracting is acceptable, as it does not

⁴⁴³ Parties' response to the Issues Statement, paragraphs 5 and 6.

⁴⁴⁴ Parties' response to the AIS and working papers, paragraphs 23 to 29.

⁴⁴⁵ Parties' response to the Issues Statement, paragraphs 8 to 21.

⁴⁴⁶ Parties' response to the Issues Statement, paragraphs 14 to 16.

⁴⁴⁷ Parties' response to the AIS and working papers, paragraph 24.

provide a single point of contact for Ageas and [REDACTED] (for reasons unrelated to the Merger).⁴⁴⁸

- (iv) Hills Motors' model is different to that of e2e and SureTrak in that:
 - (a) e2e and SureTrak have a dedicated network head management which focus on winning contracts and allocating salvaging work across members, whereas Hills Motors' management team is split between managing the network and running its salvaging and parts recycling operations; and (b) the risk of servicing national contracts is allocated among members (for e2e, this is done by way of each member providing cash or a bank bond proportionate to the number and average PAV of the vehicles it has been allocated, which is used to compensate the insurer).⁴⁴⁹ The Hills Motors model is therefore riskier and less attractive to national contractors than those of SureTrak and e2e.⁴⁵⁰ [REDACTED] highlight the [REDACTED] of Hills Motors' subcontracting arrangement to compete for further national contracts.⁴⁵¹
- (v) Examples identified by the CMA of Hills Motors having submitted a response to a benchmarking exercise for [REDACTED] in 2021 and prepared a draft response to a tender for [REDACTED] in 2022 on the basis of having a national network are not evidence of Hills Motors genuinely competing for national contracts as the insurers in question indicated that they never intended to switch providers ([REDACTED]) or were not inclined to award Hills Motors the contract ([REDACTED]).⁴⁵²

(d) With respect to Hills Motors' lack of a proprietary auction platform (discussed further at paragraph 8.55 below):

- (i) Hills Motors does not have an independent auction platform as it previously used e2e's auction platform and there is no reason to suggest that this would have changed absent the Merger.⁴⁵³ Hills Motors was only developing its own auction platform as a defensive move to avoid dependence on third parties in case the auction platform became unavailable.⁴⁵⁴ Spending £[REDACTED] is not an indication that Hills Motors would launch the platform which would compete with

⁴⁴⁸ Parties' response to the AIS and working papers, paragraph 24.

⁴⁴⁹ Parties' response to the AIS and working papers, paragraph 28 and Parties' supplementary submission – Ageas and Hills Motors, paragraph 7.

⁴⁵⁰ Parties' response to the AIS and working papers, paragraph 28.

⁴⁵¹ Parties' response to the AIS and working papers, paragraph 28.

⁴⁵² Parties' response to the AIS and working papers, paragraph 29.

⁴⁵³ Parties' response to the Issues Statement, paragraphs 20 and 21.

⁴⁵⁴ Parties' response to the Issues Statement, paragraph 21; Parties' response to the AIS and working papers, paragraph 30.

the likes of IAA, Copart, e2e or Recycling Lives who spend millions on their platforms.⁴⁵⁵

- (ii) The documents cited by the CMA in its working papers do not support that the auction platform was not a back-up. In particular, none set out plans of an imminent launch.⁴⁵⁶
 - (iii) It is self-evident that the auction platform was never developed with the intention of competing against the leading platforms in the industry (IAA, e2e, Recycling Lives and Copart). Any Hills Motors auction platform would have lacked sufficient volumes to be an attractive marketplace for buyers and hence for driving returns. A successful auction platform that can compete for salvage contracts with national insurers depends on attracting a large volume of buyers to maximise auction values and thereby returns to insurers.⁴⁵⁷ The e2e auction platform alone handles around 2,000 vehicles a week, whereas Hills Motors would be selling only around [X] to [X] a week. Having a modest backup option to sell [X] of its own vehicles per week is a very different proposition to having a compelling pitch for insurers to compete with the auction platforms in which Copart, IAA, Recycling Lives and e2e have invested millions and that sell thousands of vehicles per week.⁴⁵⁸
- (e) The Ageas contract is unique and not indicative of future 'national' competition,⁴⁵⁹ given:
- (i) It is the result of a two-year close collaboration and co-investment by Ageas, who had a particular recycled parts agenda.⁴⁶⁰
 - (ii) Hills Motors lacks the necessary infrastructure to service large national insurance contracts, namely: (i) a claims management portal (while it has a claims management portal, it was constructed in a way that it could not be easily or cost-effectively used for another

⁴⁵⁵ Parties' response to the AIS and working papers, paragraph 30.

⁴⁵⁶ Parties' response to the AIS and working papers, paragraph 31.

⁴⁵⁷ The Parties noted that this is consistent with the CMA's market test, with one competitor noting 'that the more buyers an auction can attract the higher the prices it generally achieves and thus the more attractive it is to salvage service customers'.

⁴⁵⁸ Parties' response to the AIS and working papers, paragraph 32.

⁴⁵⁹ Parties' response to the Issues Statement, section 2.2.2 and Parties' response to the AIS and working papers, paragraph 28.

⁴⁶⁰ Parties' response to the AIS and working papers, paragraph 25.

insurer);⁴⁶¹ (ii) a (proprietary) auction platform;⁴⁶² and (iii) nationwide collection coverage.⁴⁶³

(iii) Hills Motors' contract with Ageas is further not replicable with other insurers given: (i) insurers would not typically be inclined to engage a regional salvager who would be outsourcing most of the contract to others operating in different regions;⁴⁶⁴ (ii) such outsourcing would require the agreement of other e2e members which is unlikely to be forthcoming;⁴⁶⁵ and (iii) the financial risk exposure (because, under its model, Hills Motors' bears all the financial risk of non-fulfilment of the contract terms) would be too great, [§<].⁴⁶⁶

Our assessment

8.38 We consider below the evidence on the extent to which the Parties' service offering is differentiated. In our assessment, we have focussed on Hills Motors' ability to service, and therefore compete for, national insurance contracts, including our assessment of the evidence as to (i) the significance of whether a national coverage is provided in-house or on a standalone basis (ii) the importance of having a proprietary auction platform and how we interpret the evidence on Hills Motors' plans for its auction platform under development in this respect and (iii) the extent to which the Ageas contract is replicable – and thus indicative of Hills Motors ability to compete for – other large national contracts.

Salvagers servicing large national insurance contracts

8.39 The Parties are two of a small number of players – Copart, IAA, e2e, Hills Motors, SureTrak – with demonstrable success in winning and servicing large national insurance contracts. We requested information from the Parties, their competitors and customers on their current contracts for the provision of salvage services in the UK.⁴⁶⁷ Based on these data:

⁴⁶¹ Parties' supplementary submission – Ageas and Hills Motors, paragraphs 5, 6 and 26.

⁴⁶² Parties' supplementary submission – Ageas and Hills Motors, paragraphs 5, 6 and 29 to 31.

⁴⁶³ Parties' supplementary submission – Ageas and Hills Motors, paragraphs 5, 6 and 32 to 40.

⁴⁶⁴ Parties' supplementary submission – Ageas and Hills Motors, paragraph 48.

⁴⁶⁵ Parties' supplementary submission – Ageas and Hills Motors, paragraph 48.

⁴⁶⁶ Parties' supplementary submission – Ageas and Hills Motors, paragraphs 49 to 51.

⁴⁶⁷ For competitors, we asked that they provide certain information (including an estimate of the volume (number of vehicles) of salvage vehicles sourced from the customer per year and whether they outsource or subcontract any parts of the contract to third-party suppliers) for each of their main current contracts for the provision of salvage services in the UK. The CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 3; the CMA's Phase 2 competitor questionnaire, December 2022, question 5; and the CMA's Phase 1 competitor questionnaire, October 2022, question 5. For customers, we asked for information (including annual volume (ie number of salvage vehicles) agreed or an estimate of the annual volume) for each of their

- (a) Copart has national contracts with [REDACTED] insurance companies,⁴⁶⁸ we understand that at least [REDACTED] of these are large national insurance contracts in that they involve volumes of over 10,000 vehicles nationally. Specifically we understand that three involve between [REDACTED] and [REDACTED] vehicles ([REDACTED]) and three involve between [REDACTED] and [REDACTED] vehicles ([REDACTED]).⁴⁶⁹
- (b) The next largest player is IAA, [REDACTED]. [REDACTED].⁴⁷⁰
- (c) The e2e consortium [REDACTED].⁴⁷¹
- (d) Hills Motors has one large national insurance contract with Ageas (requiring salvage services for around [REDACTED] vehicles annually),⁴⁷² which it won in 2020. Hills Motors also told us that it has small national contracts with other salvage services customers, [REDACTED]⁴⁷³ and [REDACTED] told us it had a national contract with Hills Motors.⁴⁷⁴
- (e) SureTrak [REDACTED].⁴⁷⁵ [REDACTED].⁴⁷⁶

8.40 In terms of how they service these contracts, the Parties' propositions differ. Copart services its contracts in-house, using its 15 UK sites, which cover a total of [REDACTED] acres and have capacity for [REDACTED] vehicles.⁴⁷⁷ By contrast, Hills Motors' in-houses capabilities are limited, and it instead services its Ageas contract through a network of outsourced suppliers.⁴⁷⁸ Hills Motors currently has two sites where it engages in salvaging. One of these is its headquarters in Lancashire, covers [REDACTED] acres and has capacity for [REDACTED] vehicles ([REDACTED]) and

current contracts for salvage services in the UK. The CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 2; the CMA's Phase 2 customer questionnaire, December 2022, question 2; and the CMA's Phase 1 customer questionnaire, October 2022, question 3.

⁴⁶⁸ Parties' response to the Issues Statement, Table 1.

⁴⁶⁹ [REDACTED]. Copart's response to Phase 2 Notice 1, annex 3, tab Q13.

⁴⁷⁰ [REDACTED]. Third-party response to Phase 1 questionnaire, annex 2.

⁴⁷¹ Third-party response to Phase 1 questionnaire, Annex 2.

⁴⁷² Hills Motors' response to Phase 2 RFI 5 to Hills Motors, question 1.

⁴⁷³ We understand Hills Motors other customers with a nationwide coverage are [REDACTED] which provided [REDACTED] vehicles in 2022 and [REDACTED] which provided [REDACTED] vehicles in 2022. By comparison in 2022 Ageas provided [REDACTED] volumes of which [REDACTED] were salvaged by Hills Motors itself. Hills Motors also has a contract with [REDACTED] with the latter forces being outsourced. See Hills Motors' response to Phase 2 Notice 1 to Hills Motors, Annex 3, tab Q13, Hills Motors' response to RFI dated 30 January 2023 (**Phase 2 RFI 3 to Hills Motors**), question 14 and Hills Motors' response to Notice 1 to Hills Motors, question 8. Hills Motors said that for one of these customers most vehicles are collected in specific regions [REDACTED] and Hills Motors told us that it is not receiving severely damaged vehicles from [REDACTED] (Parties' submission to the CMA dated 2 May 2023).

⁴⁷⁴ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 3. Data from Hills Motors shows that this customer provided [REDACTED] vehicles in 2022. Hills Motors' response to Phase 2 Notice 1 to Hills Motors, Annex 3, tab Q13.

⁴⁷⁵ Third-party response to Phase 1 questionnaire, Annex 2.

⁴⁷⁶ Note of a call with a third party, February 2023, paragraph 2.

⁴⁷⁷ Copart has an additional site in the Republic of Ireland with [REDACTED], an [REDACTED] and is developing [REDACTED] in total across those sites. See Parties' response to Phase 2 RFI 1, annex 2, '[REDACTED]' and Copart's response to CMA's Notice dated 23 February 2023 (**Phase 2 Notice 2 to Copart**), question 4 and 'Phase 2 – Notice 2 (Copart) – Annex 4'.

⁴⁷⁸ Hills Motors' response to Phase 2 RFI 3 to Hills Motors, question 7.

the other is in Scotland, covers [REDACTED] acres and has capacity for [REDACTED] vehicles.⁴⁷⁹

8.41 By comparison:

- (a) IAA/SYNETIQ services its contracts in-house and has 18 sites for salvaging covering [REDACTED] acres, and has capacity for [REDACTED] vehicles.⁴⁸⁰
- (b) e2e is a consortium comprised of a number of salvagers. e2e acts a single interface between salvage service customers and its members who provide the salvage services as a collective. An internal document from Copart indicates that e2e has sites covering [REDACTED] acres (it is unclear if this includes or excludes Hills Motors' sites),⁴⁸¹ and another that e2e's members may have up to [REDACTED] sites (this excludes Hills Motors' sites).⁴⁸² We understand that e2e's members bear the contractual risks in relation to the volumes allocated to them, this differs to Hills Motors' Ageas network where Hills Motors bears the entirety of the risks if any individual contractor fails to meet its volume allocation.⁴⁸³
- (c) we understand that currently SureTrak operates in a similar way to e2e in that it owns contracts, but does not salvage the vehicles itself and instead sub-contracts this to a network of salvagers.⁴⁸⁴ [REDACTED] told us that SureTrak is its main point of contract and it does not deal directly with individual SureTrak members.⁴⁸⁵

Hills Motors' ability to compete for national contracts using a subcontracted network

- 8.42 The majority of customers that responded to our investigation submitted that national coverage is one of the most important factors when selecting a salvager to provide salvage services.⁴⁸⁶
- 8.43 While there are significant differences in terms of the volumes that the Parties can process-in house, six of the thirteen insurance customers identified as

⁴⁷⁹ Parties' response to Phase 2 RFI 1, question 13. [REDACTED].

⁴⁸⁰ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁴⁸¹ Copart, annex COP_0000691, '[REDACTED]', 5 July 2022 submitted in response to Phase 2 Notice 1 to Copart.

⁴⁸² Copart, annex COP_0000320, '[REDACTED]' submitted in response to Phase 2 Notice 1 to Copart.

⁴⁸³ Parties' response to the AIS and working papers, paragraph 3.

⁴⁸⁴ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁴⁸⁵ Note of a call with a third party, February 2023, paragraph 1.

⁴⁸⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10. Also see note of a call with a third party, February 2023, paragraph 4; note of a call with a third party, February 2023, paragraph 11.

having volume requirements of over 10,000 vehicles annually told us that it is acceptable for national coverage to be provided via subcontracting, subject to certain service level parameters being met, such as there being the correct controls and oversight in place, the same consistency of performance throughout the network and a single point of contact.⁴⁸⁷

8.44 Consistent with this, we have seen evidence indicating that, had the Merger not taken place, Hills Motors would likely have continued to bid for national contracts, including a large insurance contract, including on the basis of its network model:

- (a) Hills Motors internal documents show that, prior to the Merger, it was preparing a draft response to [REDACTED] RFP in [REDACTED] 2022 (requiring national coverage for more than 10,000 vehicles annually ([REDACTED]⁴⁸⁸).⁴⁸⁹ The draft RFP responses state '[REDACTED]'.⁴⁹⁰
- (b) Hills Motors also submitted a response to the [REDACTED] RFP in [REDACTED] 2022 (requiring national coverage for around [REDACTED] vehicles⁴⁹¹ annually), after the Merger. Hills Motors submitted to us that it only put in a response to the RFP in light of the ongoing CMA inquiry into the Merger, [REDACTED].⁴⁹² In what we understand to be the [REDACTED].⁴⁹³ While we understand that this does not refer to Hills Motors capacity at any point in time,⁴⁹⁴ we consider it indicative of Hills Motors having, in its estimation, the capability to respond to RFPs for further contracts with national collection and storage requirements.

⁴⁸⁷ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 10; note of a call with a third party, February 2023, paragraph 14; note of a call with a third party, February 2023, paragraph 4; note of a call with a third party, February 2023, paragraph 12. [REDACTED] Two large insurance customer said if subcontracting the same requirement for consistency in performance and outcomes would apply, with one insurance customer with less than 10,000 [REDACTED] also noting this point and saying that sub-contracting is not a problem if the correct controls and oversight is in place. Another [REDACTED] insurance customer said how attractive the proposition would be depends on the controls in place for managing the network, whether systems were in place to ensure a consistent service and whether there would be a single point of contact. This insurance customer [REDACTED] noted that a smaller number of large providers would be easier to manage than a large number of small providers. Two further [REDACTED] insurance customer said that a single/central point of contact would be required. [REDACTED] One insurance customer said it did not stipulate a requirement for in-house provision or a specific business model, but stipulates desired customer outcomes and then evaluates performance against those outcomes.

⁴⁸⁸ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, annex 2.

⁴⁸⁹ The Parties first submitted that Hills Motors did not submit a tender for the [REDACTED] contract as it was tendered after the Merger (Response to the Issues Letter, paragraph 39). The Parties later submitted that Hills Motors did not submit a response because it was not capable of supplying the contract (Response to the Issues Statement, paragraph 37). We consider [REDACTED]. Documents '[REDACTED]', '[REDACTED]' and '[REDACTED]' submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁴⁹⁰ Hills Motors, document '[REDACTED]', page 25 submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁴⁹¹ Third-party response to Phase 2 customer questionnaire, December 2022, question 2.

⁴⁹² Hills Motors' main party hearing transcript, page 28. [REDACTED]

⁴⁹³ Hills Motors, document 'RFP for [REDACTED]', page 20, submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁴⁹⁴ At Hills Motors' main party hearing, [REDACTED]. Parties' response to the Issues Statement, paragraph 18.

- 8.45 Given the [REDACTED] RFP submission occurred after the Merger, we place limited weight on Hills Motors' response as evidence of how Hills Motors would have acted had the Merger not taken place. However, taken together, these proposals show that Hills Motors was presenting itself – or, prior to the Merger, had been preparing to present itself – to customers as capable of meeting their national collection and storage requirements. In particular, the draft RFP response for the [REDACTED] opportunity indicates that it considered itself capable of meeting such requirements for the [REDACTED] contract using its network model.⁴⁹⁵
- 8.46 We note the Parties' submissions that Hills Motors does not meet the service level criteria identified as important to customers for whom subcontracting is acceptable, given it does not service the Ageas contract through one point of contact and [REDACTED]). In this regard:
- (a) Three of the six large insurance customers stated that single point of contact was important,⁴⁹⁶ but the other three did not.
 - (b) To the extent that a single point of contact is important to customers, we have not received evidence that Hills Motors' current service model puts it at a significant disadvantage to others servicing national insurance contracts.
 - (i) In its draft response to the [REDACTED], Hills Motors highlights its organisational model in which it takes full responsibility and accountability for services [REDACTED], which suggests that Hills Motors did not regard its offering as being at a competitive disadvantage compared to other networks.⁴⁹⁷
 - (ii) Ageas told us that there is no direct communication between Ageas and Hills Motors' subcontractors except when the subcontractors report fraud such that its not in touch with the subcontractors in daily salvage work. In addition, Ageas did not raise concerns with Hills Motors' performance. Ageas used a six month trial period to make

⁴⁹⁵ We discuss [REDACTED] (Parties' response to the AIS and working papers, paragraph 29). We do not consider [REDACTED] intentions in this respect (the evidence on which we discuss below) negate our assessment that this is evidence that Hills Motors considered itself capable of bidding for and meeting such requirements for the [REDACTED] contract using its network model.

⁴⁹⁶ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; note of a call with a third party, February 2023, paragraph 14; note of a call with a third party, February 2023, paragraph 4.

⁴⁹⁷ See '[REDACTED]', slide 14, submitted by in response to Notice 2 to Hills Motors.

sure that Hills Motors' service and network were up to Ageas' requirements [REDACTED].⁴⁹⁸

(c) With regard to [REDACTED].⁴⁹⁹ In particular, we consider the fact that Hills Motors prepared a draft response to [REDACTED] evidence that Hills Motors considered itself capable of competing for such opportunities.

8.47 Similarly, as to the differences highlighted by the Parties regarding the differences between the models used by e2e and SureTrak and the model used by Hills Motors, we have not received compelling evidence that Hills Motors' operating model and approach to risk, or management capacity, are material barriers to it continuing to compete for national insurance contracts, including large national insurance contracts. Again, we consider the fact that Hills Motors was preparing a response to the [REDACTED] contract in particular strong evidence that it did not consider its management capacity or [REDACTED] prevented it from competing for other large opportunities.

8.48 In any event, the pre-Merger conditions of competition counterfactual is not static.⁵⁰⁰ To the extent that Hills Motors were to encounter issues arising from a lack of a single point of contact or management capacity, we have not received evidence of their being material barriers to it adapting its operational model to mitigate such issues.

Hills Motors' lack of a proprietary auction platform

8.49 Copart is one of a small number of players – Copart, IAA, e2e and Recycling Lives – with a proprietary auction platform. Historically, e2e and its members (including Hills Motors) used the auction platform developed by SYNETIQ, but following SYNETIQ's acquisition by IAA, e2e has developed its own auction platform that is also used by its members. Prior to the Merger, Hills Motors had made a significant investment in developing its own auction technology – [REDACTED]⁵⁰¹ – [REDACTED]. Hills Motors halted this development as a consequence of the Merger.^{502,503}

8.50 As set out above, the Parties submitted that Hills Motors' lack of a proprietary auction platform which will attract large volumes of buyers prevents it from competing for national contracts⁵⁰⁴ and in particular with the likes of Copart,

⁴⁹⁸ Note of a call with a third party, February 2023, paragraphs 16 and 22; third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 5.

⁴⁹⁹ For example, [REDACTED].

⁵⁰⁰ CMA129, paragraph 3.3.

⁵⁰¹ Parties' response to the AIS and working papers, paragraph 30.

⁵⁰² FMN, paragraph 61.

⁵⁰³ [REDACTED].

⁵⁰⁴ Parties' response to the Issues Statement, paragraphs 8 to 21.

IAA, e2e and Recycling Lives.⁵⁰⁵ As set out below, the evidence received shows that (i) a lack of a proprietary auction platform does not itself prevent Hills Motors from competing for national contracts; and (ii) immediately prior to the Merger, Hills Motors was actively continuing to invest in the development of its proprietary auction platform, indicating that Hills Motors had the resource and ambition to continue to compete as an independent player for national contracts had the Merger not taken place.

- *The importance of a proprietary auction platform*

- 8.51 While the evidence we received from customers shows that it is important to customers that their salvager has an auction platform, it does not show that this needs to be a proprietary auction platform. While several ([REDACTED]) customers also told us that the auction platform was important in their choice of salvager,⁵⁰⁶ customers generally did not express an opinion on whether having a proprietary auction platform was more important than a shared auction platform.⁵⁰⁷
- 8.52 Consistent with this, Hills Motors services the Ageas contract and SureTrak services the [REDACTED] contract without operating a proprietary auction platform. Similarly, Hills Motors told us that, had it submitted a bid and won the [REDACTED] contract (in [REDACTED] 2022), as Hills Motors was still an active part of e2e at the time, it would have not made sense to move its vehicles (from the e2e platform to Hills Motors' platform) because of the (higher) volumes on the e2e platform.⁵⁰⁸
- 8.53 However, as submitted by the Parties (see paragraphs 8.56 and 8.57 below), we recognise that not having a proprietary auction platform may create resiliency risks. We therefore consider that, despite customers in general not expressing an opinion as to the significance of whether an auction platform is proprietary, competitors without such capability may be weaker competitors for large national insurance contracts than those with standalone capability.
- 8.54 We therefore consider that, while Hills Motors' service offering pre-Merger is differentiated from Copart in that it did not have a launched proprietary auction

⁵⁰⁵ Parties' response to the AIS and working papers, paragraph 30.

⁵⁰⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10.

⁵⁰⁷ Of those respondents that explicitly referred to why a proprietary auction platform was or was not important one said that both proprietary and shared auctions offer value, one said it was agnostic as long as the salvage can show governance and controls and one said that the value of an auction was significantly enhanced by control of the auction facilitated by ownership of the auction. Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7.

⁵⁰⁸ Hills Motors' main party hearing transcript, page 16.

platform, the lack of such auction platform would not have prevented it from continuing to compete for national insurance contracts in the near term. While salvagers without standalone auction platform capability may be weaker competitors for large national insurance contracts, the evidence discussed below shows that Hills Motors had an auction platform under development to mitigate this risk.⁵⁰⁹

- *Hills Motors' auction platform under development*

- *The Parties' submissions*

8.55 Hills Motors submitted that it commenced the development of its auction platform in 2019, spending a year investigating the developers' market and scoping the project, before work with the developer began properly on 20 May 2020. Initially, a simple version of the site was agreed with a lead time of [REDACTED]. However, in the process of development, Hills Motors decided to add a number of additional features and create [REDACTED]. This resulted in [REDACTED] meetings with the developer between 20 May 2020 and 30 June 2022. The subsequent meeting on 15 July 2022 did not go ahead, as the project was superseded by the acquisition of Hills Motors by Copart.⁵¹⁰ Hills Motors submitted documents prepared by the developer that document the work undertaken by the developer in these [REDACTED] 'sprints', the last of which was scheduled for 1 July to 15 July 2022.⁵¹¹ Hills Motors' management meetings for July 2022 list under 'IT Developments' 'Main focus on [REDACTED]'.⁵¹²

8.56 Hills Motors submitted that it had no intention to launch this platform and that it had developed this technology as a defensive move only to avoid dependence on third parties.⁵¹³ The Parties highlighted an internal document – that dates from late 2020 – of Hills Motors in which Mr Ian Hill sets out [REDACTED].⁵¹⁴

8.57 Hills Motors told us that its auction platform under development 'just a safety net' and quite different from building an auction platform to compete with the national players.⁵¹⁵ By way of example, Hills Motors noted that the e2e platform handles around 2,000 vehicles a week, whereas Hills Motors will be selling only around [REDACTED] vehicles a week.⁵¹⁶ When asked whether there was

⁵⁰⁹ [REDACTED].

⁵¹⁰ Hills Motors' response to Phase 1 Notice 1 to Hills Motors, question 6, paragraph 5.

⁵¹¹ Hills Motors' response to Phase 1 Notice 1 to Hills Motors, annex 1 - [REDACTED].

⁵¹² Hills Motors Phase 2 Notice 1, annex 11, page 21.

⁵¹³ Parties' response to the Issues Statement, paragraph 40. See also Parties' supplementary submission – Ageas and Hills Motors, paragraph 29.

⁵¹⁴ Parties' response to the AIS and working papers, paragraph 31.

⁵¹⁵ Hills Motors' main party hearing transcript, page 5.

⁵¹⁶ Hills Motors' main party hearing transcript, page 5.

any plan to launch the platform, Hills Motors said not unless it needed to.⁵¹⁷ Hills Motors explained that it developed its auction in response to a period of change within the industry – at a time when it had won the Ageas contract, SYNETIQ had been formed and then acquired by IAA – and that, while it wanted to be seen as the best vehicle recycler in the country (and thus had to keep coming up with new ideas, new proposals), it did not know what was going to happen.⁵¹⁸ Rather, developing an auction platform was a speculative move as, if Hills Motors did not have the auction platform and something did go wrong, it would not be able to sell its own vehicles.⁵¹⁹ Hills Motors told us that, as the e2e auction was delayed at one point, e2e were even considering wanting to use Hills Motors’ auction platform but that the board directors voted against as they realised they wanted to own their own auction within e2e.⁵²⁰

8.58 The Parties further submitted that, given its low volumes and limited ability to attract buyers to its platform, any Hills Motors’ proprietary auction would not provide a compelling proposition for national insurers to compete with the value that Copart, IAA and e2e are able to deliver pursuant to their own high volume auction platforms.⁵²¹

o *Other evidence*

8.59 [REDACTED].⁵²² [REDACTED].⁵²³

8.60 In a benchmarking pack provided to [REDACTED] in [REDACTED] 2021, Hills Motors stated:⁵²⁴

(a) [REDACTED].

(b) [REDACTED].

(c) [REDACTED].

8.61 [REDACTED].^{525,526}

8.62 Hills Motors’ internal documents show that, immediately prior to the Merger, Hills Motors was preparing to compete for another large national insurance contract independently, citing its auction capabilities under development –

⁵¹⁷ Hills Motors’ main party hearing transcript, page 18.

⁵¹⁸ Hills Motors’ main party hearing transcript, page 17.

⁵¹⁹ Hills Motors’ main party hearing transcript, pages 17 and 18.

⁵²⁰ Hills Motors’ main party hearing transcript, page 18.

⁵²¹ Parties’ response to the AIS and working papers, paragraph 32.

⁵²² Note of a call with a third party, January 2023, paragraph 10.

⁵²³ Hills Motors, document ‘[REDACTED]’, page 8 submitted in response to Notice 2 to Hills Motors.

⁵²⁴ Hills Motors, document ‘[REDACTED]’, tab ‘[REDACTED]’ submitted in Hills Motors’ response to Notice 2 to Hills Motors. Parties’ response to the AIS and working papers, annex 1.

⁵²⁵ Parties’ response to the AIS and working papers, paragraph 31(b).

⁵²⁶ [REDACTED].

which it described as ‘currently in final testing’ – when in its draft response to the RFP.⁵²⁷ The document describes how categories of vehicles other than Category A and B vehicles would be sold weekly through ‘Hills bespoke auction platform across an audience of over 70,000 buyers’ and included a screenshot of the proposed auction platform under the branding SalvageCo.⁵²⁸ When asked about this document, Hills Motors told us that, if asked to respond to an RFP, Hills Motors has to put its best foot forward but that, when it came round to it, there was not an auction to show [REDACTED], if they wanted to come and have a look (at it), that was fully workable.⁵²⁹ Hills Motors further submitted that, [REDACTED].⁵³⁰

- *Our assessment*

8.63 Hills Motors submitted that it started scoping the development of its auction platform in 2019⁵³¹ (which was around the time that SYNETIQ was formed).⁵³² Hills Motors’ submissions and internal documents show that Hills Motors undertook a sustained period of development of its auction platform – in order to add additional features and [REDACTED] – that involved regular meetings with the developer ([REDACTED] meetings between 20 May 2020 and 30 June 2022) that only stopped on occurrence of the Merger,⁵³³ when it was at testing ‘[REDACTED]’.

8.64 Hills Motors’ internal documents also show that, immediately prior to the Merger, it prepared a response to an RFP for a prospective large national insurance customer, that described its auction platform under development as ‘currently in final testing’ and explained how it would be used to service that contract.⁵³⁴ Hills Motors’ documents also show that – consistent with Hills Motors’ submissions – Hills Motors’ platform under development was configured for third-party use.⁵³⁵

8.65 We consider that this evidence indicates that Hills Motors initiated investment in its auction platform in case it needed to compete independently (in response to disruption caused by the SYNETIQ merger and its subsequent departure from e2e and recognising that Hills Motors had won the Ageas contract may be perceived as a threat by e2e). That Hills Motors expanded the scope of the project, continued to invest in it – right up until the point that

⁵²⁷ For example, a draft response to [REDACTED] RFP in June 2022 states ‘[REDACTED]’. Hills Motors, documents ‘[REDACTED]’, ‘[REDACTED]’ and ‘[REDACTED]’, pages 42, 47 and 48 submitted in response to Notice 2 to Hills Motors.

⁵²⁸ Hills Motors’ response to Notice 2 to Hills Motors, document ‘[REDACTED]’, page 26.

⁵²⁹ Hills Motors’ main party hearing transcript, page 15.

⁵³⁰ Hills Motors’ main party hearing transcript, page 16.

⁵³¹ Hills Motors’ response to Phase 1 Notice 1 to Hills Motors, question 6, paragraph 5.

⁵³² [IAA/SYNETIQ](#), paragraph 22.

⁵³³ Hills Motors’ response to Phase 1 Notice 1 to Hills Motors, question 6, paragraph 5; and annex 1 - [REDACTED].

⁵³⁴ Hills Motors, document ‘[REDACTED]’ pages 42, 47 and 48 submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁵³⁵ Hills Motors, document ‘[REDACTED]’, page 8 submitted in response to Notice 2 to Hills Motors.

the Merger was completed, when it was testing '[X]'– and showcased its capability to prospective customers, suggests that it was not 'just a safety net'. At the very least, it was something that Hills Motors was referencing to appear more competitive when competing for new business, including with large national insurers.

- 8.66 We did not receive evidence of Hills Motors having definitive plans to launch its platform. However, the evidence shows that it had the resource and ambition to plan for many different eventualities, such as [X], using its platform to service the Ageas contract should e2e's platform not be available or should it be commercially optimal to do so, using it (whether just as a marketing tactic, or also in practice) to compete for new national insurance opportunities, such as the [X] contract. Other evidence from Hills Motors' internal documents show that it was actively targeting large insurers (see paragraph 8.114).
- 8.67 The evidence also shows that Hills Motors' technology was engineered so as to be capable of third-party use on a white-labelled basis. We have not received evidence of Hills Motors having definitive plans as to whom and in what context its platform may have been licensed, had the Merger not taken place. Rather, we consider this evidence that Hills Motors had invested in its platform technology so as to be in a position to service and compete for contracts, including large national insurance contracts, using a network of salvagers if required.
- 8.68 Given the timing of the Merger, it is not possible to say exactly how Hills Motors' commercial negotiations with potential customers or prospective licensees, if any, may have unfolded in the short and longer term. We therefore do not draw conclusions as to the size and nature of what a Hills Motors' auction platform, if launched, would be. Given the potential for it to be used by other salvagers – and the evidence of Hills Motors having been preparing to tender for new business, including a large national insurance contract, on the basis of its network of suppliers – we do not consider the fact that Hills Motors currently has a requirement to sell [X] vehicles a week probative evidence of the potential scale of the platform in the longer term, had the Merger not taken place.

The Ageas contract

- 8.69 As set out above, the Parties' submitted that the Ageas contract is a unique situation and is not replicable to other potential customers. We have addressed the evidence in relation to the some of the points they have raised in this respect above (for example, as regards the resiliency of the Hills Motors' network as compared to that of e2e and SureTrak, having regard to

recent service disruption and the different operating models – see paragraphs 8.46 and 8.47). In addition:

- (a) We do not consider the fact that Ageas had a particular interest in Hills Motors' recycled parts capability probative evidence of Hills Motors not being able to compete for other large insurance contracts. The Parties have placed significant emphasis in their submissions on the importance of being able to offer a recycled parts offering to be able to compete in tenders (with Copart submitting that, without such capability, it is unable to 'credibly' compete). While the evidence we have received on the importance of a salvager being able to offer an in-house recycled parts supply service is mixed (see paragraph 8.30(a)), we consider that, in principle, Hills Motors' recycling parts capability represents a competitive advantage at least for some customers (including large insurance customers). This is reflected in Hills Motors having been invited to participate in benchmarking and tender opportunities for insurers including [REDACTED] and [REDACTED] among others (see paragraphs 8.76 and 8.81).
- (b) Similarly, we do not consider the limitations in Hills Motors' infrastructure identified by the Parties – that its claims management portal was not constructed in a modular way (such that it cannot be easily or cost-effectively repurposed for another insurer), that it did not have a proprietary auction platform and that it uses a sub-contracted network of suppliers – are compelling evidence that Hills Motors would not be able to replicate its model for other insurers. In particular, we have received evidence of Hills Motors preparing for a response to RFPs to [REDACTED], indicating that it considered itself capable of fulfilling the [REDACTED] contract. In its proposals, it details how it proposes to service those contracts using its claim management portal, auction technology and network of suppliers.⁵³⁶
- (c) We do not consider that Ageas sponsored Hills Motors and that Hills Motors won the Ageas contract based on its response to the RFP as set out below (see paragraph 8.151).

8.70 We therefore consider that, while Hills Motors' model for servicing the Ageas contract has some unique features, the evidence suggests that it is capable of being replicated, with certain adjustments, for other large national contracts.

⁵³⁶ Hills Motors, '[REDACTED]' and '[REDACTED]' submitted in response to Notice 2 to Hills Motors.

Tender and benchmarking opportunities

The Parties' submissions

- 8.71 Data submitted by the Parties⁵³⁷ on opportunities in which they have competed since 2018 show that, of [REDACTED] opportunities in this period, they were invited to compete against each other for two opportunities – for one larger insurer ([REDACTED]), in [REDACTED] 2022 (with annual volumes exceeding 10,000 ([REDACTED]))⁵³⁸ and for one smaller insurer ([REDACTED]) in [REDACTED] 2022 (with annual volumes below 10,000 ([REDACTED])).⁵³⁹
- 8.72 The Parties submitted that being invited to tender against each other does not constitute competition⁵⁴⁰ and that their tender data provides compelling evidence that Copart and Hills Motors are not close competitors.⁵⁴¹ Further, they submitted that they have never knowingly competed against one another in tenders and that this is corroborated by the CMA's market test.⁵⁴²
- 8.73 With regard to the [REDACTED] ([REDACTED] 2022) opportunity, the Parties first submitted that Hills Motors did not submit a tender for this contract as it was tendered after the Merger.⁵⁴³ The Parties later noted that while Copart participated in the tender, one of the tender's 'key areas for consideration' was a 'proposal for green parts'.⁵⁴⁴ The Parties later submitted that Hills Motors did not submit a response because it was not capable of supplying the contract.⁵⁴⁵ The Parties further submitted that the insurer in question had informed Copart that Hills Motors had only been invited to tender for the recycled parts element of this tender (not salvage services) and that the insurer had not considered Hills Motors a viable option to compete for the salvage services element of the tender.⁵⁴⁶ This submission concerning the insurer's views was unsupported by any contemporaneous documents.
- 8.74 With regard to the [REDACTED] ([REDACTED] 2022) opportunity – which occurred after the Merger – the Parties first submitted that Hills Motors could not compete for this contract due to its lack of an auction facility required by the tender,⁵⁴⁷ as

⁵³⁷ Parties' response to Phase 1 RFI 1, '[REDACTED]'. This dataset identified the Parties as competing in another opportunity – [REDACTED] – which the Parties subsequently submitted was incorrect, as Copart was not invited to participate in this tender and did not submit a bid (Parties' response to AIS and working papers, paragraph 34).

⁵³⁸ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁵³⁹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 2.

⁵⁴⁰ Parties' response to the Issues Statement, paragraph 36.

⁵⁴¹ Parties' response to the AIS and working papers, paragraph 33.

⁵⁴² Parties' response to the AIS and working papers, paragraph 33.

⁵⁴³ Parties' response to the Issues Letter, paragraph 39.

⁵⁴⁴ Parties' response to the Phase 1 Decision, paragraph 48.

⁵⁴⁵ Parties' response to the Issues Statement, paragraph 37.

⁵⁴⁶ Parties' response to the AIS and working papers, Annex 2, paragraphs 4 and 5.

⁵⁴⁷ Parties' response to the Issues Letter, paragraph 39.

well as the requirement for full UK and Ireland collection coverage.⁵⁴⁸ The Parties also noted that the tender specified resale of recycled parts back to the insurer, which Copart could not provide and had not yet been awarded.⁵⁴⁹ The Parties later submitted that they were invited to tender on the understanding that the two businesses would be combined following CMA clearance and that prior to the RFP, Hills Motors had already in place an agreement to provide recycled parts, and the current status was that the insurer in question had informed Hills Motors that it had an ongoing interest in Hills Motors' recycled parts supply alone.⁵⁵⁰

8.75 Lastly, with regard to an opportunity (around [REDACTED] 2021) identified by the CMA in which [REDACTED] had invited Hills Motors to participate, the Parties submitted that this was not a competitive tender but a benchmarking exercise to test the value of the contract it has with its incumbent provider (Copart).⁵⁵¹ In this regard, the Parties submitted that the insurer made it clear that it did not intend to switch its salvaging services away from Copart and that, [REDACTED], it wanted to find out where the financial benefits of green parts lay.⁵⁵²

Other evidence

8.76 We requested information from customers on all instances where the customer had considered acquiring or changing its salvage service supplier (whether through a formal tender or informal bilateral process) for the provision of salvage services. Of the 24 opportunities identified by customers⁵⁵³ – occurring between 2018 and 2022 – the Parties were identified as participating or being invited to participate in three:

- (i) One small customer ([REDACTED]) – with annual volumes of approximately [REDACTED] vehicles – identified both as participating in a tender in 2020. This customer did not identify any other suppliers that were invited to tender. Hills Motors won the contract.⁵⁵⁴
- (ii) An insurance customer ([REDACTED]) – with annual volumes of approximately [REDACTED] vehicles – invited Hills Motors to participate in a benchmarking

⁵⁴⁸ Parties' response to the Phase 1 Decision, paragraph 48.

⁵⁴⁹ Parties' response to the Phase 1 Decision, paragraph 48.

⁵⁵⁰ Parties' response to AIS and working papers, paragraph 34.

⁵⁵¹ Parties' response to AIS and working papers, paragraph 34.

⁵⁵² Parties' response to the AIS and working papers, paragraph 29 and Annex 1, paragraph 4.

⁵⁵³ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, Annex 2; note of a call with a third party, February 2023, paragraph 5.

⁵⁵⁴ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6 and Annex 2

exercise for a national salvage service contract against Copart in 2021.⁵⁵⁵

- (iii) An insurance customer ([REDACTED]) – with annual volumes of approximately [REDACTED] vehicles – invited Hills Motors to participate in its tender.⁵⁵⁶

8.77 As discussed in some instances above, the Parties' internal documents included documents relating to benchmarking and tender opportunities with [REDACTED], [REDACTED] and [REDACTED]. We discuss this evidence in our assessment below.

Our assessment

8.78 As set out above and discussed further below, opportunities data submitted by the Parties and customers in relation to opportunities occurring between 2018 and 2022 shows that Hills Motors has been invited to compete against Copart in three tenders – two recent (for [REDACTED] in [REDACTED] 2022 and [REDACTED] in [REDACTED] 2022) and a third, smaller opportunity in 2020 ([REDACTED]) – and to participate in a further benchmarking exercise by [REDACTED] (where Copart was the incumbent) in 2021.

8.79 Opportunities data submitted by the Parties and customers in relation to opportunities occurring between 2018 and 2022 show that the Parties are not each other's closest competitors.⁵⁵⁷ Both competed more frequently with IAA and Copart competed more frequently with e2e in this period. Specifically:

- (a) Copart competed most frequently with IAA ([REDACTED])⁵⁵⁸ and e2e ([REDACTED])⁵⁵⁹ and, when compared to Hills Motors, a similar amount or slightly less frequently with Recycling Lives ([REDACTED]),⁵⁶⁰ SureTrak ([REDACTED])⁵⁶¹ and Charles Trent ([REDACTED]).⁵⁶²

⁵⁵⁵ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2; third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 4.

⁵⁵⁶ Note of a call with a third party, February 2023, paragraph 5.

⁵⁵⁷ Parties' response to RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'; Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, Annex 2.

⁵⁵⁸ [REDACTED].

⁵⁵⁹ [REDACTED].

⁵⁶⁰ [REDACTED]. Third-party response to a follow-up question, March 2023. [REDACTED] Note of a call with a third party, April 2023, paragraph 10.

⁵⁶¹ [REDACTED].

⁵⁶² [REDACTED].

(b) Hills Motors competed most frequently with IAA ([REDACTED]),⁵⁶³ a similar amount with Recycling Lives ([REDACTED])⁵⁶⁴ and Silverlake ([REDACTED])⁵⁶⁵ and less with ASM ([REDACTED]).⁵⁶⁶

8.80 While [REDACTED] opportunities involving both Copart and Hills Motors is a small number in absolute terms, it is similar to the frequency with which Copart encounters Recycling Lives, SureTrak and Charles Trent (see paragraphs 8.152 to 8.181 on the competitive constraint placed on the Merged Entity by these players). Only IAA and e2e are seen significantly more frequently than Copart (in [REDACTED] and [REDACTED] instances, respectively). The timing of these four opportunities – occurring at a point when Hills Motors had won and been servicing the Ageas contract for over a year – suggests that the infrequency of Hills Motors’ historical appearance against Copart in opportunities may not be a reliable indicator of the frequency with which the Parties would face each other going forward, had the Merger not taken place.

8.81 As to whether the larger of these instances are, on examination, evidence of the Parties competing in practice:

(a) With regard to the [REDACTED] benchmarking exercise, [REDACTED].⁵⁶⁷ It further submitted that Hills Motor was invited to be a part of the benchmarking exercise, as it is a known significant salvage services provider, who partners with other motor insurers.⁵⁶⁸ As such, while it has not been described as a formal tender, it appears that the exercise did allow for competition for the contract. In this regard, both the Parties and the insurer in question have told us that Hills Motors was invited to participate in the benchmarking exercise,⁵⁶⁹ that Hills Motors submitted a response with details on its salvaging services (including recycled parts offering),⁵⁷⁰ but that Hills Motors did not submit a financial offering in the process⁵⁷¹ because e2e had also been invited.⁵⁷²

(b) With regard to the [REDACTED] contract, evidence from Hills Motors’ internal documents indicates that Hills Motors was preparing to bid for both

⁵⁶³ [REDACTED].

⁵⁶⁴ [REDACTED].

⁵⁶⁵ [REDACTED].

⁵⁶⁶ [REDACTED].

⁵⁶⁷ Third-party response to the CMA’s Phase 1 customer questionnaire, October 2022, Annex 2.

⁵⁶⁸ Third-party response to the CMA’s Phase 2 customer questionnaire (previous respondents), December 2022, question 5.

⁵⁶⁹ Parties’ response to the AIS and working papers, paragraph 29; third-party response to the CMA’s Phase 2 customer questionnaire (previous respondents), December 2022, question 5.

⁵⁷⁰ The Parties provided [REDACTED]. [REDACTED]. See [REDACTED] submitted in response to Notice 2 to Hills Motors; Parties’ response to the AIS and working papers, paragraph 29 and Annex 1.

⁵⁷¹ Third-party response to the CMA’s Phase 2 customer questionnaire (previous respondents), December 2022, question 5.

⁵⁷² See Hills Motors’ response to Notice 2 to Hills Motors, document [REDACTED].

salvage services and the recycled parts elements of the insurer's contract prior to the Merger.⁵⁷³ Further, on a call with the members of staff at the insurer responsible for conducting the tender process, the insurer in question confirmed that Hills Motors had been considered a credible participant for all elements of the tender and that Hills Motors would not have been invited to tender if this had not been the case.⁵⁷⁴

(i) We note the Parties' submission that this insurer only invited Hills Motors to tender for the recycled parts element and did not consider it a viable competitor for the salvage services element. However, we are satisfied that the available evidence, consisting of the insurer's decision at the time to invite Hills Motors to tender for both elements and the subsequent unambiguous confirmation provided directly to us by the insurer (which is consistent with that decision), demonstrates that the insurer considered Hills Motors to be a viable competitor for the salvage services element of the tender.

(ii) [REDACTED].⁵⁷⁵ [REDACTED].⁵⁷⁶

(c) With regard to the [REDACTED] tender, [REDACTED].⁵⁷⁷ [REDACTED].⁵⁷⁸

8.82 On balance, based on the evidence set out above, our provisional view is that historically Hills Motors and Copart have not been considered to be alternatives by customers, but that there is evidence of this changing in recent years following Hills Motors winning a contract with Ageas, a large national insurance customer. In particular, as set out above there is evidence of recent competitive interactions notably in relation to [REDACTED], one of the largest insurance customers, which was interested in Hills Motors' proposition, and [REDACTED], another large insurance customer, [REDACTED]. This indicates that going forward the model used by Hills Motors may have had wider appeal with customers particularly in the context of the growing importance of recycled parts where it has a strong position (see chapter 11).

⁵⁷³ Hills Motors, documents '[REDACTED]', '[REDACTED]' and '[REDACTED]' submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁵⁷⁴ Note of a call with a third party, April 2023, paragraphs 7-10.

⁵⁷⁵ Note of a call with a third party, April 2023, paragraph 5.

⁵⁷⁶ Note of a call with a third party, April 2023, paragraph 8.

⁵⁷⁷ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁵⁷⁸ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, questions 7 and 9.

Customer views

The Parties' submissions

- 8.83 The Parties submitted that the Merger is supported by customers. In particular:
- (a) Customers fully support the Merger and have not expressed any concerns about its impact on competition for salvaging services.⁵⁷⁹
 - (b) None of Copart's customers identified Hills Motors as an alternative.⁵⁸⁰
 - (c) The customer evidence gathered by the CMA is overwhelmingly supportive of Copart and Hills Motors not being close competitors and the CMA should give appropriate weight to the customer evidence, since they are in the best position to determine which suppliers are in fact competitors.⁵⁸¹
 - (d) Competitors have a commercial interest in opposing the Merger as it will better enable Copart to compete against those with a recycled parts offering. In the absence of customer opposition to the Merger, the comments received from competitors should not be afforded much weight by the CMA. While competitors generally raised concerns, even they recognised the complementarity between the Parties by acknowledging Hills Motors focuses on recycled parts and Copart on salvaging and only some competitors identified the Parties as both being able to compete for and win national contracts, implying many do not see Hills Motors as being able to compete for and win national contracts. Therefore, even amongst the feedback which is most likely to be tainted by bias, there is evidence of Copart and Hills Motors being differentiated and hence not particularly close competitors.⁵⁸²

Copart's Seller Survey

- 8.84 Copart also submitted a survey that 30 insurance companies responded to, which it refers to as the 'Seller Survey' (the **Seller Survey**).⁵⁸³

⁵⁷⁹ Parties' response to the AIS and working papers, page 2.

⁵⁸⁰ Parties' response to the AIS and working papers, page 2.

⁵⁸¹ Parties' response to the AIS and working papers, section 2.1.4 and paragraph 35.

⁵⁸² Parties' response to AIS and working papers, paragraph 38.

⁵⁸³ [REDACTED]. The Parties told us that [REDACTED] although no corroborating evidence has been provided on this point. Copart's response to Phase 2 RFI dated 23 March 2023 (**Phase 2 RFI 5**) to Copart, questions 1 and 2.

8.85 Copart submitted that the Seller Survey shows that Copart and Hills Motors are not close competitors noting:

- (a) There were 27 respondents to the question 'Do you consider Hills on its own (ie, if not part of the e2e network and not combined with Copart) to be an effective national competitor to Copart in salvaging/auctioning of vehicles?' Of those only one respondent identified Hills Motors (and Copart suspects this was Ageas). The Parties noted that respondents' feedback included that Hills Motors does not provide nationwide coverage, its business is complementary to Copart's as it is a dismantler and recycled parts service, Hills Motors is not of a sufficient size/capacity to be a competitor to Copart and that the respondent had never been approached by Hills Motors.⁵⁸⁴
- (b) There were 24 respondents to the question 'How do you view Copart's planned acquisition of Hills Motors in terms of how it will impact competition for salvaging services?' Of those, only one respondent considered that the acquisition of Hills Motors may impact the competition for salvaging services negatively. The Parties noted that respondents' feedback included that bringing these two businesses together will provide the industry with a better offering, for example, because Copart has been weak in recycled parts, Hills Motors does not have the scale to impact competitiveness in the UK salvage market, the acquisition brings competition to the recycled parts supply market where SYNETIQ were becoming dominant.⁵⁸⁵
- (c) There were 24 respondents to the question 'In your view, will there remain sufficient salvage companies to invite to tender and provide effective competition (ie, do you think you will still have enough choices of salvage providers)?'. Of these, 91.67% believe that there will remain sufficient salvage companies to invite to tender and provide effective competition.⁵⁸⁶

8.86 We have assessed the weight that can be placed on these survey results below (see paragraph 8.97).

⁵⁸⁴ Parties' response to AIS and working papers, paragraph 36.

⁵⁸⁵ Parties' response to AIS and working papers, paragraph 37.

⁵⁸⁶ Parties' response to AIS and working papers, paragraph 67.

Customer evidence provided in response to our investigation

- 8.87 We asked customers to list all salvagers that they believed could meet their requirements (and to rank the suitability of their offering),⁵⁸⁷ whether they considered that the Parties compete closely in relation to the provision of salvage services,⁵⁸⁸ and to provide their views on the impact of the Merger on competition in the supply of salvage services.⁵⁸⁹
- 8.88 On average, customers of the Parties recognised 3.3 salvagers overall (ie, including their current salvager) that could meet their requirements to a greater or lesser extent, and 2.3 alternatives to their existing salvager.⁵⁹⁰
- 8.89 None of Copart's customers identified Hills Motors in responding to this question.⁵⁹¹ By comparison:
- (a) IAA was identified by all of Copart's customers ([~~3~~]) as a salvager that could meet their requirements, albeit with a lower rating on average (2.3) than Copart (3.0).⁵⁹²
 - (b) e2e was identified by two thirds of Copart's customers ([~~3~~]) as a salvager that could meet their requirements, albeit with a lower rating on average (1.9) than Copart (3.0).⁵⁹³
 - (c) Charles Trent was identified by a quarter of Copart's customers ([~~3~~]) as a salvager that could meet their requirements, albeit with a lower rating on average (1.7) than Copart (3.0).⁵⁹⁴
 - (d) Recycling Lives⁵⁹⁵ and SureTrak⁵⁹⁶ were each identified by one of Copart's customers as a salvager that could meet their requirements, albeit with both receiving the lowest rating (1.0).

⁵⁸⁷ From 1-3, where 3 is most suitable, explaining their answer. The CMA's Phase 2 customer questionnaire, December 2022, question 7; and the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁵⁸⁸ We asked customers to explain their answer, including how closely they considered them to compete and why. The CMA's Phase 2 customer questionnaire, December 2022, question 9; and the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁵⁸⁹ The CMA's Phase 2 customer questionnaire, December 2022, question 15; and the CMA's Phase 1 customer questionnaire, October 2022, question 11.

⁵⁹⁰ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁵⁹¹ We also received evidence from one customer of IAA who identified Copart as an alternative, but did not identify Hills Motors. Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁵⁹² Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁵⁹³ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁵⁹⁴ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁵⁹⁵ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁵⁹⁶ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

8.90 Both of Hills Motors' customers that responded to our investigation, including [REDACTED],⁵⁹⁷ identified Copart as a salvager that could meet their requirements in responding to this question. [REDACTED]. In addition:

- (a) Both identified IAA [REDACTED].
- (b) Both identified e2e, [REDACTED].
- (c) One ([REDACTED]) identified SureTrak, [REDACTED].

8.91 When asked whether Copart and Hills Motors compete closely:

- (a) Nine out of 16 customers,⁵⁹⁸ including seven large insurance customers,⁵⁹⁹ said that they did not compete closely and highlighted the differences in their business models⁶⁰⁰ ([REDACTED]).⁶⁰¹
- (b) Four ([REDACTED]) of those customers, three being large insurance customers,⁶⁰² also noted that either Hills Motors did not provide national coverage ([REDACTED]), was not a competitor in terms of size ([REDACTED]) or that Hills Motors could not compete for nationwide salvage services as a standalone business ([REDACTED]).⁶⁰³
- (c) One customer ([REDACTED]) said that they competed moderately, noting their different offerings; one customer ([REDACTED]) said they competed weakly, noting their different offerings and saying that Hills Motors is one of a number of potential purchasers of salvaged vehicles, identifying Charles Trent ([REDACTED]) as another; and one customer ([REDACTED]) noted their different business models, but identified Hills Motors as a strong alternative and Copart as a weak competitor suggesting they compete weakly.⁶⁰⁴
- (d) Two customers ([REDACTED]), including one large insurance customer,⁶⁰⁵ did not express an opinion on the closeness of competition, but noted their different offerings.⁶⁰⁶

⁵⁹⁷ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁵⁹⁸ [REDACTED].

⁵⁹⁹ [REDACTED].

⁶⁰⁰ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 8; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, questions 9.

⁶⁰¹ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁶⁰² [REDACTED].

⁶⁰³ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 8; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, questions 9.

⁶⁰⁴ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 8; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, questions 9.

⁶⁰⁵ [REDACTED]

⁶⁰⁶ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 8; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, questions 9.

- (e) Two customers ([REDACTED]), including one large insurance customer,⁶⁰⁷ did not comment as they did not have a business relationship with one or other of the Parties.⁶⁰⁸ Albeit the large insurance customer said that whilst marginally reduced, competition still exists between the larger organisations such as IAA, e2e and Copart and there are smaller independents operating regionally.⁶⁰⁹

8.92 When asked whether they had any views about the impact of Merger on competition in the supply of salvage services, just over three quarters of customers ([REDACTED]) expressed a view.⁶¹⁰

- (a) Ten ([REDACTED]) customers, including five large insurance customers,⁶¹¹ expressed no concerns.⁶¹² One large insurance customer ([REDACTED]) noted that there are a number of salvage suppliers in the UK⁶¹³ and another customer stated that there were other large companies with similar geographical coverage to Copart and smaller local companies with a strong presence.⁶¹⁴
- (b) Two large insurance customers ([REDACTED]) said that the Merger would improve Copart's offering and another large insurance customer ([REDACTED]) noted that the whole salvage market needs to develop their recycled parts offering to meet demand and growing ESG requirements.⁶¹⁵ More generally, in response to other questions two customers ([REDACTED]), including one large insurance customer ([REDACTED]), noted that the Parties' offerings are complementary.⁶¹⁶
- (c) One large insurance customer ([REDACTED]) said that competition, while marginally reduced, would still exist between the larger organisations

⁶⁰⁷ [REDACTED].

⁶⁰⁸ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 8; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, questions 9.

⁶⁰⁹ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 13.

⁶¹⁰ In a call one additional large national insurance customer said that it does not have any views on whether Copart and Hills Motors are competitors, but assumes Copart will be in a stronger position as a result of the Merger, but that the market has a good range of suppliers and that it does not consider there to be any substantial barriers for potential new entrants. Note of a call with a third party, February 2023, paragraphs 8 and 10.

⁶¹¹ [REDACTED].

⁶¹² Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 1; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 15.

⁶¹³ Similarly another large insurance customer noted that e2e would be able to continue to compete effectively and Copart should also continue to face strong competition from IAA.

⁶¹⁴ [REDACTED].

⁶¹⁵ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 13; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 15.

⁶¹⁶ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, questions 9.

(IAA, Copart and e2e) and that there are smaller independents operating regionally.⁶¹⁷

Our assessment

Customer evidence provided in response to our investigation

- 8.93 The views of customers expressed in response to our investigation show a lack of perceived closeness of competition between the Parties:
- (a) Copart's customers did not identify Hills Motors as a salvager capable of meeting their requirements. While Hills Motors' customers identified Copart as a salvager capable of meeting their requirements, Copart was considered less suitable and they did not consider Copart and Hills Motors to be competing closely. Most customers did not consider Copart and Hills Motors to compete closely due to their differentiated offerings and Hills Motors' size or capacity.
 - (b) Most customers who responded to our questionnaires did not express concerns about the reduction in the number of suppliers of salvage services post-Merger, with only one customer saying that it results in a marginal reduction in competition.
- 8.94 In weighing this evidence in our assessment of the degree of closeness of competition between the Parties, we have had regard to the particular market context in this case, taking into account the small number of significant rivals to Copart in the supply of salvage services and the juncture in time at which the Merger occurred. In this regard:
- (a) The views of customers indicate that customers do not consider the Parties to be competing closely among a relatively small set of alternatives. Customers responding to our questionnaires identified a small number (3.3 on average) of salvagers as capable of meeting their requirements.
 - (b) Of these, the salvagers most frequently identified alternatives to Copart were IAA and e2e, with smaller salvagers (Charles Trent, Recycling Lives and SureTrak) being identified much less frequently by Copart's customers. While Hills Motors was not identified as an alternative by Copart's customers, smaller salvagers were only identified infrequently

⁶¹⁷ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 13.

(Charles Trent by a quarter ([REDACTED]) of Copart's customers and Recycling Lives and SureTrak only once).

- (c) The particular juncture at which the Merger occurred – Hills Motors having won the Ageas contract in 2020 and the value of the recycled parts opportunity to insurers having gained traction relatively recently – may mean that the views of customers today may not be particularly probative as evidence of the degree of closeness of competition between the Parties had the Merger not taken place. For example, half ([REDACTED]) of Copart's customers who responded to our investigation do not appear to have tendered their contracts since 2020 (when Hills Motors won the Ageas contract). By contrast, the observed behaviour of customers in recent competitive interactions suggests that the competitive constraint by Hills Motors on Copart in salvage services was increasing (see paragraph 8.82).⁶¹⁸

8.95 We therefore provisionally consider that, while the views of customers show that the Parties' offerings are differentiated in some respects and that they are not each other's closest competitors, this does not mean that the Parties would not be competing closely – in particular, as two of a small number of rivals with demonstrable capability in servicing large national insurance contracts – had the Merger not taken place. We have considered this evidence on the perception of the Parties by customers together with other evidence on closeness of competition between the Parties, including the evidence on the Parties' observed behaviour in recent opportunities and the consideration of each other in their internal documents (see paragraphs 8.107 to 8.116).

8.96 In light of the above, we have placed limited weight on the limited explicit concerns raised by customers in response to our questionnaires. We note that some customers, including large insurance customers, told us that there may be benefits from the Merger due to the complementary natures of Copart's position in salvage services and Hills Motors' position in dismantling and recycled parts provision. Our framework of assessment set out in our guidelines allows us to take account of efficiencies⁶¹⁹ and relevant customer benefits (**RCBs**)⁶²⁰ when assessing the impact of a merger. In accordance

⁶¹⁸ We note that one of these customers ([REDACTED]) is not an existing customer of Copart or Hills Motors and did not receive a questionnaire.

⁶¹⁹ I.e. efficiencies which: (i) enhance rivalry in the supply of the products where an SLC may otherwise arise; (ii) are timely, likely and sufficient to prevent an SLC from arising; (iii) are merger-specific; and (iv) benefit customers in the UK. [CMA129](#), paragraphs 8.8-8.20.

⁶²⁰ I.e. benefits to UK customers resulting from a merger other than through improved competition in the market related to the SLC finding. [CMA129](#), paragraphs 8.21-8.27.

with that framework, we have included our provisional assessment of efficiencies and commented on RCBs in chapter 12.

Copart's Seller Survey

- 8.97 We consider the Seller Survey to be a customer survey rather than a collection of third-party views because:
- (a) most of the questions provide response scales and the small number of free text questions ask respondents to qualify a previous scale response;
 - (b) the same set of questions has been asked of every respondent and the same response scales provided; and
 - (c) the file is described as 'survey results' and the page header on the report is 'Seller Survey'.
- 8.98 We therefore assess the evidential weight that can be given to the results in line with our survey good practice guide.⁶²¹ In this regard, we note:
- (a) The survey was issued by Copart rather than using a third-party. Copart already has a relationship with most, if not all, of the respondents. This can, unintentionally, lead to the results being influenced by the commercial relationship between Copart and the respondent and this can have a material effect on the results of a survey of this size.⁶²²
 - (b) The email invitation sent to introduce the survey begins 'As part of our ongoing acquisition of Hills Motors Ltd ...'.⁶²³ This frames all the subsequent questions and potentially biases the responses and does not comply with the CMA's 'Good practice in the design and presentation of customer survey evidence in merger cases' which notes that 'there must

⁶²¹ We were not aware of the Seller Survey until it was submitted and therefore had no opportunity to comment on its design. As set out in the CMA's 'Good practice in the design and presentation of customer survey evidence in merger cases' merger parties wishing to conduct a survey are strongly encouraged to contact the CMA in the early stages of the survey process to discuss their proposed design, including a draft questionnaire (if available) and wider aspects of the survey methodology. [Survey_good_practice.pdf \(publishing.service.gov.uk\)](#), paragraph 1.23.

⁶²² We note that Copart also submitted results of surveys of active 'members' (customers that purchase vehicles from it) conducted in August 2022 and January 2023. While in principle the fact that Copart issued those surveys itself could influence the response, we consider that the much larger number of respondents (over 1,300) makes it significantly less likely that individual responses will have a strong influence on the overall results, such that we are able to place moderate weight on the active member survey results.

⁶²³ Copart's response to Phase 2 RFI 5 to Copart, question 1.

be no mention of a merger inquiry: the survey's purpose should be described as seeking customer views more generally'.⁶²⁴

- (c) In addition, for some of the questions we have further concerns relating to the design of the questions.⁶²⁵
- (i) Several questions start with 'How important is ...' such as the question 'How important is it for green parts to be supplied by your salvage provider(s)?'.⁶²⁶ This can lead to social desirability bias⁶²⁷ or reporting of factors as very important even when they are important, but not essential.
 - (ii) The question 'Do you consider Hills on its own (ie, if not part of the e2e network and not combined with Copart) to be an effective national competitor to Copart in salvaging/auctioning of vehicles?'.⁶²⁸ is open to misinterpretation as it implies that Hills Motors only competes by itself, without e2e in 'auctioning' and does not recognise that Hills Motors is competing on the basis of a network similar to e2e's network or with access to its auction platform.

8.99 We therefore do not place material weight on the Seller Survey. We note, however, the Parties' submissions that the results of this survey show that the vast majority of customers do not currently consider Hills Motors as a standalone operator outside of e2e to be an effective national competitor to Copart,⁶²⁹ do not have concerns regarding the impact of the Merger on competition for salvaging services⁶³⁰ and believe that there will remain sufficient salvage companies to invited to tender and provide effective competition.⁶³¹ We address how we have taken account of customers' current perception of Hills Motors – as expressed to us directly – at this juncture in

⁶²⁴ [Survey_good_practice.pdf \(publishing.service.gov.uk\)](#), paragraph 2.37. We do not have the same concerns in relation to the surveys relating to customers that purchase vehicles from Copart, as we understand that at least one iteration of the survey was conducted as part of the normal course of business and, while in the second iteration additional questions were added due to the Merger (Copart's response to Phase 2 RFI 3 to Copart, question 2, paragraph 14; Copart's response to Phase 2 Notice 2, question 2, paragraphs 7 to 9) we have not relied on the results of those questions. Further, the first iteration alone shows that such customers consider a range of sources including eBay, AutoTrader, GumTree and BCA (Copart's response to Phase 2 RFI 3 to Copart, Annex 3).

⁶²⁵ We do not have the same concerns in relation to the active member survey submitted by the Parties where the questions we rely on are phrased as 'How would you classify yourself?' and 'What other companies do you look to purchase vehicles from?'.⁶²⁶

⁶²⁶ Parties' response to AIS and working papers, Annex 4.

⁶²⁷ Social desirability bias is a type of response bias whereby survey respondents tend to answer questions in a manner that will be viewed favourably by others. It can take the form of over-reporting 'good behaviour' or under-reporting behaviour that might be perceived as 'bad' or undesirable.

⁶²⁸ Parties' response to AIS and working papers, Annex 4.

⁶²⁹ Parties' response to AIS and working papers, paragraph 36.

⁶³⁰ Parties' response to AIS and working papers, paragraph 37.

⁶³¹ Parties' response to AIS and working papers, paragraph 67.

time together with other evidence on closeness of competition between the Parties in the context of this case at paragraphs 8.94 and 8.95 above.

Competitor views

The Parties' submissions

8.100 The Parties submitted that competitors have a commercial interest in opposing the Merger as it will better enable Copart to compete against those with a recycled parts offering and that, in the absence of customer opposition to the Merger, the comments received from competitors should not be afforded much weight by the CMA. The Parties further submitted that, while competitors generally raised concerns, even they recognised the complementarity between the Parties – by acknowledging Hills Motors focuses on recycled parts and Copart on salvaging – and only some competitors identified the Parties as both being able to compete for and win national contracts, implying many do not see Hills Motors as being able to compete for and win national contracts. Therefore, even amongst the feedback which is most likely to be tainted by bias, there is evidence of Copart and Hills Motors being differentiated and hence not particularly close competitors.⁶³²

Competitor evidence provided in response to our investigation

8.101 We asked competitors to identify their main competitors in the supply of salvage services in the UK (and to indicate if they compete closely, moderately or weakly),⁶³³ whether they considered that the Parties compete closely in relation to the supply of salvage services⁶³⁴ and to provide their views on the impact of the Merger on competition in the supply of salvage services.⁶³⁵

8.102 When asked to identify their main rivals in the supply of salvage services in the UK and how closely they compete:

⁶³² Parties' response to AIS and working papers, paragraph 38.

⁶³³ The CMA's Phase 2 competitor questionnaire, December 2022, question 6 and the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁶³⁴ We asked competitors to explain their answer, including how closely they considered them to compete and why. The CMA's Phase 2 competitor questionnaire, December 2022, question 9 and the CMA's Phase 1 competitor questionnaire, October 2022, question 9.

⁶³⁵ The CMA's Phase 2 competitor questionnaire, December 2022, question 27 and the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

- (a) All ([REDACTED]) of the competitors responding to our investigation identified Copart as a competitor with all but one identifying it as a close competitor.⁶³⁶
- (b) Just under half of the competitors ([REDACTED]) of the competitors responding to our investigation identified Hills Motors as a competitor⁶³⁷ with two thirds⁶³⁸ of those identifying it as a close competitor and a third⁶³⁹ identifying it as a moderate competitor.
- (c) All of the competitors responding to our investigation ([REDACTED]) also identified IAA with most ([REDACTED]) saying it was a strong competitor⁶⁴⁰ and most of those who were not e2e members ([REDACTED]) also identified e2e with half saying it was close competitor ([REDACTED]).⁶⁴¹
- (d) Other salvagers identified were Charles Trent by a quarter of competitors ([REDACTED]),⁶⁴² Recycling Lives by one competitor,⁶⁴³ ASM by one competitor⁶⁴⁴ and Adam Hewitts by one competitor.⁶⁴⁵

8.103 When asked whether Copart and Hills Motors compete closely:⁶⁴⁶

- (a) Roughly two thirds of competitors responding to our investigation said that Copart and Hills Motors compete closely,⁶⁴⁷ this was based on them tendering for the same contracts⁶⁴⁸ or providing nationwide coverage.⁶⁴⁹ In addition, this was the case despite some noting that their offerings are differentiated.⁶⁵⁰ However, we note that two competitors noted that some competition was through e2e.⁶⁵¹

⁶³⁶ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁶³⁷ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6; third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁶³⁸ [REDACTED].

⁶³⁹ [REDACTED].

⁶⁴⁰ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁶⁴¹ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁶⁴² Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6; third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁶⁴³ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁶⁴⁴ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁶⁴⁵ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁶⁴⁶ One competitor did not comment. Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 9.

⁶⁴⁷ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 9; third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 9.

⁶⁴⁸ [REDACTED].

⁶⁴⁹ [REDACTED].

⁶⁵⁰ [REDACTED].

⁶⁵¹ [REDACTED].

- (b) One competitor said Hills Motors competed through e2e.⁶⁵²
- (c) One said they are not close competitors as they have slightly different business models.⁶⁵³
- (d) One said there is no current competition, but this was because they had contracts with different insurance companies.⁶⁵⁴

8.104 When asked whether they had any views about the impact of the Merger on competition in the supply of salvage services:

- (a) Two thirds (~~3~~) raised a concern that competition for salvage services would be reduced.⁶⁵⁵ This included because:
 - (i) It leaves two large players (Copart and IAA) in the market,⁶⁵⁶ both with a very strong position in the tendering process⁶⁵⁷ (although one⁶⁵⁸ noted that this may benefit e2e to the extent the insurance sector will not like lack of competition).
 - (ii) The Merger strengthens Copart⁶⁵⁹ with some noting how it removes the unique selling point (recycled parts) of its rivals⁶⁶⁰ or weakens the UK consortia who relied on Hills Motors.⁶⁶¹
- (b) A third of competitors (~~3~~) raised no concerns in relation to competition for salvage services.⁶⁶²

Our assessment

8.105 As in any merger inquiry, we recognise that competitors may have an interest in its outcome and that commercial incentives may influence their views. Therefore, when using such views as evidence, we have given due regard to a range of factors including: (i) the incentives of the party giving that view; (ii) the extent to which the party has knowledge relevant to the subject areas

⁶⁵² Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 9.

⁶⁵³ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 9.

⁶⁵⁴ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 9.

⁶⁵⁵ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 17; third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 17; note of a call with a third party, February 2023, paragraphs 14 to 18; note of a call with a third party, January 2023, paragraphs 17 and 18.

⁶⁵⁶ Note of a call with a third party, February 2023, paragraph 20.

⁶⁵⁷ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁶⁵⁸ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁶⁵⁹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁶⁶⁰ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁶⁶¹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 17. We consider further evidence on the impact of the Merger on e2e below.

⁶⁶² Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 17; third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 17.

being explored as part of our assessment; and (iii) the extent to which the view is corroborated by other evidence available to us.

8.106 Consistent with other evidence received and discussed in this chapter, this evidence submitted by competitors indicates that competition in the supply of salvage services takes place among a relatively small number of significant players. We note the different perspective of competitors responding to our investigation as compared to customer respondents as to the degree of closeness of competition between the Parties. In this regard, while we recognise that competitors' views may be influenced by commercial incentives, we consider that they may also be closely attuned to recent developments in the market. Recognising this potential conflict of interest, we have not placed particular weight on the views of competitors on closeness of competition but have considered this evidence in the round with the other evidence assessed in this chapter.

Internal documents

8.107 We gathered and analysed a substantial volume of contemporaneous documentary evidence from the Parties, including internal documents relating to recent tenders and email correspondence regarding the rationale for the Merger and the Parties' business plans.

The Parties' submissions

8.108 The Parties submitted that their internal documents demonstrate that the Parties are not close competitors with Hills Motors barely featuring in Copart's internal documents until such time as Copart was interested in acquiring a recycled parts business.⁶⁶³ The Parties also submitted that the infrequent number of references to Hills Motors⁶⁶⁴ is at least indicative of no material or close competitive constraint from Hills Motors, particularly when consistent with other strong evidence such as the Parties' tender data.⁶⁶⁵

⁶⁶³ Parties' response to the AIS and working papers, paragraph 39.

⁶⁶⁴ [REDACTED] (see further paragraph 8.111(a)).

⁶⁶⁵ Parties' response to the AIS and working papers, paragraph 43. The Parties submitted that the CMA is inconsistent as there are frequent references to BCA, Manheim and other remarketers in Copart's document, yet the CMA treats such competitors as falling outside the relevant market (Parties' response to AIS and working papers, paragraph 43). We note that it is not the frequency with which a company is mentioned that determines the nature of competition between that company and the Parties. Rather it is the context of the documents in which they are mentioned. In paragraphs 7.11 to 7.13 and paragraphs 8.189 to 8.195, we set out our assessment of both the documents the Parties have submitted that refer to BCA, Manheim and other vehicle remarketers as well as other evidence on extent to which such companies compete with the Parties for salvage service customers.

Our assessment

Copart's internal documents

- 8.109 Copart submitted it does not use strategic documents as a matter of course in its business.⁶⁶⁶ The documents submitted by Copart included routine monitoring of other companies,⁶⁶⁷ benchmarking exercises,⁶⁶⁸ business plans and updates (including in relation to specific customer types or more generally)⁶⁶⁹ and documents prepared for communications with customers or general public relations.⁶⁷⁰
- 8.110 Consistent with the other evidence we have gathered and assessed above, Copart's internal documents indicate that its closest competitor is IAA followed by, more distantly, e2e. For example, there are documents where Copart is benchmarking itself against competitors and only IAA or IAA and e2e are included.⁶⁷¹
- 8.111 However, Copart's documents also show that, prior the Merger, it was monitoring Hills Motors alongside a small number of competitors, had taken action against Hills Motors as an identified competitor and was targeting the same customers (including [REDACTED]):

⁶⁶⁶ FMN, paragraph 33.

⁶⁶⁷ For example, Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2 to Copart. 0000249, 'FW: An invitation to you to join our road to tomorrow' 21 May 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000257, [REDACTED] 21 May 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000258, [REDACTED] 21 May 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000259, [REDACTED], 21 May 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000267, [REDACTED], 21 May 2021 submitted in response to Phase 2 Notice 1 to Copart; and Copart, annex COP_0000268, [REDACTED], 21 May 2021 submitted in response to Phase 2 Notice 1 to Copart.

⁶⁶⁸ For example, Copart, annex COP_0000586, [REDACTED], 23 May 2022 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000587, [REDACTED], 23 May 2022 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000580, [REDACTED], 20 May 2022 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000582, [REDACTED], 20 May 2022 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000196, [REDACTED], 7 May 2021 submitted in response to Phase 2 Notice 1 to Copart and Copart, annex COP_0000691, [REDACTED], 5 July 2021 submitted in response to Phase 2 Notice 1 to Copart.

⁶⁶⁹ For example, Copart, annex COP_0000134, [REDACTED], 26 January 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000546, [REDACTED], 7 December 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000549, [REDACTED], 6 August 2021 submitted in response to Phase 2 Notice 1 to Copart; and Copart, annex COP_0000243, [REDACTED], 19 May 2021 submitted in response to Phase 2 Notice 1 to Copart.

⁶⁷⁰ For example, Copart, annex COP_0000307, [REDACTED], 26 May 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000310, [REDACTED], 26 May 2021 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000424, [REDACTED], 2 September 2021 submitted in response to Phase 2 Notice 1 to Copart; and Copart, annex COP_0000425, [REDACTED], 2 September 2021 submitted in response to Phase 2 Notice 1 to Copart.

⁶⁷¹ For example, see Copart, annex COP_0000196, [REDACTED], 7 May 2021 submitted in response to Phase 2 Notice 1 to Copart, [REDACTED]. Similarly Copart, annex COP_0000691, [REDACTED], 5 July 2021 submitted in response to Phase 2 Notice 1 to Copart, shows [REDACTED].

- (a) [REDACTED].⁶⁷² [REDACTED].⁶⁷³ [REDACTED].^{674,675}
- (b) A draft board document dated January 2022 considered [REDACTED].⁶⁷⁶ In relation to this document, the Parties submitted that [REDACTED].⁶⁷⁷ As set out below, we consider that this document does show that Copart viewed Hills Motors and Charles Trent as similar, and we note Copart monitored both of their [REDACTED], but for the reasons outlined below our provisional view that absent the Merger Hills Motors would have been a similar, but closer competitor to Copart than Charles Trent.
- (c) In an email chain [REDACTED].⁶⁷⁸ Copart has submitted that [REDACTED].⁶⁷⁹ However, other documents indicate that [REDACTED]. [REDACTED].⁶⁸⁰
- (d) Internal documents also show that [REDACTED]. [REDACTED].⁶⁸¹ A later email [REDACTED].⁶⁸² The Parties submitted that Copart monitoring Hills Motors' Ageas contract is not evidence of competition as [REDACTED].⁶⁸³ We acknowledge that in the short-term Copart's ability to compete for the Ageas contract may have been limited due to its lack of a recycled parts offering. However, it is still informative that Copart was monitoring the Ageas contract and its lack of a recycled parts offering at that particular time does not mean it would never be able to compete for this contract. As set out above, Copart's internal documents indicate that Copart considered multiple plausible options for delivering a recycled parts offering.⁶⁸⁴
- (e) Internal documents also show that [REDACTED]. [REDACTED].⁶⁸⁵

⁶⁷² As set out in paragraphs 7.11 to 7.13, our provisional view is that other vehicle remarketer such as BCA and Manheim are not in the relevant product market and we consider the out-of-market constraint they place on the Merged Entity below, see paragraphs 8.189 to 8.195. For example, see Copart, annex COP_0000012, '[REDACTED]', 11 January 2021; Copart, annex COP_0000013, '[REDACTED]', 11 January 2021; and Copart, annex COP_0000028, '[REDACTED]', 15 January 2021 all submitted in response to Phase 2 Notice 1 to Copart.

⁶⁷³ See Copart, annex COP_0000367, '[REDACTED]', 16 July 2021; Copart, annex COP_000036, '[REDACTED]', 16 July 2021 and Copart, annex COP_0000359, '[REDACTED]', 1 June 2021 all submitted in response to Phase 2 Notice 1 to Copart.

⁶⁷⁴ See Copart, annex COP_0000321, '[REDACTED]', 26 May 2021; Copart, annex COP_0000322, '[REDACTED]', 26 May 2021; Copart, annex COP_0000323, '[REDACTED]', 26 May 2021; and Copart, annex COP_0000324, '[REDACTED]', 26 May 2021.

⁶⁷⁵ Parties' response to RFI 1, question 1.

⁶⁷⁶ FMN, Annex 17, '[REDACTED]', page 10.

⁶⁷⁷ Parties' response to the AIS and working papers, paragraph 43.

⁶⁷⁸ See Copart, COP_0000450, '[REDACTED]', 8 September 2021.

⁶⁷⁹ Parties' response to the AIS and working papers, paragraph 42.

⁶⁸⁰ Copart, annex COP_0000876, '[REDACTED]', 14 April 2021 submitted in response to Phase 2 Notice 2 to Copart; Copart, annex COP_0000877, '[REDACTED]', 14 April 2021 submitted in response to Phase 2 Notice 2 to Copart. [REDACTED].

⁶⁸¹ For example, see Copart, annex COP_0000228, '[REDACTED]', 23 April 2021; and Copart, annex COP_0000549, '[REDACTED]', 6 August 2021 both submitted in response to Phase 2 Notice 1 to Copart.

⁶⁸² Copart, annex COP_0000493, '[REDACTED]', 3 April 2022 submitted in response to Phase 2 Notice 1 to Copart.

⁶⁸³ Parties' response to the Phase 1 Decision, paragraph 52.

⁶⁸⁴ Copart, annex COP_000587, '[REDACTED]', 23 May 2022, pages 4 -6 submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000906, '[REDACTED]', 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart.

⁶⁸⁵ For example, see Copart, annex COP_0000228, '[REDACTED]', 23 April 2021, slide 1; and Copart, annex COP_0000549, '[REDACTED]', 6 August 2021, slides 27, 29 and 30 both submitted in response to Phase 2 Notice 1 to Copart.

8.112 Consistent with this, Copart’s internal documents indicate that a key driver for the Merger was to respond to competitive threat from IAA. However, they also show that the Merger is additive to Copart’s position in salvaging through the acquisition of Hills Motor’s contracts.

- (a) A presentation titled [REDACTED].⁶⁸⁶ [REDACTED].
- (b) An email from [REDACTED] to [REDACTED] states [REDACTED].⁶⁸⁷
- (c) An email response from [REDACTED] to [REDACTED] dated [REDACTED] states ‘[REDACTED]’.⁶⁸⁸
- (d) An email [REDACTED].⁶⁸⁹

Hills Motors’ internal documents

8.113 Hills Motors submitted it does not use strategic documents as a matter of course in its business.⁶⁹⁰ Hills Motors’s documents included business updates and planning documents,⁶⁹¹ tender documentation,⁶⁹² and documents relating to the administration of the Ageas contract.⁶⁹³

8.114 In addition to the internal documents relating to tenders, benchmarking exercises and Hills Motors’ auction platform described above (as discussed above), other documents submitted by Hills Motors show that, prior to the Merger, Hills Motors had ambitions to continue to compete for salvage service customers, including Copart’s existing customers.

- (a) A document setting out [REDACTED]⁶⁹⁴ – which we understand was produced in December 2020, [REDACTED] – describes how [REDACTED]. It notes that [REDACTED],⁶⁹⁵ [REDACTED]. It highlights [REDACTED].⁶⁹⁶ It concludes, [REDACTED].

⁶⁸⁶ The file name is ‘[REDACTED]’, which we understand refers to an actual or proposed visit from Copart’s Co-CEOs, [REDACTED]. Copart, annex COP_0000906, ‘[REDACTED]’, 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart.

⁶⁸⁷ Copart, Annex COP_0000906, ‘[REDACTED]’, 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart. Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2 to Copart.

⁶⁸⁸ Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2 to Copart.

⁶⁸⁹ Copart, annex COP_0000611, ‘[REDACTED]’, 13 June 2022 submitted in response to Phase 2 Notice 1 to Copart. This document is from June 2022 which is after the announcement of the regulatory approval of the merger of IAA and SYNETIQ (see <https://www.syneti.co.uk/iaa-inc-announces-final-uk-regulatory-approval-of-syneti-acquisition/>).

⁶⁹⁰ FMN, paragraph 34.

⁶⁹¹ For example, Hills Motors’ response to Notice 2 to Hills Motors, document with the file name ‘[REDACTED]’; Hills Motors’ response to Notice 2 to Hills Motors, document with the file name ‘[REDACTED]’.

⁶⁹² For example, Hills Motors’ response to Notice 2 to Hills Motors, document with the file name ‘[REDACTED]’ and Hills Motors’ response to Notice 2 to Hills Motors, document with the file name ‘[REDACTED]’.

⁶⁹³ For example, Hills Motors’ response to Notice 2 to Hills Motors, document with the file name ‘[REDACTED]’; Hills Motors’ response to Notice 2 to Hills Motors, document with the file name ‘[REDACTED]’.

⁶⁹⁴ Hills Motors’ response to Phase 2 Notice 2 to Hills Motors, question 1 and Annex 1; Parties’ response to the AIS and working papers, paragraph 31(d).

⁶⁹⁵ ‘[REDACTED]’.

⁶⁹⁶ ‘[REDACTED]’.

- (b) A document with the file name '[REDACTED]'⁶⁹⁷ that appears to date from September 2021 shows that [REDACTED].⁶⁹⁸ [REDACTED].⁶⁹⁹
- (i) The Parties submitted that it is clear from the document that it concerns Hills Motors targeting insurers for the supply of recycled parts rather than competing against Copart for salvage services, and that this clear from the fact that the insurers listed have all been identified as not currently using recycled parts.⁷⁰⁰ They further submitted that the remark, '[REDACTED]', shows Hills Motors currently competing for recycled parts, not salvage, and submitted that, [REDACTED].⁷⁰¹ Similarly, the Parties submitted that the second remark, '[REDACTED]' does not correspond to any actual action plan, let alone one which came to fruition.⁷⁰²
- (ii) Contrary to the Parties' claims, we consider it clear from the face of the document that Hills Motors was at least considering [REDACTED].⁷⁰³ That these plans hadn't been further formalised or yet come to fruition is not evidence that Hills Motors would not have continued to pursue this strategy had the Merger not taken place.
- (c) A document titled '[REDACTED]' sets out an overview of status of Hills Motors' interactions with actual and potential customers, including [REDACTED] as well as [REDACTED].
- (i) In relation to [REDACTED], it states [REDACTED]. Hills Motors explained to us that [REDACTED].⁷⁰⁴
- (ii) In relation to [REDACTED], it documents that [REDACTED]. [REDACTED].
- (iii) In relation to [REDACTED] it states that '[REDACTED]'.⁷⁰⁵ This suggests that [REDACTED].

8.115 The Parties submitted that it is unfair to compare IAA, which is a large salvager-dismantler with national salvaging capabilities, with Hills Motors.⁷⁰⁶ They further submitted that, given that Hills Motor' proposed 'hybrid model'

⁶⁹⁷ Hills Motors' response to Notice 2 to Hills Motors, document with the file name '[REDACTED]'.

⁶⁹⁸ [REDACTED].

⁶⁹⁹ Hills Motors' response to Notice 2 to Hills Motors, document titled '[REDACTED]', slide 3.

⁷⁰⁰ Parties' response to the Phase 1 Decision, paragraph 50.

⁷⁰¹ Parties' response to the AIS and working papers, paragraph 40. The Parties submitted that this is supported by another document which explicitly states that [REDACTED] (see paragraph 8.114(c) below where we consider this document).

⁷⁰² Parties' response to the AIS and working papers, paragraph 40.

⁷⁰³ For example, in addition to the points set out above, it identifies as a 'Next Action' '[REDACTED]'. Hills Motors' response to Notice 2 to Hills Motors, document titled '[REDACTED]', slide 4.

⁷⁰⁴ Hills Motors' main party hearing transcript, page 38.

⁷⁰⁵ Hills Motors' response to Notice 2 to Hills Motors, document titled '[REDACTED]'.

⁷⁰⁶ Parties' response to the Phase 1 Decision, page 2 and paragraphs 50 and 51. Parties' response to the AIS and working papers, paragraph 40.

referenced in this document refers to salvaging on a regional basis rather than nationally and had never been achieved in practice, it is not evidence of Hills Motors competing closely with Copart, which provides salvaging on a national basis.⁷⁰⁷ While we recognise that this document shows Hills Motors to be targeting winning only a portion of salvaging business – [X] – in the immediate term, we do not consider that this means it was not competing for Copart volumes. Taken together with the other documents discussed above, it shows that Hills Motors was considering actively pursuing different strategies to win a portion of salvaging business (even if only [X]) with a view proving its concept and winning more salvaging business in the longer term.

8.116 The Parties also submitted that the CMA has focused its concerns on merely two Hills Motors' documents which cite Copart.⁷⁰⁸ We note that Hills Motors told us that it does not use strategic documents as a matter of course in its business⁷⁰⁹ and that we have not considered these two documents in isolation.

Provisional view on the closeness of competition between the Parties

8.117 On balance, based on the evidence set out above, our provisional view is that, while historically Hills Motors has placed only a weak constraint on Copart, that the competitive constraint by Hills Motors on Copart was increasing in recent competitive interactions and, absent the Merger, the competitive constraint from Hills Motors would likely have increased further. This is in the context of a market in which competition (in particular for large insurance customers) mainly takes place among a small number of firms.

Remaining constraints post-Merger

8.118 As set out above and in our guidelines, the concern under horizontal unilateral effects relates to the elimination of a competitive constraint by removing an alternative that customers could switch to. The CMA's main consideration is whether there are sufficient remaining good alternatives to constrain the merged entity post-merger.⁷¹⁰

8.119 Where there are few existing suppliers, the merger firms enjoy a strong position or exert a strong constraint on each other, or the remaining constraints on the merger firms are weak, competition concerns are likely.

⁷⁰⁷ Parties' response to the Phase 1 Decision, page 2 and paragraphs 50 and 51. Parties' response to the AIS and working papers, paragraph 40.

⁷⁰⁸ Parties' response to the Phase 1 Decision, page 2 and paragraphs 50 and 51. Parties' response to the AIS and working papers, paragraph 40.

⁷⁰⁹ FMN, paragraph 34.

⁷¹⁰ [CMA129](#), paragraph 4.3.

Furthermore, in markets with a limited likelihood of entry or expansion, any given lessening of competition will give rise to greater competition concerns.⁷¹¹

8.120 In this section we consider the constraint that will remain from alternatives the Merged Entity post-Merger, namely:

- (a) IAA;
- (b) e2e;
- (c) other salvagers; and
- (d) other vehicle remarketers identified by the Parties such as BCA and Manheim

IAA

8.121 IAA supplies salvage services to its customers, including large insurance customers, in-house. At present IAA holds [X] large insurance contracts ([X]).⁷¹² IAA services these contracts in house using 18 sites for salvaging covering [X] acres with a capacity for [X] vehicles.⁷¹³ In contrast, Copart has [X] acres across [X] sites.⁷¹⁴

8.122 IAA's share of supply in salvage services overall was [10-20%] in 2022, down from [10-20%] in 2019, making it the third largest player. However, in relation to the supply of salvage services to insurance companies, it is the second largest player with a share of [10-20%] in 2022 having increased from [10-20%] in 2019. Therefore, IAA is the most comparable salvager to Copart in terms of both market share and its in-house acreage/capacity. However, Copart is [over three] times the size of IAA in the supply of salvage services to insurance customers and its capacity is also significantly greater.

8.123 In 2021, IAA acquired SYNETIQ, creating a vertically integrated competitor, as SYNETIQ was both a salvager and a dismantler active in the supply of recycled parts.⁷¹⁵ The Parties submitted that this acquisition brought together two powerful suppliers and that, in the absence of the Merger, Copart would

⁷¹¹ [CMA129](#), paragraph 4.3.

⁷¹² [X]. Third-party response to Phase 1 questionnaire, Annex 2. [X] of these contracts are for 10,000 – 20,000 vehicles and [X] for roughly 20,000-30,000 vehicles.

⁷¹³ Third-party response to Phase 2 competitor questionnaire (previous respondents), question 7.

⁷¹⁴ Copart's response to Phase 2 RFI 1, Annex 1.

⁷¹⁵ [IAA/SYNETIQ Decision](#), paragraph 21 and 22.

not provide a material competitive constraint on IAA (due to its lack of an in-house dismantling capability). In this regard, Copart submitted that [REDACTED].⁷¹⁶

8.124 Data from the Parties and customers on their most recent tenders indicate that IAA and Copart often compete in tenders.⁷¹⁷ In particular:

(a) IAA competed with Copart in roughly three fifths ([REDACTED]) of the national tenders identified by customers and the Parties since 2018.⁷¹⁸ IAA secured contracts in relation to [REDACTED] of these opportunities.⁷¹⁹ This included IAA securing a contract with LV who switched from Copart. The Parties submitted that this was as a result of Copart not having recycled parts capability.⁷²⁰ [REDACTED].⁷²¹

(b) Hills Motors and SYNETIQ (now part of IAA) both tendered for [REDACTED].⁷²² [REDACTED], Hills Motors and SYNETIQ competed for two of the AA Police contracts of which SYNETIQ won one and neither Hills Motors nor SYNETIQ won the other.⁷²³

8.125 IAA regularly competing with Copart is also consistent with evidence from third parties. In particular:

(a) [REDACTED].⁷²⁴ Further, IAA told us that since the acquisition of SYNETIQ, it has been able to expand its dismantling capacity to process a majority of IAA's Category B vehicles and that it plans to continue expansion in 2023.⁷²⁵ To the extent that provision of recycled parts is important to salvage service customers, this means the constraint from IAA is likely to increase.

(b) All of the Parties' customers ([REDACTED]) who responded to our question as to which salvagers could meet their requirements identified IAA as an

⁷¹⁶ Parties' response to the Phase 1 Decision, paragraph 58.

⁷¹⁷ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, Annex 2; Parties' response to Phase 1 RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'; third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2; note of a call with a third party, February 2023, paragraph 5.

⁷¹⁸ Third-party responses to Phase 1 customer questionnaire, Annex 2; third-party responses to the Phase 2 customer questionnaire, Annex 2, December 2022; third-party responses to the Phase 2 'previous respondents' customer questionnaire, Annex 2; third-party response to Phase 1 competitor questionnaire, Annex 2; Parties' response to Phase 1 RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'; note of a call with a third party, February 2023, paragraph 5.

⁷¹⁹ [REDACTED] Parties' response to Phase 1 RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'; third-party response to Phase 1 competitor questionnaire, Annex 2.

⁷²⁰ Parties' response to the Issues Statement, paragraph 44.

⁷²¹ Note of a call with a third party, February 2023, paragraph 10.

⁷²² Third-party response to Phase 1 customer questionnaire, Annex 2.

⁷²³ Third-party response to the Phase 2 customer questionnaire, Annex 2, December 2022.

⁷²⁴ Third-party response to Phase 1 competitor questionnaire, question 6.

⁷²⁵ Note of a call with a third party, February 2023, paragraphs 6-10.

alternative salvager that could do so.⁷²⁶ Customers generally gave IAA a slightly lower ranking for suitability compared to the Parties.⁷²⁷

- (c) All of the competitors ([REDACTED]) who responded to our question as to who their main competitors are in the supply of salvage services in the UK identified IAA as a main competitor. The majority ([REDACTED]) of these competitors considered IAA to be a close competitor to them.⁷²⁸

8.126 Copart's internal documents also suggest that Copart views IAA as a close competitor in the supply of salvage services. [REDACTED].⁷²⁹ As set out in paragraph 8.112 above, Copart's internal documents indicate that a key driver for the Merger was to respond to competitive threat from IAA, [REDACTED].^{730,731}

8.127 Other internal documents submitted by Copart further evidence competition between Copart and IAA, with [REDACTED].^{732,733,734,735}

8.128 Hills Motors' documents discussed in paragraph 8.114 above show that [REDACTED].^{736,737}

Provisional view on the constraint from IAA

8.129 Overall, we recognise that IAA is a strong competitor to Copart due to its national coverage, auction platform, size in terms of acreage (being the closest competitor in terms of size and thus capacity) and integrated salvage and recycled parts offering. Consistent with this, Copart monitors IAA in its internal documents, and we have evidence of them competing against each

⁷²⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7. This includes one respondent who is not a current customer of either Party.

⁷²⁷ [REDACTED] for IAA when identified compared to [REDACTED] for Copart when identified and [REDACTED] for Hills Motors when identified. Some third parties identified IAA, SYNETIQ or Motorhog. We considered all of these to be a submission for IAA (given that Motorhog was one of the companies that merged to form SYNETIQ). When a third-party identified more than one, we took the highest ranking.

⁷²⁸ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁷²⁹ For example, see: FMN, Annex 17, '[REDACTED]', submitted in response to Phase 2 Notice 1 to Copart, page 10.

⁷³⁰ Copart, annex COP_0000893, '[REDACTED]', submitted in response to Phase 2 Notice 2 to Copart.

⁷³¹ See [REDACTED].

⁷³² For example, see Copart, annex COP_0000012, [REDACTED]; Copart, annex COP_0000013, [REDACTED]; and Copart, annex COP_0000028, [REDACTED] all submitted in response to Phase 2 Notice 1 to Copart.

⁷³³ For example, see Copart, annex COP_0000228, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁷³⁴ For example, see Copart, annex COP_0000196, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart, which [REDACTED]. Similarly Copart, annex COP_0000691, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart [REDACTED].

⁷³⁵ For example, see Copart, annex COP_0000249, [REDACTED]; Copart, annex COP_0000257, [REDACTED]; Copart, annex COP_0000258, [REDACTED]; Copart, annex COP_0000259, [REDACTED]; Copart, annex COP_0000267, [REDACTED]; Copart, annex COP_0000268, [REDACTED]; and Copart, annex COP_0000450, [REDACTED].

⁷³⁶ As described above, [REDACTED]. [REDACTED].

⁷³⁷ As described above, [REDACTED].

other in tenders. Customers and competitors to the Parties identify IAA regularly as an alternative (although IAA is scored slightly lower).

8.130 While IAA remains much smaller than Copart in terms its share of supply of salvage services (overall and in relation to supply to insurance customers), its recent acquisition of SYNETIQ, expansion (see paragraph 8.125(a)) and success in winning the LV contract (see paragraph 8.16) indicates it is becoming a stronger competitor. We therefore provisionally consider IAA to provide a strong competitive constraint on the Merged Entity.

e2e

8.131 e2e is a network of salvage and recycling agents that supply salvage services and recycled parts across the UK for insurance customers.⁷³⁸ Overall it has 32 members, but only 12 of the members are collecting members who provide salvage services, and the remaining members are ATFs with dismantling capabilities. In this regard, the collecting members are vital to e2e.⁷³⁹ Prior to the Merger, Hills Motors was a core collecting member of the e2e network, covering the northwest region and parts of Scotland. We understand that a significant portion ([REDACTED]%) of the services provided by e2e were provided by Hills Motors.⁷⁴⁰

8.132 An internal document from Copart [REDACTED].^{741,742} In contrast, Copart has [REDACTED] acres across [REDACTED] sites.⁷⁴³

8.133 The e2e consortium has [REDACTED] providing it with [REDACTED] vehicles a year⁷⁴⁴ – [REDACTED].⁷⁴⁵ e2e's share of supply in salvage services overall was [5-10%] in 2022, making it the fourth largest player. However, in relation to salvage services supplied to insurance customers, it is the third largest player with a share of [5-10%] in 2022, having decreased from [10-20%] in 2019. Therefore, Copart is over six times the size of e2e in relation to salvage services supplied to insurance customers and, as outlined above, its capacity is also significantly greater.

8.134 The Parties have submitted that:

⁷³⁸ See: [e2e Total Loss Vehicle Management](#).

⁷³⁹ Third-party email to the CMA, October 2022.

⁷⁴⁰ Note of a call with a third party, September 2022, paragraph 12.

⁷⁴¹ [REDACTED]. Copart, annex COP_0000691, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁷⁴² [REDACTED]. Copart, annex COP_0000320, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁷⁴³ Copart's response to Phase 2 RFI 1, Annex 1.

⁷⁴⁴ Third-party response to Phase 1 questionnaire, Annex 2.

⁷⁴⁵ [REDACTED].

- (a) e2e remains a very strong competitor to Copart notwithstanding Hills Motors' exit from the consortium.⁷⁴⁶
- (b) The CMA's evidence (see paragraphs 8.140 to 8.145) on any weakening of e2e following Hills Motors' departure is markedly weak with e2e easily able to redistribute volumes.⁷⁴⁷
- (c) The CMA's AIS suggested that e2e is only 'moderate constraint' on Copart and in doing so placed undue weight on the concerns of e2e members which are not supported by evidence provided by customers. In this regard, the Parties noted that, that over half of Copart's customers identified e2e as a competitor, e2e competed in two-thirds of national tenders identified by customers and no customer believed that Hills Motors leaving e2e would significantly reduce the suitability of e2e's offering for their needs.
- (d) Copart internal documents confirm that Copart considers the threat level from e2e to be the highest, [REDACTED].⁷⁴⁸

e2e prior to the Merger

8.135 Data from the Parties and customers on their most recent tenders indicate that e2e and Copart often compete in tenders.⁷⁴⁹ In particular, Copart and e2e competed for just under half ([REDACTED]) of the national tenders identified by customers and the Parties.⁷⁵⁰ Although one insurance customer ([REDACTED]) that invited e2e to tender in 2018 did not do so when it re-tendered in 2022.⁷⁵¹

8.136 [REDACTED].⁷⁵² [REDACTED].⁷⁵³

8.137 That e2e competes regularly with Copart is also consistent with evidence from third parties. In particular:

⁷⁴⁶ Parties' response to the Phase 1 Decision, paragraph 59.

⁷⁴⁷ Parties' response to the Phase 1 Decision, paragraph 59.

⁷⁴⁸ Response to AIS and working papers, paragraph 59 to 61.

⁷⁴⁹ Third-party responses to Phase 1 customer questionnaire, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire, Annex 2; third-party responses to the Phase 2 'previous respondents' customer questionnaire, Annex 2; 'RF11 – Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'; note of a call with a third party, February 2023, paragraph 5.

⁷⁵⁰ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2; third-party responses to the Phase 2 customer questionnaire, Annex 2, December 2022; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, Annex 2; Parties' response to Phase 1 RF1 1, 'RF11 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'.

⁷⁵¹ Third-party response to the Phase 2 customer questionnaire, Annex 2, December 2022.

⁷⁵² One [REDACTED]. Note of a call with a third party, February 2023, paragraph 2. Both Copart and e2e have reported providing services to another customer. RF11 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'. Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁷⁵³ Third-party response to Phase 1 competitor questionnaire, Annex 2; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 1.

- (a) e2e submitted that it competes strongly with Copart. e2e submitted that this is because Copart is present in all tender opportunities.⁷⁵⁴
- (b) Over two thirds ([REDACTED]) of the Parties' customers who responded to our question as to which salvagers could meet their requirements identified e2e as an alternative salvager that could do so. However, e2e was seen as a weaker alternative to the Parties⁷⁵⁵ and reasons given by customers for this included because e2e's auction facilities are not as advanced,⁷⁵⁶ due to its aggregator model⁷⁵⁷ and concerns about resilience of the network.⁷⁵⁸
- (c) The majority ([REDACTED]) of the Parties' competitors who responded to our question as to who their main competitors are in the supply of salvage services in the UK identified e2e as a competitor for salvage services in the UK.⁷⁵⁹ These competitors considered that e2e is a close or moderately close competitor to them.⁷⁶⁰

8.138 Copart's internal documents show that it considers e2e to be a close competitor in the supply of salvage services. [REDACTED]⁷⁶¹ [REDACTED].^{762,763,764}

Provisional view on the constraint from e2e prior to the Merger

8.139 Based on the evidence set out above, our provisional view is that pre-Merger, e2e was a moderate constraint on the Parties for the following reasons:

- (a) While e2e was identified by many customers as a salvager that could meet their requirements, it was given a materially lower ranking than Copart and IAA – [REDACTED] on average, as compared to [REDACTED] on average for IAA and [REDACTED] on average for Copart⁷⁶⁵ – and Hills Motors when identified

⁷⁵⁴ Third-party response to Phase 1 competitor questionnaire, question 6.

⁷⁵⁵ [REDACTED]. Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁷⁵⁶ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁷⁵⁷ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁷⁵⁸ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁷⁵⁹ This does not include competitors that responded to the CMA's questionnaire and are members of the e2e consortium.

⁷⁶⁰ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁷⁶¹ For example, see: FMN, Annex 17, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart, page 10.

⁷⁶² For example, see Copart, annex COP_0000012, [REDACTED]; Copart, annex COP_0000013, [REDACTED]; and Copart, annex COP_0000028, [REDACTED] all submitted in response to Phase 2 Notice 1 to Copart.

⁷⁶³ For example, see Copart, annex COP_0000549, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart, [REDACTED].

⁷⁶⁴ For example, see Copart, annex COP_0000196, [REDACTED], 7 May 2021, which are some draft slides comparing factors between Copart, IAA, e2e and SYNETIQ (these were from before the merger of IAA and SYNETIQ). Similarly Copart, annex COP_0000691, [REDACTED], 5 July 2021, shows Copart comparing its land bank (and therefore capacity) to e2e.

⁷⁶⁵ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

by Hills Motors' customers.⁷⁶⁶ While e2e participated in just under half of the tenders that Copart participated in, it only won two of those tenders and in both cases is supplying the customer alongside Copart rather than winning the full contract.

- (b) While Copart's internal documents show it was monitoring e2e, this in the context of a market with few players competing for large national insurance contracts where e2e was the third largest salvager and does not in and of itself show that e2e was a strong competitor.

e2e post-Merger

8.140 Following the Merger, e2e has been able to redistribute vehicles to other members of the consortium. It also has non-active members. e2e submitted that most of e2e's members have far more capacity than e2e requires and that it works to improve its non-active members to maintain an inbuilt contingency capacity, it is also looking to expand its network by talking to potential members and its members are investing such that it is having some ongoing organic expansion.⁷⁶⁷

8.141 However:

- (a) The active members in e2e are the most capable operators who are capable of collecting and dismantling vehicles. These members are each allocated territories based on their capability, capacity and salvage yard locations.⁷⁶⁸ e2e further explained that it allocates capacity based on past volumes and proven track record of meeting certain service standards.⁷⁶⁹
- (b) At its hearing, Ian Hill explained that non-collecting members may collect between 10-30 vehicles a week for e2e. In comparison, Hills Motors collects [X] vehicles a week for e2e. Furthermore, non-collecting members have to pay additional fees to e2e to use the auction platform.⁷⁷⁰
- (c) While e2e may have reallocated the volumes from Hills Motors to other members, [X] certain of its members have raised concerns that their competitiveness is reduced as they face increased transportation times

⁷⁶⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁷⁶⁷ Note of a call with a third party, February 2023, paragraphs 9,12 and 13.

⁷⁶⁸ Email from a third party, November 2022.

⁷⁶⁹ Note of a call with a third party, January 2023, page 4.

⁷⁷⁰ Hills Motors' main party hearing transcript, page 35.

and costs as they have to travel further to salvage vehicles from the areas previously covered by Hills Motors.⁷⁷¹

8.142 Only one customer said it might consider e2e to be weaker post-Merger as it believed the e2e network relied on Hills Motors.⁷⁷² However, while customers are not concerned by the loss of Hills Motors from e2e, many of these customers are not current customers of e2e and therefore may not have a good understanding of Hills Motors' role within e2e and the impact of its loss. In addition, these customers generally considered Hills Motors to be a weaker alternative to Copart in any event as outlined above.

8.143 e2e's main customer – [REDACTED] – said that [REDACTED]⁷⁷³ it had not faced any difference in the service levels being provided by e2e, the other e2e members having taken on Hills Motors' vehicle volumes.⁷⁷⁴ [REDACTED].⁷⁷⁵ In addition, while e2e is still achieving its service levels (and e2e also told us it had maintained service standards),⁷⁷⁶ the increased transport costs currently incurred by its members may still mean it is less competitive than it would have been absent the Merger.

8.144 As set out above (see paragraph 8.30(a)), the ability to provide recycled parts is becoming more important for some customers. In this regard, e2e is capable of providing recycled parts to insurance customers and [REDACTED].⁷⁷⁷ However, currently e2e does not have a centralised platform to provide recycled parts [REDACTED].⁷⁷⁸ [REDACTED].⁷⁷⁹ In this regard, [REDACTED]⁷⁸⁰ (see chapter 11).

8.145 Following the acquisition of SYNETIQ by IAA, e2e has also developed its own auction platform. [REDACTED].⁷⁸¹ However:

⁷⁷¹ Note of call with a third-party, February 2023, paragraph 15; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 5; third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 8.

⁷⁷² [REDACTED]. Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 4; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, questions 7 and 8.

⁷⁷³ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 15.

⁷⁷⁴ Note of a call with a third party, February 2023, paragraph 18.

⁷⁷⁵ Third-party response to follow-up questions, April 2023.

⁷⁷⁶ Note of a call with a third party, February 2023, paragraph 18.

⁷⁷⁷ Note of a call with a third party, February 2023, paragraph 6.

⁷⁷⁸ Note of a call with a third party, January 2023, paragraph 14; note of a call with a third party, February 2023, paragraphs 20 and 23.

⁷⁷⁹ Note of a call with a third party, January 2023, paragraphs 14-16.

⁷⁸⁰ Note of a call with a third party, January 2023, paragraph 14; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 5.

⁷⁸¹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 6.

(a) [redacted].⁷⁸²

(b) The same e2e member noted that e2e's auction platform will suffer following the Merger due to the loss of the Hills Motors volumes currently sold through the auction platform.⁷⁸³ We note this would include all the Ageas network volumes that are subcontracted as we understand that, if possible, Copart would like to bring all the Ageas network volumes not collected by Hills Motors in-house following the Merger.⁷⁸⁴

(c) A document setting out [redacted].^{785,786}

Provisional view on the constraint from e2e following the Merger

8.146 On balance, our provisional view is that e2e is likely to be weaker following the Merger for the following reasons:

(a) While customers have not raised concerns about Hills Motors leaving e2e – and its main customer, [redacted], told us that it does not consider its service levels have fallen – customers (in particular, those who are not existing customers of e2e) are likely to have less visibility at this point in time as to the nature and extent of challenges faced by e2e than its members.

(b) e2e's members are likely to face higher transport costs in collecting volumes that would have previously been allocated to Hills Motors which may make e2e less competitive.

(c) [redacted], its offering may be weakened by the loss of Hills Motors given Hills Motors position in recycled parts.

(d) e2e has recently had to develop its own auction platform and that auction platform will lose the volumes from Hills Motors.

Other salvagers

The Parties' submissions

8.147 The Parties have submitted that:

⁷⁸² Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 6.

⁷⁸³ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 6.

⁷⁸⁴ Copart's main party hearing transcript, pages 19 and 20.

⁷⁸⁵ Hills Motors' response to Phase 2 Notice 2 to Hills Motors, question 1 and Annex 1.

⁷⁸⁶ Hills Motors' response to Phase 2 Notice 2 to Hills Motors, Annex 1.

- (a) Charles Trent, Recycling Lives and Redcorn are all of a similar size or larger than Hills Motors.⁷⁸⁷
- (b) The CMA dismisses the competitive constraint imposed by smaller competitors, but itself established that Recycling Lives, SureTrak and Jonathan Lloyd were notable competitors in its IAA/SYNETIQ decision.⁷⁸⁸
- (c) In its Phase 1 Issues Letter regarding the Merger, the CMA identified the Parties, IAA, e2e, Recycling Lives and SureTrak as salvagers that customers with national (UK-wide) contracts had identified as being able to meet their requirements.⁷⁸⁹ It is unclear why the CMA believes this customer data indicates smaller competitors of a similar size to Hills Motors provide only a ‘weak constraint’, but does not rely on the same data to reach the conclusion that Hills Motors exerts an even weaker constraint.⁷⁹⁰
- (d) As noted above (see paragraph 8.85), Copart’s Seller Survey results underline that salvage service customers do not have any concerns regarding the number of suppliers post-Merger. Of 24 respondents, 91.67% believe that there will remain sufficient salvage companies to invite to tender and provide effective competition.⁷⁹¹
- (e) To the extent that the CMA considers Hills Motors active as a national supplier of salvage services (which the Parties do not believe to be the case), this would have to be considered as sponsored entry by Ageas, Hills Motors’ only national contract customer. Under the CMA’s reasoning given Ageas can sponsor Hills Motors to become a nationally active competitor, then other insurers could sponsor other regional players to provide national salvage through a network of suppliers.⁷⁹²

Our assessment

8.148 In considering evidence of the competitive constraint provided by other salvagers we focus on SureTrak, Recycling Lives, Charles Trent, ASM, Silverlake and Combellack, being the only competitors identified as having

⁷⁸⁷ The Parties also identified a longer list of competitors including Jonathan Lloyd, SureTrak, Silverlake, ASM, Reclamet and Overton. Parties’ response to the Phase 1 Decision, paragraphs 64-73.

⁷⁸⁸ Parties’ response to the Phase 1 Decision, paragraphs 61 and 62. [IAA/SYNETIQ Decision](#), paragraph 53.

⁷⁸⁹ Parties’ response to the AIS and working papers, paragraph 64.

⁷⁹⁰ Parties’ response to the AIS and working papers, paragraph 66.

⁷⁹¹ Parties’ response to the AIS and working papers, paragraph 67.

⁷⁹² Parties’ response to the Phase 1 Decision, paragraph 81. Similarly the Parties notes that if the CMA considers that Hills Motors could offer nationwide coverage, that is also true of a number of other e2e network members that could work together to service a contract, particularly if ‘sponsored’ by a large upstream customer. Parties’ response to the Issues Statement, paragraph 16.

been invited to tender by customers who responded to our investigation⁷⁹³ or identified by customers as salvagers that could meet their requirements.⁷⁹⁴ Of these, SureTrak is the only salvager other than the Parties, IAA and e2e that has a large national insurance contract.

8.149 The Parties have identified constraint from additional salvagers such as Jonathan Lloyd, Redcorn, Reclamet and Overton. We do not consider these salvagers individually in detail below because:

- (a) none of these salvagers were identified as having competed in a tender by the Parties or any of Copart's or Hills Motors' customers that responded to our investigation such that there is no evidence of them competing against the Parties;
- (b) none of these salvagers were identified by any of Copart's or Hills Motors' customers as being able to meet their requirements; and
- (c) there is no evidence of these salvagers having large national contracts. For example, [REDACTED].⁷⁹⁵ In addition, while Redcorn appears to salvage large volumes of vehicles based on its website, its focus appears to be on contracts with local authorities rather than competing for insurance customers, which make up the majority of the Parties' volumes. For example, Redcorn describe itself as 'London's largest ELV and nuisance vehicle contractor' and an 'ELV and Nuisance Vehicle Specialist'.⁷⁹⁶

8.150 As regards the Parties' submissions with respect to the results of Copart's Seller Survey, we do place material weight on Copart's Seller Survey for the reasons set out above (see paragraph 8.98). More generally, we consider the views of customers alongside other evidence set out below when assessing the constraint from other salvagers, as detailed below.

8.151 With regards to sponsored entry, we do not consider that Ageas sponsored Hills Motors or that insurance companies will do so for other smaller salvagers. We recognise that Hills Motors had previously worked for the incumbent eSalvage to service the Ageas contract. However, Ageas told us that they issued a request for proposal to which Hills Motors, eSalvage and SYNETIQ responded to compete for the contract. Ageas assessed each supplier's response and heard presentations by all three suppliers before

⁷⁹³ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2, third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, Annex 2.

⁷⁹⁴ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁷⁹⁵ Third-party response to CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁷⁹⁶ [About us - Redcorn Ltd](#) and [Local Authorities - Redcorn Ltd](#).

choosing Hills Motors for the contract. Further, while Ageas told us that the GPS platform was a key strength in the contract competition because of its unique platform that enabled Hills Motors to offer efficient and reliable green parts supply, it also told us that the GPS platform was set up and already in operation before Hills Motors won Ageas' salvage contract and Ageas was not involved in the creation of the GPS platform.⁷⁹⁷ We therefore consider that Ageas did not sponsor Hills Motors and that Hills Motors won the Ageas contract based on its response to the RFP. Furthermore, one of the largest insurance customers told us that it has not considered sponsoring entry of a smaller salvager into the market.⁷⁹⁸

Charles Trent

8.152 Charles Trent is a member of the e2e consortium. Charles Trent currently has [REDACTED] sites covering [REDACTED] acres with capacity for [REDACTED].⁷⁹⁹ By comparison Hills Motors has two sites where it engages in salvaging covering [REDACTED] acres (one of which has two adjacent sites covering [REDACTED] acres).⁸⁰⁰

8.153 Charles Trent holds one small insurance contract independently⁸⁰¹ and received over 20,000 vehicles in 2022 from its ownership of motorwise.com. Charles Trent's share of supply of salvage services overall was [0-5%] in 2022 making it the sixth largest player (its share having declined from [5-10%] in 2019 when it was the fifth largest player). However, in relation to salvage services supplied to insurance customers, its share is just [0-5%] in 2022, having decreased from [0-5%] in 2019.

8.154 This shows that Charles Trent, while historically a larger player than Hills Motors in the supply of salvage services overall, it does not have a material independent presence in relation to insurance customers (which make up the majority of the Parties' volumes). Rather, most of its vehicles are purchased from members of the public via motorwise.com.

8.155 [REDACTED].⁸⁰² [REDACTED].⁸⁰³

8.156 Charles Trent said that it is not currently set up to source work directly from motor insurers and to spread it around the e2e network, which would be a big change to the way its business is currently set up.⁸⁰⁴ Charles Trent said that

⁷⁹⁷ Note of a call with a third party, February 2023, paragraphs 1 and 2.

⁷⁹⁸ Note of a call with a third party, February 2023, paragraph 18.

⁷⁹⁹ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 7.

⁸⁰⁰ Parties' response to Phase 2 RFI 1, question 13. [REDACTED]

⁸⁰¹ [REDACTED]. Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁸⁰² Note of a call with a third party, September 2022, paragraph 11.

⁸⁰³ Note of a call with a third party, September 2022, paragraph 10.

⁸⁰⁴ Note of a call with a third party, March 2023, paragraph 22.

the two biggest barriers to creating a national network would be costs – in terms of having the right people and IT systems in place – and length of time it takes to secure national contracts and build relationships with insurers. On the former, Charles Trent said that it would have to incur further costs to handle a national network as its current system is just set up to meet its own need.⁸⁰⁵ Based on Charles Trent’s experience of building its current system, it could cost anything up to £1 million to develop an IT system suitable for managing a national network and to recruit the right skills and expertise, invest in marketing and new business initiatives, etc.⁸⁰⁶

8.157 Charles Trent also explained that it has recently invested over £10 million in a new reverse production line which needs a large volume of vehicles.⁸⁰⁷ This suggests that, even if its current systems are not designed to deal with a national contract, in the future Charles Trent has an incentive to compete harder for salvage service customers including insurance customers given it also said that [REDACTED].⁸⁰⁸

8.158 In this regard, tender data provided by the Parties and customers indicates that Copart competed against Charles Trent in two tenders for insurance customers ([REDACTED]) including one large customer ([REDACTED]) with over 10,000 vehicles ([REDACTED]) vehicles.⁸⁰⁹ Charles Trent lost one of these opportunities ([REDACTED]) to Copart when it had been the incumbent.⁸¹⁰ The other opportunity is still ongoing [REDACTED].⁸¹¹ [REDACTED].⁸¹²

8.159 Further, three of Copart’s customers identified Charles Trent as an alternative including the one where Charles Trent had been invited to tender as the incumbent.⁸¹³ Two ([REDACTED]) of these customers gave Charles Trent a moderate rating and one a weak rating ([REDACTED]), with the customer that invited Charles Trent to tender giving it a moderate rating and stating that Charles Trent are more focused on dismantling and do not have a profit share model.⁸¹⁴

8.160 Three competitors identified Charles Trent as a main competitor with one ([REDACTED]) identifying it as a strong competitor and describing it as a ‘Mid-tier player’, one ([REDACTED]) as a moderate competitor and one [REDACTED] as a weak

⁸⁰⁵ [REDACTED].

⁸⁰⁶ Note of a call with a third party, March 2023, paragraph 22.

⁸⁰⁷ Note of a call with a third party, March 2023, paragraph 11.

⁸⁰⁸ Third-party response to the CMA’s Phase 2 supplementary questionnaire, March 2023, question 4.

⁸⁰⁹ Third-party response to the CMA’s Phase 1 customer questionnaire, October 2022, Annex 2; third-party response to the CMA’s Phase 2 customer questionnaire, December 2022, Annex 2; third-party response to the CMA’s Phase 2 customer questionnaire (previous respondent), December 2022, question 3 and Annex 2.

⁸¹⁰ Parties’ response to RFI 1, ‘RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities’.

⁸¹¹ Third-party response to a follow-up question, March 2023

⁸¹² Third-party response to the CMA’s Phase 2 customer questionnaire (previous respondent), December 2022, question 3 and Annex 2.

⁸¹³ Third-party responses to the CMA’s Phase 2 customer questionnaire, December 2022, question 7.

⁸¹⁴ Third-party response to the CMA’s Phase 2 customer questionnaire, December 2022, question 7.

competitor, but noting that it is slowly starting to offer a national network to insurance companies. By comparison, all three of these competitors and three others ([REDACTED]) also identified Hills Motors as a main competitor (all identifying Hills Motors as a strong competitor). The competitor ([REDACTED]) that identified Charles Trent as a weak competitor, identified Hills Motors as a moderate competitor, noting that Hills Motors' national coverage was starting to grow.⁸¹⁵

8.161 Copart's internal documents show that it considered Charles Trent in a similar way to Hills Motors. In particular, [REDACTED].⁸¹⁶ [REDACTED].⁸¹⁷

- *Provisional view on the constraint from Charles Trent*

8.162 This evidence suggests that Charles Trent was considered by Copart to be similar to Hills Motors, that Charles Trent has an increased incentive to compete for salvage service customers including insurance customers and that some customers have considered it as an alternative. However, we place more weight on the fact that Charles Trent has not so far secured any large national insurance contracts and has relatively limited capacity itself such that it would likely need to replicate a network similar to Hills Motors, but has no proven track record of doing so on an independent basis, unlike Hills Motors.

8.163 On balance, based on the evidence set out above, our provisional views is that historically Charles Trent has placed only a weak constraint on Copart. As with Hills Motors, we expect the competitive constraint from Charles Trent to increase in the future, for example, due to its recent investments. However, we consider that the constraint would not have been as strong as that of Hills Motors given Hills Motors' more developed IT systems and proven track record of servicing a large national insurance contract outside of e2e.

Recycling Lives

8.164 Recycling Lives is an independent salvager and dismantler and has eight sites covering [REDACTED].⁸¹⁸ By comparison Hills Motors has two sites where it engages in salvaging covering [REDACTED]⁸¹⁹ and Copart has [REDACTED] acres across [REDACTED] sites.

⁸¹⁵ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6; third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 6.

⁸¹⁶ For example, Copart, annex COP_0000012, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart; Copart, annex COP_0000013, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart; and Copart, annex COP_0000028, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁸¹⁷ [REDACTED].

⁸¹⁸ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁸¹⁹ Parties' response to Phase 2 RFI 1, question 13. [REDACTED].

- 8.165 While Recycling Lives provide salvage services to some insurance companies, this is for a very small number of vehicles per year.⁸²⁰ Recycling Lives' share of supply in salvage services overall was [20-30%] in 2022, making it the second largest player, its share having increased from [10-20%] in 2019 when it was the third largest player. However, in relation to salvage services supplied to insurance customers, its share was just [0-5%] in 2022, having decreased from [0-5%] in 2019.
- 8.166 This shows that Recycling Lives, while a sizeable player in the supply of salvages overall, does not have a material presence in relation to insurance customers, which make up the majority of the Parties' volumes. Rather Recycling Lives purchases most of its vehicles from households and its second largest source is salvage service contracts with police forces.⁸²¹
- 8.167 When asked if it had ever tendered for an insurance company contract, Recycling Lives told us that it handles a small volume of vehicles from very small insurance contracts it gained from its acquisition of Raw2K 5-6 years ago. [REDACTED].⁸²² Recycling Lives said that its business model is based on vehicle scrapping and it does not have the large vehicle storage capacity of salvagers like Copart because the process and turnover of vehicle scrapping is much quicker than vehicle salvaging.⁸²³ This is reflected in the fact Recycling Lives acreage is much smaller than Copart's and comparable to Hills Motors despite it handling more vehicles in total.
- 8.168 Tender data provided by the Parties and customers indicates that:
- (a) Copart competed against Recycling Lives in four tenders. Of these opportunities:
- (i) One was a police contract which Recycling Lives won.⁸²⁴
- (ii) One was with a large insurance company ([REDACTED]) in 2018 which Copart won [REDACTED].⁸²⁵
- (iii) Two of the tenders were with the same large insurance company ([REDACTED]). One was in 2018 and won by Copart.⁸²⁶ The other is ongoing [REDACTED].⁸²⁷

⁸²⁰ [REDACTED]. Note of a call with a third party, paragraph 10.

⁸²¹ Note of a call with a third party, paragraphs 1 and 2.

⁸²² Email from a third party, April 2023.

⁸²³ Note of a call with a third party, paragraph 10.

⁸²⁴ Parties' response to the Issues Statement, paragraph 44.

⁸²⁵ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2.

⁸²⁶ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2.

⁸²⁷ Third-party response to a follow-up question, March 2023.

(b) Hills Motors competed against Recycling Lives in [REDACTED] police contracts with Recycling Lives winning [REDACTED] of those tenders and Hills Motors none.⁸²⁸

8.169 Copart's customer that has twice invited Recycling Lives to tender did identify Recycling Lives as an alternative, but gave it the lowest ranking for its offering based on its past tender response⁸²⁹ and as outlined above [REDACTED].⁸³⁰

8.170 One competitor ([REDACTED]) who responded to our question as to who their main competitors are in the supply of salvage services in the UK identified Recycling Lives as a weak competitor as it does not currently operate in the same areas. By comparison, that competitor identified Hills Motors as a moderate competitor noting that Hills Motors' national coverage was starting to grow.⁸³¹

8.171 Evidence from Copart's internal documents is consistent with the other evidence set out above.

(a) [REDACTED].⁸³² This is consistent with our understanding of Recycling Lives business model which focuses on contracts with police forces and purchasing vehicles for scrapping from members of the public.⁸³³

(b) As noted above (see paragraph 8.111(c)), Copart's internal documents indicate that [REDACTED]. [REDACTED].⁸³⁴

- *Provisional view on the constraint from Recycling Lives*

8.172 While Recycling Lives has been invited to tender by some of Copart's customers, including insurance customers, we place more weight on the evidence from Recycling Lives on its current business model not focusing on insurance customers and its observed behaviour [REDACTED]. Given this and that insurance customers account for the majority of the Parties' volumes, our provisional view is that Recycling Lives will only place a weak constraint on the Merged Entity.

⁸²⁸ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2.; Parties' response to the Phase 1 Decision, paragraph 32.

⁸²⁹ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁸³⁰ Third-party response to a follow-up question, March 2023

⁸³¹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 6.

⁸³² FMN, annex 17, slide 19.

⁸³³ Note of a call with a third party, paragraphs 1 and 2.

⁸³⁴ [REDACTED]. Copart, annex COP_0000961, '[REDACTED]', 15 July 2022 submitted by Copart in response to Phase 2 Notice 2 to Copart.

SureTrak

- 8.173 SureTrak uses a subcontracted network of independent salvagers.⁸³⁵
- 8.174 [REDACTED].⁸³⁶ SureTrak's share of supply in salvage services based overall was [0-5%] in 2022, making it the eighth largest player, its share having declined from [5-10%] in 2019 when it was the sixth largest player. In relation to salvage services supplied to insurance customers, its share is larger at [0-5%] in 2022 having decreased from [0-5%] in 2019.
- 8.175 [REDACTED].^{837,838,839}
- 8.176 Tender data provided by the Parties and customers indicates that Copart competed against SureTrak in three tenders, all with large insurance customers. Of these opportunities:
- (a) one was with a large insurance company ([REDACTED]) in 2018 which Copart won [REDACTED];⁸⁴⁰
 - (b) one was with a large insurance company ([REDACTED]) where SureTrak and e2e were the incumbent suppliers, but Copart and e2e won the tender;⁸⁴¹ and
 - (c) one was with a large insurance company ([REDACTED])⁸⁴² [REDACTED].⁸⁴³
- 8.177 One of Copart's customers identified SureTrak as a salvager that could meet its requirements, giving it the lowest ranking for its offering. While that customer invited SureTrak to a tender in 2016 it did not do so when retendering in 2020.⁸⁴⁴ Similarly one of Hills Motors' customers identified SureTrak as a salvager that could meet its requirements, giving it the lowest ranking for its offering for strength of offering due to SureTrak not having a recycled parts distribution.⁸⁴⁵
- 8.178 No competitors other than the Parties identified SureTrak as a main competitor.

⁸³⁵ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 11.

⁸³⁶ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁸³⁷ Email from third-party, November 2022.

⁸³⁸ [REDACTED].

⁸³⁹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁸⁴⁰ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2.

⁸⁴¹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2.

⁸⁴² Email from third-party, November 2022.

⁸⁴³ [REDACTED].

⁸⁴⁴ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7 and annex 2.

⁸⁴⁵ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

8.179 Copart's internal documents [REDACTED].⁸⁴⁶ However, when assessing the [REDACTED].
[REDACTED].⁸⁴⁷

8.180 Finally [REDACTED]. [REDACTED].^{848, 849, 850}

- *Provisional view on the constraint from SureTrak*

8.181 While SureTrak has been invited to tender by some of Copart's insurance customers and identified by one of Hills Motors' customers, its performance in tenders has not been strong [REDACTED]. In addition, [REDACTED] and as such our provisional view is that SureTrak is likely to place a weak constraint on the Merged Entity going forward.

Silverlake, ASM and Combellack

8.182 Silverlake, ASM and Combellack are members of e2e consortium. We understand that Silverlake has [REDACTED] covering [REDACTED] acres,⁸⁵¹ ASM has [REDACTED] sites covering [REDACTED] acres⁸⁵² and Combellack has a [REDACTED] site covering [REDACTED] acres.⁸⁵³ By comparison Hills Motors has two sites where it engages in salvaging covering [REDACTED].⁸⁵⁴

8.183 In terms of their position in the market:

- (a) Silverlake's share of supply in salvage services based on all vehicles was [0-5%] in 2022. However, we understand that it does not independently source any vehicles from insurance customers⁸⁵⁵ with the main independent sources of vehicles coming from police forces and a large number of end-of-life vehicles from members of the public and trade.⁸⁵⁶
- (b) ASM's share of supply in salvage services based on all vehicles was just [0-5%] in 2022. ASM receives some volumes independently from

⁸⁴⁶ For example, in Copart, annex COP_0000228, '[REDACTED]', 23 April 2021 submitted in response to Phase 2 Notice 1 to Copart, [REDACTED]. Also see Copart, annex COP_0000549, '[REDACTED]', 6 August 2021 submitted in response to Phase 2 Notice 1 to Copart.

⁸⁴⁷ FMN, annex 17, slide 19.

⁸⁴⁸ Hills Motors' main party hearing transcript, page 13.

⁸⁴⁹ Email from [REDACTED], November 2022.

⁸⁵⁰ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 15.

⁸⁵¹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁸⁵² Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁸⁵³ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 10.

⁸⁵⁴ Parties' response to Phase 2 RFI 1, question 13. [REDACTED].

⁸⁵⁵ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 2.

⁸⁵⁶ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, Annex 1.

insurance companies⁸⁵⁷ such that its share of supply in relation to insurance vehicles is slightly larger at [0-5%].

- (c) Combellack's share of supply in salvage services based on all vehicles was just [0-5%] in 2022. Combellack only received one vehicle directly from an insurance company in 2022,⁸⁵⁸ but it has a direct contract with the AA in relation to police disposal services in Devon and Cornwall.⁸⁵⁹

8.184 More generally:

- (a) Silverlake told us that it is a standalone, regional dismantling business that operates as an active member of e2e and has dedicated all its resources to supporting e2e.⁸⁶⁰
- (b) ASM told us that it tenders through e2e for national contracts as the only other option would be to sub-contract significant volumes.⁸⁶¹
- (c) Combellack told us that it does not provide national coverage and operates in South West England.⁸⁶²

8.185 Tender data provided by the Parties and customers indicates that Copart did not compete against these salvagers. However, in relation to tenders relating to police forces Hills Motors competed against [X]. Hills Motors did not win any of these tenders.⁸⁶³

8.186 These salvagers were not identified by any customers as alternatives to the Parties. In addition, Silverlake and Combellack were not identified by competitors who responded to our question as to who their main competitors are in the supply of salvage services in the UK. ASM was only identified by one competitor ([X]) responding to this question and that competitor said ASM was a moderate competitor. This competitor identified Hills Motors as a moderate competitor.⁸⁶⁴

⁸⁵⁷ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 1 and Annex 2; third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 3 and Annex 1.

⁸⁵⁸ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 2

⁸⁵⁹ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁸⁶⁰ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 4.

⁸⁶¹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 4.

⁸⁶² Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 3.

⁸⁶³ Combellack was identified as competing in tenders by one of Hills Motors' customers, but only in a separate geographic region. Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2.

⁸⁶⁴ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

8.187 When assessing the ‘competitor landscape’ Silverlake and ASM were identified as a ‘tertiary’ competitors by Copart. Tertiary competitors were described as ‘individually they have the ability to steal a bit of our business. Cumulatively that would be significant’.⁸⁶⁵

- *Provisional view on the constraint from Silverlake, ASM and Combellack*

8.188 On balance, our provisional view is that this evidence indicates that these salvagers place a weak constraint on the Merged Entity.

Constraint from other vehicle remarketers

8.189 While our provisional view is that other vehicle remarketers such as BCA and Manheim are not in the market for salvage services, we have considered whether they place an out-of-market constraint on the Merged Entity. In particular, the Parties submitted that there are additional strong competitors not considered by the CMA who are identified as strong threats by Copart. These include BCA, Cox Automotive (who own Manheim) and Aston Barclay.⁸⁶⁶

Our assessment

8.190 As set out in paragraphs 7.11 to 7.13, evidence received by the CMA shows that these companies do not, for the most part, compete with salvagers for the same types of contract. In particular, customers did not independently identify BCA or Manheim, did not consider them alternatives when asked and evidence does not show Copart competing in the same tenders as these companies.

8.191 In addition, Manheim told us it does not operate in the salvage area, in which Copart is a specialist, and therefore does not compete with Copart. The cars Manheim receives from fleets are generally end-of-lease vehicles, which may have wear and tear, be damaged or have defects and malfunctions but are still road worthy and not like those involved in major accidents. Whereas Copart mainly deals with recovered vehicles which are not road worthy or scrapped, while Manheim is not a recovery agent. Manheim identified itself as competing with BCA (whose suite of services it considers are very similar to Manheim’s) as well as other independent auctions like Aston Barclay.⁸⁶⁷ BCA

⁸⁶⁵ FMN, annex 17, slide 19.

⁸⁶⁶ FMN, paragraph 135.

⁸⁶⁷ Note of a call with a third party, January 2023, paragraphs 3, 6-7. 11-12.

stated that it is very rare for it sell any vehicle that would be deemed to be salvage therefore it did not see the Parties as competitors.⁸⁶⁸

8.192 More generally, we understand from the Parties that BCA and Manheim's customers include fleet companies, contract hire and leasing companies, and dealer groups.⁸⁶⁹ Based on data from the Parties we understand that such customers make up only a small proportion of their vehicles.⁸⁷⁰

8.193 Further, Copart's internal documents indicate that while Copart and vehicle remarketers may have some common customers (eg, both may service fleet customers) – [REDACTED]⁸⁷¹ – the overlap in their offerings is limited and they generally service different needs. For example:

(a) A document titled [REDACTED].⁸⁷²

(b) A document titled [REDACTED]. [REDACTED].⁸⁷³

8.194 The Parties and other vehicle remarketers such as BCA do overlap in purchasing vehicles from the general public (eg BCA's webuyanycar offering). However, based on data from the Parties this makes up a relatively limited proportion of their vehicles⁸⁷⁴ and, as outlined above, for the Parties these are likely to be old, damaged or faulty vehicles.

Provisional view on other vehicle remarketers

8.195 Overall, BCA, Manheim and Aston Barclay are not being identified by customers or competitors or appearing regularly in tenders. Our provisional view therefore is that BCA, Manheim and Aston Barclay do not provide a competitive constraint on the Parties in relation to the supply of salvage services.

⁸⁶⁸ Email from a third party, February 2023.

⁸⁶⁹ Parties' Response to the Phase 1 Decision, paragraph 84.

⁸⁷⁰ [REDACTED]% of all Copart customers volumes are classified as coming from the following customer types 'rental', 'fleet management', 'finance company' or 'finance company; fleet management'. [REDACTED]% for all of Hills Motors customers volumes are classified as coming from the following customer types 'fleet management', 'claims management; fleet management', 'other; fleet management', 'insurer; fleet management'. Copart's response to Phase 2 Notice 1, annex 3, Q13, and Hills Motors' response to Phase 2 Notice 1, annex 3, Q13.

⁸⁷¹ Copart, annex COP_0000272, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁸⁷² Copart, annex COP_0000134, [REDACTED], slides 2, 5 and 7 submitted in response to Phase 2 Notice 1 to Copart.

⁸⁷³ Copart, annex COP_0000546, [REDACTED], slides 3, 4, 5 and 6 submitted in response to Phase 2 Notice 1 to Copart.

⁸⁷⁴ [REDACTED]% for Copart ([REDACTED]) and [REDACTED]% for Hills Motors ([REDACTED]). Copart response to Phase 2 Notice 1, Annex 3, Q13 and Hills Motor's response to Phase 2 Notice 1, Annex 3, Q13.

Provisional conclusion on horizontal unilateral effects in the supply of salvage services in the UK

8.196 For the reasons given above, we have provisionally found that the Merger has resulted or may be expected to result in an SLC in the supply of salvage services in the UK.

9. Horizontal unilateral effects in the supply of damaged and other used vehicles to dismantlers in the UK

9.1 We have provisionally found that the Merger has not and may not be expected to give rise to an SLC as a result of horizontal unilateral effects in the supply of damaged and other used vehicles to dismantlers in the UK.

9.2 As set out above, we provisionally consider that the market for the supply of damaged and other used vehicles to dismantlers in the UK includes vehicles sourced from salvage service customers (directly or indirectly, via subcontracting arrangements or purchasing from salvager auctions) but excludes vehicles sourced from other vehicle remarketers (eg BCA and Manheim) and platforms listing vehicles for sale.

9.3 Available share of supply data indicate that the Merged Entity has a high share of supply of damaged and other used vehicles to dismantlers in the UK. In our assessment, we estimated shares of supply on two bases:

(a) While insurance vehicles (and, in particular, Category B vehicles) are of particular importance to dismantlers, dismantlers on occasion dismantle Category S or N vehicles and also use a material number of uncategorised vehicles for dismantling for recycled parts (in particular, for parts supplied to other (non-insurance) customers). Therefore, in considering the market for the supply of damaged and other used vehicles to dismantlers in the UK, we took as a starting point our share of supply estimates for the supply of salvage services (recognising that not all vehicles handled by a salvager will be equivalent substitutes for dismantlers). As set out in Table 8.1 above, the share of supply data for 2022 show that Copart [40-50%] is the largest supplier of vehicles, followed by Recycling Lives [20-30%], IAA [10-20%], e2e [5-10%] and Hills Motors [0-5%]. There is a tail of smaller salvagers and consortia, including Charles Trent [0-5%], Silverlake [0-5%] and SureTrak [0-5%].

(b) However, as these estimates capture all vehicles supplied by salvagers – and not just those most suitable for dismantling – they do not accurately capture the relative volumes of suppliers of vehicles used by dismantlers. We therefore estimated shares of supply in the supply of Category B

vehicles, see Table 11.1 below. These show that the Merged Entity has a share of supply of [60-70%] and an increment of [5-10%] of the supply of Category B vehicles (attributing to Hills Motors the volumes of Category B vehicles it supplies to subcontractors). Other suppliers of Category B vehicles include IAA [10-20%] and e2e [5-10%] (attributing to e2e the volumes of Category B vehicles that they supply to e2e members).

9.4 However, evidence received from dismantlers shows that the Parties are not significant alternatives to each other in the supply of damaged and other used vehicles to dismantlers in practice.

(a) Copart sells damaged and other used vehicles to dismantlers – including Category B vehicles (the vehicles most suitable for dismantling) to verified licensed dismantlers – via auction, whereas the vast majority of vehicles supplied by Hills Motors to dismantlers are supplied through sub-contracting arrangements. Hills Motors does not sell Category B vehicles to dismantlers (but rather dismantles them in-house). Consistent with this, a very small proportion of Hills Motors' vehicles sold at auction were sold to dismantlers in 2022.⁸⁷⁵

(b) Hills Motors supplies vehicles via sub-contracting to a limited sub-set of all dismantlers. Hills Motors supplies damaged and other used vehicles, including Category B vehicles, to vertically integrated dismantlers via sub-contracting arrangements pursuant to the Ageas contract. Some of these dismantlers identified Copart as an alternative to Hills Motors.⁸⁷⁶ However, these are only a limited subset of dismantlers: there were [X] dismantlers who received volumes as part of Hills Motors' Ageas network in 2021 as compared to 79 VRA-certified dismantlers.⁸⁷⁷ Further, this 79 are just a subset of all the dismantlers active in the UK.⁸⁷⁸ For example, there are large dismantlers such as Recycling Lives who are not VRA-certified.⁸⁷⁹

(c) For those dismantlers receiving sub-contracted volumes from Hills Motors, most receive the majority of their volumes from sources other

⁸⁷⁵ In 2022, Hills Motors' top 10 ATF customers accounted for less than [X]% ([X]) of the vehicles it sold at auction. Hills Motors' response to Phase 2 RFI 3 to Hills Motors, Annex B; Hills Motors' response to Phase 2 RFI 3 to Hills Motors, Annex A, tab 'Q6'.

⁸⁷⁶ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 13; third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 11.

⁸⁷⁷ As listed on its website (as of 11 April 2023). [CERTIFIED ATFs – VRA Certification](#).

⁸⁷⁸ There are 1569 licensed ATF sites in the UK (see [Environmental Permitting Regulations – End of Life Vehicles \(data.gov.uk\)](#) and <https://environment.data.gov.uk/public-register/downloads/end-of-life-vehicles>). We note that this will cover a range of business models with only some of these dismantlers active in the supply of recycled parts.

⁸⁷⁹ Recycling Lives are not listed as a certified ATF on the VRA certification website: <https://www.vracertification.org.uk/certified-atfs/> [accessed on 20 April 2023].

than the Parties. In particular, seven out of ten that responded to our investigation received less than half of their volumes from the Parties with five receiving less than 30%.⁸⁸⁰

9.5 We have not received any evidence to suggest our assessment would differ if we considered competitive dynamics on a regional basis.

10. Horizontal unilateral effects in the supply of damaged and other vehicles to non-dismantlers in the UK

10.1 We have provisionally found that the Merger has not and may not be expected to give rise to an SLC as a result of horizontal unilateral effects in the supply of vehicles to supply of damaged and other used vehicles to non-dismantlers in the UK.

10.2 As set out above, we provisionally consider that the market for the supply of vehicles to supply of damaged and other used vehicles to non-dismantlers in the UK includes vehicles sourced from salvagers as well as other vehicle remarketers (eg BCA and Manheim) and platforms listing vehicles for sale. During the course of this investigation, we have only quantified the volume of vehicles handled by salvagers. While the Parties have sought to estimate the volume of Category B vehicles supplied by other vehicle remarketers, we do not consider the approach used to be robust in identifying the volumes of vehicles available from these sources for the purposes of estimating shares of vehicles supplied to non-dismantler customers in the UK.

10.3 As such, we have not sought to estimate shares of supply but have focused on the closeness of competition between the Parties and the extent to which there are significant alternatives in practice.

10.4 Data from the Parties shows that most buyers buy a small number of vehicles with, for example, [X]% of Hills Motors buyers only buying one vehicle in 2022 and [X]% three or less. For Copart there are more large-scale buyers, however, most still buy a small number with [X]% of Copart buyers only buying one car in 2022 and [X]% buying three or less.⁸⁸¹ We also understand that Copart's large scale buyers are more likely to be dismantlers rather than non-dismantlers.⁸⁸²

10.5 Survey evidence submitted by the Parties shows that, among non-dismantler respondents, the most commonly identified alternatives were eBay ([X]%),

⁸⁸⁰ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, Annex 1.

⁸⁸¹ Parties' supplementary submission – Data supporting competition in the supply of vehicles.

⁸⁸² As shown by the fact that dismantlers make up a relatively low proportion of Copart's customer base, but a [X] of its sales. See paragraph 7.24.

Auto Trader ([REDACTED]%), Gumtree ([REDACTED]%), Facebook Marketplace ([REDACTED]%) and IAA ([REDACTED]%). Hills Motors was only identified by [REDACTED]% of respondents and this was less than other salvagers such as ASM Auto Recycling ([REDACTED]%) and similar to Charles Trent ([REDACTED]%) and Recycling Lives/Raw2K ([REDACTED]%).⁸⁸³

- 10.6 While the evidence the Parties submitted from the websites of eBay, Facebook Marketplace and Gumtree does not support that these platforms have a credible supply of Category B vehicles, there is evidence of some of the vehicles identified by the Parties being Category N or S vehicles or roadworthy vehicles and as such equivalent to vehicles the Parties generally supply to non-dismantlers.
- 10.7 We have only received a small number of internal documents from Copart that consider competition in relation to the supply of salvage vehicles. Although these do show Copart [REDACTED]⁸⁸⁴ which is consistent with there being some overlap in the vehicles available for non-dismantlers.
- 10.8 We acknowledge that BCA and Manheim told us that they did not compete with the Parties, however, these players generally have vehicles that are in better condition and customer evidence shows that some of Copart's non-dismantler customers do consider them a source of vehicles. In addition, while eBay told us that it did not compete with Copart, its response focused on the fact that insurance companies would not list vehicles on its platform and on where dismantlers source their vehicles from rather than the sources used by non-dismantlers. In that regard, as outlined above customer evidence shows that some of Copart's non-dismantler customers do consider eBay a source of vehicles.
- 10.9 We have not received any evidence to suggest our assessment would differ if we considered competitive dynamics on a regional basis.

⁸⁸³ Copart's response to Phase 2 RFI 4, annex 1. Percentages based on 1,756 respondents. We understand that at least one iteration of the survey was conducted as part of the normal course of business and, while in the second iteration additional questions were added due to the Merger we have not relied on the results of those questions (Copart's response to Phase 2 RFI 3 to Copart, question 2, paragraph 14; Copart's response to Phase 2 Notice 2, question 2, paragraphs 7 to 9). Further, the first iteration alone shows that such customers consider a range of sources including eBay, AutoTrader, GumTree and BCA (Copart's response to Phase 2 RFI 3 to Copart, annex 3).

⁸⁸⁴ Parties' response to the AIS and working papers, paragraph 77, Copart, annex COP_0000272, [REDACTED], submitted in response to Phase 2 Notice 1 to Copart and Copart's response to Phase 2 RFI 4, question 9, annexes 4 and 8.

11. Input foreclosure of rival suppliers of recycled parts in the UK

- 11.1 The concern under our input foreclosure theory of harm is that the Merger may harm competition in the supply of recycled parts to insurance repair networks or to other customers in the UK as a result of the Merged Entity harming the competitiveness of rivals active in those markets, by restricting the supply of damaged and other used vehicles used to supply parts.
- 11.2 In assessing a vertical theory of harm, our guidelines set out three cumulative conditions that need to be satisfied in order to establish an SLC:⁸⁸⁵ whether the Merged Entity would have the *ability* to foreclose rivals; whether it would have the *incentive* to do so, and what *effect* the foreclosure would have, that is, whether foreclosure of rivals would substantially lessen overall competition.⁸⁸⁶
- 11.3 In our assessment below, we examine whether the Merged Entity would have the ability to foreclose both rival dismantlers supplying recycled parts to insurance repair networks and rival dismantlers supplying recycled parts to other customers in the UK, by restricting access to the input they need to supply those parts.
- 11.4 We find no ability to foreclose, and therefore our provisional conclusion is that the Merger has not and may not be expected to give rise to an SLC as a result of input foreclosure.

Ability

- 11.5 In assessing whether the Merged Entity would have the ability to foreclose rivals in the supply of recycled parts to insurance repair networks and to other customers in the UK, we have considered whether the Merged Entity would have the ability to harm the competitiveness of rivals in those markets by restricting access to damaged and other used vehicles used as an input. Given the presence of vertically integrated rivals in both markets we have considered both:
- (a) whether the Merged Entity would have control of an important input in the supply of recycled parts to insurance repair networks and in the supply of recycled parts to other customers in the UK, having regard to available share of supply of data; and

⁸⁸⁵ CMA129, paragraph 7.10.

⁸⁸⁶ CMA129, paragraph 7.10.

- (b) the extent to which the Merged Entity's rivals in the supply of recycled parts to both customer groups are dependent on the Merged Entity for their inputs (such that a foreclosure strategy could harm their competitiveness).

Whether the Merged Entity would have control of an important input

- 11.6 Vehicles for dismantling are a pre-requisite for dismantlers to supply recycled parts. In assessing whether the Merged Entity would have control of an important input in the supply of recycled parts to insurance repair networks and other customers, we have considered the importance of the vehicles supplied by the Parties in shaping competition to supply recycled parts, and the Merged Entity's position in the supply of vehicles for dismantling. If downstream rivals can easily switch away from the Merged Entity to a range of effective alternative suppliers, then they will be less likely to suffer harm than if the Merged Entity occupies an important position as a supplier of vehicles for dismantling.⁸⁸⁷
- 11.7 As set out in paragraphs 7.48 and 7.49, we have provisionally concluded that the relevant product market for vehicles supplied to dismantlers comprises insurance vehicles and vehicles sourced from other salvage service customers – whether sourced directly, indirectly via consortia or sub-contracting arrangements or from salvager auctions. Within this, the type of vehicles most suitable for dismantling for parts are insurance vehicles and, of those, typically Category B vehicles are the most suitable (given that these vehicles are not suitable for repair and so are generally cheaper than lesser damaged, repairable vehicles, such that it is profitable to dismantle them for parts). While data received from dismantlers shows that a material volume of vehicles used by dismantlers are from other (non-insurance) sources, dismantlers told us that vehicles from such sources generally yield a smaller number of useable parts than vehicles sourced from salvage service customers and are generally older, such that demand for parts from these vehicles is lower (see paragraphs 7.36 and 7.37).
- 11.8 This notwithstanding, while insurance vehicles (and, in particular, Category B vehicles) are of particular importance to dismantlers, dismantlers on occasion dismantle Category S or N vehicles and also use a material number of uncategorised vehicles for dismantling for recycled parts (in particular, for parts supplied to other (non-insurance) customers in the UK). Therefore, in considering the Merged Entity's position in the supply of vehicles to supply of damaged and other used vehicles to dismantlers in the UK, we have taken as

⁸⁸⁷ CMA129, paragraph 7.14.

a starting point our share of supply estimates for the supply of salvage services (recognising that not all vehicles handled by a salvager will be equivalent substitutes for dismantlers). On the basis of these estimates (see paragraph 8.12), the Merged Entity would have a share of vehicles used by dismantlers of [40-50%].

11.9 As set out above at paragraph 9.3(b), as these estimates capture all vehicles supplied by salvagers – and not just those most suitable for dismantling – they do not accurately capture the relative volumes of suppliers of vehicles used by dismantlers, we have also estimated shares of supply in the supply of Category B vehicles. Since some dismantlers also supply salvage services (meaning they are vertically integrated), we present shares of supply both with and without self-supply in Table 11.1 below.

11.10 According to these estimates, the Merged Entity has a share of supply of [70-80%] – and an increment of [0-5%] – in the supply of Category B vehicles, excluding in-house supply on the part of vertically integrated salvager-dismantlers.⁸⁸⁸ Copart's share of supply reflects its Category B vehicles sold at auction, whereas Hills Motors' share of supply reflects its Category B vehicles supplied to subcontractors as part of the Ageas network. The main other suppliers of Category B vehicles are:

- (a) e2e ([10-20%]). This reflects e2e volumes that are allocated to its members (ie considering these as volumes 'supplied' to dismantlers). E2e's Category B volumes are dismantled in-house by its members and not made available for sale to third parties on its auction platform.
- (b) IAA ([0-10%]). However, it should be noted that this reflects 'historical' volumes made available for sale on IAA's auction platform, since IAA no longer supplies Category B vehicles at auction and so is no longer active in the supply of Category B vehicles to third parties. We understand that this share will be 'supplied' to its in-house dismantling arm in future.⁸⁸⁹
- (c) SureTrak ([0-5%]). This reflects volumes that SureTrak sub-contracts this to a network of salvagers.⁸⁹⁰

11.11 Based on the data we have received, [REDACTED].⁸⁹¹

⁸⁸⁸ As noted below, we have treated volumes dismantled by e2e members as volumes supplied by e2e to dismantlers (ie, its members), albeit these are dismantled 'in-house' in that they are not supplied to non-members.

⁸⁸⁹ Note of call with a third party, February 2023, paragraphs 5 to 10.

⁸⁹⁰ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, annex 2.

⁸⁹¹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 8; third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 11.

11.12 Adjusting the shares of supply to take account of in-house vehicle supply (ie those supplied direct to the in-house dismantling operations of a vertically integrated salvager-dismantler), the Merged Entity’s share of supply reduces to [60-70%]. The supply shares of vertically integrated dismantlers, in particular IAA ([10-20%]), are much more significant when looking at the market in this way.

Table 11.1: Supply of Category B vehicles (via auctions, allocating vehicles within a consortium or sub-contracting volumes to third parties) in the UK in 2022

Salvager	Supply of Category B vehicles overall*		Supply of category B vehicles excluding Category B vehicles dismantled in-house†	
	Volumes	Shares (%)	Volumes	Shares (%)
Copart	[REDACTED]	[50-60]	[REDACTED]	[70-80]
Hills Motors***	[REDACTED]	[5-10]	[REDACTED]	[0-5]
Combined	[REDACTED]	[60-70]	[REDACTED]	[70-80]
IAA	[REDACTED]	[10-20]	[REDACTED]	[5-10]
e2e**	[REDACTED]	[5-10]	[REDACTED]	[10-20]
Traynors	[REDACTED]	[0-5]	[REDACTED]	[0-5]
SureTrak	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Combellack	[REDACTED]	[0-5]	[REDACTED]	[0-5]
ASM	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Charles Trent	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Recycling Lives	[REDACTED]	[0-5]	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Total	[REDACTED]	100	[REDACTED]	100

Source: CMA analysis of data from the Parties (Copart’s response to Phase 2 Notice 1 to Copart, Annex 3, tab Q11 and Q13 and Hills Motors response to Phase 2 RFI 5, question 1 and Hills Motors’ response to P2 RFI 3, Annex B), third-party responses to the CMA’s Phase 2 competitor questionnaire (previous respondents), December 2022, questions 2 and 8; third-party responses to the CMA’s Phase 2 competitor questionnaire, December 2022, questions 4 and 11; and third-party response to the CMA’s Phase 1 competitor questionnaire, October 2022, question 4.

Notes:

For one competitor we have used 2021 volumes to infer their volumes in 2022 and for another the number of Category B reported being sold via auction was higher than the number reported as being independently sourced so we have used the volumes sold via auction of both share calculations. [REDACTED].

* Based on overall number of Category B vehicles received independently from salvage service customers (these vehicles are then either sold via auction, dismantled in-house or supplied to third parties via contractual agreements).

† Based on volume of Category B either sold at auction or supplied to third parties via contractual arrangements except for [REDACTED].

** Although e2e does not sell Category B vehicles via auction, e2e does not dismantle vehicles in-house, rather it allocates vehicles to its members who then dismantle them. We have therefore looked at e2e’s supply of Category B vehicles as supplied to dismantlers.

*** Hills Motors does not sell Category B vehicles via auction, however, it supplies Category B vehicles to others via subcontracting arrangements. Parties’ response to AIS and working papers, paragraph 80.

11.13 Our provisional conclusion on the Merged Entity’s control of the input is therefore nuanced: we recognise that, looking only at Category B vehicles supplied via sale, subcontracting or consortium arrangements, the Merged Entity may have control of an important input in shaping downstream competition in the supply of recycled parts. However, when we consider vertical integration and therefore self-supply in this market, the significance of the Merged Entity reduces and the significance of other suppliers’ increases. This notwithstanding, viewed in isolation, our share of supply estimates would suggest that the Merged Entity has an important position in the supply of damaged and other used vehicles to dismantlers.

11.14 Our next step is to understand the extent to which the Merged Entity’s rivals are dependent on the Merged Entity for their inputs. To do this, we look at market shares in the supply of recycled parts to both insurance repair

networks and other customers in the UK to identify important rivals and consider data on those rivals' dependence on the Merged Entity for vehicles needed to supply recycled parts.

Understanding the Merged Entity's rivals in recycled parts supply

Competitors in the supply of recycled parts to insurance repair networks

11.15 As set out above (see paragraph 7.71), the main channels through which recycled parts are supplied to insurance repair networks are:

- (a) Hills Motors' GPS platform. Both Hills Motors and third-party dismantlers supply insurance repair networks through this platform including Hills Motor's main salvage service customers Ageas;⁸⁹²
- (b) SYNETIQ's mygreenparts, through which IAA supplies its salvage service customers, and insurance repair networks more generally, with recycled parts;⁸⁹³
- (c) Solera's InPart system⁸⁹⁴ integrates with the other Audatex suite of products used by body shops in the repair and parts procurement processes. If a dismantler using Solera's other product Pinnacle Pro configures their system to export a file that Audatex can retrieve and format for Audasource, then body shops can access its recycled parts. There is not a direct link between Pinnacle and the Solera products.⁸⁹⁵ Several e2e members use these systems to supply parts to insurance repair networks⁸⁹⁶ and [redacted];⁸⁹⁷ and
- (d) eBay's business-to-business portal, through which VRA-accredited dismantlers can sell to insurance repair networks.⁸⁹⁸

11.16 To understand the relative size of the main competitors in the supply of recycled parts to insurance repair networks, we have estimated shares of supply using data provided by Hills Motors and third parties on the number of recycled parts that they sold to insurance repair networks (ie parts sold for use in insurance repairs) in the UK in calendar year 2022 as well as data from eBay on the overall volume of recycled parts sold in the UK through eBay's

⁸⁹² Parties' response to Phase 2 RFI 1, question 21.

⁸⁹³ Note of call with a third party, February 2023, paragraphs 16 and 17.

⁸⁹⁴ <https://global.inpart.es/frmDocument.aspx?IdDocumentType=ay0TM6fzSxQ%3d>.

⁸⁹⁵ Email from a third party, April 2023.

⁸⁹⁶ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 5.

⁸⁹⁷ Note of call with a third party, February 2023, paragraphs 6 and 8.

⁸⁹⁸ <https://www.ebayforbusiness.co.uk/>.

business-to-business portal in 2022. These estimates are set out in Table 11.2 below.

Table 11.2: Supply of recycled parts to insurance repair networks in the UK in 2022

Competitor	Number of parts supplied	Shares (%)
Hills Motors	[X]	[40-50]
Silverlake*	[X]	[20-30]
IAA	[X]	[20-30]
Traynors*	[X]	[5-10]
Charles Trent*	[X]	[0-5]
[X]	[X]	[0-5]
Total	[X]	100

Source: Hills Motors' response to P2 RFI 3, question 13; third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 7.; third-party response to the CMA's RFI dated 17 February 2023, question 2. Notes:

* Indicates competitor is a member of e2e.

** We have calculated the size of 'Other' suppliers based on the data provided by [X]. [X].

11.17 We note that this dataset cannot be taken entirely at face value as a description of the competitive landscape. First, the estimates are based on data supplied by respondents to our questionnaires on their own volumes and do not capture all players active in the supply of recycled parts to insurance repair networks, meaning these shares are likely to be overstated.

11.18 Second, the Silverlake sales estimate in particular is subject to a high level of uncertainty. Silverlake has used body panel sales as a proxy for sales to insurance repair networks, which results in the estimate of [X] recycled parts supplied to insurance repair networks in 2022. Silverlake then estimated that [X]% ([X]) of these sales were via eBay's business-to-business portal.⁸⁹⁹ However, eBay's own data suggests Silverlake sold only [X] parts via eBay's business-to-business portal in 2022.⁹⁰⁰

11.19 Finally, Traynors told us that its location in Northern Ireland means that in practice it does not compete closely with the main suppliers of recycled parts to insurance repair networks in the UK.⁹⁰¹ Consistent with this, other dismantlers who responded to our questionnaires have not identified Traynors as a close competitor in the supply of recycled parts to insurance repair networks.⁹⁰² We therefore consider that its share of supply – which is modest

⁸⁹⁹ Email from a third party, April 2023; third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 7.

⁹⁰⁰ Third-party response to the CMA's RFI dated 17 February 2023, question 2.

⁹⁰¹ Which it identified as being [X]. Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 3.

⁹⁰² Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 12.

overall – is likely to overstate its role in shaping competition in the UK and have excluded it from the rivals we take forward for further analysis.

11.20 Taken together, the evidence therefore suggests that the only players besides the Merged Entity with a material presence in the supply of recycled parts to insurance repair networks, and without a constraint due to location (as is the case for Traynors), are Silverlake, IAA and Charles Trent. We therefore consider these firms to be the Merged Entity's key rivals in the supply of recycled parts to insurance repair networks.

Competitors in the supply of recycled parts to other customers in the UK

11.21 To understand the relative size of the main competitors in the supply of recycled parts to other customers in the UK, we have estimated shares of supply using data provided by Hills Motors and third parties on the number of recycled parts that they sold to customers other than insurance repair networks in the UK in calendar year 2022⁹⁰³ as well as data from eBay on the overall volume of recycled parts sold in the UK through eBay's general platform (eBay.co.uk) in 2022.⁹⁰⁴

11.22 This data has the same limitations as described above at paragraphs 11.17 to 11.19, but suggests that the market for recycled parts supply to other customers is highly fragmented, with a large number of players (including Hills Motors) each with a small share of supply of less than 5%.⁹⁰⁵ As with the supply of recycled parts to insurance repair networks, the largest suppliers are IAA, Charles Trent and Silverlake.

11.23 We discuss the dependency on the Merged Entity of the largest rival suppliers (IAA, Charles Trent and Silverlake) below, but note that Hills' insignificant size in this market suggests that a foreclosure strategy with respect to dismantlers serving other customers in the UK would be unlikely to be profitable, as any potential gains from foreclosure would likely be very limited.

Dependency of rivals on the Merged Entity

11.24 To analyse the dependency of the rivals identified above on the Merged Entity, we have gathered data from those rivals on the proportion of all

⁹⁰³ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 12.

⁹⁰⁴ Third-party response to the CMA's RFI dated 17 February 2023, question 2.

⁹⁰⁵ Although some of the very small players supplying parts to other domestic customers are more dependent on the Merged Entity, their low market shares suggest that they are not material to shaping competition, and therefore we do not consider them further. [REDACTED].

insurance vehicles⁹⁰⁶ dismantled by them in the UK in 2022 that were sourced from Copart’s auctions, Hills Motors (whether its auctions or sub-contracted insurance customer or other salvage service customer volumes) or otherwise from insurance customers (via direct contracts held individually with the customer, via volumes received under contracts held by a consortium or via other sub-contracting arrangements).

Table 11.3: Dependency of rivals on the Merged Entity in 2022

Competitor	Proportion of insurance vehicles received from	
	Copart	Hills Motors
IAA	[redacted]	[redacted]
Charles Trent	[redacted]	[redacted]
Silverlake	[redacted]	[redacted]

Source: Third-party responses to the CMA’s Phase 2 supplementary questionnaire, March 2023, question 1.

Notes:
[redacted].

11.25 We therefore draw the following provisional conclusions about the dependency of key rivals⁹⁰⁷ on the Merged Entity:

- (a) IAA [redacted] of the insurance vehicles it dismantled in the UK in 2022 from Copart and only sourced [redacted] from Hills Motors. It sources the majority of its vehicles ([redacted]) via its salvage service contracts.⁹⁰⁸ We can therefore conclude that the Merged Entity has no ability to foreclose this important rival.
- (b) Silverlake, an e2e member, [redacted] of the insurance vehicles it dismantled in the UK in 2022 from Copart, while it sourced [redacted]% from Hills Motors (via the Ageas contract). It receives a majority ([redacted]%) of its insurance vehicles from other sources ([redacted]).⁹⁰⁹ This suggests that, while Silverlake does source vehicles from the Merged Entity, there is no ability to foreclose.
- (c) Charles Trent, also an e2e member, sourced [redacted]% of the insurance vehicles it dismantled in the UK in 2022 from Copart and [redacted]% from Hills

⁹⁰⁶ For the purpose of our analysis, we have considered all vehicles dismantled sourced from Copart’s auctions and Hills Motors to be ‘insurance vehicles’, recognising that some may have originated from other salvage service customers.

⁹⁰⁷ Although some of the very small players supplying parts to insurance repair networks are more dependent on the Merged Entity, their low market shares suggest that they are not material to shaping competition, and therefore we do not consider them further.

⁹⁰⁸ Third-party response to the CMA’s Phase 2 supplementary questionnaire, March 2023, question 1.

⁹⁰⁹ Third-party response to the CMA’s Phase 2 supplementary questionnaire, March 2023, question 1.

Motors.⁹¹⁰ As is the case for Silverlake, then, we conclude that there is no ability to foreclose.

Provisional conclusion on ability to foreclose

11.26 We provisionally conclude that the Merged Entity would have no ability to foreclose rival suppliers of recycled parts to either insurance repair networks or other customers in the UK as a result of the Merger.

11.27 Although the evidence suggests that the Merged Entity has an important position in the supply of damaged and other used vehicles to dismantlers, having regard to available share of supply data, all significant rivals – in both the supply of recycled parts to insurance repair networks and the supply of recycled parts to other customers in the UK – are vertically integrated, such that they have alternative sources of insurance vehicles (the vehicles most suitable for dismantling for parts).

11.28 Since we have provisionally found no ability to foreclose, we do not proceed any further with the analysis, and provisionally find that the Merger has not resulted and may not be expected to result in an SLC in the market for the supply of damaged and other used vehicles to dismantlers for the purpose of supplying recycled parts to insurance repair networks or to other customers.

12. Countervailing factors

12.1 When considering whether a merger has resulted, or may be expected to result, in an SLC, we consider whether there are countervailing factors that may prevent or mitigate an SLC arising. There are two main ways in which this could happen:

(a) through the entry and/or expansion of third parties in reaction to the effects of a merger; or

(b) through merger efficiencies.⁹¹¹

Entry and expansion in the supply of salvage services

12.2 If effective entry and/or expansion occurs as a result of the merger and any consequent adverse effect (for example, a price rise), the effect of the merger on competition may be mitigated such that the merger does not result in an

⁹¹⁰ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

⁹¹¹ [CMA129](#), paragraph 8.1.

SLC.⁹¹² In determining whether entry or expansion would prevent an SLC, the CMA considers whether it would be timely, likely and sufficient to prevent an SLC arising.⁹¹³

- 12.3 In terms of timeliness, typically effective entry within two years would be considered to be timely (although, depending on the nature of the market, the CMA may consider a period of time short or longer than this).⁹¹⁴ The CMA will seek to ensure that the evidence is robust when confronted with claims of entry or expansion being timely, likely, and sufficient to prevent an SLC from arising. It is likely to place greater weight on detailed consideration of entry or expansion and previous experience of entry and expansion (including how frequent and recent it has been).⁹¹⁵
- 12.4 In chapter 8, we provisionally found that the Merger would result in an SLC in the supply of salvage services in the UK. Therefore, we assess in this chapter whether entry or expansion would be timely, likely and sufficient to prevent the adverse effects we have provisionally identified in the supply of salvage services.
- 12.5 We have focused our assessment on barriers to entry and expansion, as this will impact the timeliness, likelihood and sufficiency of entry or expansion, as well as considering any evidence of possible entry or expansion.

The Parties' submissions

- 12.6 The Parties submitted that the barriers to entry for the provision of salvage services are moderately high due to the time to set up operations and the associated fixed costs. In particular, Copart estimated that it would cost around £[~~8~~] million (to procure land, property, and specialist equipment) and it would take around three to five years to establish a salvaging business that could process 10,000 salvage vehicles on an annual basis. These costs estimations are exclusive of employee costs.⁹¹⁶
- 12.7 The Parties further submitted that to compete for nationwide salvage service contracts, a salvager would require national coverage, considerable storage capacity as well as a competitive auction platform.⁹¹⁷

⁹¹² CMA129, paragraph 8.280.

⁹¹³ CMA129, paragraph 8.31.

⁹¹⁴ Generally, the further out in time that entry or expansion is expected to occur, the less certainty the CMA can attach to whether such entry or expansion would occur. CMA129, paragraphs 8.33 and 8.34.

⁹¹⁵ CMA129, paragraph 8.30.

⁹¹⁶ Parties' response to RF1, paragraph 28.

⁹¹⁷ Parties' response to the Issues Statement, paragraph 3.

- (a) Copart identified securing adequate land, a good road network, an auction platform – specifically, one that is up-to-date, works on mobile and is future proof – environmental licences as well as specialist trucks as significant barriers to entry.⁹¹⁸ In particular, Copart explained that the ability to buy land for which one can get planning permission for vehicle storage is one of the main barriers to entry in the supply of salvage services,⁹¹⁹ owing to the scarcity of the land,⁹²⁰ need for appropriate licences – which may be obtained by buying land with planning permission already in place⁹²¹ – and cost of development to achieve return on investment.⁹²²
- (b) Similarly, Hills Motors submitted that most customers are looking for national salvage services and therefore identified land and infrastructure (trucks) as key barriers to entry and expansion. Hills Motors also identified industry relationships and confidence in the provider’s ability to sell itself to insurers as important in order to be able to win business.⁹²³

12.8 The Parties submitted that there have not been any notable exits in the salvage services market in the last five years. The Parties also noted a number of key developments involving rebranding, consolidation and acquisitions in the salvaging sector namely:⁹²⁴

- (a) the acquisition of HBC by KAR Auction services (KAR) in 2015 and the subsequent acquisition of GRS Remarketing Ltd (now Adesa UK) by KAR in 2016;
- (b) the acquisition of FAB Recycling by Motorhog Ltd in 2018 and the subsequent merger between Motorhog, Car Transplants and DH Systems to form SYNETIQ in 2019;
- (c) the separation of Insurance Auto Auctions (IAA) from KAR in 2019 and its subsequent listing on the New York Stock Exchange;
- (d) the rebranding of National Salvage as e2e (end to end) Total Loss Vehicle Management in 2019; and
- (e) IAA’s acquisition of SYNETIQ which was announced in October 2021.

⁹¹⁸ Copart’s main party hearing transcript, pages 69 to 73.

⁹¹⁹ Copart’s main party hearing transcript, page 69.

⁹²⁰ Copart’s main party hearing transcript, page 69.

⁹²¹ Copart’s main party hearing transcript, page 71.

⁹²² Copart’s main party hearing transcript, page 70. [§].

⁹²³ Hills Motors’ main party hearing transcript, page 87.

⁹²⁴ Parties’ response to Phase 1 RFI 1, paragraph 34.

12.9 In relation to the Parties' expansion in the relevant market, the Parties submitted that in January 2021, Hills Motors acquired DA Autoparts, a salvage and dismantling operation to develop a distribution base in Scotland.⁹²⁵

Competitor views

12.10 Most competitors submitted that the barriers to entry are high for the provision of salvage services and that it would be very difficult for a firm not currently active in the supply of salvage services to enter and expand to become a significant competitor.⁹²⁶

12.11 Competitors noted the following as particular barriers to entry and expansion:

(a) the significant investment required in plant, equipment and land⁹²⁷ as well as licensing requirements;⁹²⁸

(b) acquiring the requisite knowledge and experience;⁹²⁹ and

(c) establishing reputation and having a proven track record in the market.⁹³⁰

12.12 One competitor submitted that the main barrier for any new entrant would be a lack of track record, as reputation and a proven ability to deliver is considered crucial by salvage service customers.⁹³¹ Second to that, it noted the need to source and acquire suitable land – which, like Copart,⁹³² it considered scarce in the UK – and obtain relevant storage licences (which it considered could take 12 to 24 months).

12.13 Two competitors noted that there has been no successful entry into the market within recent years.⁹³³

⁹²⁵ FMN, paragraph 20.

⁹²⁶ Third-party responses to the CMA's Phase 1 competitor questionnaire, question 11; note of a call with a third party, January 2023, paragraph 11. One competitor described barriers to entry as moderate to high (third-party response to the CMA's Phase 1 competitor questionnaire, question 11).

⁹²⁷ Note of a call with a third party, February 2023, paragraphs 27 and 29; third-party responses to the CMA's Phase 1 competitor questionnaire, question 11.

⁹²⁸ Third-party responses to the CMA's Phase 1 competitor questionnaire, question 11.

⁹²⁹ Note of a call with a third party, February 2023, paragraphs 27 and 29; third-party responses to the CMA's Phase 1 competitor questionnaire, question 11.

⁹³⁰ Third-party responses to the CMA's Phase 1 competitor questionnaire, question 11; note of a call with a third party, January 2023, paragraph 11.

⁹³¹ Third-party response to the CMA's Phase 1 competitor questionnaire, question 11.

⁹³² Copart's main party hearing transcript, page 69.

⁹³³ Third-party responses to the CMA's Phase 1 competitor questionnaire, question 11.

Customer views

12.14 As discussed in chapter 8 (see paragraphs 8.42, 8.43 and 8.51):

- (a) The majority of customers that responded to our investigation submitted that national coverage is one of the most important factors when selecting a salvager to provide salvage services.⁹³⁴ Six of the thirteen insurance customers identified as having volume requirements of over 10,000 vehicles annually told us that it is acceptable for national coverage to be provided via subcontracting, subject to certain service level parameters being met, such as there being the correct controls and oversight in place, the same consistency of performance throughout the network and a single point of contact.⁹³⁵
- (b) While the evidence we received from customers shows that it is important to customers that their salvager has an auction platform, it does not show that this needs to be a proprietary auction platform. While several ([REDACTED]) customers also told us that the auction platform was important in their choice of salvager,⁹³⁶ customers generally did not express an opinion on whether having a proprietary auction platform was more important than a shared auction platform.⁹³⁷

12.15 One large insurance customer noted that entry would be challenging due to the required returns required by insurers, logistical requirements (land, equipment and financial resources), the strong market position of Copart and the scale of services already provided.⁹³⁸

⁹³⁴ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10. Also see note of a call with a third party, February 2023, paragraph 4; note of a call with a third party, February 2023, paragraph 11.

⁹³⁵ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10; note of a call with a third party, February 2023, paragraph 14; note of a call with a third party, February 2023, paragraph 4; note of a call with a third party, February 2023, paragraph 12. Three ([REDACTED]) of the six large insurance customers stated that single point of contact was important (third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; note of call with a third-party, February 2023, paragraph 14; note of call with a third-party, February 2023, paragraph 4.

⁹³⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7; third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 10.

⁹³⁷ Of those respondents that explicitly referred to why a proprietary auction platform was or was not important one said that both proprietary and shared auctions offer value, one said it was agnostic as long as the salvage can show governance and controls and one said that the value of an auction was significantly enhanced by control of the auction facilitated by ownership of the auction. Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 9; third-party responses to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 7.

⁹³⁸ Note of a call with a third party, February 2023, paragraph 18.

Our assessment

12.16 As noted above, we have focused our assessment on barriers to entry and expansion, as this will impact the timeliness, likelihood and sufficiency of entry or expansion, as well as considering any evidence of possible entry or expansion.

Barriers to entry

12.17 Overall, based on the evidence received from the Parties and third parties, we consider that barriers to entry in the supply of salvage services – and, in particular, the supply of salvage services to insurance customers – are high. In our assessment, we have considered the barriers to serving nationwide salvaging contracts, as identified by the Parties (see paragraph 12.7) and other evidence on the capital investment and regulatory requirements to enter and expand in the supply of salvage services.

National coverage, storage capacity and infrastructure

12.18 Based on the evidence received from the Parties and third parties, we consider that the ability to provide national coverage is important to enable a salvager to become an effective competitor in the supply of salvage services, in particular to insurance companies, which is where the Parties achieve most of their volumes. In particular, we consider that it is important for a salvager to have or to have access to – through consortia, or subcontracting arrangements – a portfolio of sites covering a wide geographic footprint with sufficient storage capacity to compete for national contracts (in particular, for large national insurance contracts). All of the salvagers servicing large national insurance contracts today have extensive capacity with operations spread across the UK (whether independently – in the case of Copart and IAA – or through a consortia or subcontracting arrangements members, in the case of e2e, Hills Motors and SureTrak).

12.19 Consistent with the Parties' submissions, we consider that the need for appropriately licensed land with sufficient storage capacity – together with the associated transportation network – is a significant barrier to entry for salvagers looking to operate on a fully independent, in-house basis. Only Copart and IAA operate in this way to serve large insurance customers today. As set out above, while Recycling Lives operates independently and has a significant share of the supply of salvage services overall ([20-30%] in 2022), its geographic footprint and storage capacity is much smaller than that of Copart and IAA, reflecting its different business focus on scrapping vehicles, which involves shorter storage times.

12.20 While the geographic reach, storage capacity and transportation network to service national contracts can be (and is) achieved through consortia or subcontracting network arrangements, we consider that there are material barriers to expansion in this way, in that this requires access to a network of suppliers, and the need to satisfy customers that the provider is able to operate that network effectively. While Hills Motors has relatively recently – in 2020 – been able to successfully expand in this way, it had both the industry relationships (with network suppliers) and track record with servicing insurers (through its established working relationship with Ageas – as a member of the incumbent’s, eSalvage, network – of 15 years)⁹³⁹ to do so. It also hired the former network manager of eSalvage.⁹⁴⁰ Consistent with this, Charles Trent told us that the two biggest barriers to creating a national network would be costs – in terms of having the right people and IT systems in place – and length of time it takes to secure national contracts and build relationships with insurers.⁹⁴¹ We have considered the prospect of other salvagers, such as Charles Trent, expanding in this way below.

Track record

12.21 Consistent with the submissions of Hills Motors and third parties, we consider that having established industry relationships and a track record of successfully servicing customers – and for insurances customers, of servicing insurance customers – is a significant barrier to entry and expansion. Salvaging contracts are tendered infrequently (the typical duration of salvage contracts is three to five years)⁹⁴² and establishing a relationship with customers requires investment.⁹⁴³ One competitor ([REDACTED]) noted that Hills Motors and SYNETIQ, for example, were able to compete for national contracts independently as a result of their proven track record as key members of e2e.⁹⁴⁴ We have considered the prospect of other salvagers, such as Charles Trent, expanding in this way below.

Proprietary auction platform

12.22 As discussed above (see paragraphs 8.51 to 8.53), while customers in general did not express an opinion as to the significance of whether an

⁹³⁹ Parties’ supplementary submission – Ageas and Hills Motors, paragraph 13.

⁹⁴⁰ Parties’ supplementary submission – Ageas and Hills Motors, paragraph 12, and Hills Motors’ main party hearing transcript, page 27.

⁹⁴¹ Note of call with a third party, March 2023, paragraph 23.

⁹⁴² FMN, paragraph 47.

⁹⁴³ For example, one large insurance customer told us all invitees to its most recent tender had had an established relationship with it, and that it had invited only those companies that had shown an appetite to work with it. Note of call with a third party, April 2023, paragraphs 3 and 4.

⁹⁴⁴ Third-party response to the CMA’s Phase 1 competitor questionnaire, question 11.

auction platform is proprietary, reliance on third-party platforms may create resiliency risks such that competitors without such capability may be weaker competitors for large national insurance contracts than those with standalone capability. Therefore we consider having proprietary auction capability a weak barrier to entry (in that it requires time – two years, in the case of Hills Motors – and resource to develop).

Capital investment

12.23 For the reasons set out above, we currently consider that operating a salvage business is highly capital intensive. For a regional small player to expand to service national contracts in-house would require significant financial resources to procure land and buildings, specialist equipment and, at least for resiliency reasons, auction platform capability.

12.24 We also note that Hills Motors has made significant investment in recent years to service its contracts, including the expansion into Scotland via the acquisition of DA Autoparts, the investment in IT infrastructure – including its auction platform under development – and the opening of an additional warehouse and dismantling facility within its headquarters.⁹⁴⁵ This indicates that expansion takes time and requires significant capital investment.

Regulatory requirements

12.25 As set out above, the Parties and third parties submitted that there are a number of regulatory requirements that need to be satisfied in order to be able to salvage services.⁹⁴⁶ While these regulatory requirements may already be satisfied to an extent by smaller providers and would not necessarily be a barrier to expansion, new entrants or expansion to new sites would need to secure the relevant regulatory permissions.

Possible entry or expansion

12.26 We note that the Parties have not provided analysis to support a conclusion that entry and/or expansion would be timely, likely and sufficient to mitigate or prevent an SLC from arising.

⁹⁴⁵ FMN, paragraph 20, and Hills Motors' response to Phase 2 Notice 1 to Hills Motors, paragraph 9 and annex 2.

⁹⁴⁶ For example, as noted above, storage requires the appropriate planning permission and for a salvager to provide dismantling requires eg waste carrier's licence permit, scrap metal dealer's licence, fire protection permit and ATF licence. Parties' response to Phase 2 RFI 1, paragraph 29.

- 12.27 For the reasons set out above, we consider that there are significant barriers to entry such that there is unlikely to be new entry to mitigate or prevent an SLC arising in the supply of salvage services in the UK.
- 12.28 As set out above, evidence received from the Parties and third parties also shows that there are significant barriers to existing salvagers expanding at scale to compete for and service national salvaging contracts in-house. While there is evidence – in the example of Hills Motors and, previously, SYNETIQ – of smaller salvagers expanding to compete for national contracts independently, this required a track record of servicing contracts and a degree of in-house scale to do so. For example, we note Hills Motors’ assessment that it was at the end of 2020 ‘[REDACTED]’.⁹⁴⁷
- 12.29 As discussed above (see paragraphs 8.162 and 8.163), the evidence we have received suggests that Charles Trent was considered by Copart to be similar to Hills Motors, that Charles Trent has an increased incentive to compete for salvage service customers including insurance customers and that some customers have considered it as an alternative. However, the fact that Charles Trent has not so far secured any large national insurance contracts, has relatively limited in-house capacity and does not yet have the capability for managing a network of suppliers, nor the track record in doing so, means that any efforts to expand in this regard are unlikely to be sufficient to mitigate or prevent an SLC from arising. The same considerations apply to smaller salvagers, such as ASM, Silverlake and Combellack.
- 12.30 As set out above (see paragraphs 8.164 to 8.172), [REDACTED]⁹⁴⁸ and that its business model is based on vehicle scrapping (and, in this regard, it does not have the large vehicle storage capacity of salvagers like Copart because the process and turnover of vehicle scrapping is much quicker than vehicle salvaging).⁹⁴⁹ We therefore do not consider expansion by Recycling Lives into competing for large national insurance contracts to mitigate or prevent an SLC arising likely.

Provisional conclusion on entry and expansion in the supply of salvage services

- 12.31 On the basis of the available evidence, it is our provisional view, that the barriers to entry and expansion in the provision of salvage services are high, and it is also not likely that entry or expansion of sufficient scale would occur in a timely

⁹⁴⁷ Hills Motors, document ‘[REDACTED]’ submitted in response to Notice 2 to Hills Motors, slides 3 and 11.

⁹⁴⁸ Email from a third party, April 2023.

⁹⁴⁹ Note of a call with a third party, paragraph 10.

and sufficient manner to mitigate or prevent an SLC from arising as a result of the Merger.

12.32 Our provisional view takes into account the evidence we have in relation to scale (whether in-house or achieved through operation of a network) needed to compete for and service national contracts – in particular, large national insurance contracts – and associated capital investment and regulatory requirements, and the prospects of expansion by existing players.

Efficiencies

12.33 In some instances, a merger can give rise to efficiencies, these efficiencies fall into two categories, namely (i) rivalry-enhancing efficiencies and (ii) RCBs.

12.34 Rivalry-enhancing efficiencies may prevent an SLC by offsetting any anticompetitive effects. As set out in our guidelines, the CMA will generally first consider whether there is scope for an SLC and, if there is, it will consider rivalry-enhancing efficiency claims from the merger firms. RCBs do not prevent an SLC but they may outweigh an SLC and any adverse effects of the SLC. The CMA does not take RCBs into account in its competitive assessment but – in Phase 2 merger inquiries – it may take them into account when considering options to remedy competition concerns and whether any of the remedy options would result in RCBs being unrealised.⁹⁵⁰

12.35 In order for us to take rivalry-enhancing efficiencies into account in our assessment, the efficiencies must:

- (a) enhance rivalry in the in the supply of the products or services where an SLC may otherwise arise;
- (b) be timely, likely and sufficient to prevent an SLC from arising (having regard to the effect on rivalry that would otherwise result from the merger);
- (c) be a direct consequence of the merger; and
- (d) benefit customers in the UK.⁹⁵¹

12.36 Our guidelines make it clear that merger firms who do wish to make efficiency claims are encouraged to provide verifiable evidence to support their claims in line with the CMA's framework⁹⁵² and that it is for the merger firms to

⁹⁵⁰ CMA129, paragraphs 8.3-8.5. The CMA's experience is that is rare for a merger to be cleared based on rivalry-enhancing efficiencies or relevant customer benefits (CMA129, paragraph 8.27).

⁹⁵¹ CMA129, paragraph 8.8

⁹⁵² CMA129, paragraph 8.7.

demonstrate that the merger will result in efficiencies.⁹⁵³ In this case, the Parties have not yet made specific efficiency submissions on each of the cumulative conditions set out above. However, we have assessed the information provided to date by the Parties and other evidence available that could be viewed in terms of rivalry-enhancing efficiencies.

The Parties' submissions

12.37 During the CMA's Phase 1 investigation, the Parties submitted that Copart expects to realise a number of synergies and efficiencies from the Merger.⁹⁵⁴ In particular, the Parties submitted that the transaction would facilitate the digitisation of the customers' transactional and service needs. The Parties also submitted that Copart would employ fully trained inspection engineers to ensure proper categorisation of vehicles as well enhance the claims settlement service which in turn would raise standards for the salvaging sector.⁹⁵⁵

12.38 The Parties also submitted that provision of an end-to-end service for salvage service customers particularly with regards to recycled parts would reap environmental and financial benefits for its customers.⁹⁵⁶ The Parties submitted that the Merger was prompted by Copart's customers and without having a dismantling and recycling service it would be unable to compete effectively as a salvager.⁹⁵⁷ In this regard, the Parties submitted that the Merger would better allow Copart compete effectively against other vertically integrated players, particularly IAA,⁹⁵⁸ and that the Merger is the only way that Copart can continue to compete for salvage service contracts.⁹⁵⁹

Customer views

12.39 Three large insurance customers told us that there may be benefits from the Merger. Reasons given included that it would result in the strengthening of competition from more choice and an increase in the supply of recycled parts, standardisation of processes resulting in improved distribution of recycled

⁹⁵³ CMA129, paragraph 8.15.

⁹⁵⁴ FMN, paragraph 166.

⁹⁵⁵ FMN, paragraph 168.

⁹⁵⁶ FMN, paragraph 169.

⁹⁵⁷ FMN, paragraph 170.

⁹⁵⁸ FMN, executive summary and paragraph 129 and Parties response to Issues Letter, paragraph 30.

⁹⁵⁹ Parties' response to the Phase 1 Decision, paragraph 27.

parts, and the complementary natures of Copart's position in salvage services and Hills Motors' position in dismantling and recycled parts provision.⁹⁶⁰

Our assessment

- 12.40 For efficiencies to be accepted as a countervailing factor, they must meet the cumulative criteria set out in paragraph 12.35.
- 12.41 As noted above, the Parties have to date not made specific submissions in relation to rivalry-enhancing efficiencies. While certain of the customer submissions referred to above suggest that, in principle, the Merger could potentially enhance rivalry in the supply of salvage services, the Parties have not to date put forward verifiable evidence to demonstrate that any such efficiencies would be timely, likely and sufficient, and specific to the Merger, to offset the SLC we have provisionally identified.
- 12.42 In particular, we have not seen evidence that any such efficiencies are reliant on the Merger and would not be brought about by other means. For example, as discussed above (see paragraph 8.30(b)), Copart's internal documents indicate that [REDACTED].⁹⁶¹
- 12.43 Our provisional view is, therefore, that based on the evidence currently available, it is unlikely that rivalry-enhancing efficiencies will arise from the Merger to prevent the SLC we have provisionally identified as arising as a result of the Merger.
- 12.44 In line with our assessment framework, we will assess the potential for any RCBs in the context of our remedy assessment.

13. Provisional conclusions

- 13.1 As a result of our assessment, we have provisionally concluded that:
- (a) the completed acquisition of Hills Motors by Copart has resulted in the creation of an RMS; and

⁹⁶⁰ Note of a call with a third party, February 2023, paragraphs 15 to 17; third-party responses the CMA's Phase 2 customer questionnaire, December 2022, questions 9 and 15. One other customer who did not have concerns noted that the Parties complement each other well. Third-party response the CMA's Phase 2 customer questionnaire, December 2022, question 9.

⁹⁶¹ See: Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2 to Copart; and Copart, annex COP_0000906, [REDACTED], 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart, slides 6, 12 and 13.

(b) the creation of that RMS has resulted, or may be expected to result, in an SLC in the market for the supply of salvage services in the UK due to horizontal unilateral effects.