

24<sup>th</sup> May 2023

Competition and Markets Authority

Replied via email PDF to : [copart.hills-motors@cma.gov.uk](mailto:copart.hills-motors@cma.gov.uk)

Dear Sirs

**Re: Copart / Hills Motors merger inquiry**

Having read your “Notice of provisional findings made under Rule 11.3 of the Competition and Markets Authority Rules of Procedure<sup>1</sup>” I am writing to you to provide my comments.

I genuinely believe that I have both an informed and have an unbiased view. I have worked within the automotive industry for 37 years. Since 2020, I have retained an interest in the vehicle remarketing and wider fleet industry through the press, internet and several hundred fleet related contacts amassed over my time within the automotive industry. Since 2020 I have provided consultancy services to a wide range of industries and an advisor to the insurance and vehicle repair industry.

Between 1994 and 2005 I worked from a management position, through a management buyout to Director level within a group of companies called FMG Support. FMG provided many fleet services including rental, commercial roadside and recovery and accident management. During this period, I was aware of their strategies, business models and processes along with what were and how key performance indicators were measured and how the KPI’s influenced the business.

To be able to maintain and grow your customer base an accident management company must have the ability to offer a scalable national service, competitive cost and cost controls, speed of response, minimum vehicle off road time (VOR), repair quality and working with the client to reduce cost and accident frequency through reporting and initiatives like driver awareness training.

FMG were the largest accident management company in the competitive fleet and leasing/contract hire sectors. Three of the main key performance indicators were and remain the cost, quality of the repair and cycle times.

During my time with FMG I was made aware of the concept of Green Parts. This concept was discussed both operationally and at board level.

Accident Repair Centres who repair vehicles to retain business must do so at best cost. Clearly effective availability of green parts represents the significant opportunity to reduce cost but in doing so cannot add cost to the repairer’s thin margins. The operating cost to the repairer will increase should it take more time to source parts, the need to contact several green parts sellers, parts that are sourced arrive

with existing damage or have been incorrectly inventory managed. Time is money for the repairer. They cannot manage continual stop start of repairs and repair time delays particularly during period of high winter volumes will easily mean repairers run out of available space to operate.

In 2005 I left FMG and until 2020 I was employed at Director level, firstly with Universal Salvage plc then from 2007 further to Copart's acquisition of Universal. During the tenure of my employment, I held the position of Sales Director, Director of Operations and Director of Operational Projects. In 2020 through redundancy, I left Copart further to their restructure of their international team of directors.

Copart entered the UK market in 2007. Copart's business model is very simple, they collect, store and sell accident damaged vehicles through a patented auction platform. They are not a green parts supplier to the insurance market. As a business they have an innovative approach to adding value to the insurer and in doing so reducing claims cost. In my opinion they are the industry lead within the remarketing of accident damaged vehicles.

In 2005-2007 as Sales Director I had many discussion with many UK Insurance claim directors about the feasibility of green parts. The main hurdles then that remain today are the availability of parts, consistency of service and scalability. Most insurers for cost and efficiency gains use national companies or large networks whether this be repairers, engineers, etc For a green parts supplier to be truly effective they needed to have a significant sized operation, with rigorous processes, uniformed grading of used parts, sophisticated inventory management so not to negatively effect the VOR or repair time.

Copart's business model is not to purchase such vehicles and dismantle them for parts. The green parts market is very different to their existing and historic model though as a business model I believe it to be a natural fit.

As an advisor to the insurance industry, I have had many meetings where the general market was discussed. During such meetings I became aware of several Copart's customers had asked Copart to acquire Hills as in doing so would form an enhanced integrated service. With the conversations I had I see Copart's acquisition of Hills was wholly at the request of Copart's customers as Copart to date have retained a very standard model to collect, store and sell vehicles.

While discussing the acquisition the consensus from the vehicle repair industry was very supportive as many repairers will remember how further to Copart's acquisition of Universal in 2007 they were able to streamline the collection of total loss vehicles in a professional and timely fashion never seen before in the UK. They fundamentally raised the bar. It is believed that with Copart entering the green parts market it will positively change the ability to source green parts, supplied as described, on time at a competitive commercial cost.

I see Copart's decision to purchase Hills will allow them to start with an established business, learn from them as a business and then through the investment and leveraging both their management expertise and resources create much needed competition in this market. If the decision is for Copart not to be able to retain Hills then I see there little chance of it being purchased by a company that has the same ability to grow it as a business like Copart will and therefore there will be less market competition.

I do question the current position especially as Copart and Hills though classed in the same sector have two very different business models (Copart – the collection, storage and sale of vehicles and Hills - the dismantling of vehicles and sale of parts removed from these vehicles as Green Parts) yet the same

authority has recently approved the merger of IAA and SynetiQ two companies in the exact same business sector and business models.

Yours sincerely

David Turney