

Third party response to provisional findings

Thank you for allowing us the opportunity to respond to the CMA's latest decision.

The CMA suggests that Hills did not place a competitive constraint over Copart, yet the reality is, due to the CMA's decision, we will never know.

We are concerned that the CMA have made such a seismic shift from their original decision for full divestiture to now giving the green light for the purchase of Hills Motors.

We believe the impact this decision will have on our sector will be huge and could seriously affect long-term sustainability of many companies and the e2e network. The e2e network will immediately lose 25% of their business to Hills/Copart by reallocating the e2e volume back to Hills that they lost on the announcement of selling to Copart.

This will also seriously impact on the network's ability to tender and win future insurance contracts. Also as previously highlighted in an earlier response to you, Suretrack will be losing their current Tesco's contract to Hills/Copart which could be the final nail in the coffin for them and their network thus leaving Copart, IAA and a weakened e2e network to compete in the marketplace. This merger will strengthen an already dominant force (Copart) in this market.

If as anticipated post-merger the Ageas contracts move to Copart this will in turn also weaken e2e's position. If e2e can not compete, this will surely reduce competition and leave Copart and IAA as the only major players in the UK market. This lack of competition will ultimately lead to higher prices for the insurance companies due to Copart and IAA having the monopoly.

Our understanding was that the responsibility of the CMA was to ensure that the UK Salvage market remains competitive. This merger will lead to the complete opposite by removing competition. This is exactly what has happened in the US market.

In our opinion Hills Motors were an up-and-coming company with the technology and know-how to be a future competitor (already holding three national contracts Ageas, Sixt Rental Car and Cogent Hire) we suggest that this purchase is Copart buying up a future competitor further weakening the e2e network.

Hills only became a truly national player when they were awarded the Ageas contract in 2020. During those prevailing years, Hills has built an auction platform, a full integrated salvage management platform and doubled its capacity to recycle vehicles and procured two additional yards.

Hills had all the tools to scale their operation in exactly the same way the likes of Synetiq had, previously.

Hills ability to extend its salvage agreement with Ageas, without the need for a tender was evidence enough that Hills could meet the needs of any insurer on a national scale, and we firmly believe, that with time, Hills would have won further insurance contracts to place greater constraints on Copart and the wider salvage and dismantling industry.

The loss of Hills from the industry and the loss of Tesco volume from Suretrak, as we have mentioned earlier, could ultimately close their operation, which would leave only three competitors in a space that recently held five and before the IAA/Synetiq acquisition held 6 national competitors.

I suggest that the impact of this change has yet to be felt by the insurance industry, which in large only tender their salvage provisions every 3-5 years. This incidentally, I believe, is the main reason why Hills had not yet won another national salvage contract.

Simply to be invited to a salvage tender offers strong cause that insurers recognised Hills as a national competitor.

The CMA stated in their provisional findings that the lack of competition ' could reduce the options for customers and this could lead to higher prices or lower quality services' if insurers did not have access to a competitive salvage solution.

This is a pertinent point to which the CMA's new evidence fails to mitigate in our opinion.

If you do decide to stick with your latest position to give Copart the go ahead, will you be putting any restrictions/percentage limitations in place to protect the sustainability of the current Hills nationwide network for Ageas, Cogent Hire and Sixt Rental Car?

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