

Copart/Hills Motors merger inquiry

Firstly, I am somewhat shocked that the CMA are considering an addendum to their original findings and stand firmly with your original position in that allowing Copart to purchase Hills Motors will indeed substantially lessen competition in the market for the supply of salvage services in the UK.

Having read the new evidence provided and the various Third Party responses submitted to the contrary of your original findings, I fear the CMA are at risk of being misled by technicalities and/or third party self-interest.

As is already known by the CMA, Copart is currently the market leader in UK upstream salvage provision by a significant distance, this has been the case for over 10 years, following their entry into the UK market and aggressive acquisitional strategy. During that time, the upstream salvage sector has dramatically shrunk leaving fewer and fewer options for insurer/fleet customers.

Upstream Salvage service providers no longer active in this space:

- **Bluecycle (UK Owned operator)** – Bought by U.S operator Copart
- **HBC (UK Owned operator)** – Bought by U.S operator IAA
- **eSalvage (UK Owned consortium of leading salvage independents)** – Exited the market due to lack of business available
- **Raw2K (UK Owned consortium of salvage independents)** – Exited insurer/upstream salvage sector due to lack of upstream business available, now run regional police contracts.
- **Motorhog/Synetic (UK Owned operator)** - Bought by U.S operator IAA

The UK Upstream salvage sector is now led by two US powerhouses – Copart (with significant market share) and IAA.

Outside of the emerging duopoly above currently sit 3 network consortium offerings for upstream customers, E2E/SureTrak/Hills. These salvage service offerings are made up of centrally managed networks of regional ATF's (Authorised Treatment Facilities or "vehicle dismantlers").

The network of vehicle dismantlers across all 3 businesses are largely made up of the same 15-20 ATF's. These are the UK's finest (family owned for 2/3 generations in some cases) vehicle dismantlers. As well as its owner being a serving director of E2E and recently forming their own national network to service upstream salvage contracts, Hills Motors has always been one of the largest contributors across any consortium offering. To suggest that their absorption into Copart would not substantially lessen competition in the market for the supply of salvage services in the UK is wholly untruthful.

Over the past 5 years (and accelerated due to factors which have disrupted parts supply chains such as COVID/Brexit/Invasion of Ukraine), Insurer and upstream customer focus has (quite rightly) increasingly shifted to Green/Recycled Parts offerings. Over the last 2 years, some insurers have even made green parts a pre-requisite of any salvage tender participation. This is not only a great environmental directive, but also allows for lower cost repairs to take place, which in turn means lower cost insurance premiums.

Prior to IAA's acquisition of Synetic, the two industry powerhouses (Copart and IAA) had no direct/"in house" green parts initiatives and had no interest in doing so prior to its increased profile

with Insurer customers. This is because Copart and IAA have always sold salvage (including CAT B breakers) overseas for huge premiums and profit, with UK dismantlers (who are able to feed recycled parts back into the UK market) priced out from purchasing breaker vehicles.

Now, the impetus is on green parts, this has served the network consortium offerings well as they are made up of Vehicle dismantlers who are able to dismantle, store, catalogue and resell harvested parts. Since Synetics purchase by IAA, Hill's has been a champion of this across the sector (and all 3 networks). Hills has spearheaded the green parts offering of the consortium network offerings (as well as his own) and this was quickly gaining a head of steam, providing UK insurer and fleet customers with compelling alternatives to the two US powerhouses with a green parts USP over the market dominant force (Copart).

In short, of the four current providers of national salvage services to UK insurers (Copart excluded), one remains unharmed (IAA/Synetic), two are significantly weakened (E2E/SureTrak) and one ceases to exist immediately (Hills).

I have read many third party responses, mainly from existing Copart customers who are of course endorsing the merger, this will no doubt strengthen the current service offering they receive from them with the addition of green parts. However I fear this is not taking into consideration the wider health of the sector and the competitive landscape that must continue to exist to ensure innovations in this space.

Copart is welcome to use its significant financial might to develop an internal green parts proposition without strategically crippling a large proportion of its smaller competitors.

I hope the above is taken into consideration and welcome an open forum to discuss this matter further should this be necessary.

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