

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

Final report

14 July 2023

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The Competition and Markets Authority has excluded from this published version of the 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 [X]. Some numbers have been replaced by a range.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 of findings

1. The Competition and Markets Authority (**CMA**) has 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**)¹ (the **Merger**) has not and may not be expected to give rise to a substantial lessening of competition (**SLC**) within any markets in the UK.

Who are the businesses and what services do they provide?

2. 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.
3. 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.
4. Hills Motors dismantles vehicles to supply recycled original equipment manufacturer (OEM) vehicle parts (**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?

5. 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

¹ Copart and Hills Motors are together referred to as the **Parties** and for statements referring to the future, as the **Merged Entity**.

question we are required to answer is whether there is an expectation — a more than 50% chance — that it will result in an SLC.

6. 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.
7. We discuss our findings in respect of these theories in further detail below.

What evidence have we looked at?

8. To assess the impact of the Merger, we gathered a substantial volume of evidence that we considered in the round to reach our findings.
9. 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), 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) and responses to our [provisional findings report](#) issued on 5 May 2023 (our **Provisional Findings**) and [addendum provisional findings report](#) issued on 23 June 2023 (our **Addendum Provisional Findings**) – 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.

10. 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). As part of this evidence gathering, we requested and reviewed contemporaneous internal documents from customers who had conducted recent benchmarking and tender processes to which the Parties had been invited. We also received input from other industry associations and players.
11. We also received submissions from ten customers of salvage services, three competitors in salvaging and dismantling, two individuals active in the industry and one industry association in response to our Provisional Findings as well as receiving responses from six competitors in response to our Addendum Provisional Findings.
12. 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?

13. 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 conclusion is that the most likely counterfactual is the pre-Merger conditions of competition.
14. 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

15. We found that the Merger has not and may not be expected to result in an SLC in the supply of salvage services in the UK by removing a competitive constraint.
16. 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 considered this evidence in the round alongside other evidence as outlined below.

Closeness of competition between the Parties

22. In our Provisional Findings we provisionally found 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.
23. Following our Provisional Findings, we received new contemporaneous evidence pre-dating the Merger in relation to those recent competitive interactions that showed that customers did not consider Hills Motors a meaningful alternative to Copart in practice. We therefore found that, even if Hills Motors' model could be used to service a large national salvage contract in principle, there was limited competition or likelihood of competition between Hills Motors and Copart in practice.
24. In particular, on the basis of evidence gathered from the Parties, their customers and competitors:
- (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'**).
 - (b) 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 – we consider that, in principle, Hills Motors' model is capable of being used to compete for at least some additional large national insurance contracts (in that, at a minimum, it would not have inhibited Hills Motors from responding to at least some request for proposals on the basis of its network model and we have not seen evidence that it would be incapable of servicing such a contract in principle).
 - (c) While there is apparent evidence of recent competitive interaction between the Parties – in that Hills Motors was invited to participate in recent benchmarking and tender opportunities (and was preparing to or did participate in these opportunities) – contemporaneous evidence from these customers shows that, in practice, Hills Motors was not considered a meaningful alternative to Copart (in particular, given the significant margin between its performance and that of other salvagers participating in the benchmarking exercise and the context in which Hills Motors was

invited to tender). As such, our view is that Hills Motors is unlikely to have exercised a meaningful constraint on Copart in these instances.

- (d) While competitors identified the Parties as competing closely, the new contemporaneous evidence in relation to recent competitive interactions is consistent with the customer views expressed in response to our questionnaires (in particular, that Copart customers did not identify Hills Motors as a salvager capable of meeting their requirements).
- (e) Similarly, while the internal documents point to Hills Motors in particular having ambitions to compete against Copart for salvage opportunities, there is contemporaneous evidence that customers in very recent opportunities did not consider it to be a meaningful alternative to Copart in practice. Considering this evidence (which is consistent with Copart customers not identifying Hills Motors as a salvager capable of meeting their requirements) together in the round, this indicates that Hills Motors is unlikely to have exercised a meaningful constraint on Copart absent the Merger.

Remaining constraints post-Merger

- 25. We 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. However, given our finding that Hills Motors is unlikely to have exercised a meaningful constraint on Copart absent the Merger, our overall assessment is that the Merger has not and may not be expected to result in an SLC in the supply of salvage services in the UK by removing a competitive constraint.

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

- 26. We 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.
- 27. We 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.

28. 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

29. We 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.
30. We 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.
31. 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

32. We 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 of those parts.
33. 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 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 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).
34. 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.

35. 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 found that the Merged Entity does not have the ability to harm the competitiveness of these rivals.
36. 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.
37. 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 found that the Merged Entity does not have the ability to harm the competitiveness of rivals that impact competition in either market.

Conclusions

38. As a result of our assessment, we 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 not and may not be expected to give rise to an SLC in any markets in the UK.

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**),² 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 2023.³
- 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 final report, published and notified to the Parties in line with the CMA's rules of procedure.⁴ Further information can be found on our webpage.⁵

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

² 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.

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

⁴ [CMA rules of procedure for merger, market and special reference groups \(CMA17\)](#).

⁵ [Copart/Hills Motors merger inquiry](#).

States. In addition to the UK, Copart has operations in countries in Asia, Europe and South America.⁶

- 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 £[~~8~~] million was generated in the UK.⁷

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 VB3.⁸ 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.⁹ The majority of the vehicles sold on behalf of insurance companies are either damaged vehicles deemed a total loss or 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.¹⁰ Copart sells the vehicles principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers, exporters, and to the general public.¹¹

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

⁶ <https://www.copart.com/Content/us/en/About-Copart/Our-History>.

⁷ Copart's response to the CMA's RFI dated 17 February 2023 (**Phase 2 RFI 4 to Copart**), question 23.

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](#).

¹¹ Copart, [Form 10-K: annual report for year ending 31 July 2022](#).

UK.¹² Pre-Merger, Copart operated from 15 sites in the UK with a total acreage of [REDACTED] acres.¹³

- 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.¹⁴ 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.¹⁵ 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.¹⁶ As a corollary of these self-dismantling operations, Copart makes a small volume of ‘leftover’ parts (tyres and alloys, engines) available for sale.¹⁷

Hills Motors

- 2.7 Hills Motors is a UK-based provider of vehicle recycling and remarketing services. Hills Motors was founded in 1978.¹⁸
- 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.¹⁹ Hills Motors estimated turnover for the financial year ending 30 November 2022 is £[REDACTED] million.²⁰
- 2.9 Like Copart, Hills Motors supplies services – including collection (recovery), storage and remarketing for sale via online auctions²¹ – 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

¹² 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](#).

¹³ [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.

¹⁴ [Parties' response to the Issues Statement](#), Table 1, page 4.

¹⁵ Copart response to Phase 2 Notice 1, Annex 3.

¹⁶ See further [Copart Recycling | Car Breakers Yards Edinburgh & York](#).

¹⁷ Parties' response to the CMA's RFI dated 25 October 2022 (**RFI 4**), question 10.

¹⁸ See [GREEN PARTS SPECIALIST \(ORMSKIRK\) LTD overview - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](#).

¹⁹ Final merger notice submitted by Copart UK Limited and Hills Salvage and Recycling Limited to the CMA on 30 September 2022 (**FMN**), paragraph 26.

²⁰ 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.

²¹ Unlike Copart, Hills Motors operates its online auctions using third-party auction technology.

vehicle repairs.²² While Hills Motors generates the majority of its revenues through its activities in the supply of salvage services and associated vehicle sales,²³ 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:²⁴ 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 Motors' acquisition of DA Autoparts in 2021).²⁵ In February 2022 Hills Motors also acquired a further site in Gloucester as a delivery hub for the supply of recycled parts.²⁶

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.²⁷ The Merger completed on 5 July 2022, for a consideration of £[REDACTED].²⁸

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.²⁹ 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.³⁰

²² In its [Phase 1 Decision](#), the CMA referred to recycled OEM parts as 'green parts'. In this final report, we refer to 'recycled parts', however the meaning remains the same.

²³ 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 Motors' 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.

²⁴ [Parties' response to the Issues Statement](#), Table 1, page 4.

²⁵ [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.

²⁶ [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.

²⁷ FMN, paragraphs 6 and 7.

²⁸ Comprising: [REDACTED]. FMN, paragraphs 6 and 7.

²⁹ 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.

³⁰ Parties' response to the CMA's RFI dated 16 December 2022 ([Phase 2 RFI 1](#)), question 1.

- 2.14 With regard to customer demand, the Parties submitted that insurance companies and other salvage service customers are increasingly requesting that salvagers provide in-house dismantling services in order to facilitate their increased use of recycled parts, which have environmental and financial benefits.³¹ 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.³²
- 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 required such services and/or losing contracts altogether.³³ Copart submitted that, consequently, it considers that a large portion of its business is at material risk³⁴ 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.³⁵
- 2.16 Copart's internal documents are broadly consistent with the stated rationale, in that they highlight customer demand for a recycled parts solution³⁶ and that a key driver for the Merger was to respond to competitive threat from IAA.³⁷

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

³¹ Parties' response to the Phase 1 Decision, paragraph 7.

³² Parties' response to the Phase 1 Decision, paragraph 13

³³ FMN, paragraph 41.

³⁴ Parties' response to the Issues Statement, paragraph 45.

³⁵ Parties' response to Phase 2 RFI 1, paragraph 12.

³⁶ 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.

³⁷ For example, [REDACTED]. Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2 to Copart.

(also referred to as 'recovery'), storage and remarketing for sale via online auctions. These customers supply vehicles to the Parties, who then dispose 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.³⁸
- 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'³⁹ (the **ABI code**). The ABI code applies to ABI member insurers and, more widely, represents industry best practice (including for self-insured vehicle owners).⁴⁰ 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**);⁴¹ 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**).

³⁸ See paragraph 7.71 below and Copart, [Form 10-K: annual report for year ending 31 July 2022](#).

³⁹ 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](#).

⁴⁰ Note of a call with a third party, February 2023, paragraph 4.

⁴¹ See [CUE & MIAFTR \(mib.org.uk\)](#).

3.4 The ABI categories (summarised in Table 3.1 below) determine how the vehicles should be handled.⁴² As can be seen from Table 3.1, under the ABI 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

<i>Category</i>	<i>Definition</i>	<i>Required treatment</i>
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).

⁴² 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 categorisation of motor vehicle salvage](#), page 13.

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.⁴³ 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.⁴⁴ 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 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

⁴³ 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.

⁴⁴ FMN, paragraphs 43 and 45.

companies they may provide more specialist services, including services to cater to the claims process.⁴⁵

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 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,⁴⁶ and we understand that in some cases salvagers use a mixture of payment methods with the same salvage service customer.⁴⁷
- (b) The geographic coverage. Some salvagers operate nationally whereas others generally operate in the areas local to their sites.⁴⁸ In addition, some salvage service customers such as insurance companies are seeking national contracts whereas others, such as local authorities, are seeking local contracts.⁴⁹ 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 below (see paragraph 8.47).

⁴⁵ 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. Similarly, in a transcript for presentation for ATF Professional on the future of salvage, Copart described 'A salvage operator needs specialist transports (roadside recovery operators are reducing too) to move vehicles and vast, multi-location storage space to contain road miles travelled and provide extensive safe storage, whilst awaiting inspections, finance marker removal and resolution of safeguard enquiries – investment in this area is costly'. Copart, annex COP_0000082, 'ATF Professional - 19th Jan transcript', 20 January 2021 submitted in response to Phase 2 Notice 1 to Copart.

⁴⁶ From 1 January 2022 to 30 November 2022, [%] of Copart's contracts used the profit share model. These contracts accounted for [%] of Copart's volumes and [%] of its revenue. Parties' Response to Phase 2 RFI 1, question 7.

⁴⁷ For example, [%] explained that they use the PAV model for Category A and B vehicles and that for other salvage vehicles they may also use the PAV model or the profit share model. Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 9.

⁴⁸ 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.

⁴⁹ 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.

- (c) In-house dismantling and recycled parts services.⁵⁰ 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 active, 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 platform⁵¹ whereas other salvagers use third-party auction technology.⁵² 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 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 customers⁵³ as well as 'buyer fees' to customers purchasing a vehicle on an auction platform.⁵⁴

3.11 Our 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.⁵⁵

⁵⁰ 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.

⁵¹ [Parties' response to the Issues Statement](#), paragraph 20.

⁵² 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.

⁵³ 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.

⁵⁴ 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](#).

⁵⁵ 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.

- (ii) IAA currently has 18 sites for salvaging covering [REDACTED] acres and has capacity for [REDACTED] vehicles. [REDACTED] of these sites – covering [REDACTED] acres and with capacity for [REDACTED] vehicles – are also used for dismantling.⁵⁶
- (iii) IAA provides salvage services to insurance companies, fleet management companies, claims management companies, police forces and car rental companies.⁵⁷ Its largest customers are insurance companies, such as [REDACTED], and it services these contracts independently.⁵⁸
- (iv) IAA has proprietary auction technology⁵⁹ 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).⁶⁰

(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. 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),⁶¹ and another that e2e's members may have up to [REDACTED] sites (this excludes Hills Motors' sites).⁶²
- (iii) e2e provides salvage services to insurance companies, fleet management companies, claims management companies.⁶³ Its largest customers are insurance companies such as Direct Line Group.⁶⁴

⁵⁶ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁵⁷ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 3.

⁵⁸ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 2 and Annex 2.

⁵⁹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 2.

⁶⁰ Note of a call with a third party, February 2023, paragraphs 6 to 8.

⁶¹ Copart, annex COP_0000691, '[REDACTED]' submitted in response to Phase 2 Notice 1 to Copart.

⁶² Copart, annex COP_0000320, '[REDACTED]' submitted in response to Phase 2 Notice 1 to Copart.

⁶³ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 3.

⁶⁴ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, annex 2.

- (iv) e2e has a proprietary auction platform⁶⁵ 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] acres and has capacity for [REDACTED] vehicles (together with two adjacent sites covering [REDACTED] acres and with capacity for storing [REDACTED] vehicles) and another site in Scotland which covers [REDACTED] acres and has capacity for [REDACTED] vehicles.⁶⁶ Hills Motors' customers include insurance companies, public authorities, fleet management companies, claims management companies and members of the public.⁶⁷ Hills Motors has a contract with one large insurance company, Ageas,⁶⁸ 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 two sites covering [REDACTED] acres with capacity for [REDACTED] vehicles. Charles Trent also engages in dismantling at these sites.⁶⁹ Charles Trent holds one small insurance contract independently⁷⁰ 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.⁷¹ Silverlake's main contracts are those that it services through the e2e consortium, [REDACTED],⁷² [REDACTED].⁷³

⁶⁵ 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>.

⁶⁶ Parties' response to Phase 2 RFI 1, question 13. [REDACTED].

⁶⁷ Hills Motors' response to Phase 2 Notice 1 to Hills Motors, Annex 3, tab Q13.

⁶⁸ [Ageas sets up seamless supply of green car parts with Hills Salvage - Ageas](#).

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

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

⁷¹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁷² Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, Annex 2.

⁷³ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, Annex 1.

- (iii) Combellack is a member of the e2e consortium. Combellack has one site covering [REDACTED] acres with the capacity for [REDACTED] vehicles.⁷⁴ Combellack's main contracts are those that it services through the e2e consortium, [REDACTED].⁷⁵
- (iv) ASM is a member of the e2e consortium. ASM has one main site and four satellite sites which collectively cover [REDACTED] acres.⁷⁶ ASM's main contracts are those that it services through the e2e consortium and as part of the Ageas network, although it also receives some volumes independently from insurance companies.⁷⁷
- (v) SureTrak uses a subcontracted network of independent salvagers.⁷⁸ SureTrak provides salvage services to insurance companies, fleet management companies and claims management companies.⁷⁹ It has one large national insurance contract with [REDACTED].⁸⁰
- (vi) Recycling Lives has eight sites covering [REDACTED].⁸¹ 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 Recycling Lives provide salvage services to some insurance companies, this is for a very small number of vehicles per year.⁸²

3.12 Other salvagers that have been identified by the Parties include other members of e2e such as Reclamet and Overton⁸³ and other independent salvagers such as Jonathan Lloyd and Redcorn.⁸⁴

⁷⁴ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 10.

⁷⁵ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁷⁶ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁷⁷ 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.

⁷⁸ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 11.

⁷⁹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 3.

⁸⁰ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2. [REDACTED]. Email from a third party, November 2022 and [REDACTED].

⁸¹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁸² Note of a call with a third party, paragraphs 1, 2 and 10.

⁸³ [Parties' response to the Phase 1 Decision](#), pages 20 and 21.

⁸⁴ [Parties' response to the Phase 1 Decision](#), page 20 and [Parties' response to the Issues Statement](#), paragraph 28.

Other vehicle remarketers

3.13 The Parties 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 (part of the Cox Automotive group)⁸⁵ and Aston Barclay.⁸⁶

3.14 In relation to these companies:

(a) BCA describes itself as the UK's largest used vehicle business.⁸⁷ It is part of the Constellation Automotive Group which also includes the webuyanycar and cinch brands.⁸⁸ Webuyanycar purchases vehicles from the public,⁸⁹ while BCA holds auctions through which trade customers can purchase vehicles⁹⁰ and members of the public can purchase vehicles through cinch.⁹¹

(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.⁹²

(c) Aston Barclay describes itself as a national car and van auction and remarketing specialist.⁹³ Aston Barclay holds auctions which trade customers can purchase vehicles from.⁹⁴

3.15 As set out at paragraph 7.13 below, we refer to these companies as '**other vehicle remarketers**' and consider them in our assessment of the relevant market and our competitive assessment.

⁸⁵ Cox Automotive is part of the Cox Enterprises group. The Parties noted that Cox Enterprises' businesses in the UK also include AutoTrader and Dealer Auction ([Parties' response to the Issues Statement](#), paragraph 51). By way of correction: while, in the US, Autotrader.com is part of the Cox Enterprises group, in the UK, Auto Trader Group plc is an independent, publicly listed company (and not part of the Cox Enterprises group). In the UK, Cox Automotive UK Limited and Auto Trader Group plc have a joint venture, Dealer Auction (see, eg Auto Trader Group plc, [Annual report and financial statements 2023](#), page 71).

⁸⁶ 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.

⁸⁷ <https://www.bca.co.uk/>.

⁸⁸ <https://www.constellationautomotive.com/>.

⁸⁹ <https://www.webuyanycar.com/>.

⁹⁰ <https://www.bca.co.uk/buy/register>.

⁹¹ <https://www.bca.co.uk/buy/register/general-public>.

⁹² Note of a call with a third party, January 2023, paragraphs 1 and 5.

⁹³ <https://www.astonbarclay.net/>.

⁹⁴ <https://www.astonbarclay.net/services/buying-with-aston-barclay/> and <https://www.astonbarclay.net/trade-application/>.

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’.⁹⁵
- 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.⁹⁶ 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).⁹⁷
- 3.18 Many salvagers are active in both salvaging and the dismantling of vehicles for parts. For example, of those salvagers identified above, IAA,⁹⁸ Hills Motors,⁹⁹ Charles Trent,¹⁰⁰ [X],¹⁰¹ Silverlake,¹⁰² ASM,¹⁰³ Reclamet,¹⁰⁴ Overton¹⁰⁵ and Redcorn.¹⁰⁶
- 3.19 While customers can purchase recycled parts directly from dismantlers (eg via phone or website),¹⁰⁷ they are also able to purchase them via eBay.¹⁰⁸ 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

⁹⁵ As noted above, in its [Phase 1 Decision](#), the CMA referred to recycled OEM parts as ‘green parts’. In this final report, we refer to ‘recycled parts’, however the meaning remains the same.

⁹⁶ <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.synteq.co.uk/synteq-zurich-partner-to-reduce-co2-impact-of-vehicle-repair/>.

⁹⁷ 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.

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

⁹⁹ <https://parts.hills-motors.co.uk/>.

¹⁰⁰ <https://www.trents.co.uk/about-us>.

¹⁰¹ Third-party response to the CMA’s Phase 1 competitor questionnaire, October 2022, question 2.

¹⁰² <https://www.silverlake.co.uk/>.

¹⁰³ <https://www.asm-autos.co.uk/asm-guides/car-recycling/>.

¹⁰⁴ <https://www.reclamet.co.uk/>.

¹⁰⁵ <https://overton-automotive.co.uk/>.

¹⁰⁶ <https://www.redcorn.co.uk/spare-parts/>.

¹⁰⁷ 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.synteq.co.uk/parts-breaking/>.

¹⁰⁸ For example, https://www.ebay.co.uk/b/Car-Parts-Accessories/6030/bn_1528081.

parts portal called 'green parts for business' with support of insurers ('eBay's business-to-business portal').¹⁰⁹

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.¹¹⁰ 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.¹¹¹

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**').¹¹² The GPS platform is a portal for repairers to make requests for recycled parts. The GPS platform is currently mandated by Ageas for its repair networks. In addition to Hills Motors, dismantlers involved in servicing Hills Motors' Ageas contract can supply parts through the GPS platform and other dismantlers can request to join the platform subject to them providing quality control and parts delivery.¹¹³

(b) IAA's mygreenparts platform.¹¹⁴ Mygreenparts platform is an enterprise resource planning portal which connects to the Audatex system used by UK body shop industry in repair work.¹¹⁵ [✂].¹¹⁶

(c) Solera's InPart system¹¹⁷ 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 (see below) configures their system to export a file that Audatex can retrieve and format for Audasource, then body shops can access its inventory of recycled parts. There is no direct link between Pinnacle and the Solera products.¹¹⁸

3.22 We are also aware of a parts management software called Pinnacle Pro.¹¹⁹ Pinnacle can be used by dismantlers to manage the parts they have and, for

¹⁰⁹ eBay UK joins forces with Aviva and LV to improve use of recycled (youtalk-insurance.com).

¹¹⁰ <https://www.ebayforbusiness.co.uk/>.

¹¹¹ <https://www.vracertification.org.uk/>.

¹¹² <https://www.green-parts.co.uk/>.

¹¹³ Parties' response to Phase 2 RFI 1, question 21.

¹¹⁴ <https://www.mygreenparts.co.uk/>.

¹¹⁵ [✂].

¹¹⁶ Note of a call with a third party, February 2023, paragraph 16.

¹¹⁷ <https://global.inpart.es/fmDocument.aspx?IdDocumentType=ay0TM6fzSxQ%3d>.

¹¹⁸ Email from a third party, April 2023.

¹¹⁹ <https://hollanderinternational.com/pinnacle-professional/>.

example, provide information to eBay or other sales channels.¹²⁰ 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.¹²¹

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**).¹²²

4.3 We consider these two criteria in turn below.

Enterprises ceasing to be distinct

Enterprises

4.4 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.¹²³ A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which

¹²⁰ Third-party response to supplementary competitor questionnaire, March 2023, question 11; third-party response to supplementary competitor questionnaire, March 2023, question 6.

¹²¹ 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.

¹²² Sections 23 and 24 of the Act.

¹²³ Section 129(1) of the Act.

is an undertaking in the course of which goods or services are supplied otherwise than free of charge'.¹²⁴

- 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.¹²⁵ 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.¹²⁶
- 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.¹²⁷ 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 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.¹²⁸ 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

¹²⁴ Section 129(1) and (3) of the Act.

¹²⁵ 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]', [redacted], 24 June 2022, page 26.

¹²⁶ Section 26 of the Act.

¹²⁷ Section 24 of the Act.

¹²⁸ Section 73(2) of the Act.

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' 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.¹²⁹ Accordingly, the share of supply test in section 23(4) of the Act is satisfied.

Conclusion on RMS

- 4.12 We 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.¹³⁰ Applying the SLC test involves a 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.¹³¹
- 5.2 To help make the SLC assessment, we will select the most likely conditions of competition as our counterfactual against which to assess the merger.¹³² For

¹²⁹ We 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 also estimated shares of supply of salvage services to insurance customers in 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.

¹³⁰ [CMA's Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.13.

¹³¹ [CMA129](#), paragraph 3.1.

¹³² [CMA129](#), paragraph 3.13.

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.¹³³

- 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.¹³⁴
- 5.4 The counterfactual is not intended to be a detailed description of those conditions of competition that would have prevailed absent the merger.¹³⁵ Those conditions are better considered in the competitive assessment.¹³⁶ 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.¹³⁷
- 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.¹³⁸

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 account the impact of increasing demand for recycled parts from insurance companies and other customers on Copart's competitive position.¹³⁹
- 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

¹³³ 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'.

¹³⁴ CMA129, paragraph 3.3.

¹³⁵ CMA129, paragraph 3.7.

¹³⁶ CMA129, paragraph 3.7.

¹³⁷ CMA129, paragraph 3.8.

¹³⁸ CMA129, paragraph 3.4.

¹³⁹ FMN, paragraph 37.

service customers making new and renewed commitments to demonstrate their ESG credentials.¹⁴⁰

- 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 required such services and/or losing contracts altogether.¹⁴¹ Copart submitted that, consequently, it considers that a large portion of its business is at material risk¹⁴² 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.¹⁴³ Copart further submitted that the Merger is the only way that Copart can continue to compete for salvage service contracts.¹⁴⁴

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).¹⁴⁵ 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.¹⁴⁶
- 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.
- 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,¹⁴⁷ 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

¹⁴⁰ The parties, transaction and rationale, paragraph 5.2b.

¹⁴¹ FMN, paragraph 41.

¹⁴² [Parties' response to the Issues Statement](#), Paragraph 45.

¹⁴³ Parties' response to CMA RFI 1, paragraph 12.

¹⁴⁴ Parties' response to the AIS and working papers, paragraph 27.

¹⁴⁵ [CMA129](#), paragraph 3.7.

¹⁴⁶ [CMA129](#), paragraph 3.8.

¹⁴⁷ Parties' response to the AIS and working papers, paragraph 27.

offering. For example, as discussed in paragraph 8.30(b) below, Copart's internal documents indicate that [REDACTED].¹⁴⁸

- 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 to 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.¹⁴⁹ We understand from the Parties' submissions that Hills Motors decided to [REDACTED] and to resign from e2e as a result of the Merger.¹⁵⁰ We therefore consider the counterfactual of the pre-Merger conditions of competition is one in which these actions taken as a consequence of the Merger had not taken place.¹⁵¹

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 considered, broadly, three theories of harm in our assessment, namely whether the Merger has resulted or may be expected to result in an SLC as a result of:
- (a) horizontal unilateral effects in the supply of salvage services in the UK;

¹⁴⁸ 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.

¹⁴⁹ CMA129, paragraph 3.4.

¹⁵⁰ FMN, paragraph 61 and Parties' response dated 24 August 2022 to the CMA's questions of 17 August 2022, question 1.

¹⁵¹ Meaning that, in the immediate term at least, Hills Motors would have [REDACTED] and remained on the board of directors and a collecting member of e2e. For the avoidance of doubt, our counterfactual assessment is not that Hills Motors would remain a member of e2e indefinitely. The counterfactual does not seek to ossify the market at a particular point in time or to predict the precise details or circumstances that would have arisen absent the merger (CMA129, paragraphs 3.3 and 3.11).

- (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.

Overview of our evidence base

6.4 To assess the impact of the Merger, we gathered a substantial volume of evidence that we considered in the round to reach our 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), a response to working papers and AIS setting out our emerging thinking that we had shared with the Parties ahead of our hearings with them, a response to our Provisional Findings and a response to our Addendum Provisional Findings – 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]. As part of this evidence gathering, we requested and reviewed contemporaneous internal documents from customers who had conducted recent benchmarking and tender

processes to which the Parties had been invited [REDACTED]. We also received input from other industry associations and players.

- 6.7 We also received submissions from ten customers [REDACTED] of salvage services, three competitors in salvaging and dismantling [REDACTED], two individuals active in the industry [REDACTED] and one industry association [REDACTED] in response to our Provisional Findings as well as receiving responses from six competitors [REDACTED] in response to our Addendum Provisional Findings.
- 6.8 Finally, we considered evidence from the Parties and third parties ([REDACTED]) received during our phase 1 investigation of the Merger.
- 6.9 We set out more details on the evidence that we gathered, how we used it and the weight we 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’.¹⁵² An SLC can affect the whole or part of a market or markets.¹⁵³
- 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.¹⁵⁴ 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.¹⁵⁵ 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.¹⁵⁶

¹⁵² 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.

¹⁵³ [CMA129](#), paragraph 9.1.

¹⁵⁴ [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.

¹⁵⁵ [CMA129](#), paragraph 9.2.

¹⁵⁶ [CMA129](#), paragraph 9.2.

7.3 We first discuss below the relevant product markets for our assessment of the Merger and then the relevant geographic markets.

Product markets

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 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.¹⁵⁷ In particular:

(a) The Parties submitted that 'salvage services' are 'salvage vehicle commercialisation services'.¹⁵⁸

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

(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.¹⁵⁹

(ii) The Parties later 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).¹⁶⁰ The Parties acknowledged, however, that 'salvage vehicle' is also a term used by insurance companies to describe a

¹⁵⁷ FMN, paragraphs 80-83.

¹⁵⁸ 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.

¹⁵⁹ FMN, paragraphs 44 and 45.

¹⁶⁰ Copart's response to the CMA's RFI dated 24 January 2023 (**Phase 2 RFI 3 to Copart**), question 3.

vehicle that has been through an insurance claim process and assigned an ABI category.¹⁶¹

(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 schemes¹⁶² for grading vehicle damage. However, the Parties submitted that these 'salvage' vehicles (ie, ABI-categorised vehicles) and other damaged vehicles are in essence the same thing.¹⁶³

(c) Copart submitted that competitors in the supply of salvage services include BCA, Manheim (part of the Cox Enterprises group) and Aston Barclay.¹⁶⁴

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).¹⁶⁵

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 [X]%) of Copart's volumes and over [X]% of Hills Motors' volumes¹⁶⁶).¹⁶⁷

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 business¹⁶⁸ and Hills Motors via its 'scrapacar.co.uk'

¹⁶¹ Copart's response to the CMA's RFI dated 17 February 2023 (**Phase 2 RFI 4 to Copart**), question 4.

¹⁶² [NAMA | Grading \(nama-uk.com\)](https://www.nama-uk.com) and [BVRLA Returning your leased vehicle](#).

¹⁶³ 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). We note however that many ABI-categorised vehicles (and other damaged vehicles) are repairable.

¹⁶⁴ FMN, paragraph 135 and [Parties' response to the Phase 1 Decision](#), paragraphs 74 and 75.

¹⁶⁵ [CMA129](#), paragraphs 9.6 and 9.7.

¹⁶⁶ [X]. Hills Motors' response to Phase 2 Notice 1, Annex 3.

¹⁶⁷ Copart's response to Phase 2 Notice 1, annex 3, tab Q13; Hills Motors' response to Phase 2 RFI 5, question 1.

¹⁶⁸ [We Buy Accident Damaged Cars - Selling Your Car Made Easy - Copart UK](#).

website.¹⁶⁹ According to data submitted by the Parties, these customers accounted for [redacted]% of Copart's volumes and [redacted]% of Hills Motors' volumes in 2022.¹⁷⁰ Copart also acquired an additional [redacted]% of volumes in 2022 from other websites that purchased from private individuals and sales from trade customers.¹⁷¹

(b) Both Parties have received vehicles from public authorities. In particular, Hills Motors has historically held [redacted] disposal contracts with the [redacted].¹⁷² In 2022 these customers accounted for [redacted] handled by Copart and [redacted]% of Hills Motors' volume.¹⁷³

(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.¹⁷⁴

Salvagers

7.9 Based on evidence from recent tenders submitted by the Parties¹⁷⁵ 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 investigation¹⁷⁶ or identified as alternatives that could provide similar services to the Parties.^{177,178}

¹⁶⁹ [Scrap My Car | Scrap Your Car For Cash | Instant Quote \(scrapacar.co.uk\)](https://www.scrapacar.co.uk).

¹⁷⁰ 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.

¹⁷¹ For Copart, based on [redacted] and [redacted]. Copart's response to Phase 2 Notice 1, annex 3, tab Q13.

¹⁷² [Parties' response to the Issues Statement](#), paragraph 27.

¹⁷³ 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.

¹⁷⁴ 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.

¹⁷⁵ Parties' response to Phase 1 RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'.

¹⁷⁶ 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.

¹⁷⁷ 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.

¹⁷⁸ One respondent did not identify any alternatives that could meet its 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

7.10 We collectively refer to these players and similar players as ‘salvagers’ and 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 (part of Cox Enterprises) and Aston Barclay compete in the supply of salvage services.¹⁷⁹

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.¹⁸⁰

(b) Opportunities data submitted by the Parties¹⁸¹ and customers¹⁸² do not identify any occasions where the Parties competed against BCA, Manheim or Aston Barclay.¹⁸³

7.13 Therefore, our 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.¹⁸⁴ 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.¹⁸⁵

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>.

¹⁷⁹ FMN, paragraph 135; [Parties’ response to the Phase 1 Decision](#), paragraphs 74 and 75.

¹⁸⁰ 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 and 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.

¹⁸¹ Parties’ response to Phase 1 RFI 1, ‘RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities’.

¹⁸² 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.

¹⁸³ We are aware of [redacted] where Copart competed against [redacted]. [Parties’ response to the Issues Statement](#), paragraph 44.

¹⁸⁴ 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](#).

¹⁸⁵ [CMA129](#), paragraph 9.4.

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.¹⁸⁶
- 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.¹⁸⁷ 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.¹⁸⁸
- 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.¹⁸⁹
- 7.17 In particular, the Parties submitted that:
- (a) Constellation Automotive Group (BCA, WeBuyAnyCar, cinch) and Cox Enterprises (whose Cox Automotive business in the UK includes Manheim)¹⁹⁰ are two of Copart's closest competitors, selling vehicles from

¹⁸⁶ FMN, paragraphs 90-91.

¹⁸⁷ Parties' response to the AIS and working papers, paragraph 71.

¹⁸⁸ Parties' response to the AIS and working papers, paragraph 71.

¹⁸⁹ Parties' supplementary submission – Competition in the supply of vehicles, pages 1 and 2.

¹⁹⁰ As noted above, the Parties noted that Cox Enterprises businesses in the UK also include AutoTrader and Dealer Auction ([Parties' response to the Issues Statement](#), paragraph 51). By way of correction: while, in the US, Autotrader.com is part of the Cox Enterprises group, in the UK, Auto Trader Group plc is an independent, publicly listed company (and not part of the Cox Enterprises group). In the UK, Cox Automotive UK Limited and Auto Trader Group plc have a joint venture, Dealer Auction (see, eg Auto Trader Group plc, [Annual report and financial statements 2023](#), page 71).

non-insurance customers that are similar to those sold by Copart.¹⁹¹
Internal documentary evidence from Copart shows [REDACTED].¹⁹²

- (b) Supply is very fragmented and significant volumes of vehicles are supplied outside of the 'salvage' channel.¹⁹³ 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.¹⁹⁴
- (c) There are more severely damaged vehicles sold outside of an insurance claims process than those that go through it. Over 7.3 million vehicles that underwent an MOT test in the Driver and Vehicles Standards Agency (DVSA)'s 2021-2022 financial year failed the MOT test, of which almost 2.5 million failed because of a dangerous item (eg, structural damage). Furthermore, vehicle owners do not always claim on their insurance after an accident for a range of reasons.¹⁹⁵
- (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 base¹⁹⁶ – showed that: over [REDACTED]% of respondents also looked to purchase from eBay, [REDACTED]% from Facebook Marketplace, over [REDACTED]% from Auto Trader, over [REDACTED]% from BCA;¹⁹⁷ average buyers used at least two suppliers in addition to Copart and in some cases substantially more; and over [REDACTED]% 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.¹⁹⁸

¹⁹¹ Parties' response to the Issues Statement, paragraph 51.

¹⁹² 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.

¹⁹³ Parties' response to the Issues Statement, paragraph 52.

¹⁹⁴ Parties' supplementary submission – Competition in the supply of vehicles, page 2.

¹⁹⁵ Parties' supplementary submission – Further evidence on the availability of Cat. B equivalent vehicles, pages 1-3.

¹⁹⁶ [REDACTED]. Parties' supplementary submission – Competition in the supply of vehicles, page 7; Copart's response to Phase 2 RFI 4, annex 1, tab Q4-8.

¹⁹⁷ 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.

¹⁹⁸ Parties' response to the AIS and working papers, paragraph 74.

- (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.¹⁹⁹
- (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 buyers²⁰⁰ point to such customers purchasing vehicles from a wide range of alternatives, including BCA, Manheim, Auto Trader, eBay, Facebook Marketplace and Gumtree.²⁰¹ 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]%.²⁰² The Parties focussed on Category B alternatives on the basis that, if there are sufficient substitutes for Category B and equivalent vehicles, concerns in the supply of other categories and equivalents are less likely.²⁰³
- (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.²⁰⁴ 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.²⁰⁵

¹⁹⁹ Parties’ response to the AIS and working papers, paragraph 74.

²⁰⁰ 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.

²⁰¹ Parties’ supplementary submission – Competition in the supply of vehicles, pages 2 and 9.

²⁰² Parties’ supplementary submission – Competition in the supply of vehicles, pages 7 to 20.

²⁰³ Parties’ supplementary submission – Competition in the supply of vehicles, page 7.

²⁰⁴ Parties’ supplementary submission – Competition in the supply of vehicles, page 14.

²⁰⁵ Parties’ supplementary submission – Competition in the supply of vehicles, pages 14-15.

- (ii) Auto Trader lists 420,000 vehicles, of which approximately 9,400 are specifically categorised as Category S/C/N/D²⁰⁶ 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 [REDACTED].²⁰⁷
- (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.²⁰⁸ 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).²⁰⁹ The Parties submitted that they found 3,165 Category 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').²¹⁰ The Parties submitted that this exercise shows there are 100-150,000 category B equivalent vehicles sold on eBay,²¹¹ 80-100,000 category B equivalent vehicles sold on Facebook Marketplace²¹² and 80-100,000 Category B equivalent vehicles sold on Gumtree²¹³ annually.²¹⁴ 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.²¹⁵

7.18 In contrast to the above, in the context of a derogation request submitted in October 2022, the Parties considered only [REDACTED] as potential platforms that Hills Motors could sell its vehicles through.²¹⁶ With regard to eBay, the Parties

²⁰⁶ 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 \(trents.co.uk\)](https://www.trents.co.uk).

²⁰⁷ The Parties submitted that they were not able to fully 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.

²⁰⁸ Parties' supplementary submission – Competition in the Supply of Vehicles, page 10.

²⁰⁹ 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 terms was not used (eg damaged, repairable, etc.) Parties' supplementary submission – Competition in the supply of vehicles, pages 7, 11, 12 and 13.

²¹⁰ Parties' supplementary submission – Data supporting competition in the supply of vehicles.

²¹¹ 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).

²¹² 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).

²¹³ Based on 275 out of the 807 unique listings being posted within the last 24 hours.

²¹⁴ Parties' supplementary submission – Competition in the supply of vehicles, page 11, 12 and 13.

²¹⁵ Parties' supplementary submission – Competition in the supply of vehicles, page 14.

²¹⁶ Derogation request letter dated 18 October 2022, pages 1 to 6.

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.²¹⁷

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 between [X]% and [X]% of vehicles sourced by Copart were assigned an ABI category (A, B, S or N).²¹⁸ For Hills Motors this figure was [X]% in 2019, but has increased to [X]% in 2022.²¹⁹ 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 2019-2022.²²⁰ For Hills Motors this figure was [X]% in 2019, but has fallen to [X]% in 2022.²²¹

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:

²¹⁷ Derogation request letter dated 18 October 2022, page 6.

²¹⁸ Copart's response to Phase 2 Notice 1 to Copart, annex 3.

²¹⁹ Based on independently sourced volumes. See Hills Motors' response to Phase 2 RFI 5 to Hills Motors, question 1.

²²⁰ Copart's response Phase 2 Notice 1 to Copart, annex 3.

²²¹ Based on independently sourced volumes. See Hills Motors' response to Phase 2 RFI 5 to Hills Motors, question 1.

- (a) First, key competitors [REDACTED] of the Parties told us that they do not consider BCA or Manheim as competitors in the supply of vehicles.²²² 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 Motors 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.²²³ 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 roadworthy and not like those involved in major accidents. By contrast, Manheim noted that Copart mainly deals with recovered vehicles which are not roadworthy. 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.²²⁴
- (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].²²⁵ [REDACTED].²²⁶

7.22 However, we also received evidence indicating that the most significant alternatives to the Parties²²⁷ 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.

²²² Note of a call with a third party, February 2023, paragraph 4; Note of a call with a third party, February 2023, paragraph 3.

²²³ Note of a call with a third party, January 2023, paragraphs 4, 7 and 8; Email from a third party, February 2023.

²²⁴ Note of a call with a third party, January 2023, paragraph 1.

²²⁵ See Copart, annex COP_0000134, [REDACTED]; and Copart, annex COP_0000543, [REDACTED], both submitted in response to Phase 2 Notice 1.

²²⁶ Copart's response to Phase 2 RFI 4, document 'Phase 2 – RFI 4 (Copart) – Annex 7 – [REDACTED]'.
²²⁷ 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.

The Parties' customers

- 7.23 The Parties submitted that the primary buyers of salvage vehicles are vehicle dismantlers (who must be ATFs),²²⁸ rebuilders, repair licensees, used vehicle dealers, body shops, exporters, and the general public.²²⁹ 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).²³⁰ 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.²³¹
- 7.24 Approximately [REDACTED] of vehicles handled by Copart are sold to dismantlers.²³² 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).²³³ By contrast, we understand that in 2022 Hills Motors' top ten ATF customers accounted for less than [REDACTED]% ([REDACTED]) of the vehicles it sold at auction.²³⁴ However, Hills Motors supplies vehicles to some dismantlers through subcontracting arrangements as part of its operation of the Ageas network.²³⁵

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 this report, 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

²²⁸ See Table 3.1.

²²⁹ FMN, paragraph 66.

²³⁰ FMN, paragraph 67.

²³¹ FMN, paragraphs 69-70.

²³² Copart's response to Phase 2 Notice 1 to Copart, Annex 3.

²³³ Copart's response to Notice 3 to Copart, Annex 2, tab Q1.

²³⁴ 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'.

²³⁵ 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].

'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 auctions²³⁶ whereas others may rely on a combination of purchasing from salvager auctions and local drop ins.²³⁷

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 customers and indirectly via consortia or sub-contracted arrangements (through which volumes are allocated to the salvager/dismantler by the 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 [X] % of all its insurance vehicles directly from salvage service contracts with insurance customers.²³⁸

(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.²³⁹

²³⁶ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9b; email from a third party, March 2023.

²³⁷ Note of a call with a third party, January 2023, paragraph 3; email from a third party, March 2023.

²³⁸

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

²³⁹ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

- (c) All Parts received all its insurance vehicles from Hills Motors via sub-contracting arrangements.²⁴⁰
- (d) AutoSpares received around half of its insurance vehicles from Hills Motors via sub-contracting arrangements and received the other half from consortia.²⁴¹
- (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.²⁴²

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).²⁴³ 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 insurance-sourced vehicles is quantifiable: IAA typically sells on average [REDACTED] parts per vehicle from an insurance customer sourced vehicle as compared with [REDACTED] parts per vehicle sourced from police forces or other direct purchase routes.²⁴⁴ 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.²⁴⁵
- (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.²⁴⁶ 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

²⁴⁰ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²⁴¹ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²⁴² Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

²⁴³ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, questions 4 and 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.

²⁴⁶ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 4.

cars, a supply of insurance and auction vehicles is important to satisfy most customers with newer cars.²⁴⁷

- (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.²⁴⁸ 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.²⁴⁹

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 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.²⁵⁰
- (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

²⁴⁷ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9.

²⁴⁸ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 4.

²⁴⁹ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 9.

²⁵⁰ Note of a call with a third party, January 2023, paragraph 3.

vehicles that have a strong value in the used vehicles market at the moment.²⁵¹

- (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.²⁵²

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.²⁵³ Based on this data, in the last four years around 67% [redacted] of vehicles dismantled in-house to supply recycled parts were Category B vehicles compared to below 10% [redacted] that were Category S and N respectively.²⁵⁴
- (b) Data submitted by Hills Motors²⁵⁵ on the number of salvage vehicles sourced in the UK annually in the past four years split by category²⁵⁶ 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

²⁵¹ Note of a call with a third party, March 2023, paragraph 10.

²⁵² Third-party response to the CMA's phase 2 competitor questionnaire (previous respondents), December 2022, question 9.

²⁵³ A, B, S, N, U, X, other informal category or other uncategorised.

²⁵⁴ Thirds-party responses to the CMA's phase 2 competitor questionnaire (previous respondents), December 2022, Annex 1, tab Q8. [redacted].

²⁵⁵ Hills Motors' response to Phase 2 RFI 3 to Hills Motors, annex B, Q14b tab.

²⁵⁶ A, B, S, N, U, X, other informal category or other uncategorised.

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.²⁵⁷

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 [X]% of the vehicles handled by Silverlake, over [X]% of the vehicles handled by Charles Trent and Traynors and over [X]% of the vehicles handled by Recycling Lives.²⁵⁸

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 smaller number of useable parts than insurance vehicles and are generally older, such that demand for parts from these vehicles is lower.²⁵⁹

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. [X] purchased [X]% of its volumes as direct

²⁵⁷ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, question 1.

²⁵⁸ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, question 1,

²⁵⁹ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, questions 4 and 9.

purchases from other third-party sources, including from BCA and Manheim and [REDACTED] purchased [REDACTED]% of its volumes from BCA and Manheim.²⁶⁰

(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.²⁶¹

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.²⁶² Furthermore, when dismantlers were asked who their alternatives are for the supply of vehicles for dismantling, dismantlers did not identify these alternatives.²⁶³

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 because these sites are more expensive²⁶⁴ than Copart, they have fewer vehicles²⁶⁵ or vehicles that are not suitable.²⁶⁶ Instead, these dismantlers told us that salvagers have the largest supply of suitable vehicles on an auction site.²⁶⁷ 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.²⁶⁸

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.²⁶⁹ Although Hills Motors explained that it had never needed to explore

²⁶⁰ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, questions 4 and 9.

²⁶¹ Third-party responses to the CMA's phase 2 supplementary questionnaire, March 2023, questions 4 and 9.

²⁶² Third-party responses to the CMA's Phase 1 competitor questionnaire, question 10.

²⁶³ 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.

²⁶⁴ Note of a call with a third party, February 2023, paragraph 20.

²⁶⁵ Note of a call with a third party, February 2023, paragraph 14.

²⁶⁶ Note of a call with a third party, March 2023, paragraph 14.

²⁶⁷ 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.

²⁶⁸ Note of a call with a third party, February 2023, paragraph 19.

²⁶⁹ Hills Motors' main party hearing transcript, paragraphs 7 to 14, page 61 and paragraphs 1 to 5, page 63.

purchasing vehicles from other vehicle remarketers before due to the vehicles it received from e2e, [REDACTED].²⁷⁰

(b) Hills Motors said that vehicles received from Ageas are best suited to supply recycled parts back to the Ageas repair network.²⁷¹

(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.²⁷²

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).²⁷³

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:

(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'.²⁷⁴ 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?'.²⁷⁵ 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.²⁷⁶ As set out in the CMA's good practice guide, if less than

²⁷⁰ Hills Motors' main party hearing transcript, paragraphs 6 to 9, page 63 and paragraphs 12 to 17, page 65.

²⁷¹ Hills Motors' main party hearing transcript, paragraphs 8-12, page 70.

²⁷² Derogation request letter dated 18 October 2022, pages 1 to 6.

²⁷³ See Copart, annex COP_0000134, [REDACTED]; and Copart, annex COP_0000543, [REDACTED] both submitted in response to Phase 2 Notice 1 to Copart.

²⁷⁴ Third-party Phase 1 questionnaire to customers, question 15(a); third-party Phase 2 questionnaire to customers, question 12.

²⁷⁵ Copart's response to Phase 2 RFI 3 to Copart, annex 2.

²⁷⁶ Copart's response to Phase 2 RFI 3 to Copart, annex 2; Copart's response to Phase 2 RFI 4 to Copart, annex 1.

100 responses are secured, the CMA puts less reliance on statistical inferences about the populations from which they have been drawn.²⁷⁷

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 Parties²⁷⁸ 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 an accident. Nor does it provide evidence on how damaged these vehicles are or the actual volume of vehicles that go on to be sold through other channels.²⁷⁹
- 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:²⁸⁰
- (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.²⁸¹ While we acknowledge that this is not a

²⁷⁷ [Survey_good_practice.pdf \(publishing.service.gov.uk\)](#), paragraph 2.32.

²⁷⁸ Derogation request letter dated 18 October 2022, pages 1 to 6.

²⁷⁹ Parties' supplementary submission – Further evidence on the availability of Cat. B equivalent vehicles, pages 1-3.

²⁸⁰ 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.

²⁸¹ This was made up of 48 from eBay, 48 from Facebook Marketplace and 43 from Gumtree.

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.²⁸² Furthermore, this is in line with what dismantlers 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.^{283,284}
- (d) We are not able to quantify the number of vehicles on BCA's and Manheim's site. We note that BCA and Manheim told us during our 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.

²⁸² 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](#)).

²⁸³ 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.

²⁸⁴ Copart, annex COP_0000878 '[REDACTED]', 4 June 2021, submitted in response to Phase 2 Notice 2 to Copart.

- *Conclusion on damaged and other used vehicles supplied to dismantlers*

7.48 On balance, we found 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.²⁸⁵

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 platforms listing vehicles for sale are significant alternative sources of vehicles to those sold by the Parties. In particular:

- (a) The Parties submitted a full description of two online surveys conducted by Copart of its active members in August 2022 and January 2023.²⁸⁶ 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

²⁸⁵ None of the salvager auction platforms sell Category A vehicles.

²⁸⁶ Copart's response to Phase 2 RFI 3, Annex 1 and Annex 3.

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 customers complained to the CMA about the Merger.
- *Conclusion on damaged and other used vehicles supplied to non-dismantlers*

7.52 On balance, we found 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 and 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.

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,²⁸⁷ body shops,²⁸⁸ garages and the general public in order to be refitted into vehicles as part of repair work. We refer to these parts 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,

²⁸⁷ 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.

²⁸⁸ 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.

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;²⁸⁹ 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) (New) 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, new OEM parts will always be substitutable for recycled parts, but recycled parts may not always be substitutable for new OEM parts. If the price of recycled parts was to increase by 5-10% or there was to be a marginal delay in the availability of a recycled part, it is not credible that repair shops would not then switch to a new OEM part when this makes up the vast majority of their parts usage and for which there is a strong preference.²⁹⁰
- (b) Hills Motors noted that price and speed of delivery is important and its limited experience working with Ageas showed that both insurers and repairers will readily switch between recycled and new OEM parts.²⁹¹ 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.²⁹²

²⁸⁹ We have not received any evidence of there being demand for recycled non-OEM parts. In this report, references to 'OEM parts' or 'non-OEM' parts are to the new such parts unless otherwise specified.

²⁹⁰ Parties' supplementary submission – Vertical assessment, pages 29-30.

²⁹¹ Hills Motors' response to Phase 2 RFI 3, question 12.

²⁹² Hills Motors' response to Phase 2 RFI 3, question 12.

- (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.²⁹³
- (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.²⁹⁴

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.²⁹⁵ 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:
- (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 equivalent²⁹⁶ and another that it aimed to set its prices at 50% of the Retail Recommended Price (**RRP**).²⁹⁷ Consistent with this, [X].²⁹⁸ Similarly, eBay's business-to-business portal advertises 'Savings of up to 70% versus OEM parts RRP' for recycled parts.²⁹⁹
 - (b) Salvage service customers that responded to our investigation gave various reasons for the use of recycled parts such as:

²⁹³ Hills Motors' response to Phase 2 RFI 3, question 9.

²⁹⁴ Hills Motors' response to Phase 2 RFI 3, question 12.

²⁹⁵ A customer's agent can include the insurer covering the vehicle's insurance policy, the body shop or garage hired for the repair.

²⁹⁶ Note of a call with a third party, February 2023, paragraph 24.

²⁹⁷ Note of a call with a third party, January 2023, paragraph 6.

²⁹⁸ FMN, annex 16, page 66.

²⁹⁹ See [eBay green parts for business : Home Page \(ebayforbusiness.co.uk\)](https://www.ebayforbusiness.co.uk), accessed 27 April 2023.

- (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);³⁰⁰
 - (ii) where the use may not be mandated, but the insurer prefers or encourages the use of recycled parts³⁰¹ over new parts and ask repairers to use recycled parts subject to the customer's preferences;³⁰² 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.³⁰³
- (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:³⁰⁴
- (i) when new parts are no longer available;
 - (ii) when the new part is not available in a reasonable time scale; and
 - (iii) when the work provider asked me to.

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 the ABP³⁰⁵ and salvage service customers³⁰⁶ 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.

³⁰⁰ Third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 8.

³⁰¹ 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.

³⁰² Note of a call with a third party, February 2023, paragraph 17; note of a call with a third party, February 2023, paragraph 7.

³⁰³ 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.

³⁰⁴ ABP: State of industry report for 2022, page 15.

³⁰⁵ ABP found that for 85% of body shops they surveyed less than 10% of the total parts used were recycled parts. ABP: State of industry report for 2022, page 14.

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.

- 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) Competitors³⁰⁷ and salvage service customers³⁰⁸ 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,³⁰⁹ lack of availability of new parts³¹⁰ and the ESG commitments³¹¹ of salvage service customers.
 - (b) The ABP's State of Industry report for 2022 included a survey where 74% of the responding body shops had increased their usage of recycled parts in 2022.³¹²
 - (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%].³¹³
- 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 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,

³⁰⁷ 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.

³⁰⁸ 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.

³⁰⁹ 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.

³¹⁰ 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.

³¹¹ 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.

³¹² ABP: State of industry report for 2022, pages 13-15.

³¹³ 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.

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:

- (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.³¹⁴ The demand for recycled parts among insurers is relatively nascent,³¹⁵ 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.³¹⁶
- (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 and lower labour costs, the damaged parts are repaired for reuse (also referred to as 're-man' parts).³¹⁷

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;

³¹⁴ Parties' supplementary submission – Vertical assessment, page 28.

³¹⁵ Note of call with a third party, January 2023, paragraph 4.

³¹⁶ Note of call with a third party, January 2023, paragraph 4.

³¹⁷ 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.

- (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.

- *Types of parts demanded by different customer groups*

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

- (a) Insurance repair networks generally only purchase non-mechanical and non-safety related parts.³¹⁸ In general, insurance vehicles needing repair are younger and hence the demand of insurance repair networks is restricted to parts procured from newer vehicles.³¹⁹
- (b) Other customers tend to purchase all kinds of recycled parts to carry out business or private repairs.³²⁰
- (c) Export customers tend to purchase only mechanical parts such as gear boxes and engines in bulk. This customer group generally purchases mechanical parts procured from older vehicles.³²¹

- *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.³²² 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

³¹⁸ 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.

³¹⁹ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 3.

³²⁰ 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.

³²¹ 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.

³²² 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.

dismantlers to signal their ability to provide both quality assurance and provenance of parts to customers.³²³ Insurance repair networks only purchase parts from VRAC dismantlers and primarily Grade A parts³²⁴ (as per the VRA grading scheme).³²⁵

(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 C³²⁶ parts (as per the VRA grading scheme).³²⁷ While dismantlers who responded to our questionnaires told us that they do not distinguish between customer groups based on the parts sold,³²⁸ 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.³²⁹

- *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.³³⁰

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 customers³³¹ including – in addition to more standardised service requirements such as guaranteed

³²³ Parties' response to Phase 2 RFI 1 (Hills Motors), question 17.

³²⁴ 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).

³²⁵ 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.

³²⁶ 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 or wear. See [UK STANDARD FOR RECLAIMED PARTS FROM END-OF-LIFE VEHICLES \(vracertification.org.uk\)](https://www.vracertification.org.uk).

³²⁷ 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.

³²⁸ Third-party responses to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14.

³²⁹ Note of a call with a third party, April 2023, paragraph 1; note of a call with a third party, January 2023, paragraph 10.

³³⁰ 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.

³³¹ 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.

delivery dates³³² and limited or lifetime warranty³³³ – (i) ringfencing of parts,³³⁴ (ii) automated purchasing of parts via digital platforms,³³⁵ (iii) data on cost and carbon savings,³³⁶ and (iv) credit terms.³³⁷

- *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),³³⁸ 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,³³⁹ 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.³⁴⁰ Most dismantlers that dismantle vehicles for recycled parts are active in this sales channel. For example, there were over [] sellers of recycled parts on eBay in 2022.³⁴¹ Suppliers in this segment compete based on their ability to provide quick delivery and attractive prices.³⁴²
- 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

³³² 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.

³³³ Parties' response to Phase 2 RFI 1 (Hills Motors), question 16.

³³⁴ 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.

³³⁵ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 12.

³³⁶ Note of a call with a third party, February 2022, paragraph 20.

³³⁷ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 14.

³³⁷ 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.

³³⁸ 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/>.

³³⁹ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 10.

³⁴⁰ Third-party response to the CMA's RFI dated 24 January 2023, question 2.

³⁴¹ Third-party response to the CMA's RFI dated 24 January 2023, question 2.

³⁴² 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.

recycled parts portal,³⁴³ Hills Motors' GPS platform,³⁴⁴ IAA's mygreenparts platform;³⁴⁵ and Solera's InPart system.³⁴⁶ We are also aware of a parts management software called Pinnacle Pro³⁴⁷ which can be used by dismantlers to manage the parts they have and, for example, provide information to eBay or other sales channels.³⁴⁸ 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 from each other to meet the demand of their customers.³⁴⁹

- 7.72 Evidence we have received shows that insurance salvage service customers may include recycled parts provisions in their salvage service contracts,³⁵⁰ have standalone contracts with one or more recycled parts suppliers³⁵¹ or may allow recycled parts to be used without having contracts with any specific recycled parts suppliers.³⁵²
- 7.73 Only a subset of recycled parts suppliers are active in the sale of parts to insurance repair networks. For example, while there were over [X] sellers of green parts on eBay's general platform (ebay.co.uk) in 2022, there were [X] qualified to sell on eBay's business-to-business portal.³⁵³
- 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 parts (engines and gear boxes), 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,³⁵⁴ Hills Motors³⁵⁵ and IAA³⁵⁶ are active in this segment.³⁵⁷

³⁴³ <https://www.ebayforbusiness.co.uk/>.

³⁴⁴ <https://www.green-parts.co.uk/>.

³⁴⁵ <https://www.mygreenparts.co.uk/>.

³⁴⁶ <https://global.inpart.es/frmDocument.aspx?IdDocumentType=ay0TM6fzSxQ%3d>.

³⁴⁷ <https://hollanderinternational.com/pinnacle-professional/>.

³⁴⁸ Third-party response to supplementary competitor questionnaire, March 2023, question 11; third-party response to supplementary competitor questionnaire, March 2023, question 6.

³⁴⁹ 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.

³⁵⁰ Note of a call with a third party, February 2023, paragraph 6.

³⁵¹ Note of a call with a third party, February 2023, paragraph 6.

³⁵² 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.

³⁵³ Third-party response to the CMA's RFI dated 24 January 2023, question 2.

³⁵⁴ Note of a call with a third party, April 2023, paragraph 1.

³⁵⁵ Parties' response to Phase 2 RFI 1, question 16.

³⁵⁶ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 15(c).

³⁵⁷ Note of a call with a third party, January 2023, paragraph 9.

Conclusions on the supply of recycled parts

- 7.75 On balance, our 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 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 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 markets

The supply of salvage services

- 7.78 The Parties submitted that the relevant geographic market should be defined as UK-wide.³⁵⁸ 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.³⁵⁹
- 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

³⁵⁸ FMN, paragraph 92.

³⁵⁹ [Parties' response to the Issues Statement](#), paragraph 6.

services.³⁶⁰ 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).

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),³⁶¹ we understand that they make up only a small proportion of Copart's volumes.³⁶² 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.

7.81 In light of the above, for the purposes of our assessment, we consider that the appropriate geographic market for the supply of salvage services is national (UK-wide).

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

The Parties' submissions

7.82 The Parties submitted that the relevant geographic market should be defined as UK-wide.³⁶³ 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.³⁶⁴

7.83 However, the Parties also submitted that:

- (a) Copart's buyers will mostly purchase vehicles from their sites that are within a short distance.³⁶⁵

³⁶⁰ 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.

³⁶¹ 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.

³⁶² 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.

³⁶³ FMN, paragraph 92.

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

³⁶⁵ 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.³⁶⁶
- (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.³⁶⁷
- (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.³⁶⁸
- (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

7.84 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).³⁶⁹ 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 Motors' site in Skelmersdale.³⁷⁰

7.85 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] miles³⁷¹ and on a similar basis we have calculated that the catchment

³⁶⁶ Parties' response to the AIS and working papers, paragraph 80.

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 15 and 17.

³⁶⁸ Parties' supplementary submission – Competition in the supply of vehicles, page 5.

³⁶⁹ 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.

³⁷⁰ Copart's response to Phase 2 RFI 3 to Copart, question 1 and Hills Motors' response to Phase 2 RFI 3 to Hills Motors. question 2 and 3.

³⁷¹ 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.³⁷² Although this varies by customer with the catchment areas being [REDACTED] miles for Chester and [REDACTED] miles for Wolverhampton when considering dismantlers.³⁷³ 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.³⁷⁴

- (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.³⁷⁵ This is also the case when considering other vehicle remarketer and digital platforms listing vehicles for sale as set out in the Parties' submissions.³⁷⁶
- (d) There is no evidence that buyer fees or the services offered vary by region for Copart, IAA and e2e.³⁷⁷

7.86 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

7.87 The Parties submitted that:

³⁷² 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.

³⁷³ 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.

³⁷⁴ For example, [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**).

³⁷⁵ Copart's response to Phase 2 RFI 3 to Copart, annex A.

³⁷⁶ Parties' supplementary submission – Competition in the supply of vehicles, page 5.

³⁷⁷ 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;³⁷⁸ 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 gear boxes).³⁷⁹

Our assessment

- 7.88 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.³⁸⁰
- 7.89 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.
- 7.90 We have not received evidence that the geographic market differs depending on the customer type.
- 7.91 We therefore found 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.

Conclusions on market definition

- 7.92 For the reasons set out above, we found 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.

³⁷⁸ [Parties' response to the Issues Statement](#), paragraph 112.

³⁷⁹ Hills Motors' response to the CMA's RFI dated 17 February 2023, question 2.

³⁸⁰ [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.³⁸¹
- 8.3 The competitive constraint eliminated by a merger may be an existing constraint, or a potential or future constraint.³⁸² 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.³⁸³
- 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.³⁸⁴
- 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

³⁸¹ [CMA129](#), paragraph 4.1.

³⁸² [CMA129](#), paragraph 4.2.

³⁸³ [CMA129](#), paragraph 2.14.

³⁸⁴ [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.³⁸⁵ 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.³⁸⁶
- 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.³⁸⁷ 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.³⁸⁸ 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.³⁸⁹
- 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.³⁹⁰
- 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

³⁸⁵ CMA129, paragraphs 4.3 and 4.4.

³⁸⁶ CMA129, paragraph 4.12(a).

³⁸⁷ CMA129, paragraph 4.8.

³⁸⁸ 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.

³⁸⁹ CMA129, paragraph 4.15.

³⁹⁰ 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 vehicles³⁹¹ that they sourced in the UK overall and split by categorisation (ie ABI category, informal category or other uncategorised).³⁹² We asked for the category-level data overall and split by source of vehicle.³⁹³

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 the 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).³⁹⁴

³⁹¹ 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.

³⁹² 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.

³⁹³ 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.

³⁹⁴ 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.

For one competitor we have used data from 2021 to infer its volumes for 2020 and 2019.

[~~3~~].

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.³⁹⁵ 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 exercises³⁹⁶ – together with evidence on recent or ongoing tenders that will not be reflected in our estimated shares.

³⁹⁵ See [Phase 1 Decision](#), paragraph 40.

³⁹⁶ 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 [redacted] in 2019 to [redacted] in 2022)³⁹⁷ and falls in the number of insurance volumes following the COVID-19 pandemic³⁹⁸ 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 8.40(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, [redacted];³⁹⁹ Copart having lost the LV contract to IAA (accounting for around [redacted] vehicles in 2022)⁴⁰⁰ but having won additional volumes from [redacted] ([redacted])⁴⁰¹ – is not reflected in our estimates. If these are taken into account, Hills Motors' share falls to [0-5%] ([redacted]) and Copart's increases to [40-50%] ([redacted]) with the combined share increasing to [50-60%].⁴⁰²
- 8.17 Similarly, we are aware of ongoing opportunities – eg, [redacted], whose previous salvager was [redacted], recently completed a tender of its contract where Copart

³⁹⁷ Third-party response to follow-up question, April 2022.

³⁹⁸ The ABP's 2023 UK Body Repair Industry Yearbook states that Total annual salvage arisings (all categories) rose consistently during the period 2012-2019, from approximately 526k to 768k per calendar year (Jan-Dec). However, the COVID-19 pandemic had the anticipated result, with salvage arisings falling sharply, by circa 50% in April 2020. As of March 2022, monthly arisings (an estimated 571,000) had still not recovered to pre-pandemic levels, due to the ongoing and after-effects of global COVID-19 restrictions, resultant economic uncertainties and supply chain disruptions. However, the trend has been a gradual increase again and in July 2022 monthly MIAFTR notifications had risen to an estimated 49,000 (still well below the peak pre-pandemic levels of 68,000 seen in March 2020). Third-party email dated January 2023, ABP UK Body Repair Industry Yearbook, page 40.

³⁹⁹ We understand that Hills Motors' contract with [redacted] ends in [redacted]. Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 2.

⁴⁰⁰ We understand that between 2019-2021 Copart had received between [redacted] and [redacted] 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.

⁴⁰¹ [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.

⁴⁰² We have not been able to identify the volumes lost via the [redacted] based on the data available. [Parties' response to the Issues Statement](#), paragraph 44; Copart's response to Phase 2 Notice 1.

was successful,⁴⁰³ and for [REDACTED]⁴⁰⁴ – 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 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 [REDACTED]% and [REDACTED]% in 2022, respectively).⁴⁰⁵ 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).

⁴⁰³ Note of a call with a third party, February 2023, paragraph 1; Third-party response to Phase 2 Notice 1 to [REDACTED], question 1(a).

⁴⁰⁴ [REDACTED]. 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.

⁴⁰⁵ 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.

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 we have used 2021 volumes to infer their volumes in 2022.

[§].

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 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.⁴⁰⁶
- (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).

⁴⁰⁶ Based on data provided by Recycling Lives to the CMA, over [§]% 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.

- (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.⁴⁰⁷
- (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).⁴⁰⁸
- (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).⁴⁰⁹ We have therefore used 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 ([§]) as a proxy for total market size.⁴¹⁰ On this basis, Copart's share was lower, but still [over 40%] in 2021 and Hills Motors' share was substantively the same [0-5%].⁴¹¹ While we do not have actual data on MIAFTR category notifications in 2022, the Parties estimated that in 2022 the MIAFTR database contained [§] vehicles. 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 2021.⁴¹²

⁴⁰⁷ 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.

⁴⁰⁸ Based on data provided by SureTrak to the CMA, all of the vehicles handled by SureTrak in 2021 were from insurance companies, [§]. Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022.

⁴⁰⁹ The ABI Code, pages 7 and 10. See also [CUE & MIAFTR \(mib.org.uk\)](https://mib.org.uk).

⁴¹⁰ 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'.

⁴¹¹ We have used Copart's volume of ABI volumes in 2021 which was [§] vehicles and Hills Motors volume of ABI volumes in 2021 which was [§] vehicles. This based on [§]. 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.

⁴¹² We have used [§] and [§]. [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.

The Parties' submissions

8.24 The Parties submitted that the CMA's market share analysis contains a number of significant limitations and flaws.⁴¹³ 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.⁴¹⁴
- (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.⁴¹⁵ 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 and rental companies), Copart has an estimated share of supply of [REDACTED]%.⁴¹⁶
- (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]);⁴¹⁷
 - (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);⁴¹⁸ 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

⁴¹³ 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.

⁴¹⁴ Parties' response to the AIS and working papers, paragraph 49.

⁴¹⁵ Parties' response to the Issues Statement, paragraphs 31 and 32.

⁴¹⁶ Parties' response to the Issues Statement, paragraphs 33 and 34.

⁴¹⁷ Parties' response to the Phase 1 Decision, paragraph 36.

⁴¹⁸ Parties' response to the Phase 1 Decision, paragraph 36.

Motors' presence in the market, or future credibility as a bidder for national insurance contracts.⁴¹⁹

- (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 offering⁴²⁰ – 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.⁴²¹

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 estimated 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 shares cover salvagers that have been identified as competing in the main area of overlap between the Parties, insurance related volume, and as such provide an indication of the relative size of the Parties in the main area of 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.⁴²² 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

⁴¹⁹ Parties' response to the AIS and working papers, paragraph 46.

⁴²⁰ Parties' response to the AIS and working papers, paragraph 50.

⁴²¹ [Parties' response to the Issues Statement](#), paragraphs 43-45.

⁴²² Copart's main party hearing transcript, pages 19 and 20.

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].^{423,424} [REDACTED].⁴²⁵
- 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.⁴²⁶ In this regard we note that, owing to use of networks to fulfil national contracts, looking at individual players' 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 approach, Hill Motors' 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 8.196) – Hills Motors appears to be the largest in terms of site and storage capacity and has in recent years been on a growth trajectory.⁴²⁷ For example, [REDACTED].⁴²⁸

Copart's competitive position absent the Merger

- 8.30 We note the Parties' submissions that shares of supply 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.⁴²⁹ For the reasons set out below, we consider that, while there is evidence of Copart facing increased competition

⁴²³ As noted below, [REDACTED]. Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁴²⁴ 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.

⁴²⁵ 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'.

⁴²⁶ Parties' response to the Issues Statement, 27 January 2023, Table 1, page 4.

⁴²⁷ 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.

⁴²⁸ Hills Motors, document '[REDACTED]', slides 3 and 11 submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁴²⁹ Parties' response to the AIS and working papers, paragraph 27.

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])⁴³⁰ indicated that it was important when choosing a salvager, but others ([REDACTED])⁴³¹ indicated that it was not important.⁴³² 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 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 Ageas⁴³³ (and, [REDACTED]).^{434,435} This is consistent with Copart's internal documents, which indicate that

⁴³⁰ 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 11.

⁴³¹ 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.

⁴³² 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.

⁴³³ Hills Motors' response to Phase 2 RFI 3 to Hills Motors, question 13.

⁴³⁴ FMN, paragraph 152.

⁴³⁵ The Parties submitted that [REDACTED]. [REDACTED]. For example, at the Main Party Hearing [REDACTED]. The Parties also submitted that [REDACTED]. However, the Parties did not explain [REDACTED]. Hills Motors' main party hearing transcript, page 53 and Parties' response to the AIS and working papers, paragraphs 52(a) and (b).

Copart considered multiple plausible options for delivering a recycled parts offering, [REDACTED]:

(i) An email from [REDACTED] to [REDACTED]⁴³⁶ states:

‘[REDACTED]’

(ii) A presentation titled [REDACTED].^{437,438} [REDACTED].⁴³⁹

(iii) In respect of the latter, Copart submitted that, [REDACTED]. [REDACTED].⁴⁴⁰ 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 below).

(c) Copart’s consistently high shares of supply over time show 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.

(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.⁴⁴¹ 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.⁴⁴² At the same time we understand that it has won [REDACTED] volumes from another material customer ([REDACTED]).⁴⁴³ This indicates that as yet the lack of having a recycled parts supply service has not impacted materially on Copart’s position.

⁴³⁶ Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2.

⁴³⁷ [REDACTED].

⁴³⁸ 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.

⁴³⁹ Copart, Annex COP_0000906, ‘[REDACTED]’, 4 February 2022 submitted in response to Phase 2 Notice 2 to Copart, slides 12 and 13.

⁴⁴⁰ Copart’s response to Notice 2 to Copart, question 11.

⁴⁴¹ 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.

⁴⁴² Parties’ response to the Issues Statement, paragraph 44.

⁴⁴³ 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.

(e) The Parties 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 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 that Copart is unable to compete for fleet company contracts.⁴⁴⁴ 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 resulted or may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of salvage services in the UK.

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

⁴⁴⁴ [Parties' response to the Issues Statement](#), paragraphs 43-45.

and that the remaining competitive constraints are not sufficient to offset the loss of competition between them resulting from the merger.⁴⁴⁵

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.⁴⁴⁶

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
- (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 Prior to our Provisional Findings, 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

⁴⁴⁵ CMA129, paragraph 4.8.

⁴⁴⁶ CMA129, paragraph 4.10.

firm (operating almost entirely on a profit-share model with its clients) whereas Hills Motors is a regional dismantler and recycling specialist.⁴⁴⁷

- (b) Hills Motors is not and has never been a national competitor.⁴⁴⁸ 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.⁴⁴⁹
- (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.⁴⁵⁰
- (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.⁴⁵¹
- (iii) Hills Motors does not meet the factors identified as important to customers for whom subcontracting is acceptable, as it does not provide a single point of contact for Ageas and its consistency of performance has been called into question by underperformance of subcontractors (for reasons unrelated to the Merger).⁴⁵²
- (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).⁴⁵³ The Hills Motors model is therefore

⁴⁴⁷ Parties' response to the Issues Statement, paragraphs 5 and 6.

⁴⁴⁸ Parties' response to the AIS and working papers, paragraphs 23 to 29.

⁴⁴⁹ Parties' response to the Issues Statement, paragraphs 8 to 21.

⁴⁵⁰ Parties' response to the Issues Statement, paragraphs 14 to 16.

⁴⁵¹ Parties' response to the AIS and working papers, paragraph 24.

⁴⁵² Parties' response to the AIS and working papers, paragraph 24.

⁴⁵³ Parties' response to the AIS and working papers, paragraph 28 and Parties' supplementary submission – Ageas and Hills Motors, paragraph 7.

riskier and less attractive to national contractors than those of SureTrak and e2e.⁴⁵⁴ [REDACTED] highlight the [REDACTED] of Hills Motors' subcontracting arrangement to compete for further national contracts.⁴⁵⁵

- (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]).⁴⁵⁶

(d) With respect to Hills Motors' lack of a proprietary auction platform:

- (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.⁴⁵⁷ 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.⁴⁵⁸
- (ii) 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.⁴⁵⁹

⁴⁵⁴ Parties' response to the AIS and working papers, paragraph 28.

⁴⁵⁵ Parties' response to the AIS and working papers, paragraph 28.

⁴⁵⁶ Parties' response to the AIS and working papers, paragraph 29.

⁴⁵⁷ [Parties' response to the Issues Statement](#), paragraphs 20 and 21.

⁴⁵⁸ [Parties' response to the Issues Statement](#), paragraph 21; Parties' response to the AIS and working papers, paragraph 30. In this regard, the Parties submitted that spending £[REDACTED] is not an indication that Hills Motors would launch the platform which would compete with the likes of IAA, Copart, e2e or Recycling Lives who spend millions on their platforms and the documents cited by the CMA in its working papers did not support that the auction platform was not a back-up (in particular, none set out plans of an imminent launch) (Parties' response to the AIS and working papers, paragraphs 30 and 31).

⁴⁵⁹ The Parties noted that this is consistent with the CMA's market test, in which one competitor noted 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'. The Parties noted that the e2e auction platform alone handles around 2,000 vehicles a week, whereas Hills Motors would be selling only around [REDACTED] to [REDACTED] a week, which they submitted 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 (Parties' response to the AIS and working papers, paragraph 32).

- (e) The Ageas contract is unique and not indicative of future ‘national’ competition,⁴⁶⁰ given:
- (i) It is the result of a two-year close collaboration and co-investment by Ageas, who had a particular recycled parts agenda.⁴⁶¹
 - (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 insurer);⁴⁶² (ii) a (proprietary) auction platform;⁴⁶³ and (iii) nationwide collection coverage.⁴⁶⁴
 - (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;⁴⁶⁵ (ii) such outsourcing would require the agreement of other e2e members which is unlikely to be forthcoming;⁴⁶⁶ 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, [✂].⁴⁶⁷

8.38 In response to our Provisional Findings, the Parties submitted that:

- (a) The Provisional Findings mistakenly apply a ‘presumption’ from the CMA’s guidance that, 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.⁴⁶⁸

⁴⁶⁰ [Parties’ response to the Issues Statement](#), section 2.2.2 and Parties’ response to the AIS and working papers, paragraph 28.

⁴⁶¹ Parties’ response to the AIS and working papers, paragraph 25.

⁴⁶² Parties’ supplementary submission – Ageas and Hills Motors, paragraphs 5, 6 and 26.

⁴⁶³ Parties’ supplementary submission – Ageas and Hills Motors, paragraphs 5, 6 and 29 to 31.

⁴⁶⁴ Parties’ supplementary submission – Ageas and Hills Motors, paragraphs 5, 6 and 32 to 40.

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

⁴⁶⁶ Parties’ supplementary submission – Ageas and Hills Motors, paragraph 48.

⁴⁶⁷ Parties’ supplementary submission – Ageas and Hills Motors, paragraphs 49 to 51.

⁴⁶⁸ [CMA129](#), paragraph 4.10. In particular, the Parties submitted that: Hills Motors should not be considered one of the ‘few firms’ that compete for national salvage service contracts from insurers – there is no evidence of the Parties competing against each other and to the extent that some limited competitive interaction took place, Hills Motors only acted as a weak constraint; and this is not a ‘4 to 3’ merger – rather, there are three main competitors for national contracts with shares of 10% and above (Copart, IAA and e2e) followed by a long tail of smaller players with shares of 0-5% ([Parties’ response to the Provisional Findings](#), paragraphs 9 and 61 to 64). As explained in our Addendum Provisional Findings and this final report, our assessment is that while Hills Motors’ model is in principle capable of being used to compete for and service at least some additional large

- (b) In past cases, the CMA has only been able to establish that the loss of potential competition was significant based on objective factors⁴⁶⁹ which in this case do not exist.⁴⁷⁰
- (c) Hills Motors does not have, and would not be able to achieve, the capabilities necessary to compete effectively for national insurance contracts.⁴⁷¹ Rather, the model used to service the Ageas contract [REDACTED].⁴⁷² By way of evidence to support this position, the Parties submitted a supplementary paper, together with submissions in their response to our Provisional Findings, setting out that:
- (i) Hills Motors cannot compete for a national contract whilst remaining a member of e2e (as envisaged the CMA's counterfactual assessment in its Provisional Findings).⁴⁷³ In particular:
- (1) [REDACTED], and this is 'a question of law, not discretion'.⁴⁷⁴

national insurance contracts, new contemporaneous customer evidence submitted following our Provisional Findings shows that there was limited competition or likelihood of competition between Hills Motors and Copart in practice. We therefore do not discuss these points further.

⁴⁶⁹ By way of example, the Parties highlighted cases in which: the target was developing a new technology (*Sabre / Farelogix*, ME/6806/19, [CMA Final Report](#) 9 April 2020, para. 11.101-11.102); the target had an innovative business proposition (*Experian / Credit Laser Holdings (ClearScore)* ME/6743/18, [CMA Provisional Findings Report](#) 4 December 2018, para. 11.66-11.70) and the target was a 'disruptive force' in a highly concentrated market where the acquirer had a 90% share (*Illumina / PacBio*, ME/6795/18, [CMA Provisional Findings Report](#) 24 October 2019, para. 8.289). [Parties' response to the Provisional Findings](#), paragraph 66.

⁴⁷⁰ In particular, the Parties submitted that the lack of past competition between the Parties and customers' views indicate that Hills Motors' market share absent the Merger would not increase materially; there is nothing unique or distinctive about Hills Motors to suggest that, absent the Merger, it would continue to invest to grow; and any hypothetical organic growth by Hills Motors would in any event have limited competitive relevance ([Parties' response to the Provisional Findings](#), paragraphs 65 to 86). However, our provisional assessment in our Provisional Findings that the Merger would result in an SLC in the supply of salvage services in the UK was based on a loss of existing competition (and not, as the Parties appear to suggest, solely on a loss of future potential competition). In particular, as set out in our [Addendum Provisional Findings](#) (footnote 6), given other evidence on Hills Motors' recent growth trajectory, we focused on recent opportunities (ie, being reflective of the current competitive constraint exerted by Hills Motors) as a more reliable indicator of the degree of competition between the Parties that would be lost as a result of the Merger than historical opportunities. We therefore do not consider these parallels well-drawn. Moreover, the CMA's assessment is generally forward-looking ([CMA129](#), paragraph 4.16) and will be assessed on the facts of the case in question. We therefore do not consider this point further.

⁴⁷¹ The Parties' supplementary submission on Hills Motors' salvaging capabilities: inability to compete for national insurance contracts submitted on 27 May 2023 ([Parties' supplementary submission on Hills Motors' salvaging capabilities](#)), page 1.

⁴⁷² [Parties' response to the Provisional Findings](#), paragraph 96.

⁴⁷³ Parties' supplementary submission on Hills Motors' salvaging capabilities, page 2 and section 3.1; Parties' response to our Provisional Findings, paragraphs 89 to 91. As set out above and below, for the avoidance of doubt, our counterfactual assessment is not that Hills Motors would remain a member of e2e indefinitely.

⁴⁷⁴ [Parties' response to the Provisional Findings](#), paragraph 91. At the same time, the Parties submitted that the Ageas contract is exceptional [REDACTED] ([Parties' supplementary submission on Hills Motors' salvaging capabilities](#), section 3.1).

(2) e2e members would not support Hills Motors competing against e2e as it would undermine their joint and significant investments in e2e.⁴⁷⁵

(3) The Ageas contract was an exception: [REDACTED].⁴⁷⁶

(ii) Hills Motors would not be able to outsource salvaging to subcontractors, given:

(1) First, only six (less than half) insurers indicated this would be acceptable;⁴⁷⁷

(2) Second, national insurers typically use and have a strong preference for the consignment model (and Ageas is fundamentally different to other national insurance contracts, including in this respect)⁴⁷⁸ which is incompatible with allowing outsourced agents to sell their vehicles via the e2e auction platform (as using a third-party auction does not allow for the required quality auditing, monitoring and tracking of vehicles and provision of data and analytics related to the bidding process).⁴⁷⁹ e2e members (as used by Hills Motors to service the Ageas contract) would have no incentive to agree, and would not agree, to sell their vehicles on Hills Motors' auction platform rather than on e2e.⁴⁸⁰

(3) Third, the use of salvage agents would make Hills Motors significantly less competitive, as use of salvage agents and collection agents leads to a significantly lower margin and makes it

⁴⁷⁵ Hills Motors' response to the CMA's RFI dated 31 May 2023 (**Phase 2 RFI 7 to the Parties**), question 1; Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.1.

⁴⁷⁶ Hills Motors' response to Phase 2 RFI 7 to the Parties, question 1; Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.1.

⁴⁷⁷ Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.2 and 3.2.1 ('Limited number of insurers that Hills Motors can supply'); Parties' response to our Provisional Findings, paragraph 93.

⁴⁷⁸ Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.2.1 ('Salvage agents would not agree to the required outsourcing arrangement'); Parties' response to our Provisional Findings, paragraph 92; Hills Motors' response to Phase 2 RFI 7 to the Parties, questions 2 and 3. The Parties noted that [REDACTED] are the [REDACTED] large national insurers that the Parties are aware of that are prepared to use a PAV model and that (i) [REDACTED] do not identify Hills Motors as a salvager that meet their requirements and (ii) this is also a historical legacy and [REDACTED] (Hills Motors' response to Phase 2 RFI 7 to the Parties, question 3).

⁴⁷⁹ Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.2.1 ('Salvage agents would not agree to the required outsourcing arrangement'); Hills Motors' response to Phase 2 RFI 7 to the Parties, question 3.

⁴⁸⁰ Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.2.1 ('Salvage agents would not agree to the required outsourcing arrangement'); [Parties' response to the Provisional Findings](#), paragraph 92.

more difficult for Hills Motors to break even on a national insurance contract.⁴⁸¹

- (iii) Hills Motors would need to make substantial ex ante investments in order to be in a position to compete for a further national contract of 10,000-40,000 vehicles⁴⁸² annually, requiring an upfront investment of approximately £29-49 million and involving a lead time of 2-3 years.⁴⁸³ Such investment would require it to borrow the equivalent of [X] Hills Motors' EBIT and increase its leverage from [X]% to [X]%,⁴⁸⁴ That Hills Motors would suddenly fundamentally shift its business model to take on this significant debt is not realistic or credible.⁴⁸⁵

Our assessment

- 8.39 We consider below the evidence on the extent to which the Parties' service offering is differentiated. In our assessment, we first consider evidence related to Hills Motors' prior success in winning and servicing a large national insurance contract. We then consider the extent to which Hills Motors' success in servicing the Ageas contract is indicative of its ability to compete for other large national insurance contracts.

Salvagers servicing large national insurance contracts

- 8.40 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.⁴⁸⁶ Based on these data:

⁴⁸¹ Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.2.1 ('Use of sub-contracted agents would make Hills Motors uncompetitive').

⁴⁸² The Parties submitted that, while Hills Motors could not compete on the basis of outsourcing salvaging to subcontractors, this lower bound is based on the assumption that (i) an additional national insurance contract has an annual volume requirement of 20,000 vehicles; and (ii) a salvaging network could be established, to which Hills outsources [X] of the contract volume. The upper bound is based on Hills Motors operating independently. See, for example, footnote 14 of Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.3.

⁴⁸³ Comprising: (i) £[X] million in salvage transport capacity; (ii) £20-40 million in site capacity; (iii) £[X] million in dismantling equipment; (iv) £[X] million in staffing; (v) significant marketing spend in order to develop a high performing auction platform; (vi) £[X] million in additional services. [Parties' response to the Provisional Findings](#), paragraph 95; Parties' supplementary submission on Hills Motors' salvaging capabilities, pages 2 to 3 and sections 3.3 to 3.8.

⁴⁸⁴ [Parties' response to the Provisional Findings](#), paragraph 95.

⁴⁸⁵ Parties' supplementary submission on Hills Motors' salvaging capabilities, page 3; [Parties' response to the Provisional Findings](#), paragraph 96.

⁴⁸⁶ 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

- (a) Copart has national contracts with [REDACTED] insurance companies,⁴⁸⁷ 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 and three involve between [REDACTED] and [REDACTED] vehicles.⁴⁸⁸
- (b) The next largest player is IAA, [REDACTED]. [REDACTED].⁴⁸⁹
- (c) The e2e consortium [REDACTED].⁴⁹⁰
- (d) Hills Motors has one large national insurance contract with Ageas (requiring salvage services for around [REDACTED] vehicles annually),⁴⁹¹ which it won in 2020. Hills Motors also told us that it has small national contracts with other salvage services customers, [REDACTED]⁴⁹² and [REDACTED] told us it had a national contract with Hills Motors.⁴⁹³
- (e) At the time of the Merger,⁴⁹⁴ SureTrak had one large insurance customer ([REDACTED]) providing it between [REDACTED] and [REDACTED] vehicles annually.⁴⁹⁵

8.41 While we have used a threshold of 10,000 vehicles for ‘large national insurance contracts’ the salvagers identified as having demonstrable success

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 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 3; and the CMA’s Phase 1 customer questionnaire, October 2022, question 3.

⁴⁸⁷ Parties’ response to the Issues Statement, Table 1.

⁴⁸⁸ Based on volume of vehicles processed on behalf of the customer in calendar year 2022. Copart’s response to Phase 2 Notice 1, annex 3, tab Q13. In response to our Provisional Findings, Copart estimated [REDACTED] approximate annual volume as [REDACTED] vehicles (Parties’ supplementary submission on Hills Motors’ salvaging capabilities, Table 2).

⁴⁸⁹ Third-party response to Phase 1 questionnaire, annex 2.

⁴⁹⁰ Third-party response to Phase 1 questionnaire, annex 2.

⁴⁹¹ Hills Motors’ response to Phase 2 RFI 5 to Hills Motors, question 1.

⁴⁹² 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).

⁴⁹³ 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.

⁴⁹⁴ [REDACTED]. Third-party response to Phase 2 Notice 1 to [REDACTED], question 1(a).

⁴⁹⁵ [REDACTED] (third-party response to Phase 1 questionnaire, Annex 2). [REDACTED].

in winning and servicing such contracts would not change if this was lowered to 7,000 vehicles.⁴⁹⁶

8.42 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.⁴⁹⁷ By contrast, Hills Motors' in-houses capabilities are limited, and it instead services its Ageas contract through a network of outsourced suppliers.⁴⁹⁸ 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 (together with two adjacent sites covering [REDACTED] acres and with capacity for storing [REDACTED] vehicles) and the other is in Scotland, covers [REDACTED] acres and has capacity for [REDACTED] vehicles.⁴⁹⁹

8.43 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.⁵⁰⁰

(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),⁵⁰¹ and another that e2e's members may have up to [REDACTED] sites (this excludes Hills Motors' sites).⁵⁰² We understand that e2e's members bear the contractual risks in relation to the volumes allocated to them, this differs to Hills Motors' Ageas

⁴⁹⁶ [REDACTED]. Copart's response to Phase 2 Notice 1, annex 3, Q13; Hills Motors' response to Phase 2 Notice 1, annex 3, Q13; Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2; Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁴⁹⁷ 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'.

⁴⁹⁸ Hills Motors' response to Phase 2 RFI 3 to Hills Motors, question 7.

⁴⁹⁹ Parties' response to Phase 2 RFI 1, question 13. [REDACTED]. In responding to our Provisional Findings, the Parties submitted lower maximum capacity figures of [REDACTED] for Hills Motors' 'HQ site' and a combined [REDACTED] for the adjacent sites (Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.4). When queried about the differences between the figures Hills Motors stated that the new capacity figures provided were correct and that the differences may be because the original figure for the 'HQ site' could have referred to both the 'HQ site' and the satellite sites located nearby. We do not find this explanation credible as in the original request the 'HQ site' and satellites were listed separately with separate acreage and capacity numbers provided, the discrepancy exists for the 'HQ site' and each satellite site individually and the new combined figures are still materially below the original figure and no explanation has been provided for this.

⁵⁰⁰ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁵⁰¹ Copart, annex COP_0000691, '[REDACTED]', 5 July 2022 submitted in response to Phase 2 Notice 1 to Copart.

⁵⁰² Copart, annex COP_0000320, '[REDACTED]' submitted in response to Phase 2 Notice 1 to Copart.

network where Hills Motors bears the entirety of the risk if any individual contractor fails to meet its volume allocation.⁵⁰³

- (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.⁵⁰⁴ [X] told us that SureTrak is its main point of contract and it does not deal directly with individual SureTrak members.⁵⁰⁵

Hills Motors' ability to compete for additional large national insurance contracts

8.44 As set out above, prior to our Provisional Findings, the Parties submitted that Hills Motors does not have, and would not be able to achieve, the capabilities necessary to compete for additional national insurance contracts, including because:

- (a) Hills Motors services the Ageas contract using a network of subcontracted salvage operators whereas the vast majority of customers prefer to deal with one company that will fulfil the contract nationwide;⁵⁰⁶
- (b) Hills Motors does not have an independent auction platform and any Hills Motors auction platform would have lacked sufficient volumes to be an attractive marketplace for buyers and hence for driving returns;⁵⁰⁷ and
- (c) other limitations in Hills Motors' business model – including, that it does not provide Ageas with a single point of contact, [X],⁵⁰⁸ its management capacity and risk model differs from that of e2e and SureTrak and limitations in its claims management capabilities and other infrastructure – prevent it from being an effective competitor for national insurance contracts.⁵⁰⁹

8.45 In response to our Provisional Findings, the Parties provided further analysis as to why [X] would inhibit Hills Motors from competing for national insurance contracts.

8.46 We consider the evidence in relation to these points below.

⁵⁰³ Parties' response to the AIS and working papers, paragraph 3.

⁵⁰⁴ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁵⁰⁵ Note of a call with a third party, February 2023, paragraph 1.

⁵⁰⁶ [Parties' response to the Issues Statement](#), paragraphs 14 to 16.

⁵⁰⁷ [Parties' response to the Issues Statement](#), paragraphs 20 and 21; Parties' response to the AIS and working papers, paragraph 32.

⁵⁰⁸ Parties' response to the AIS and working papers, paragraph 24.

⁵⁰⁹ Parties' supplementary submission – Ageas and Hills Motors, paragraphs 5, 6, 26 48 to 51.

- *Hills Motors' subcontracted salvage agent network model*

8.47 As set out in our Provisional Findings,⁵¹⁰ 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.⁵¹¹

8.48 While there are significant differences in terms of the volumes that the Parties can process-in house, six of the thirteen insurance customers⁵¹² 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.⁵¹³

8.49 In our Provisional Findings, we noted that, consistent with this, we had seen evidence indicating that, had the Merger not taken place, Hills Motors would

⁵¹⁰ [Provisional Findings](#), paragraphs 8.42 to 8.45.

⁵¹¹ 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.

⁵¹² We asked customers to describe the extent to which factors such as, among others, offering national (UK-wide) coverage, are important factors that drove their choice when selecting a salvager, identifying which factors were essential requirements and what minimum standards a salvager needs to be able to provide to meet those essential requirements. In response: (i) eight customers commented that it is acceptable for national coverage to be provided via subcontracting (six of which had been identified, on the basis of their own or, in the case of [X] and [X], third-party submissions, as having a volume requirement of over 10,000 vehicles annually); (ii) two customers commented that they preferred to work with one salvager (one of which had been identified, on the basis of its own submissions, as having a volume requirement of over 10,000 vehicles annually); and (iii) six customers did not comment on whether it was acceptable or not for national coverage to be provided via subcontracting. Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, questions 3 and 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, questions 2 and 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; Third-party responses to the CMA's Phase 1 competitor questionnaire, Annex 2. We note in this regard that the Parties' inference that most national insurers (7 out of 13) would not accept national coverage to be provided via subcontracting is incorrect (Parties' response to our Provisional Findings, paragraph 93).

⁵¹³ 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. 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 also noting this point and saying that sub-contracting is not a problem if the correct controls and oversight is in place. Another 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 noted that a smaller number of large providers would be easier to manage than a large number of small providers. Two further insurance customer said that a single/central point of contact would be required. 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.

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 showed that, prior to the Merger, it was preparing a draft response to [REDACTED] RFP in [REDACTED] 2022 (requiring national coverage for more than [REDACTED]⁵¹⁴ vehicles annually).⁵¹⁵
- (b) Hills Motors also submitted a response to the [REDACTED] RFP in [REDACTED] 2022 (requiring national coverage for around [REDACTED] vehicles⁵¹⁶ annually), after the Merger.⁵¹⁷ In what we understand to be the final response to [REDACTED] RFP in [REDACTED] 2022, Hills Motors states '[REDACTED]'.⁵¹⁸ While we understood that this does not refer to Hills Motors capacity at any point in time,⁵¹⁹ we considered it indicative of Hills Motors having, in its estimation, the capability to respond to RFPs for further contracts with national collection and storage requirements.

8.50 Given the [REDACTED] RFP submission occurred after the Merger, we placed limited weight on Hills Motors' response as evidence of how Hills Motors would have acted had the Merger not taken place. However, taken together, we considered that these proposals showed 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.⁵²⁰

8.51 In response to our Provisional Findings, the Parties submitted that Hills Motors would not be able to compete for additional (large) national insurance networks using an outsourced model (see paragraph 8.38(c)(ii)). These submissions are premised mainly on their view that: (i) most insurers would require a consignment model; (ii) such a model is incompatible with allowing subcontracted salvage agents to sell vehicles via the e2e auction platform; and (iii) e2e members would have no incentive to agree to use Hills Motors' auction platform instead of e2e's. The Parties also submitted that use of subcontracted agents would make Hills Motors uncompetitive (given that the use

⁵¹⁴ See paragraphs 8.40(e) and 8.41 above.

⁵¹⁵ The draft RFP responses state '[REDACTED]'. Hills Motors, document '[REDACTED]', page 25 submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁵¹⁶ Third-party response to Phase 2 customer questionnaire, December 2022, question 2.

⁵¹⁷ Hills Motors submitted to us that it only put in a response to the RFP in light of the ongoing CMA investigation into the Merger, [REDACTED]. Hills Motors' main party hearing transcript, page 28. [REDACTED].

⁵¹⁸ Hills Motors, document 'RFP for [REDACTED]', page 20, submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁵¹⁹ At Hills Motors' main party hearing, [REDACTED]. [Parties' response to the Issues Statement](#), paragraph 18.

⁵²⁰ In particular, we considered that the draft RFP response for the [REDACTED] opportunity indicated that Hills Motors considered itself capable of meeting such requirements for the [REDACTED] contract using its network model. [Provisional Findings](#), paragraph 8.45.

of salvage agents and collection agents would make it more difficult to break even on a national insurance contract).

8.52 While evidence from Copart and customers indicates that the use of the consignment model is prevalent amongst insurers,⁵²¹ the evidence available to us does not show that no insurer other than Ageas would be willing to accept a model other than the consignment model.⁵²² Further, Hills Motors' proposals outlined in the draft and actual responses to RFPs for the [REDACTED] tender and [REDACTED] tenders, respectively, and in its response to the [REDACTED] benchmarking exercise both: (i) envisage Hills Motors operating a network of third-party salvagers;⁵²³ and (ii) indicate that Hills Motors was open to different payment models, including models involving a consignment model.⁵²⁴ This indicates that Hills Motors did not consider operating a network of outsourced salvagers to be fundamentally incompatible with offering different payment models, including the consignment model. Similarly, it indicates that Hills Motors considered itself capable of relying on the support of its outsourced salvage agent network to service additional contracts. As to whether reliance on third-party salvagers would render Hills Motors' offering uncompetitive, we consider Hills Motors' proposal in this regard as evidence that it considered, at least in principle, that it could service such contracts and break even.⁵²⁵

⁵²¹ For example, Copart has provided data showing that [REDACTED]% of Copart's contracts in 2022 ([REDACTED]) used this model ([REDACTED] by volume/value). Parties' Response to Phase 2 RFI 1, question 7. Only [REDACTED] of the insurers we spoke to used just the PAV model. Hills Motors' response to Phase 2 RFI 7 to the Parties, question 3; Note of a call with a third party, February 2023, paragraph 2.

⁵²² For example, the Parties noted that [REDACTED] are the [REDACTED] large national insurers that the Parties are aware of that are prepared to use a PAV model (albeit they submit that this is a historical legacy and [REDACTED]) (Hills Motors' response to Phase 2 RFI 7 to the Parties, question 3). Others use a mixed model such as a PAV model for Category B vehicles and a consignment model for other vehicles. For example, one large national insurance customer uses the PAV model for Category A and B vehicles and the consignment model for other vehicles (third-party response to CMA's Phase 2 customer questionnaire, December 2022, question 2). Evidence from Copart's internal documents suggest that it too was open to a similar model: for example, [REDACTED]. Copart, Annex 17 to the FMN, slides 7 and 4.

⁵²³ We note that these documents appear to envisage Hills Motors operating an outsourced salvage agent network and selling vehicles via Hills Motors' proprietary auction platform, whereas Hills Motors also indicated that in practice it would not have made sense for it to use its technology rather than e2e's in the case of the [REDACTED] tender. We do not predict exactly how Hills Motors would have sought to service an additional national insurance contract in this regard, but consider this to be evidence that Hills Motors did not consider its operating model fundamentally incompatible with offering different payment models, including the consignment model. Similarly, we also consider it to be evidence that Hills Motors considered itself capable of relying on the support of its outsourced salvage agent network to service the contract.

⁵²⁴ For example, in the benchmarking pack submitted to [REDACTED], Hills Motors stated that '[REDACTED]' and also listed the following available commercial models '[REDACTED]' and stated '[REDACTED]'. Hills Motors, document '[REDACTED]', tab '[REDACTED]' submitted in Hills Motors' response to Notice 2 to Hills Motors. See also Hills Motors, document 'RFP for [REDACTED]', page 56, submitted by Hills Motors in response to Notice 2 to Hills Motors.

⁵²⁵ We note some apparent inconsistencies in the Parties' assessment of the degree to which such costs represent a barrier to taking on additional national contracts. For example, at Copart's response hearing when asked about what investments might be needed to be made by a purchaser (particularly one whose dismantling capability is currently relatively fully utilised) in order to take on the Ageas contract, Copart explained that 'it is a fairly fluid market in that a lot of these dismantlers outsource the collection of vehicles, so they may not decide to collect them all with their own trucks, they would look to outsource them, so it is relatively easy to implement that flexing up, and so flexing up of hours, flexing of collections. So I don't see that there would be any significant

8.53 We therefore do not consider that, in principle, insurers' preference for the consignment model – and the purported implications of this in terms of the unavailability of a salvage agent network – is a prohibitive barrier to Hills Motors competing for an additional large national insurance contract on the basis of its subcontracted salvage agent network model.

- *Hills Motors' lack of a 'proven' proprietary auction platform*

- *Hills Motors' investment in its proprietary auction platform*

8.54 Copart is one of a small number of players – Copart, IAA, e2e and Recycling Lives – with a proprietary auction platform.⁵²⁶ Prior to the Merger, Hills Motors had made a significant investment in developing its own auction technology – two years in development at a cost of £[REDACTED]⁵²⁷ – which was nearing being capable of launch.⁵²⁸ Hills Motors halted this development as a consequence of the Merger.⁵²⁹

8.55 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.⁵³⁰ Hills Motors submitted that this was quite different from building an auction platform to compete with the national players (for example, given that the e2e platform handles around 2,000 vehicles a week, whereas Hills Motors will be selling only around [REDACTED] vehicles

investment required, just in labour.' Copart further noted that the costs of collecting the vehicles are recovered from the insurers anyway, so a prospective purchaser would look at outsourcing that element of the contract. Copart's response hearing transcript, page 24.

⁵²⁶ 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.

⁵²⁷ Parties' response to the AIS and working papers, paragraph 30. 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, however in the process of development, Hills Motors decided to add a number of additional features, resulting 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. Hills Motors' response to Phase 1 Notice 1 to Hills Motors, question 6, paragraph 5.

⁵²⁸ Hills Motors' management meetings for July 2022 list under 'IT Developments' 'Main focus on [REDACTED]'. Hills Motors Phase 2 Notice 1, annex 11, page 21.

⁵²⁹ FMN, paragraph 61. [REDACTED].

⁵³⁰ [Parties' response to the Issues Statement](#), paragraph 40. See also Parties' supplementary submission – Ageas and Hills Motors, paragraph 29. The Parties highlighted an internal document – that dates from late 2020 – of Hills Motors in which Mr Ian Hill sets out [REDACTED] (Parties' response to the AIS and working papers, paragraph 31). 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 (Hills Motors' main party hearing transcript, page 17).

a week).⁵³¹ Hills Motors noted, however, that at one point e2e was considering using Hills Motors' auction platform (but decided against it).⁵³²

- 8.56 Hills Motors' internal documents show that: when participating in a 2021 benchmarking exercise for [REDACTED], Hills Motors outlined its auction capabilities;⁵³³ and, immediately prior to the Merger, it was preparing to compete for another national insurance contract (the [REDACTED] contract) independently, citing its auction capabilities under development – which it described as 'currently in final testing' – when in its draft response to the RFP.⁵³⁴
- 8.57 We did not receive evidence of Hills Motors having definitive plans to launch its platform, however the evidence shows that Hills Motors continued to invest in it up until the point that the Merger completed, had it configured so as to be capable of third-party use on a white-labelled basis and showcased its capability to prospective customers suggests that it was not developed only as a 'defensive' move. Rather, the evidence shows that Hills Motors had the resource and ambition to plan for many different eventualities. We therefore consider this evidence shows that Hills Motors had invested in its platform technology so as to be in a position to service and compete for contracts, including additional large national insurance contracts, using a network of salvagers if required.⁵³⁵
- *The importance of proprietary auction technology to customers*
- 8.58 As set out in our Provisional Findings,⁵³⁶ 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

⁵³¹ Hills Motors' main party hearing transcript, page 5. When asked whether there was any plan to launch the platform, Hills Motors said not unless it needed to (Hills Motors' main party hearing transcript, page 18).

⁵³² Hills Motors' main party hearing transcript, page 18. Hills Motors' submissions and evidence from Hills Motors' internal documents support this, [REDACTED] (Hills Motors, document '[REDACTED]', page 8 submitted in response to Notice 2 to Hills Motors). [REDACTED] (Note of a call with a third party, January 2023, paragraph 10).

⁵³³ Specifically, it stated that: (i) [REDACTED]. 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.

⁵³⁴ 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. One 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 (Hills Motors' response to Notice 2 to Hills Motors, document '[REDACTED]', page 26).

⁵³⁵ As set out in our Provisional Findings, 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.

⁵³⁶ [Provisional Findings](#), paragraph 8.51 to 8.54.

was important in their choice of salvager,⁵³⁷ customers generally did not express an opinion on whether having a proprietary auction platform was more important than a shared auction platform.^{538,539}

8.59 However, we recognised that not having a proprietary auction platform may create resiliency risk and that, as such, 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. We therefore considered that, while Hills Motors' service offering pre-Merger is differentiated from Copart in that it did not have a launched proprietary auction platform, the lack of such auction platform would not have prevented it from continuing to compete for at least some additional large national insurance contracts in the near term.⁵⁴⁰

o *The Parties' submissions following our Provisional Findings*

8.60 In response to our Provisional Findings, the Parties submitted that a lack of a high performing proven auction platform is a barrier to Hills Motors competing for additional (large) national insurance contracts, as to compete for such contracts would require: (i) (with the possible exception of Tesco, given the similar historical context to Ageas) Hills Motors to resign from e2e and lose access to the e2e platform; and (ii) Hills Motors to offer a consignment model, which in most cases would require vehicles to be sold through the salvager's own platform in order to satisfy the monitoring associated with an insurance claim and administering the profit share. According to the Parties, Hills Motors would therefore need to rely on its own platform (and not that of e2e or a third party) to service an additional contract. However, the Parties submitted that Hills Motors was not capable of competing for an additional (large) national

⁵³⁷ 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.

⁵³⁸ 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.

⁵³⁹ In our Provisional Findings, we noted that, consistent with this: Hills Motors services the Ageas contract and SureTrak services the [REDACTED] contract without operating a proprietary auction platform; and 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 (indicating that it considered itself capable of competing for the [REDACTED] contract while continuing to use a third-party platform). Hills Motors' main party hearing transcript, page 16.

⁵⁴⁰ Further, we considered that, while salvagers without standalone auction platform capability may be weaker competitors for large national insurance contracts, the evidence discussed above showed that Hills Motors had an auction platform under development to mitigate this risk. [REDACTED].

insurance contract on the basis of its proprietary auction platform as to win an additional contract would require (i) historical sales data to prove auction performance (which Hills Motors does not have as the Ageas contract exceptionally allowed sales through e2e); and (ii) marketing spend in order to develop an auction platform with sufficient liquidity to generate returns for the seller.⁵⁴¹

8.61 As set out elsewhere in this report, we have not seen evidence to support the Parties' contention that no insurer other than Ageas would accept anything other than the consignment model (see paragraph) nor that e2e members would not support Hills Motors in competing for any further national insurance contract in the counterfactual (see paragraph 8.68), meaning that Hills Motors would have to rely on its own auction platform technology.⁵⁴² Further, Hills Motors' proposals outlined in the draft and actual responses to RFPs for the [REDACTED] tender and [REDACTED] tenders, respectively, and in its response to the [REDACTED] benchmarking exercise, envisaged it operating a network through which vehicles were sold through its auction platform technology (which, consistent with this, was configured for third-party use).⁵⁴³ We therefore do not consider the fact that Hills Motors' auction platform had not been launched and marketed to be an insurmountable barrier to it competing for at least some additional large national insurance contracts in principle.

- *Other limitations in Hills Motors' business model*

8.62 In our Provisional Findings, we considered that:

- (a) As regards 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]:
- (i) Three of the six large insurance customers stated that a single point of contact was important,⁵⁴⁴ but the other three did not.

⁵⁴¹ Parties' supplementary submission on Hills Motors' salvaging capabilities, section 3.7.

⁵⁴² As noted in paragraph 8.58 (footnote 539) above, Hills Motors' comments at the main party hearing suggested that Hills Motors thought, at least in principle, that it would have been open to Hills Motors to use the e2e platform, with the support of a subcontracted network of e2e members, to service the [REDACTED] contract.

⁵⁴³ As noted above, we note that these documents appear to envisage Hills Motors operating an outsourced salvage agent network and selling vehicles via its auction platform, whereas Hills Motors also indicated that in practice it would not have made sense for it to use its technology rather than e2e's in the case of the [REDACTED] tender. We do not predict exactly how Hills Motors would have sought to service an additional national insurance contract in this regard, but consider this evidence that Hills Motors did not consider its lack of a 'proven' auction platform prevented it from competing for and servicing additional large national insurance contracts.

⁵⁴⁴ 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;

(ii) To the extent that a single point of contact is important to customers, we had not received evidence that Hills Motors' current service model puts it at a significant disadvantage to others servicing national insurance contracts.⁵⁴⁵

(iii) [REDACTED]^{546,547}

(b) 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 (see paragraph 8.37(c)(iv)), we had not received compelling evidence that Hills Motors' operating model and approach to risk, or management capacity, were material barriers to it continuing to compete for national insurance contracts, including large national insurance contracts.⁵⁴⁸ Again, we considered 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.⁵⁴⁹

(c) The fact that Ageas had a particular interest in Hills Motors' recycled parts capability was not probative evidence of Hills Motors not being able to compete for other large insurance contracts.⁵⁵⁰

note of a call with a third party, February 2023, paragraph 14; note of a call with a third party, February 2023, paragraph 4.

⁵⁴⁵ We noted, for example, that in its draft response to the [REDACTED], Hills Motors highlighted 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. See '[REDACTED]', slide 14, submitted by in response to Notice 2 to Hills Motors. We further noted that Ageas told us that there is no direct communication between Ageas and Hills Motors' subcontractors except when the subcontractors report fraud such that it is 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 sure that Hills Motors' service and network were up to Ageas' requirements [REDACTED] (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).

⁵⁴⁶ For example, [REDACTED].

⁵⁴⁷ [REDACTED]. In particular, we considered the fact that Hills Motors prepared a draft response to [REDACTED] evidence that Hills Motors considered itself capable of competing for such opportunities.

⁵⁴⁸ [Provisional Findings](#), paragraph 8.47. In response to our Provisional Findings, Silverlake, a member of e2e, SureTrak and the Ageas network, submitted that Hills Motors has an advanced integrated insurance management platform that reduces the need for heavy management head count and that SureTrak operates with a smaller scale team than Hills Motors whilst [REDACTED]. Silverlake further submitted that SureTrak also operates without a bond. [Silverlake's response to the Provisional Findings](#); Third-party submission, June 2023.

⁵⁴⁹ We further noted that, in any event, the pre-Merger conditions of competition counterfactual is not static ([CMA129](#), paragraph 3.3) and, to the extent that Hills Motors were to encounter issues arising from a lack of a single point of contact or management capacity, we had not received evidence of their being material barriers to it adapting its operational model to mitigate such issues. [Provisional Findings](#), paragraph 8.48.

⁵⁵⁰ We noted in this regard that: the Parties had 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 had received on the importance of a salvager being able to offer an in-house recycled parts supply service was mixed we considered that, in principle, Hills Motors' recycling parts capability represents a competitive advantage at least for some customers (including large insurance customers); and this was reflected in Hills Motors having been invited to participate in benchmarking and tender opportunities for insurers including [REDACTED] and [REDACTED] among others. [Provisional Findings](#), paragraph 8.69(a).

- (d) 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),⁵⁵¹ that it did not have a proprietary auction platform and that it uses a sub-contracted network of suppliers – were not compelling evidence that Hills Motors would not be able to replicate its model for other insurers.⁵⁵² In particular, we considered evidence of Hills Motors preparing for a response to [REDACTED] RFP (in which it detailed how it proposed to service those contracts using its claim management portal, auction technology and network of suppliers) indicated that it considered itself capable of fulfilling the [REDACTED] contract.⁵⁵³
- (e) Ageas did not 'sponsor' Hills Motors (rather Hills Motors won the Ageas contract based on its response to the RFP).⁵⁵⁴

8.63 We therefore provisionally considered that, while Hills Motors' model for servicing the Ageas contract has some unique features, the evidence suggested that it is capable of being replicated, with certain adjustments, for other large national contracts.⁵⁵⁵

8.64 As set out in paragraph 8.38(c) above, in response to our Provisional Findings, the Parties submitted further analysis as to why the following are, in their view, prohibitive barriers to Hills Motors competing for additional national insurance contracts:

- (a) the terms of Hills Motors' membership of e2e;
- (b) the need to offer a consignment model (and why this is incompatible with operating an outsourced network model); and
- (c) the need for significant ex ante investment (and associated borrowing) to fund expansion in salvage transport capacity, site capacity, dismantling equipment and staffing as well as significant marketing spend in order to develop a high performing auction platform and further investment in offering additional services.

⁵⁵¹ We note that Silverlake has submitted that, in its opinion, Hills Motors' claims management system could be repurposed for another insurer quite easily because it was designed by the same individual who designed the SureTrak platform which suggests it is cross compatible with multiple insurer claims platforms. [Silverlake's response to the Provisional Findings](#)

⁵⁵² [Provisional Findings](#), paragraph 8.69(b).

⁵⁵³ Hills Motors, '[REDACTED]' and '[REDACTED]' submitted in response to Notice 2 to Hills Motors.

⁵⁵⁴ [Provisional Findings](#), paragraph 8.69(c).

⁵⁵⁵ [Provisional Findings](#), paragraph 8.70.

8.65 To the extent not addressed above (see paragraphs and 8.61), we address these points below.

o *Impact of terms of Hills Motors' membership of e2e*

8.66 The Parties submitted that Hills Motors cannot compete for a national contract whilst remaining a member of e2e (as envisaged the CMA's counterfactual assessment in its Provisional Findings).⁵⁵⁶

8.67 First, for the avoidance of doubt, as discussed in our counterfactual assessment, our counterfactual assessment is not that Hills Motors would remain a member of e2e indefinitely, but rather that Hills Motors would not have resigned from the board of e2e as a result of the Merger (meaning that in the immediate term at least it would likely have remained on the board and a collecting member).⁵⁵⁷

8.68 Second, for the following reasons we consider that, insofar as Ian Hill were to remain on the board of directors and Hills Motors a collecting member of e2e, the terms of its membership would not prevent it from competing for national insurance contracts altogether:

(a) e2e told us that, within the e2e network, there is a membership requirement which states that members should not compete against e2e if e2e is bidding in a response to an RFP, however e2e imposes no restriction on members competing for other opportunities where e2e is not invited.⁵⁵⁸ Consistent with this, with regards to the Ageas contract, e2e understands that e2e was not invited to tender so it was not necessary for Hills Motors to discuss that opportunity with e2e.⁵⁵⁹

⁵⁵⁶In particular, they submitted that: [REDACTED], and this is 'a question of law, not discretion'; e2e members would not support Hills Motors competing against e2e; and the Ageas contract was an exception. Parties' supplementary submission on Hills Motors' salvaging capabilities, page 2 and section 3.1; Parties' response to our Provisional Findings, paragraphs 89 to 91.

⁵⁵⁷ In our counterfactual assessment in our Provisional Findings, we set out that 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 and therefore (on the understanding that Hills Motors decided to resign from e2e as a result of the Merger) we considered the counterfactual of the pre-Merger conditions of competition to be one in which Hills Motors would have remained on the board of directors and a collecting member of e2e. This statement served to make clear that, in the counterfactual, Hills Motors would not have resigned from the board of e2e as a result of the Merger. It was not intended to be read as ossifying the market at a particular point in time or a prediction of the precise details or circumstances that would have arisen absent the Merger, which, as our guidance makes clear, is not a matter for the counterfactual assessment. See [CMA129](#), paragraph 3.3 and 3.11.

⁵⁵⁸ [REDACTED] (note of a call with a third party, June 2023, paragraphs 1 and 2). [REDACTED].

⁵⁵⁹ Note of a call with a third party, June 2023, paragraph 4. This is also consistent with [REDACTED]. Annex 9b, document titled '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED]; '[REDACTED]' submitted in response to Notice 2 to Hills Motors.

(b) As set out below, Copart and e2e competed for half ([REDACTED]) of the national tenders identified by customers and the Parties.⁵⁶⁰ This indicates that, if it had been invited, the terms of its e2e membership would not have prevented Hills Motors from competing, at a minimum, in half of the national tenders that Copart competed in (where e2e was not otherwise in negotiations with those customers).⁵⁶¹

(c) There is evidence of e2e members competing against e2e in tenders. For example, in [REDACTED]⁵⁶² had held a tender where e2e and [REDACTED] had both submitted tender proposals.⁵⁶³

8.69 We therefore consider that, while the terms of Hills Motors' membership of e2e may limit the occasions in which it would compete for additional national insurance contracts in the counterfactual, they would not prevent Hills Motors from being able to compete for all such contracts in principle.

o *Costs of ex ante investment required to compete for additional national insurance contracts*

8.70 As set out in paragraph 8.38(c)(iii), the Parties submitted that Hills Motors would need to make substantial ex ante investments in order to be in a position to compete for a further national contract of 10,000-40,000 vehicles annually which would involve significant borrowing and that it is not realistic or credible that Hills Motors would suddenly fundamentally shift its business model to take on this significant debt.⁵⁶⁴ In support of this, the Parties submitted a paper detailing the estimated costs of investments required to fund expansion in salvage transport capacity, site capacity, dismantling equipment and staffing as well as in marketing spend to develop a high performing auction platform and in offering additional services. With respect to this analysis, we make the following observations:

⁵⁶⁰ In our Provisional Findings we incorrectly identified [REDACTED] as having had a tender, see footnote 639. 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'; Third-party submission dated June 2023.

⁵⁶¹ In this regard, one member of both e2e and Hills Motors' Ageas network stated that it would support Hills Motors in any new contract as long as this did not disadvantage e2e with a loss of its current contract.

[Silverlake's response to the Provisional Findings](#).

⁵⁶² Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2.

⁵⁶³ Note of a call with a third party, June 2023, paragraphs 5 and 8. Additionally, e2e explained that, in reality, e2e has little leverage over its members and it can only encourage its members to act in a collaborative manner (the only penalty e2e could impose on its members is to exclude the member from the consortium) (note of a call with a third party, June 2023, paragraph 5).

⁵⁶⁴ Parties' supplementary submission on Hills Motors' salvaging capabilities, page 3; [Parties' response to the Provisional Findings](#), paragraph 96.

- (a) First, it is premised on the assumptions that (i) Hills Motors could not compete for an additional national insurance contract whilst remaining a member of e2e and (ii) Hills Motors would not be able to use outsourced agents to supply a national contract, which, for the reasons set out at paragraphs 8.68 and 8.52, respectively, we do not consider to be correct in all cases.⁵⁶⁵
- (b) Second, it is also based on the premise that, because an insurer would expect salvaging to commence within a three-month period from award of the contract, Hills Motors would need to invest speculatively in advance in order to bid for a contract. This is in contrast to the observed behaviour of Hills Motors having been preparing to respond to the [REDACTED] RFP (and having responded to the [REDACTED] RFP) without having made such ex-ante investment.⁵⁶⁶
- (c) Third, similarly, the analysis takes as its starting point that Hills Motors would have to expand in order to service any additional national insurance contract, whereas this observed behaviour and other of the Parties' submissions suggest that this is not a pre-requisite in all cases.⁵⁶⁷
- (d) Fourth, the analysis appears to rest on the assumption that, to compete for an additional large national insurance contract, Hills Motors would have to have an offering that matches Copart's in all respects (for example, in payment model and in offering additional services). In doing so, in a market where salvagers have differentiated offerings, it is not clear that the Parties have used the correct benchmark to assess Hills Motors' ability to compete.⁵⁶⁸
- (e) Fifth, as noted above, there are some apparent inconsistencies in the Parties' assessment of the degree to which the need to increase capacity

⁵⁶⁵ In particular, while the terms of e2e's membership may have limited Hills Motors' incentive to compete in certain opportunities in the counterfactual, they do not preclude it from competing for all such opportunities (as is evidenced by Hills Motors' confirmation that it would be submitting a bid in the [REDACTED] RFP process ([REDACTED]), see paragraph 8.40(a)).

⁵⁶⁶ This may be driven by these not being deemed 'large' national insurance contracts, however for the reasons set out at paragraphs , we do not consider that the [REDACTED] contract should be disregarded on this basis.

⁵⁶⁷ As noted in footnote 499 above, in response to our Provisional Findings the Parties submitted materially lower capacity figures for Hills Motors and we did not find the explanation provided credible. More generally, some of its capacity is taken up by volumes from [REDACTED] (Hills Motors' main party transcript, page 30) [REDACTED]. In addition, we note that the analysis assumes that Hills Motors would process half of any national contract based on its contract with Ageas (see Parties' supplementary submission on Hills Motors' salvaging capabilities, page 7 and footnote 14). However, this figure was lower at [REDACTED]% in 2020 and [REDACTED]% in 2021 (Hills Motors' response to RFI 5 to Hills Motors, question 1; Hills Motors' response to CMA's follow-up questions dated 6 June 2023, question 2) such that it is not clear that Hills Motors would have to collect itself half of any additional national insurance contract it competed.

⁵⁶⁸ In particular, in markets where suppliers have differentiated offerings customers engage in trade-offs as one supplier's offering may be stronger in one area than the offering of its rivals, but weaker in other areas. Further, even suppliers with a relatively more limited offering or higher cost structure can still impose a constraint especially in a market where competition mainly takes place among only a few firms.

to accommodate an additional national insurance contract represents a barrier to competing for such contracts.⁵⁶⁹

- 8.71 Given these limitations, we do not consider that this analysis – which is an ex-post analysis, prepared for the purpose of our Merger inquiry – is robust evidence that, absent the Merger, Hills Motors’ model was not capable of being used to compete for, and service, any additional national insurance contracts. In our assessment as to whether Hills Motors’ model could be used for (at least some) such contracts in principle, we have placed more weight on Hills Motors’ contemporaneous assessment of its capabilities, as outlined in proposals put forward to (or being prepared for) prospective customers.

Conclusion on the Parties’ salvage service propositions

- 8.72 For the reasons set out above, we consider that Hills Motors is one of a small number of players with demonstrable success in winning and servicing a large national insurance contract. Further, we consider that, in principle, its model is capable of being used to compete for at least some additional large national insurance contracts (in that, at a minimum, it would not have inhibited Hills Motors from responding to at least some RFPs on the basis of its network model and we have not seen evidence that it would be incapable of servicing such a contract in principle).
- 8.73 However, that Hills Motors’ model could in theory be used to service an additional large national contract does not mean that Hills Motors’ provided a competitive constraint in practice. We consider further below contemporaneous evidence from certain tender and benchmarking opportunities as well as evidence on the views of customers.

⁵⁶⁹ For example, at Copart’s response hearing, when asked about what investments might be needed to be made by a purchaser (particularly one whose dismantling capability is currently relatively fully utilised) in order to take on the Ageas contract, Copart explained that ‘it is a fairly fluid market in that a lot of these dismantlers outsource the collection of vehicles, so they may not decide to collect them all with their own trucks, they would look to outsource them, so it is relatively easy to implement that flexing up, and so flexing up of hours, flexing of collections. So I don’t see that there would be any significant investment required, just in labour.’ Copart further noted that the costs of collecting the vehicles are recovered from the insurers anyway, so a prospective purchaser would look at outsourcing that element of the contract. Copart’s response hearing transcript, pages 23 and 24.

Tender and benchmarking opportunities

The Parties' submissions

- 8.74 Data submitted by the Parties⁵⁷⁰ on opportunities in which they have competed since 2018 show that, of [X] opportunities in this period, they were invited to compete against each other for two opportunities – with an insurance company, [X] in [X] 2022 and another insurance company, [X] in [X] 2022.
- 8.75 The Parties submitted that being invited to tender against each other does not constitute competition⁵⁷¹ and that their tender data provides compelling evidence that Copart and Hills Motors are not close competitors.⁵⁷² 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.⁵⁷³
- 8.76 With regard to the [X] ([X] 2022) opportunity:
- (a) The Parties first submitted that Hills Motors did not submit a tender for this contract as it was tendered after the Merger.⁵⁷⁴ 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'.⁵⁷⁵ The Parties later submitted that Hills Motors did not submit a response because it was not capable of supplying the contract.⁵⁷⁶ At Hills Motors' hearing, Hills Motors then submitted that, in preparing to participate in the [X] RFP process, its priority was to try to win some of this business for dismantling and selling recycled parts and not necessarily a salvage network or operation.⁵⁷⁷ The Parties also submitted a 'witness statement' setting out 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)

⁵⁷⁰ Parties' response to Phase 1 RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'. This dataset identified the Parties as competing in another opportunity – [X] – 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).

⁵⁷¹ [Parties' response to the Issues Statement](#), paragraph 36.

⁵⁷² Parties' response to the AIS and working papers, paragraph 33.

⁵⁷³ Parties' response to the AIS and working papers, paragraph 33. In response to our Provisional Findings, as set out in further detail below, the Parties submitted that, when considering carefully the instances where the Parties were identified as participating or being invited to participate in tenders, it is clear that no competition has ever taken place between the Parties and that they are not evidence that Hills Motors would have become a credible competitor in the future. [Parties' response to our Provisional Findings](#), paragraph 34.

⁵⁷⁴ Parties' response to the Issues Letter, paragraph 39. As noted in the CMA's Phase 1 Decision, we do not consider a lack of competition between the Parties owing to actions taken as a consequence of the Merger to be evidence that the Parties would not have competed absent the Merger. [Phase 1 Decision](#), paragraph 52.

⁵⁷⁵ [Parties' response to the Phase 1 Decision](#), paragraph 48.

⁵⁷⁶ [Parties' response to the Issues Statement](#), paragraph 37.

⁵⁷⁷ Hills Motors' main party hearing transcript, page 15.

and that the insurer had not considered Hills Motors a viable option to compete for the salvage services element of the tender.⁵⁷⁸

(b) In response to our Provisional Findings, the Parties reiterated their submissions that Hills Motors' contact with [X] was to maintain its recycled parts supply and potentially some of the regional salvage volumes that Hills Motors currently collects for [X]. In particular, they submitted that there is no evidence that [X] would have considered using Hills Motors to supply a national salvage services contract (distinct from any recycled parts supply) and that Hills Motors did not prepare a draft response with the objective of competing for the salvage services.⁵⁷⁹

8.77 With regard to the [X] ([X] 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,⁵⁸⁰ as well as the requirement for full UK and Ireland collection coverage.⁵⁸¹ 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.⁵⁸² 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.⁵⁸³ In response to our Provisional Findings, the Parties stated that [X] had confirmed to the CMA that it did not identify Hills Motors as a potential supplier of salvage services and therefore the CMA cannot rely on it to establish that the Parties competed (or that Hills Motors would have become a credible competitor in future).⁵⁸⁴

8.78 In our Provisional Findings, we identified the Parties as having competed for a contract with a small customer, [X], in 2020 based on information provided by [X].⁵⁸⁵ In response, the Parties submitted that Copart did not participate in a tender process for [X], and Copart did not believe that it was invited to participate. In addition, Hills Motors submitted that it did not believe the [X] contract was tendered through a competitive process, but rather that Hills Motors was directly awarded the work. Further, the Parties submitted this is

⁵⁷⁸ Parties' response to the AIS and working papers, Annex 2, paragraphs 4 and 5.

⁵⁷⁹ [Parties' response to our Provisional Findings](#), paragraphs 49 and 50.

⁵⁸⁰ Parties' response to the Issues Letter, paragraph 39.

⁵⁸¹ [Parties' response to the Phase 1 Decision](#), paragraph 48.

⁵⁸² [Parties' response to the Phase 1 Decision](#), paragraph 48.

⁵⁸³ Parties' response to AIS and working papers, paragraph 34.

⁵⁸⁴ [Parties' response to our Provisional Findings](#), paragraph 42.

⁵⁸⁵ [Provisional Findings](#), paragraph 8.76 and 8.78.

not a 'national contract' – [REDACTED], with [REDACTED]% of vehicles being collected directly by Hills Motors, and the volume of vehicles involved was small.⁵⁸⁶

8.79 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).⁵⁸⁷ 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 recycled parts lay.⁵⁸⁸ In response to our Provisional Findings, the Parties submitted that Hills Motors did not pitch or attempt to compete for the supply of salvage services and that [REDACTED] was not looking to use Hills Motors for salvage services.⁵⁸⁹

Other evidence

8.80 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 customers⁵⁹⁰ – occurring between 2018 and 2022 – the Parties were identified as participating or being invited to participate in two:⁵⁹¹

- (i) An insurance customer – with annual volumes of approximately [REDACTED] vehicles – invited Hills Motors to participate in a benchmarking exercise for a national salvage service contract against Copart in 2021.⁵⁹²

⁵⁸⁶ Parties' response to our Provisional Findings, paragraphs 35 to 41.

⁵⁸⁷ Parties' response to AIS and working papers, paragraph 34.

⁵⁸⁸ Parties' response to the AIS and working papers, paragraph 29 and Annex 1, paragraph 4.

⁵⁸⁹ Parties' response to our Provisional Findings, paragraph 43.

⁵⁹⁰ 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.

⁵⁹¹ As set out in paragraph 9.78 above, in our Provisional Findings we also identified the Parties as having competed for a contract with a small customer, [REDACTED], in 2020 based on information provided by [REDACTED] (Provisional Findings, paragraph 8.76 and 8.78). Following our Provisional Findings, at our request, [REDACTED] provided further context to its previous submissions. [REDACTED] had previously indicated that it did not engage in a tender process and instead awarded its contract to Hills Motors via a bilateral process (Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2). Further to our request, [REDACTED] clarified that, while it had engaged informally with a Copart representative to make a decision about whether to engage in a more formal process, following this informal engagement, it decided not to pursue the engagement or discussion further (and Copart did not submit a proposal to it (Third-party response to CMA email dated 31 May 2023)). Therefore we do not consider this to be an opportunity in which the Parties were both invited to participate.

⁵⁹² 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.

- (ii) An insurance customer – with annual volumes of more than [REDACTED] vehicles⁵⁹³ – invited Hills Motors to participate in its tender.⁵⁹⁴

8.81 The Parties' internal documents included documents relating to benchmarking and tender opportunities with [REDACTED], [REDACTED] and [REDACTED]. In our Provisional Findings, we considered, on the basis of this and other evidence from the customers in question available to us at the time, whether these opportunities provided recent evidence of the Parties competing in practice:

- (a) With regard to the [REDACTED] benchmarking exercise, we noted⁵⁹⁵ [REDACTED] submissions that (i) [REDACTED];⁵⁹⁶ and (ii) Hills Motors was invited to be a part of the benchmarking exercise as it was 'a known significant salvage services provider, who partners with other motor insurers'.⁵⁹⁷ As such, we considered that while the exercise was not described as a formal tender process, it appeared to allow for competition for the contract.⁵⁹⁸ We further noted that Hills Motors had submitted a response with details on its salvaging services (including recycled parts offering),⁵⁹⁹ but did not submit a financial offering in the process⁶⁰⁰ because e2e had also been invited.⁶⁰¹ We therefore considered Hills Motors' participation in [REDACTED] benchmarking exercise (where Copart was the incumbent provider) to be evidence of the Parties being considered to be alternatives by customers, including large insurance customers.⁶⁰²
- (b) Similarly, we considered [REDACTED] invitation to Hills Motors to participate in its [REDACTED] 2022 tender (against Copart, among others) together with this evidence from Hills Motors' internal documents showing that it was preparing to submit a response to [REDACTED] request for proposals (**RFP**) had the Merger not occurred, to be evidence of the Parties being considered to be alternatives by customers, including large insurance customers. In particular, we had regard to:⁶⁰³

⁵⁹³ See paragraphs 8.49(a) and 8.56 above.

⁵⁹⁴ Note of a call with a third party, February 2023, paragraph 5.

⁵⁹⁵ [Provisional Findings](#), paragraph 8.81(a).

⁵⁹⁶ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2.

⁵⁹⁷ Third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 5.

⁵⁹⁸ In this regard, we noted that both the Parties and the insurer in question told us that Hills Motors was invited to participate in the benchmarking exercise (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).

⁵⁹⁹ The Parties provided [REDACTED] submitted in response to Notice 2 to Hills Motors; Parties' response to the AIS and working papers, paragraph 29 and Annex 1.

⁶⁰⁰ Third-party response to the CMA's Phase 2 customer questionnaire (previous respondents), December 2022, question 5.

⁶⁰¹ See Hills Motors' response to Notice 2 to Hills Motors, document '[REDACTED]'.
⁶⁰² [Provisional Findings](#), paragraph 8.82.

⁶⁰³ [Provisional Findings](#), paragraphs 8.81(b) and 8.82.

- (i) evidence from Hills Motors' internal documents that Hills Motors was preparing to bid for both the salvage services – as the operator of national network⁶⁰⁴ – and the recycled parts elements of the contract;⁶⁰⁵
 - (ii) [REDACTED] submissions to the CMA that Hill Motors had been considered a credible participant for all elements of the tender and would not have been invited to tender if this had not been the case;⁶⁰⁶ and
 - (iii) that [REDACTED] told us that it was aware that Hills Motors was a regional company based in North West England – in the way that, similarly, its incumbent provider, [REDACTED], was a regional company based in Southern England – but that [REDACTED] considered both of them to have the potential to build networks of salvage services to meet its needs.⁶⁰⁷
- (c) Lastly, with regard to the [REDACTED] tender, we noted⁶⁰⁸ that [REDACTED].⁶⁰⁹ [REDACTED].⁶¹⁰ However, we placed limited weight on this tender as evidence of the likelihood of competitive interaction between the Parties had the Merger not taken place due to its timing (having taken place after the Merger).⁶¹¹

8.82 On balance, based on the evidence available at the time, as set out above, our provisional view was that, while historically Hills Motors and Copart had not been considered to be alternatives by customers, there was evidence of this changing in recent years following Hills Motors winning a contract with Ageas, a large national insurance customer.⁶¹²

⁶⁰⁴ [Provisional Findings](#), paragraphs 8.44(a) and 8.46(b).

⁶⁰⁵ Whereas the Parties submitted that Hills Motors contact with [REDACTED] was to maintain its recycled parts supply and potentially some of the regional salvage volumes that Hills Motors currently collects for [REDACTED]. Parties' response to putbacks relating to competition in salvaging of 4 May 2023 (**Parties' response to putbacks relating to competition in salvaging**), paragraph 20.

⁶⁰⁶ By contrast, Copart submitted that [REDACTED] had informed it that [REDACTED] had not considered Hills Motors a viable option to compete for the salvage services element of the tender and had only invited Hills Motors to tender for the recycled parts element. [Provisional Findings](#), paragraph 8.73.

⁶⁰⁷ Whereas Copart provided a 'witness statement' which outlined [REDACTED] views of Hills Motors as not being a credible national salvager and submitted that [REDACTED] views Hills Motors as a regional (North-West of the UK) salvager. Parties' response to putbacks relating to competition in salvaging, paragraph 25.

⁶⁰⁸ [Provisional Findings](#), paragraphs 8.81(c).

⁶⁰⁹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁶¹⁰ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, questions 7 and 9.

⁶¹¹ [Provisional Findings](#), paragraph 8.45.

⁶¹² In particular, we considered that there was evidence of recent competitive interactions – notably in relation to [REDACTED], one of the largest insurance customers, and [REDACTED], another large insurance customer – that indicated 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. [Provisional Findings](#), paragraph 8.82.

8.83 Following our Provisional Findings, we received new evidence in relation to the [REDACTED] 2021 benchmarking exercise and the [REDACTED] 2022 tender process, which we set out below.⁶¹³

[REDACTED] (the 2021 benchmarking exercise)

8.84 Further to our Provisional Findings, [REDACTED] submitted, by way of clarification to its previous submission, that it considered Hills Motors and Copart, in its benchmarking exercise, as offering two separate services in the provision of salvage operations.⁶¹⁴ [REDACTED] also told us that Hills Motors was not considered as an end-to-end salvage provider meeting [REDACTED] essential requirements but for its recycled parts proportion only.⁶¹⁵

8.85 Given the importance of this evidence to our assessment and the need to understand how [REDACTED] viewed Hills Motors at the time of its benchmarking exercise, we requested that [REDACTED] clarify its submissions⁶¹⁶ and provide all correspondence between [REDACTED] and Hills Motors related to its benchmarking exercise, as well as any documents containing an assessment by [REDACTED] of any submissions made by Hills Motors in the context of the benchmarking exercise.⁶¹⁷

8.86 In its response, [REDACTED] clarified that, although it invited Hills Motors to participate in the benchmarking exercise on the basis that it is a known significant salvage service provider who partners with other motor insurers, Hills Motors had made it clear in both its meeting with [REDACTED] in [REDACTED] 2021 and its subsequent response to the benchmarking exercise that Hills Motors only wanted to be considered for recycled parts. Therefore, when ultimately assessing suppliers within the benchmarking exercise, [REDACTED] only considered Hills Motors' offering for recycled parts at Hills Motors' request.⁶¹⁸

8.87 With regard to the nature and scope of Hills Motors' participation in the benchmarking exercise, the contemporaneous documents submitted by [REDACTED] in response to our request show that:

(a) in [REDACTED] 2021, Hills Motors presented to [REDACTED] on its recycled parts capabilities, following which it shared some slides detailing the benefits of

⁶¹³ This new evidence was also set out in our [Addendum Provisional Findings](#), paragraphs 2.5 to 2.9 and 2.13 to 2.17.

⁶¹⁴ In that Copart sells the vehicle on its own auction platform and Hills Motors either sells the vehicle via a third-party auction platform or dismantles the vehicle and sells the parts as recycled parts. [REDACTED] response to the CMA's remedies questionnaire, May 2023, question 2.

⁶¹⁵ [REDACTED] response to the CMA's remedies questionnaire, May 2023, question 2.

⁶¹⁶ Email to [REDACTED] dated 31 May 2023.

⁶¹⁷ CMA's notice issued under section 109 of the Act dated 31 May 2023 to [REDACTED] (**Phase 2 Notice 1 to [REDACTED]**).

⁶¹⁸ [REDACTED] response to Phase 2 Notice 1 to [REDACTED] and CMA email dated 31 May 2023.

its 'closed loop' parts and salvage management process in which '[REDACTED]' (in response to which an email from [REDACTED] dated [REDACTED] 2021 states that there had been a '[REDACTED]' internally to considering '[REDACTED]');⁶¹⁹

- (b) in [REDACTED] 2021, Hills Motors was invited to compete in a benchmarking exercise that [REDACTED] was conducting with respect to its salvaging service requirement;⁶²⁰
- (c) later in [REDACTED], [REDACTED] attended a site visit at Hills Motors;⁶²¹
- (d) in [REDACTED] 2021, Hills Motors submitted its completed response to the benchmarking exercise together with a presentation pack and cover letter:
 - (i) the cover letter explains that Hills Motors had not included a financial offering in its response as, owing to a conflict of interest with respect to Ian Hill's directorship on the board of e2e, it could not compete directly with e2e where e2e had also been invited to tender or benchmark for an insurance contract '[REDACTED]' and instead requested [REDACTED] to consider Hills Motors for a recycled parts trial (which was not considered to create a conflict of interest with e2e whilst [REDACTED] continued to contract with Copart);⁶²²
 - (ii) this notwithstanding, the response to the benchmarking exercise includes details on Hills Motors' salvage services in addition to its recycled parts offering⁶²³ and the presentation pack sets out the salvage capabilities of [REDACTED] and describes it as having a '[REDACTED]';⁶²⁴ and

⁶¹⁹ It further noted that '[REDACTED]' and offers '[REDACTED]'. Annex 8, document titled '[REDACTED]', [REDACTED] 2021 and Annex 2b, document titled '[REDACTED]', pages 10 and 11, [REDACTED] 2021, both submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶²⁰ An email from [REDACTED] to Hills Motors shows that [REDACTED] invited Hills Motors to participate in 'a benchmarking activity that [REDACTED] are conducting whilst reviewing its total loss proposition' – in [REDACTED] 2021. The email attached (i) an overview document which included background on [REDACTED] (including that Copart was its current salvager), information on the benchmarking exercise (including the criteria that needed to be met, overall volumes processed in the previous two years, the scope of services being considered and project timelines) and set out that '[REDACTED]'; and (ii) a pack setting out questions that Hills Motors was requested to answer and data it was requested to provide as part of the benchmarking exercise. Annex 7, document titled '[REDACTED]', [REDACTED] 2021, Annex 6a, document titled '[REDACTED]' and Annex 6b, document titled '[REDACTED]', all submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶²¹ Annex 8, document titled '[REDACTED]', [REDACTED] 2021 and Annex 9b, document titled '[REDACTED]', both submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶²² Annex 9, document titled '[REDACTED]', [REDACTED] 2021 and Annex 9b, document titled '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED]; Hills Motors, '[REDACTED]' submitted in response to Notice 2 to Hills Motors.

⁶²³ In one response, Hills Motors states that '[REDACTED]'. Later, Hills Motors explains that it '[REDACTED]' and later discusses its new auction platform that will '[REDACTED]'. Annex 9a, document titled '[REDACTED]', tab '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED]; and '[REDACTED]' submitted in response to Notice 2 to Hills Motors.

⁶²⁴ Annex 10, document titled '[REDACTED]', [REDACTED] 2021 and Annex 10b, document titled '[REDACTED]', [REDACTED] 2021, both submitted in response to Phase 2 Notice 1 to [REDACTED].

(e) in [REDACTED] 2021, Hills Motors followed up with [REDACTED] regarding securing a recycled parts trial, starting locally in the North of England providing recycled parts to [REDACTED] body shops.⁶²⁵

8.88 With regard to [REDACTED] evaluation of Hills Motors in the benchmarking exercise, the documents show that, at Hills Motors' request, [REDACTED] removed Hills Motors from the salvage services element of its evaluation (but retained it for recycled parts).⁶²⁶ This notwithstanding, [REDACTED] did conduct an assessment comparing the service level agreement (SLA) data for salvage services provided by Hills Motors with the corresponding data provided by Copart and the other participants ([REDACTED], [REDACTED] and [REDACTED]). These data covered a range of metrics for measuring salvagers' performance, such as vehicle collection and return times, instances of damage in transit and calls not answered. In that comparison, Hills Motors was ranked last ([REDACTED] out of [REDACTED]) with an overall score of [REDACTED], significantly lower than the other participants: [REDACTED] was ranked first, with an overall score of [REDACTED]; [REDACTED] was ranked second, with an overall score of [REDACTED]; [REDACTED] was ranked third, with an overall score of [REDACTED] and [REDACTED] was ranked fourth, with an overall score of [REDACTED].⁶²⁷

[REDACTED] (the [REDACTED] 2022 tender)

8.89 Further to our Provisional Findings, [REDACTED] submitted, by way of clarification to its previous submissions, that it did not consider Hills Motors to be a 'direct competitor' of Copart for salvage services. [REDACTED] noted that, although it considers that all tender participants may, in principle, be capable of providing salvage services, the purpose of the tender process is to establish what responders can and cannot supply. It was in this context, [REDACTED] submitted, that it considered Hills Motors as a 'potential viable competitor' to Copart for national salvage services (but it would be for respondents to the tender to offer those services which they felt they could provide or alternatively confirm they could not).⁶²⁸

8.90 As with [REDACTED], given the importance of this evidence to our assessment and the need to understand how [REDACTED] viewed Hills Motors at the time of its tender, we asked [REDACTED] to further clarify its submissions,⁶²⁹ and to provide all correspondence between [REDACTED] and Hills Motors which related to its [REDACTED] 2022

⁶²⁵ Annex 13, document titled '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶²⁶ An email dated [REDACTED] 2021 stated that '[REDACTED]'. Annex 11, document titled '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED]. Consistent with this, Hills Motors was not included in the 'overall' comparison of salvage service providers (Annex 12, document titled '[REDACTED]', tab '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶²⁷ Annex 12a, document titled '[REDACTED]', tab '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶²⁸ [REDACTED] response to the CMA's remedies questionnaire, May 2023, question 11.

⁶²⁹ Email to [REDACTED] dated 31 May 2023.

tender, as well as any documents containing an assessment by [REDACTED] of who to invite to respond to its RFP.⁶³⁰

- 8.91 In its response, [REDACTED] again stated that Hills Motors was not considered to be a 'direct competitor' of Copart for salvage services on a national level, and noted that [REDACTED] understanding was that Hills Motors was a regional provider of salvage services. [REDACTED] confirmed that Hills Motors was invited to tender for the services because, based on [REDACTED] established relationship with Hills Motors and its knowledge of the market, [REDACTED] believed Hills Motors to be credible and considered that Hills Motors may in principle have the potential to develop a network of service providers which could collectively satisfy [REDACTED] national services requirements.⁶³¹
- 8.92 With regard to Hills Motors' participation in the [REDACTED] 2022 tender process, the contemporaneous documents provided by [REDACTED] confirm that [REDACTED] sent Hills Motors an invitation to tender for salvage management services,⁶³² in response to which Hills Motors confirmed that it would take part in the tender process.⁶³³ In [REDACTED] 2022 Hills Motors informed [REDACTED] that it was pulling out of the tender process due to its acquisition by Copart.⁶³⁴
- 8.93 With regard to [REDACTED] assessment of who to invite to respond to its RFP, the documents also show that:
- (a) from [REDACTED] to [REDACTED] 2022, Copart provided information about its services to [REDACTED] as part of a benchmarking analysis;⁶³⁵

⁶³⁰ CMA's notice issued under section 109 of the Act dated 31 May 2023 to [REDACTED] (**Phase 2 Notice 1 to [REDACTED]**); CMA's notice issued under section 109 of the Act dated 6 June 2023 to [REDACTED] (**Phase 2 Notice 2 to [REDACTED]**).

⁶³¹ [REDACTED] further noted that the purpose of the RFP process was to select the provider who could best meet the needs identified in the RFP requirements for [REDACTED] and deliver the best customer outcomes. [REDACTED] expectation was that the RFP process would have established whether or not Hills Motors could provide a suitable and competitive national salvage service for [REDACTED] and its customers and, if so, how exactly they would propose to do so. [REDACTED] response to CMA email dated 31 May 2023.

⁶³² Annex E3, document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶³³ Annex E4, document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶³⁴ Annex E8, document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶³⁵ This included (i) a pack setting out the services offered by Copart, Copart's long term strategy, Copart's vehicle and parts recycling proposition and a financial proposal and projected net returns based on the benchmarking data provided by [REDACTED] (Annex F1, document titled '[REDACTED]' and document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 2 to [REDACTED]); (ii) additional information on how the financial proposal could be structured in different ways (Annex F2, document titled '[REDACTED]' and document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 2 to [REDACTED]); and (iii) a pack with more detail on all the specific services Copart could offer, including a slide on its plans (including acquisition of a recycled parts business) for a recycled parts offering, Copart's fees and standard service levels and the onboarding process for new customers (Annex F4, document titled '[REDACTED]' and document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 2 to [REDACTED]).

- (b) following an initial comparison of Copart's benchmarking response with the proposal of [REDACTED],⁶³⁶ in [REDACTED] 2022 [REDACTED] sought internal approval to engage in a tender process '[REDACTED]';⁶³⁷
- (c) however, an internal strategy document also dating from [REDACTED] 2022 – discussing market scanning undertaken and [REDACTED] future strategy/sourcing considerations in relation to the 'motor market', including with respect to its salvage service supplier – identified [REDACTED], [REDACTED] and [REDACTED] as possible alternative salvage service suppliers, whereas Hills Motors was only identified as an existing supplier of recycled parts ([REDACTED]).⁶³⁸

Our assessment

- 8.94 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 two recent tenders (for [REDACTED] in [REDACTED] 2022 and [REDACTED] in [REDACTED] 2022) – and to participate in a further benchmarking exercise by [REDACTED] (where Copart was the incumbent) in 2021.⁶³⁹
- 8.95 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.⁶⁴⁰ 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])⁶⁴¹ and e2e ([REDACTED])⁶⁴² and, when compared to Hills Motors, a similar amount or slightly less

⁶³⁶ Annex F5, document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 2 to [REDACTED].

⁶³⁷ In this context, [REDACTED] noted that: the benchmarking exercise involving Copart had shown that it may be able to increase its return on salvage by going out to market and engaging with alternative suppliers; the RFP would allow it to explore '[REDACTED]'; and that the benefits could include increased returns on salvage, an opportunity to introduce new requirements, such as technology integration and recycled parts, to [REDACTED] salvage solution and potential closure of risk acceptance in relation to financial stability (Annex F6, document titled '[REDACTED]', [REDACTED] 2022 submitted in response to Phase 2 Notice 2 to [REDACTED]).

⁶³⁸ Annex F3, document titled '[REDACTED]', pages 4, 6, 18, 19 and 23, [REDACTED] 2022 submitted in response to Phase 2 Notice 2 to [REDACTED].

⁶³⁹ As set out in paragraph 9.78 above, in our Provisional Findings we also identified the Parties as having competed for a contract with a small customer, [REDACTED], in 2020 based on information provided by [REDACTED], however at our request, [REDACTED] provided further context to its previous submissions, which clarified that Copart was not approached formally by [REDACTED] and did not submit a proposal. We therefore do not consider this to be an opportunity in which the Parties were both invited to participate or to be evidence of material competition between the Parties. As such, it is not discussed further in this report.

⁶⁴⁰ 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.

⁶⁴¹ [REDACTED]

⁶⁴² [REDACTED]

frequently with Recycling Lives ([REDACTED]),⁶⁴³ SureTrak ([REDACTED])⁶⁴⁴ and Charles Trent ([REDACTED]).⁶⁴⁵

(b) Hills Motors competed most frequently with IAA ([REDACTED]),⁶⁴⁶ a similar amount with Recycling Lives ([REDACTED])⁶⁴⁷ and Silverlake ([REDACTED])⁶⁴⁸ and less with ASM ([REDACTED]).⁶⁴⁹

8.96 While three 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 8.181 to 8.210 on the competitive constraint placed on the Merged Entity by these players). Only IAA and e2e are seen significantly more frequently than Hills Motors (in [REDACTED] and [REDACTED] instances, respectively). The timing of these three 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.

8.97 As to whether these three instances are, on examination, evidence of the Parties competing in practice, in light of the new evidence received following our Provisional Findings, as set out above, we have considered to what extent Hills Motors’ participation in the [REDACTED] and [REDACTED] (together with the [REDACTED] opportunity) can be considered evidence of the Parties competing in practice.⁶⁵⁰

8.98 Some of the new contemporaneous evidence we received following our Provisional Findings is consistent with the evidence set out in our Provisional Findings in that it shows that Hills Motors was invited to participate in both the [REDACTED] 2021 benchmarking exercise and [REDACTED] 2022 tender, and that Hills Motors had ambitions to compete for additional national insurance contracts.⁶⁵¹

8.99 However, the new contemporaneous evidence also provides important additional context in terms of how Hills Motors was viewed by the relevant

⁶⁴³ [REDACTED]. Third-party response to a follow-up question, March 2023. [REDACTED]. Note of a call with a third party, April 2023, paragraph 10.

⁶⁴⁴ [REDACTED]

⁶⁴⁵ [REDACTED]

⁶⁴⁶ [REDACTED]

⁶⁴⁷ [REDACTED]

⁶⁴⁸ [REDACTED]

⁶⁴⁹ [REDACTED]

⁶⁵⁰ As set out at paragraph 8.78 above, we do not consider the [REDACTED] opportunity to be one in which the Parties were both invited to participate, or to be evidence of material competition between the Parties. As such, it is not discussed further.

⁶⁵¹ See paragraphs 2.8 and 2.16 above.

customers engaging in these tender and benchmarking exercises. In particular, the new contemporaneous evidence shows that [REDACTED] benchmarking exercise found Hills Motors' offering was significantly weaker than that of Copart, [REDACTED], [REDACTED] and [REDACTED], who [REDACTED] (in that [REDACTED], [REDACTED] and [REDACTED] scored between [REDACTED] and [REDACTED] and [REDACTED] scored [REDACTED], as compared with Hills Motors' score of [REDACTED]).⁶⁵² In addition, the new contemporaneous evidence from [REDACTED] shows that, while it had invited Hills Motors to tender, Hills Motors was not part of its strategic market scanning, suggesting that in practice it did not see Hills Motors as an alternative to Copart (or [REDACTED] or [REDACTED]).

8.100 With regards to the [REDACTED] tender, as noted above, we placed limited weight on this tender in our Provisional Findings due to its timing.⁶⁵³ Our assessment of the weight that can be placed on this has not changed as we have not received any additional evidence relevant to this assessment.

8.101 Overall, our view is that, while Hills Motors was invited to participate in the [REDACTED] tender and [REDACTED] benchmarking exercise (and was preparing to or did participate in these opportunities),⁶⁵⁴ the contemporaneous evidence obtained from these potential customers since our Provisional Findings demonstrates that, in practice, Hills Motors was not considered a meaningful alternative to Copart (in particular, given the significant margin between its performance and that of other salvagers participating in the [REDACTED] benchmarking exercise and the context in which [REDACTED] invited Hills Motors to tender).⁶⁵⁵ As such, our

⁶⁵² Annex 12a, document titled '[REDACTED]', tab '[REDACTED]', [REDACTED] 2021 submitted in response to Phase 2 Notice 1 to [REDACTED].

⁶⁵³ [Provisional Findings](#), paragraph 8.45.

⁶⁵⁴ [Provisional Findings](#), paragraphs 8.44, 8.78 and 8.114; see also paragraphs 2.8 and 2.16 above.

⁶⁵⁵ A competitor submitted that the outcome of tender and benchmarking exercises cannot render obsolete the relevance of the fact that Hills Motors was included in the exercise to begin with as focusing solely on the outcome ignores the fact that the mere presence of another competitor can be expected to have an effect on the bidding behaviour of the other participants. The competitor also submitted that we should not treat individual assessments as authoritative and representative for the industry more generally, given that Hills Motors is on record for having recently secured a substantial contract and for having been invited to tender/benchmarking opportunities by insurers. (Third-party response to the Addendum Provisional Findings, paragraphs 8 and 10.) We agree that, in principle, two suppliers being invited to tender suggests competitive interaction between those suppliers. However, the wider context of those invitations and the outcome of the tender are relevant to our assessment of closeness of competition. In this case, Hills Motors was only invited to a small number of recent opportunities alongside Copart and other salvagers (having historically not appeared in any against Copart). Following our Provisional Findings, we received new contemporaneous evidence that customers in those recent opportunities occurring immediately or shortly prior to the Merger did not consider Hills Motors to be a meaningful alternative to Copart (and other participating salvagers) in these instances. Given the small number of opportunities in question, the assessment of individual insurers is more relevant than might otherwise be the case, especially when it is consistent with the views we have received from other customers (in particular, Copart's customers did not identify Hills Motors as an alternative salvager that could meet their requirements). The competitor also submitted that to argue that in this concentrated market Hills Motors is not a close competitor to Copart, means that Copart does not have any close competitors because it is significantly larger than all of the other players (Third-party response to the Addendum Provisional Findings, paragraph 9). While Copart is significantly larger than the other players in this market (see paragraph 8.32), we do not consider this means that there is no competition. In particular, while limited competition or likelihood of competition between Hills Motors and Copart in practice, the evidence set out below shows that IAA places a strong constraint on the Merged Entity in this market (see paragraphs 8.157 and 8.158) and e2e place a medium constraint on it (see paragraphs 8.167 and 8.174).

view is that Hills Motors is unlikely to have exercised a meaningful constraint on Copart in these instances.^{656,657}

8.102 As noted at paragraphs 8.116 to 8.121 below, we are aware that Copart contacted [REDACTED] and [REDACTED] as well as other third parties regarding the content of their submissions to the CMA. The evidence available is inconclusive as to the effect (if any) that Copart's contacts had on the content of third-party submissions. In particular, it is clear that [REDACTED] considered that Copart's efforts in this respect were inappropriate. Given the detailed and directive nature of Copart's outreach regarding responses to our consultation, we have placed little weight on the submissions received following the Provisional Findings as there is a risk that these responses may have been influenced by Copart's communications. Instead, we requested and have placed greater weight on the contemporaneous documentary evidence submitted to us by the relevant customers, as that material reflects those customers' views at the relevant time.

⁶⁵⁶ A competitor submitted that according to the CMA's guidance an SLC can be found first and foremost in a situation where a 'merger involves the market leader and the number of significant competitors is reduced from four to three' (CMA129, paragraph 2.18) and that this is relevant here as the Merger is a 4-to-2 merger as the Merger essentially eliminates both Hills Motors and e2e (given Hills Motors' importance in e2e) as competitors to Copart. The competitor also submitted that the Addendum Provisional Findings did not explain why the following tests as set out in our Provisional Findings no longer applied in this case: (i) 'where one merger firm has a strong position in the market, even small increments in market power may give rise to competition concerns' (Provisional Findings, paragraph 8.6); (ii) '[t]he merger firms need not be each other's closest competitors for unilateral effects to arise' (Provisional Findings, paragraph 8.34); '[t]he 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.' (Provisional Findings, at 8.35). (Third-party response to the Addendum Provisional findings, paragraphs 18 to 20). In this regard, in the context of the very small number of opportunities that both Hills Motors and Copart have been invited to, we consider the contemporaneous evidence received from the customers in question that shows that those customers did not consider Hills Motors to be a meaningful alternative to Copart in practice is persuasive evidence that there was limited competition or likelihood of competition between Hills Motors and Copart in practice. Further, while our view is that post-Merger e2e is likely to be weaker following the Merger (see paragraph 8.174), this is not the same as finding a reduction in the number of competitors as implied by this competitor.

⁶⁵⁷ In addition, in response to our Addendum Provisional Findings a competitor submitted that while Hills Motors may not be the closest competitor to Copart, it is a dynamic competitor in a concentrated market and that it is difficult to understand why the CMA would be willing to discard the documented threat of emerging competition simply because customers did not corroborate it. In this regard, the competitor submitted that the Addendum Provisional Finding's rationale completely misses the negative effects on competition that the Merger is set to have on future competition in the market. (Third-party response to the Addendum Provisional Findings, paragraphs 15, 16 and 17). The CMA's assessment is generally forward-looking and will seek to account of the evolution of competitive conditions (CMA129, paragraph 4.16). As set out in our Addendum Provisional Findings, given other evidence on Hills Motors' recent growth trajectory – including its success in winning a large national salvage contract with Ageas in 2020 and the growing importance of recycled parts to salvage service customers, where Hills Motors has a strong position – in our Provisional Findings, we focused on recent opportunities as a more reliable indicator of the degree of competition between the Parties that could be expected going forward (and that would be lost as a result of the Merger) than historical opportunities (in which the Parties were not invited to compete against each other). Following the receipt of new contemporaneous evidence that showed that Hills Motors was not considered a meaningful alternative to Copart in those recent opportunities, our assessment as to the degree of competition between the Parties that could be expected going forward has changed.

Customer views

The Parties' submissions

8.103 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.⁶⁵⁸
- (b) None of Copart's customers identified Hills Motors as an alternative.⁶⁵⁹
- (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.⁶⁶⁰
- (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.⁶⁶¹

8.104 In response to our Provisional Findings, the Parties submitted that:

- (a) the customer evidence the CMA had gathered directly undermined its provisional conclusion that the Merger would lead to an SLC;⁶⁶²

⁶⁵⁸ Parties' response to the AIS and working papers, page 2.

⁶⁵⁹ Parties' response to the AIS and working papers, page 2.

⁶⁶⁰ Parties' response to the AIS and working papers, section 2.1.4 and paragraph 35.

⁶⁶¹ Parties' response to AIS and working papers, paragraph 38.

⁶⁶² [Parties' response to the Provisional Findings](#), paragraph 21.

- (b) it is irrational to conclude that the views of customers may not be particularly probative as evidence of degree of closeness of competition in the counterfactual;⁶⁶³
- (c) to put limited weight on these responses contrasts with other parts of the Provisional Findings where the CMA relies on a preponderant, or at least material view, held by a handful of customers;⁶⁶⁴
- (d) even if it were be assumed that the three tenders discussed above provide limited evidence of some potential competitive interaction between the Parties, this evidence cannot be considered to outweigh the contrary evidence based on the remaining 21 tenders where there was no competitive interaction between the Parties as well as the views of customers expressed to the CMA that they do not regard Hills Motors as a credible or close competitor to Copart. Rather, they submitted that, in doing so, the CMA was effectively substituting its views for those of a large number of sophisticated and well-informed customers without objective justification.⁶⁶⁵

Copart's 'Seller Survey'

8.105 Copart also submitted a survey that 30 insurance companies responded to, which it refers to as the 'Seller Survey' (the **Seller Survey**).⁶⁶⁶

8.106 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

⁶⁶³ The Parties submitted that: (i) this is inconsistent with the CMA's IAA/SYNETIQ merger investigation, which concluded that customers in this market are 'sophisticated and well-informed'; and (ii) the CMA concludes that six out of 12 Copart customers questioned had not tendered since 2020, meaning they may not have known about Hills Motors' servicing of the Ageas contract, which means they could not offer an informed view of Hills Motors' role in the market. But this does not take into account that (i) Hills Motors' servicing Ageas was well-publicised and (ii) the other six customers had tendered and still did not mention Hills Motors. [Parties' response to the Provisional Findings](#), paragraph 5, 6 and 26 to 29.

⁶⁶⁴ [Parties' response to the Provisional Findings](#), paragraph 26.

⁶⁶⁵ [Parties' response to the Provisional Findings](#), paragraph 32.

⁶⁶⁶ [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.

to be a competitor to Copart and that the respondent had never been approached by Hills Motors.⁶⁶⁷

- (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.⁶⁶⁸
- (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% believed that there will remain sufficient salvage companies to invite to tender and provide effective competition.⁶⁶⁹

8.107 We have assessed the weight that can be placed on these survey results below (see paragraph 8.126).

Customer evidence provided in response to our investigation

Customer responses to our questionnaires

8.108 We asked customers to list all salvagers that they believed could meet their requirements (and to rank the suitability of their offering),⁶⁷⁰ whether they considered that the Parties compete closely in relation to the provision of salvage services,⁶⁷¹ and to provide their views on the impact of the Merger on competition in the supply of salvage services.⁶⁷²

⁶⁶⁷ Parties’ response to AIS and working papers, paragraph 36.

⁶⁶⁸ Parties’ response to AIS and working papers, paragraph 37.

⁶⁶⁹ Parties’ response to AIS and working papers, paragraph 67.

⁶⁷⁰ 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.

⁶⁷¹ 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.

⁶⁷² The CMA’s Phase 2 customer questionnaire, December 2022, question 15; and the CMA’s Phase 1 customer questionnaire, October 2022, question 11.

8.109 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.⁶⁷³

8.110 None of Copart's customers identified Hills Motors in responding to this question.⁶⁷⁴ By comparison:

- (a) IAA was identified by all of Copart's customers ([REDACTED]) as a salvager that could meet their requirements, albeit with a lower rating on average (2.3) than Copart (3.0).⁶⁷⁵
- (b) e2e was identified by two thirds of Copart's customers ([REDACTED]) as a salvager that could meet their requirements, albeit with a lower rating on average (1.9) than Copart (3.0).⁶⁷⁶
- (c) Charles Trent was identified by a quarter of Copart's customers ([REDACTED]) as a salvager that could meet their requirements, albeit with a lower rating on average (1.7) than Copart (3.0).⁶⁷⁷
- (d) Recycling Lives⁶⁷⁸ and SureTrak⁶⁷⁹ 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).

8.111 Both of Hills Motors' customers that responded to our investigation, including [REDACTED],⁶⁸⁰ 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 identified SureTrak, [REDACTED].

8.112 When asked whether Copart and Hills Motors compete closely:

⁶⁷³ 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.

⁶⁷⁴ 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.

⁶⁷⁵ 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.

⁶⁷⁶ 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.

⁶⁷⁷ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁶⁷⁸ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁶⁷⁹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁶⁸⁰ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

- (a) Nine out of 16 customers,⁶⁸¹ including seven large insurance customers,⁶⁸² said that they did not compete closely and highlighted the differences in their business models⁶⁸³ ([REDACTED]).⁶⁸⁴
- (b) Four of those customers, three being large insurance customers,⁶⁸⁵ also noted that either Hills Motors did not provide national coverage or was not a competitor in terms of size.⁶⁸⁶
- (c) One customer said that they competed moderately, noting their different offerings; one customer 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 noted their different business models, but identified Hills Motors as a strong alternative and Copart as a weak competitor suggesting they compete weakly.⁶⁸⁷
- (d) Two customers, including one large insurance customer,⁶⁸⁸ did not express an opinion on the closeness of competition, but noted their different offerings.⁶⁸⁹
- (e) Two customers, including one large insurance customer,⁶⁹⁰ did not comment as they did not have a business relationship with one or other of the Parties.⁶⁹¹ 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.⁶⁹²

⁶⁸¹ [REDACTED]. As discussed at paragraph 8.120(b) below, Copart prepared, at that customer's request, a draft response for one of these customers and so we put little weight on that response.

⁶⁸² [REDACTED]

⁶⁸³ 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.

⁶⁸⁴ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁶⁸⁵ [REDACTED]

⁶⁸⁶ 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. One noted that Hills Motors could not compete for nationwide salvage services as a standalone business, however as discussed at paragraph 8.120(b) below, at [REDACTED] request, Copart prepared the draft response to this question and so we put little weight on this response.

⁶⁸⁷ 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.

⁶⁸⁸ [REDACTED]

⁶⁸⁹ 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.

⁶⁹⁰ [REDACTED]

⁶⁹¹ 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.

⁶⁹² Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 13.

8.113 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.⁶⁹³

- (a) Ten customers, including five large insurance customers,⁶⁹⁴ expressed no concerns.⁶⁹⁵ One large insurance customer noted that there are a number of salvage suppliers in the UK⁶⁹⁶ and another customer stated that there were other large companies with similar geographical coverage to Copart and smaller local companies with a strong presence.⁶⁹⁷
- (b) Two large insurance customers said that the Merger would improve Copart's offering and another large insurance customer [REDACTED] noted that the whole salvage market needs to develop its recycled parts offering to meet demand and growing ESG requirements.⁶⁹⁸ More generally, in response to other questions two customers, including one large insurance customer, noted that the Parties' offerings are complementary.⁶⁹⁹
- (c) One large insurance customer said that competition, while marginally reduced, would still exist between the larger organisations (IAA, Copart and e2e) and that there are smaller independents operating regionally.⁷⁰⁰

Customer responses to our Provisional Findings

8.114 We received responses to our Provisional Findings that related to competition in the supply of salvage services in the UK from 10 customers.⁷⁰¹ Of these customers:

⁶⁹³ 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.

⁶⁹⁴ [REDACTED]

⁶⁹⁵ Third-party responses 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.

⁶⁹⁶ 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.

⁶⁹⁷ [REDACTED]

⁶⁹⁸ 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.

⁶⁹⁹ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, questions 9.

⁷⁰⁰ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 13.

⁷⁰¹ Third-party responses to our Provisional Findings. Four were insurance customers of Copart who had previously responded to our questionnaires with three of those having volumes of over 10,000 vehicles. Third-party responses to our CMA's Phase 1 customer questionnaire, October 2022, question 3; Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 2. The remaining six were [REDACTED] Copart customers who had not previously inputted in the inquiry. Our understanding is that none these are large insurance customers with most having a small number of vehicles ([REDACTED]). Copart's response to Phase 2 Notice 1 to Copart, Annex 3.

- (a) three submitted that the CMA allowed IAA and SYNETIQ to merge and the Merger is no different;⁷⁰²
- (b) seven submitted that there remain sufficient suppliers of salvage services post-Merger (alternative salvagers identified were IAA, e2e and SureTrak);⁷⁰³
- (c) all⁷⁰⁴ of them submitted that the Parties are not close competitors, with nearly all of them⁷⁰⁵ noting that Hills Motors does not have national coverage or the required capabilities and of these, nearly all⁷⁰⁶ noting that the fact Hills Motors has the Ageas contract does not change their view; and
- (d) seven submitted that the Merger is pro-competitive or benefits customers.⁷⁰⁷

8.115 Two individuals who responded to our Provisional Findings also made similar points.⁷⁰⁸

Copart's communications with customers in the course of our investigation

8.116 We noted that a number of the customer responses to our Provisional Findings were markedly similar in content. Further, in its response to our Provisional Findings (and prior to publication of third-party responses to our Provisional Findings on the inquiry case page) Copart submitted that it understood 18 named customers had submitted 'supportive comments to the CMA in response to the Provisional Findings'⁷⁰⁹ and that, based on these comments, 'it is indisputably the case that: they are well aware that Hills Motors currently supplies salvaging services to Ageas; they would still not award their salvaging contract to Hills Motors as they do not consider Hills

⁷⁰² Third-party responses to our Provisional Findings (Magna Accident Services, Somerset Bridge Limited, [REDACTED]). Another noted that the Merger could allow Copart to support a recycled parts solution in line with the approved IAA/SYNETIQ merger. Aioi Nissay Dowa Europe Limited's response to the Provisional Findings. Another noted that IAA bought Synetiq and has now been sold to Ritchie Bros. Nationwide Vehicle Assistance's response to the Provisional Findings. Another noted that IAA acquired SYNETIQ, a complementary business, to bolster its offering to the insurance sector. Third-party response to the Provisional Findings.

⁷⁰³ Third-party responses to our Provisional Findings (Aioi Nissay Dowa Europe Limited, Nationwide Vehicle Assistance, Somerset Bridge Limited, [REDACTED], [REDACTED], [REDACTED], [REDACTED]).

⁷⁰⁴ Third-party responses to our Provisional Findings (Aioi Nissay Dowa Europe Limited, Magna Accident Services, Nationwide Vehicle Assistance, Somerset Bridge Limited, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]).

⁷⁰⁵ Third-party responses to our Provisional Findings (Magna Accident Services, Nationwide Vehicle Assistance, Somerset Bridge Limited, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]).

⁷⁰⁶ Third-party responses to our Provisional Findings (Nationwide Vehicle Assistance, Somerset Bridge Limited, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]).

⁷⁰⁷ Third-party responses to our Provisional Findings (Magna Accident Services, Nationwide Vehicle Assistance, Somerset Bridge Limited, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]).

⁷⁰⁸ See Andy Warren's response to the Provisional Findings and David Turney's response to the Provisional Findings.

⁷⁰⁹ [Parties' response to the Provisional Findings](#), paragraph 30 and footnote 28.

Motors to be a credible supplier of salvage services; they are fully aware of the choice of salvagers available to them; and they are satisfied that there remain sufficient salvagers to invite to tender and provide effective competition.’⁷¹⁰

8.117 It is of fundamental importance to CMA merger investigations that the evidence obtained from third parties is reliable – that is, that views expressed are accurate (ie reflecting a respondent’s own experience), independently-formed and free from external bias.⁷¹¹ In light of the similarities in customer responses noted above, we requested copies of Copart’s communications with customers in relation to our inquiry in order to understand whether the content of those communications should limit the evidential weight we are able to place on customers’ submissions.

8.118 These communications showed that Copart had engaged in an extensive customer outreach exercise following the CMA’s Provisional Findings, including through:

(a) emails to a large number of customers⁷¹² setting out a detailed list of nine ‘key points’ that it encouraged customers to make to the CMA;⁷¹³

⁷¹⁰ Parties’ response to the Provisional Findings, paragraph 30.

⁷¹¹ While the CMA’s guidance on good practice in the design and presentation of customer survey evidence in merger cases pertains specifically to survey evidence, it highlights the importance of ensuring that the way in which customer evidence is gathered is neutral and does not bias results, so as to foster confidence in that evidence and assist the CMA in assessing the evidential weight that may be attached to it. See, for example, CMA78, paragraphs 1.26, 1.32 and 2.1.

⁷¹² See, for example, Copart, annexes: COP_00001112, ‘Hello...’, 15 May 2023 (to [redacted]); COP_00001113, ‘Hello...’, 15 May 2023 (to [redacted]); COP_00001114, ‘Hello...’, 15 May 2023 (to [redacted]); COP_00001115, ‘Hello...’, 15 May 2023 (to [redacted]); COP_00001116, ‘Hello’, 15 May 2023 (to [redacted]); COP_00001117, ‘Hello...’, 15 May 2023 (to [redacted]); COP_00001118, ‘Hello’, 15 May 2023 (to [redacted]); COP_00001119, ‘Hello’, 15 May 2023 (also to [redacted]); COP_00001122, 17 May 2023 (to [redacted]) (a variation of the original email setting out eight instead of nine ‘key points’); all submitted in Copart’s response to the CMA’s notice issued under section 109 of the Act dated 31 May 2023 (**Phase 2 Notice 4 to Copart**). The above communications were sent by account managers, however other communications show that a member of Copart’s UK & Ireland senior management was aware of, and involved in, this customer outreach exercise. For example, in an email to [redacted] dated 30 May 2023, a member of Copart’s UK & Ireland senior management includes the same text (a variation of the original email setting out eight instead of nine ‘key points’) saying ‘Below is an email we have been sharing and our customers have been communicating directly with the CMA on the back of it. Please would you mind too.’ Copart, annex COP_00001158, ‘Re: CMA’, 30 May 2023, submitted in Copart’s response to the CMA’s notice issued under section 109 of the Act dated 8 June 2023 (**Phase 2 Notice 5 to Copart**), question 1(b).

⁷¹³ The emails asked customers to write to the CMA (regardless of whether they had been contacted by the CMA) to ‘correct the misunderstanding’ that Hills competes with Copart for insurance salvage contracts and stated ‘Based on our own conversations we understand that the following key points would be useful to make again to the CMA (obviously in your own words): 1. You as an Insurance customer asked Copart for a green parts solution from your salvage provider. 2. You would not award your salvaging contract to Hills. 3. You do not consider that Hills has the capabilities to service your salvage contract / requirements. 4. You are fully aware of the choice of salvagers available in the market. 5. You are aware that Hills currently supplies Ageas. 6. The fact that Hills supplies Ageas does not change your views, you would not award your contract to Hills. 7. You consider Copart’s planned acquisition of Hills Motors will have a positive impact on competition. 8. There remain sufficient salvagers to invite to tender and provide effective competition. 9. Urge CMA to reconsider, in light that CMA approved IAA’s acquisition of Syntiq which is no different to acquiring Hills.’ See, for example, Copart, annex COP_00001112, ‘Hello...’, 15 May 2023 (to [redacted]) submitted in response to Phase 2 Notice 4 to Copart.

- (b) other emails directly from a member of Copart's UK & Ireland senior management asking customers to respond to our Provisional Findings stating that 'Hills is not a competitor of Copart' and setting out that the customer in question 'would never issue a tender to Hills directly' and that the customer in question wants to 'reiterate that Copart should have a green parts operation';⁷¹⁴
- (c) emails from a member of Copart's UK & Ireland senior management sending draft submissions,⁷¹⁵ or offering to draft submissions,⁷¹⁶ on behalf of industry players to then be submitted in their name to the Inquiry Group in response to our Provisional Findings;
- (d) an email to [REDACTED], whose benchmarking exercise in 2021 was discussed in our Provisional Findings, asking that [REDACTED] 'clarify that [REDACTED] view Hills primarily as a green parts supplier and not a credible salvage services supplier';⁷¹⁷ and
- (e) an email to [REDACTED], whose [REDACTED] 2022 RFP process was discussed in our Provisional Findings, forwarding an extract of our Provisional Findings and stating: '[...] Would help to mention that you would not consider hills for any future tenders. No SIGNIFICANT Lessening of competition as it is a complementary business to Copart'.⁷¹⁸

8.119 Copart submitted that it only sought to encourage its customers to engage directly with the CMA in light of its provisional findings, and in particular, its views on customers' knowledge of the market.⁷¹⁹ Copart further submitted that it is important that Copart's communications with its insurance customers concerning the CMA's investigation are seen in the right context, namely that (by Copart's account) these customers prompted the Merger (having made clear to Copart that they wanted Copart to have an in-house recycled parts operation), followed the CMA's investigation closely and were perplexed at the delay to the Merger caused by the CMA's decision to refer the Merger to a

⁷¹⁴ For example, Copart, annexes COP_00001110, 'CMA', 15 May 2023 (to [REDACTED]) and COP_0001120, 'CMA – Phase 2', 16 May 2023 (to [REDACTED]) submitted in response to Phase 2 Notice 4 to Copart.

⁷¹⁵ For example, emails from a member of Copart's UK & Ireland senior management set out individualised, full draft submissions with the direction 'send to: copart.hills-motors@cma.gov.uk'. See Copart, annex COP_0001105, 'CMA Copart/Hills', 14 May 2023 and annex COP_0001106, 'CMA Copart acquisition of Hills', 14 May 2023, both submitted in response to Phase 2 Notice 4 to Copart.

⁷¹⁶ For example, in an email to [REDACTED] dated 30 May 2023, a member of Copart's UK & Ireland senior management asks [REDACTED] to write to the CMA and offers to write the email for them. Copart, annex COP_00001160, 'Re: CMA', 31 May 2023, submitted in response to Phase 2 Notice 5 to Copart, question 1(b).

⁷¹⁷ Copart then followed up with [REDACTED] separately via text message asking it to send an email to the CMA in response to our Provisional Findings with a list of 'Points to make' (the same points as points 2,3,4 and 8 detailed in the customer outreach email described in footnote 713 above). Copart, annex COP_0001149, '[REDACTED] Text Message', submitted in response to Phase 2 Notice 4 to Copart.

⁷¹⁸ Copart, Annex COP_0001151, 'Fwd: [REDACTED] - Privileged & confidential', 15 May 2023 submitted in response to Phase 2 Notice 5 to Copart.

⁷¹⁹ Copart's response to Phase 2 Notice 5 to Copart.

Phase 2 inquiry – leading them to regularly contact Copart for explanation.⁷²⁰ Copart submitted that some customers approached Copart to discuss whether they could assist Copart further in support of the Merger and that, in light of customers’ willingness to help – and Copart’s concern that the CMA had failed, in Copart’s view, to give proper disclosure of customer responses – Copart encouraged them to contact the CMA directly.⁷²¹ In this context, Copart submitted that some customers asked Copart for a steer as to what messages and information would be supportive, but that Copart made it clear that customers were free to make whatever comments, or lack of comments, they wished to make to the CMA.

8.120 The communications showed that some customers expressed concern at the level and content of Copart’s outreach. For example, two insurance customers ([REDACTED] and [REDACTED]) sent emails in response to communications from a member of Copart’s UK & Ireland senior management – and, in the case of [REDACTED], Copart’s legal advisers’ direct approach to [REDACTED] legal team – requesting that Copart refrain from making further contact with them in relation to the CMA’s ongoing investigation.^{722,723} Copart pointed to one such email as evidence that Copart’s customers are large, sophisticated customers with their own legal departments who are capable of pushing back if they do not agree with Copart’s position.⁷²⁴

8.121 Taking account of the nature and extent of this outreach, we gave careful consideration as to the weight that should be put on the evidence received from customers in this inquiry. In this regard:

- (a) To ensure that we had a full picture of the communications between Copart and its customers throughout the CMA’s investigation (including Phase 1), we requested Copart provide copies of all internal documents (including emails) constituting correspondence between Copart and

⁷²⁰ Copart’s response to Phase 2 Notice 4 to Copart, paragraphs 1 to 5.

⁷²¹ Copart submitted that it therefore requested its legal advisers to prepare a short summary of the CMA’s findings in relation to the customers’ views and the grounds for placing limited weight on such views. Copart’s response to Phase 2 Notice 4 to Copart, paragraphs 6 and 7.

Copart further submitted that it only sought to encourage its customers to engage directly with the CMA in light of its provisional findings. Copart’s response to Phase 2 Notice 5 to Copart.

⁷²² [REDACTED] asked that, if needed, Copart could direct any questions in relation to the inquiry to Copart’s legal advisers who could instead contact [REDACTED] legal team if required. Copart, Annex COP_0001154, ‘[REDACTED] – Copart’, 19 May 2023 submitted in response to Phase 2 Notice 5 to Copart, question 1(b).

⁷²³ [REDACTED] set out that they ‘[REDACTED]’ and that it did not ‘[REDACTED]’. [REDACTED] further set out that ‘[REDACTED]’ ‘FW: Response to Your Request’, 18 May 2023, submitted as Annex 5 to Copart’s response to Phase 2 Notice 4 to Copart.

⁷²⁴ Copart’s response to Phase 2 Notice 4 to Copart, paragraph 8. In this regard, Copart submitted that Copart’s customers are large and sophisticated, many are public companies and/or FCA regulated, and most have large legal teams – and that therefore the idea that their views would have been unduly influenced, or more fundamentally that they would make statements to the CMA which did not reflect their actual views is implausible. Copart further noted that many of these customers engaged their legal teams to either respond to the CMA’s questionnaires and/or provide feedback on the CMA’s provisional findings and that there is no evidence that Copart would have unduly influenced any of the customers’ views during the CMA’s merger review (Copart’s response to Phase 2 Notice 5 to Copart).

specified customers relating to the CMA's investigation or anticipated investigation of the Merger, including communications related to interactions or potential interactions of such third parties with the CMA.⁷²⁵

- (b) Based on our review of that correspondence, while the majority of communications between Copart and customers pertained to the period after our Provisional Findings, we also received evidence of Copart inputting on a customer response, and offering to input on a customer's response, to questionnaires at an earlier stage of the CMA's investigation.⁷²⁶ In the former instance, a Copart account manager prepared, at the customer's request, a first draft response to the questionnaire. We have therefore placed little weight on that customer's response to our questionnaire in our assessment. In the latter instance, having reviewed all documents provided in response to our request (see paragraph 8.121(a)), we saw no evidence of this offer being taken up.
- (c) Given the breadth and detailed, directive nature of Copart's customer outreach exercise following the Provisional Findings, as described above, we placed substantially less weight than would have otherwise been the case on the customer responses to our Provisional Findings.
- (d) Similarly, with regard to [REDACTED] and [REDACTED] – whose respective 2021 benchmarking exercise and 2022 tender process are discussed above, given the detailed and directive nature of Copart's outreach regarding responses to our consultation (as described above), we placed substantially less weight than would have otherwise been the case on the views of those customers expressed to us (albeit that we received evidence that these suggestions were not followed in the case of [REDACTED], see paragraph 8.119 above). We therefore requested, and focussed our assessment on, the contemporaneous internal documents of those customers related to those opportunities as discussed in paragraph 8.117 above.

⁷²⁵ CMA Phase 2 Notice 5 to Copart, question 2(b).

⁷²⁶ In an email exchange from October 2022, [REDACTED] requests Copart's assistance with completing the CMA's Phase 1 customer questionnaire. At [REDACTED] request, an account manager for Copart sends back the completed questionnaire. Copart, COP_0001176, 'RE: CMA Merger Investigation: Copart / Hills Motors merger inquiry', 10 October 2022, submitted in response to Phase 2 Notice 5 to Copart, question 2(b). In another email, the same Copart account manager emails [REDACTED] offering to discuss the CMA questions mentioned at a recent event 'or send them me and I'll have a look at them'.

Our assessment

Customer evidence provided in response to our investigation

8.122 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.

8.123 In weighing this evidence in our assessment of the degree of closeness of competition between the Parties, we have 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. With regard to the latter, the timing of the Merger – 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.⁷²⁷

8.124 In this regard, we note the apparent contrast between the views expressed by customers in response to our questionnaires with the observed behaviour of those customers that invited both Copart and Hills Motors to compete. However, as set out above, our view is that, while Hills Motors was invited to participate in the [redacted] tender and [redacted] benchmarking exercise (and was preparing to or did participate in these opportunities), there is contemporaneous evidence from these customers that, in practice, Hills Motors was not considered a meaningful alternative to Copart. This evidence is therefore consistent with the customer views expressed in response to our

⁷²⁷ 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).

questionnaires (in particular, that Copart's customers did not identify Hills Motors as a salvager capable of meeting their requirements).⁷²⁸

Customer responses to our Provisional Findings

8.125 As discussed in paragraph 8.116 above, given the breadth and detailed, directive nature of Copart's customer outreach exercise following the Provisional Findings, as described above, we placed significantly less weight than would have otherwise been the case (ie absent outside influence on those submissions) on customer responses to our Provisional Findings. In any event, in relation to the points raised in these responses we note:

- (a) While the merger of IAA and SYNETIQ and this Merger may both be mergers between a standalone salvager and a salvager/dismantler that does not mean that the competitive impact of the mergers is the same. The impact of each merger on competition is considered individually based on the factors of the case and evidence available at the time.
- (b) The views expressed in relation to the alternatives available in the market and the closeness of competition between the Parties are consistent with those we considered in our Provisional Findings and no additional evidence was provided alongside the views expressed. In addition, no evidence was provided to substantiate why Hills Motors cannot provide national coverage when it is already providing national coverage to a large national insurance customer.
- (c) While customers expressed the view that the Ageas contract is not duplicable for other national contracts, they did not provide detailed explanation as to why this is the case and or evidence to undermine our assessment of Hills Motors' proposition as set out above (see paragraphs 8.114(c)).
- (d) As regards submissions that the Merger is pro-competitive or benefits customers, this is in line with the views of some customers responding to our investigation before Provisional Findings who, for example, said that the Merger would improve Copart's offering (see paragraph 8.113).

⁷²⁸ As discussed in paragraphs 8.127 to 8.131 above, while we have received some evidence of Copart having inputted on a customer response and offering to input on another customer's response to our questionnaires prior to the Provisional Findings, this was limited overall and we have adjusted the weight placed on one respondent's response accordingly.

Copart's Seller Survey

- 8.126 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'.
- 8.127 We therefore assess the evidential weight that can be given to the results in line with our survey good practice guide.⁷²⁹ 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.⁷³⁰
 - (b) The email invitation sent to introduce the survey begins 'As part of our ongoing acquisition of Hills Motors Ltd ...'.⁷³¹ 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 be no mention of a merger inquiry: the survey's purpose should be described as seeking customer views more generally'.⁷³²

⁷²⁹ 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.

⁷³⁰ 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 (see paragraph 8.51). 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.

⁷³¹ Copart's response to Phase 2 RFI 5 to Copart, question 1.

⁷³² [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

- (c) In addition, for some of the questions we have further concerns relating to the design of the questions:⁷³³
- (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)?’.⁷³⁴ This can lead to social desirability bias⁷³⁵ 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?’.⁷³⁶ 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.

8.128 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,⁷³⁷ do not have concerns regarding the impact of the Merger on competition for salvaging services⁷³⁸ and believe that there will remain sufficient salvage companies to invited to tender and provide effective competition.⁷³⁹ We address how we have taken account of customers’ current perception of Hills Motors – as expressed to us directly – at this juncture in time together with other evidence on closeness of competition between the Parties in the context of this case at paragraphs 8.123 and 8.124 above.

range of sources including eBay, Auto Trader, Gumtree and BCA (Copart’s response to Phase 2 RFI 3 to Copart, Annex 3).

⁷³³ 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?’.

⁷³⁴ Parties’ response to AIS and working papers, Annex 4.

⁷³⁵ 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.

⁷³⁶ Parties’ response to AIS and working papers, Annex 4.

⁷³⁷ Parties’ response to AIS and working papers, paragraph 36.

⁷³⁸ Parties’ response to AIS and working papers, paragraph 37.

⁷³⁹ Parties’ response to AIS and working papers, paragraph 67.

Competitor views

The Parties' submissions

8.129 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.⁷⁴⁰

Competitor evidence provided in response to our investigation

8.130 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),⁷⁴¹ whether they considered that the Parties compete closely in relation to the supply of salvage services⁷⁴² and to provide their views on the impact of the Merger on competition in the supply of salvage services.^{743,744}

8.131 When asked to identify their main rivals in the supply of salvage services in the UK and how closely they compete:

⁷⁴⁰ Parties' response to AIS and working papers, paragraph 38.

⁷⁴¹ The CMA's Phase 2 competitor questionnaire, December 2022, question 6 and the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁷⁴² 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.

⁷⁴³ The CMA's Phase 2 competitor questionnaire, December 2022, question 27 and the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁷⁴⁴ We also received responses from competitors to our Provisional Findings and Addendum Provisional Findings, which we have considered where relevant to particular points of our analysis of closeness of competition (paragraph 9.3(c) and footnotes 548, 551, 655, 656, 657 and 764).

- (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.⁷⁴⁵
- (b) Just under half of the competitors ([REDACTED]) of the competitors responding to our investigation identified Hills Motors as a competitor⁷⁴⁶ with two thirds⁷⁴⁷ of those identifying it as a close competitor and a third⁷⁴⁸ 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 competitor⁷⁴⁹ and most of those who were not e2e members ([REDACTED]) also identified e2e with half saying it was close competitor.⁷⁵⁰
- (d) Other salvagers identified were Charles Trent by a quarter of competitors ([REDACTED]),⁷⁵¹ Recycling Lives by one competitor,⁷⁵² ASM by one competitor⁷⁵³ and Adam Hewitts by one competitor.⁷⁵⁴

8.132 When asked whether Copart and Hills Motors compete closely:⁷⁵⁵

- (a) Roughly two thirds of competitors responding to our investigation said that Copart and Hills Motors compete closely,⁷⁵⁶ this was based on them tendering for the same contracts⁷⁵⁷ or providing nationwide coverage.⁷⁵⁸ In addition, this was the case despite some noting that their offerings are differentiated.⁷⁵⁹ However, we note that two competitors noted that some competition was through e2e.⁷⁶⁰

⁷⁴⁵ 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.

⁷⁴⁶ 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.

⁷⁴⁷ [REDACTED]

⁷⁴⁸ [REDACTED]

⁷⁴⁹ 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.

⁷⁵⁰ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁷⁵¹ 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.

⁷⁵² Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁷⁵³ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁷⁵⁴ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 6.

⁷⁵⁵ One competitor did not comment. Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 9

⁷⁵⁶ 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.

⁷⁵⁷ [REDACTED]

⁷⁵⁸ [REDACTED]

⁷⁵⁹ [REDACTED]

⁷⁶⁰ [REDACTED]

- (b) One competitor said Hills Motors competed through e2e.⁷⁶¹
- (c) One said they are not close competitors as they have slightly different business models.⁷⁶²
- (d) One said there is no current competition, but this was because they had contracts with different insurance companies.⁷⁶³

8.133 When asked whether they had any views about the impact of the Merger on competition in the supply of salvage services:⁷⁶⁴

- (a) Two thirds (~~[X]~~) raised a concern that competition for salvage services would be reduced.⁷⁶⁵ This included because:
 - (i) It leaves two large players (Copart and IAA) in the market,⁷⁶⁶ both with a very strong position in the tendering process⁷⁶⁷ (although one⁷⁶⁸ noted that this may benefit e2e to the extent the insurance sector will not like lack of competition).
 - (ii) The Merger strengthens Copart⁷⁶⁹ with some noting how it removes the unique selling point (recycled parts) of its rivals⁷⁷⁰ or weakens the UK consortia who relied on Hills Motors.⁷⁷¹
- (b) A third of competitors (~~[X]~~) raised no concerns in relation to competition for salvage services.⁷⁷²

⁷⁶¹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 9.

⁷⁶² Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 9.

⁷⁶³ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 9.

⁷⁶⁴ One competitor noted that Hills Motors is clearly not in the same league as Copart, but the Merger is about recycled parts. Third-party response to the Addendum Provisional Findings Similarly, one competitor submitted that its concern had never been about the lessening of salvager options for the insurance industry, but about the availability of good quality Category B cars at auction. Third-party response to the Addendum Provisional Findings Our assessment of concerns relating to competition in the supply of recycled parts to insurance repair networks or to other customers in the UK is set out in chapter 11. As set out in that chapter, we found 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). On this basis, we found that the Merged Entity does not have the ability to harm the competitiveness of rivals that impact competition in either market. These responses to the Addendum Provisional Findings did not raise new points or evidence to impact that assessment.

⁷⁶⁵ 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.

⁷⁶⁶ Note of a call with a third party, February 2023, paragraph 20.

⁷⁶⁷ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁷⁶⁸ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁷⁶⁹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁷⁷⁰ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 17.

⁷⁷¹ 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.

⁷⁷² 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.

Our assessment

- 8.134 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 being explored as part of our assessment; and (iii) the extent to which the view is corroborated by other evidence available to us.
- 8.135 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. In weighing this evidence, we have had particular regard to the fact that customers' assessment of Hills Motors in very recent opportunities – as documented in contemporaneous internal documents – is consistent with the views of customers expressed in response to our investigation.

Internal documents

- 8.136 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

- 8.137 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.⁷⁷³ The Parties also submitted that the infrequent number of references to Hills Motors⁷⁷⁴ 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.⁷⁷⁵

⁷⁷³ Parties' response to the AIS and working papers, paragraph 39.

⁷⁷⁴ [REDACTED] (see further paragraph).

⁷⁷⁵ 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 documents, 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 8.218 to 8.224, 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

- 8.138 Copart submitted it does not use strategic documents as a matter of course in its business.⁷⁷⁶ The documents submitted by Copart included routine monitoring of other companies,⁷⁷⁷ benchmarking exercises,⁷⁷⁸ business plans and updates (including in relation to specific customer types or more generally)⁷⁷⁹ and documents prepared for communications with customers or general public relations.⁷⁸⁰
- 8.139 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.⁷⁸¹
- 8.140 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]):

⁷⁷⁶ FMN, paragraph 33.

⁷⁷⁷ 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.

⁷⁷⁸ 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.

⁷⁷⁹ 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.

⁷⁸⁰ 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.

⁷⁸¹ 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].⁷⁸² [REDACTED].⁷⁸³ [REDACTED]⁷⁸⁴ [REDACTED].⁷⁸⁵
- (b) A draft board document dated January 2022 considered [REDACTED].⁷⁸⁶ In relation to this document, the Parties submitted that [REDACTED].⁷⁸⁷ As set out below, we consider that this document shows 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 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].⁷⁸⁸ Copart has submitted that [REDACTED].⁷⁸⁹ However, other documents indicate that [REDACTED]. [REDACTED].⁷⁹⁰
- (d) Internal documents also show that [REDACTED]. [REDACTED].⁷⁹¹ A later email [REDACTED].⁷⁹² The Parties submitted that Copart monitoring Hills Motors' Ageas contract is not evidence of competition as [REDACTED].⁷⁹³ 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.⁷⁹⁴
- (e) Internal documents also show that [REDACTED]. [REDACTED].⁷⁹⁵

⁷⁸² As set out in paragraphs 8.11 to 8.13, our 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 to . 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.

⁷⁸³ 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.

⁷⁸⁴ 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.

⁷⁸⁵ Parties' response to RFI 1, question 1.

⁷⁸⁶ FMN, Annex 17, [REDACTED], page 10.

⁷⁸⁷ Parties' response to the AIS and working papers, paragraph 43.

⁷⁸⁸ See Copart, COP_0000450, [REDACTED], 8 September 2021.

⁷⁸⁹ Parties' response to the AIS and working papers, paragraph 42.

⁷⁹⁰ 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]

⁷⁹¹ 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.

⁷⁹² Copart, annex COP_0000493, [REDACTED], 3 April 2022 submitted in response to Phase 2 Notice 1 to Copart.

⁷⁹³ [Parties' response to the Phase 1 Decision](#), paragraph 52.

⁷⁹⁴ 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.

⁷⁹⁵ 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.

8.141 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 Motors’ contracts.

(a) A presentation titled [REDACTED]⁷⁹⁶ [REDACTED]. [REDACTED].

(b) An email from [REDACTED] to [REDACTED] states [REDACTED].⁷⁹⁷

(c) An email response from [REDACTED] to [REDACTED] dated [REDACTED] states [REDACTED].⁷⁹⁸

(d) An email [REDACTED].⁷⁹⁹

Hills Motors’ internal documents

8.142 Hills Motors submitted it does not use strategic documents as a matter of course in its business.⁸⁰⁰ Hills Motors’ documents included business updates and planning documents,⁸⁰¹ tender documentation,⁸⁰² and documents relating to the administration of the Ageas contract.⁸⁰³

8.143 In addition to the internal documents relating to tenders, benchmarking exercises and Hills Motors’ auction platform (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]⁸⁰⁴ – which we understand was produced in December 2020, [REDACTED] – describes how [REDACTED]. It notes that [REDACTED],⁸⁰⁵ [REDACTED]. It highlights [REDACTED].⁸⁰⁶ It concludes, [REDACTED].

⁷⁹⁶ 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.

⁷⁹⁷ 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.

⁷⁹⁸ Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2 to Copart.

⁷⁹⁹ 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.synetiq.co.uk/iaa-inc-announces-final-uk-regulatory-approval-of-synetiq-acquisition/>).

⁸⁰⁰ FMN, paragraph 34.

⁸⁰¹ 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]’.

⁸⁰² 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]’.

⁸⁰³ 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].

⁸⁰⁴ 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).

⁸⁰⁵ [REDACTED]

⁸⁰⁶ [REDACTED]

- (b) A document with the file name '[REDACTED]'⁸⁰⁷ that appears to date from September 2021 shows that [REDACTED]⁸⁰⁸ [REDACTED].⁸⁰⁹
- (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 is clear from the fact that the insurers listed have all been identified as not currently using recycled parts.⁸¹⁰ They further submitted that the remark, [REDACTED], shows Hills Motors currently competing for recycled parts, not salvage, and submitted that, [REDACTED].⁸¹¹ Similarly, the Parties submitted that the second remark, [REDACTED] does not correspond to any actual action plan, let alone one which came to fruition.⁸¹²
- (ii) Contrary to the Parties' submissions, we consider it clear from the face of the document that Hills Motors was at least considering [REDACTED].⁸¹³ That these plans had not 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].⁸¹⁴
- (ii) In relation to [REDACTED], it documents that [REDACTED]. [REDACTED].
- (iii) In relation to [REDACTED] it states that [REDACTED].⁸¹⁵ This suggests that [REDACTED].

8.144 The Parties submitted that it is unfair to compare IAA, which is a large salvager-dismantler with national salvaging capabilities, with Hills Motors.⁸¹⁶ They further submitted that, given that Hills Motor' proposed 'hybrid model' referenced in this document refers to salvaging on a regional basis rather than

⁸⁰⁷ Hills Motors' response to Notice 2 to Hills Motors, document with the file name [REDACTED]

⁸⁰⁸ [REDACTED]

⁸⁰⁹ Hills Motors' response to Notice 2 to Hills Motors, document titled [REDACTED], slide 3.

⁸¹⁰ [Parties' response to the Phase 1 Decision](#), paragraph 50.

⁸¹¹ 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 below where we consider this document).

⁸¹² Parties' response to the AIS and working papers, paragraph 40.

⁸¹³ 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.

⁸¹⁴ Hills Motors' main party hearing transcript, page 38.

⁸¹⁵ Hills Motors' response to Notice 2 to Hills Motors, document titled [REDACTED].

⁸¹⁶ [Parties' response to the Phase 1 Decision](#), page 2 and paragraphs 50 and 51. Parties' response to the AIS and working papers, paragraph 40.

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.⁸¹⁷ 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.

8.145 The Parties also submitted that the CMA has focused its concerns on merely two Hills Motors' documents which cite Copart.⁸¹⁸ We note that Hills Motors told us that it does not use strategic documents as a matter of course in its business⁸¹⁹ and that we have not considered these two documents in isolation.

View on the closeness of competition between the Parties

8.146 On balance, assessing the evidence on closeness of competition set out above in the round, our view is that, while Hills Motors' model could in principle be used to service additional national insurance contracts and Hills Motors had ambitions to expand its business, there is contemporaneous evidence from relevant customers that, in practice, Hills Motors was not considered a meaningful alternative to Copart. We therefore consider that, even if Hills Motors' model could be used to service a large national contract in principle, there was limited competition or likelihood of competition between Hills Motors and Copart in practice.

Remaining constraints post-Merger

8.147 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.⁸²⁰

8.148 Where there are few existing suppliers, the merger firms enjoy a strong position or exert a strong constraint on each other, or the remaining

⁸¹⁷ [Parties' response to the Phase 1 Decision](#), page 2 and paragraphs 50 and 51. Parties' response to the AIS and working papers, paragraph 40.

⁸¹⁸ [Parties' response to the Phase 1 Decision](#), page 2 and paragraphs 50 and 51. Parties' response to the AIS and working papers, paragraph 40.

⁸¹⁹ FMN, paragraph 34.

⁸²⁰ [CMA129](#), paragraph 4.3.

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.⁸²¹

8.149 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

8.150 IAA supplies salvage services to its customers, including large insurance customers, in-house. At present IAA holds [§] large insurance contracts ([§]).⁸²² IAA services these contracts in-house using 18 sites for salvaging covering [§] acres with a capacity for [§] vehicles.⁸²³ In contrast, Copart has [§] acres across [§] sites.⁸²⁴

8.151 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.

8.152 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.⁸²⁵ The Parties submitted that this acquisition brought together two powerful suppliers and that, in the absence of the Merger, Copart would not provide a material competitive constraint on IAA (due to its lack of an in-

⁸²¹ CMA129, paragraph 4.3.

⁸²² Third-party response to Phase 1 questionnaire, Annex 2. [§] of these contracts are for 10,000 – 20,000 vehicles and [§] for roughly 20,000-30,000 vehicles.

⁸²³ Third-party response to Phase 2 competitor questionnaire (previous respondents), question 7.

⁸²⁴ Copart's response to Phase 2 RFI 1, Annex 1

⁸²⁵ IAA/SYNETIQ Decision, paragraph 21 and 22.

house dismantling capability). In this regard, Copart submitted that it has lost contracts and cannot compete for some customers due to this.⁸²⁶

8.153 Data from the Parties and customers on their most recent tenders indicate that IAA and Copart often compete in tenders.⁸²⁷ In particular:

- (a) IAA competed with Copart in roughly three fifths ($\frac{3}{5}$) of the national tenders identified by customers and the Parties since 2018.⁸²⁸ IAA secured contracts in relation to $\frac{3}{5}$ of these opportunities.⁸²⁹ 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.⁸³⁰ $\frac{3}{5}$.⁸³¹
- (b) Hills Motors and SYNETIQ (now part of IAA) both tendered for $\frac{3}{5}$.⁸³² $\frac{3}{5}$, 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.⁸³³

8.154 IAA regularly competing with Copart is also consistent with evidence from third parties. In particular:

- (a) $\frac{3}{5}$.⁸³⁴ 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 2023.⁸³⁵ 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 ($\frac{3}{5}$) who responded to our question as to which salvagers could meet their requirements identified IAA as an

⁸²⁶ Parties' response to the Phase 1 Decision, paragraph 58.

⁸²⁷ 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.

⁸²⁸ 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.

⁸²⁹ 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.

⁸³⁰ Parties' response to the Issues Statement, paragraph 44.

⁸³¹ Note of a call with a third party, February 2023, paragraph 10.

⁸³² Third-party response to Phase 1 customer questionnaire, Annex 2.

⁸³³ Third-party response to the Phase 2 customer questionnaire, Annex 2, December 2022.

⁸³⁴ Third-party response to Phase 1 competitor questionnaire, question 6.

⁸³⁵ Note of a call with a third party, February 2023, paragraphs 6-10.

alternative salvager that could do so.⁸³⁶ Customers generally gave IAA a slightly lower ranking for suitability compared to the Parties.⁸³⁷

(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.⁸³⁸

8.155 Copart's internal documents also suggest that Copart views IAA as a close competitor in the supply of salvage services. [REDACTED].⁸³⁹ As set out in paragraph above, Copart's internal documents indicate that a key driver for the Merger was to respond to competitive threat from IAA, [REDACTED]⁸⁴⁰ [REDACTED].⁸⁴¹

8.156 Other internal documents submitted by Copart further evidence competition between Copart and IAA, with [REDACTED],⁸⁴² [REDACTED]⁸⁴³ [REDACTED]⁸⁴⁴ [REDACTED].⁸⁴⁵

8.157 Hills Motors' documents discussed in paragraph above show that [REDACTED]⁸⁴⁶ [REDACTED].⁸⁴⁷

View on the constraint from IAA

8.158 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

⁸³⁶ 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.

⁸³⁷ [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.

⁸³⁸ 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.

⁸³⁹ For example, see: FMN, Annex 17, [REDACTED], submitted in response to Phase 2 Notice 1 to Copart, page 10.

⁸⁴⁰ Copart, annex COP_0000893, [REDACTED], submitted in response to Phase 2 Notice 2 to Copart.

⁸⁴¹ See [REDACTED].

⁸⁴² 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.

⁸⁴³ For example, see Copart, annex COP_0000228, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁸⁴⁴ 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].

⁸⁴⁵ 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].

⁸⁴⁶ As described above, [REDACTED].

⁸⁴⁷ 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).

8.159 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 8.154(a)) and success in winning the LV contract (see paragraph 8.16) indicates it is becoming a stronger competitor. We therefore consider IAA to provide a strong competitive constraint on the Merged Entity.nathe2e

8.160 e2e is a network of salvage and recycling agents that supply salvage services and recycled parts across the UK for insurance customers.⁸⁴⁸ 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.⁸⁴⁹ 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.⁸⁵⁰

8.161 An internal document from Copart [REDACTED]⁸⁵¹ [REDACTED].⁸⁵² In contrast, Copart has [REDACTED] acres across [REDACTED] sites.⁸⁵³

8.162 The e2e consortium has [REDACTED] providing it with [REDACTED] vehicles a year⁸⁵⁴ – [REDACTED].⁸⁵⁵ 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.

8.163 The Parties submitted that:

(a) e2e remains a very strong competitor to Copart notwithstanding Hills Motors' exit from the consortium.⁸⁵⁶

⁸⁴⁸ See: [e2e Total Loss Vehicle Management](#).

⁸⁴⁹ Third-party email to the CMA, October 2022.

⁸⁵⁰ Note of a call with a third party, September 2022, paragraph 12.

⁸⁵¹ [REDACTED]. Copart, annex COP_0000691, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁸⁵² [REDACTED]. Copart, annex COP_0000320, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁸⁵³ Copart's response to Phase 2 RFI 1, Annex 1.

⁸⁵⁴ Third-party response to Phase 1 questionnaire, Annex 2.

⁸⁵⁵ [REDACTED]

⁸⁵⁶ [Parties' response to the Phase 1 Decision](#), paragraph 59.

- (b) The CMA's evidence (see paragraphs to) on any weakening of e2e following Hills Motors' departure is markedly weak with e2e easily able to redistribute volumes.⁸⁵⁷
- (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's internal documents confirm that Copart considers the threat level from e2e to be the highest, [REDACTED].⁸⁵⁸

e2e prior to the Merger

8.164 Data from the Parties and customers on their most recent tenders indicate that e2e and Copart often compete in tenders.⁸⁵⁹ In particular, Copart and e2e competed for half ([REDACTED]) of the national tenders identified by customers and the Parties.⁸⁶⁰ Although one insurance customer that invited e2e to tender in 2018 did not do so when it re-tendered in 2022.⁸⁶¹

8.165 [REDACTED].⁸⁶² [REDACTED].⁸⁶³

8.166 That e2e competes regularly with Copart is also consistent with evidence from third parties. In particular:

- (a) e2e submitted that it competes strongly with Copart. e2e submitted that this is because Copart is present in all tender opportunities.⁸⁶⁴

⁸⁵⁷ Parties' response to the Phase 1 Decision, paragraph 59.

⁸⁵⁸ Response to AIS and working papers, paragraph 59 to 61.

⁸⁵⁹ 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.

⁸⁶⁰ 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'.

⁸⁶¹ Third-party response to the Phase 2 customer questionnaire, Annex 2, December 2022.

⁸⁶² 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.

⁸⁶³ 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.

⁸⁶⁴ Third-party response to Phase 1 competitor questionnaire, question 6.

- (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 Parties⁸⁶⁵ and reasons given by customers for this included because e2e's auction facilities are not as advanced,⁸⁶⁶ due to its aggregator model⁸⁶⁷ and concerns about resilience of the network.⁸⁶⁸
- (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.⁸⁶⁹ These competitors considered that e2e is a close or moderately close competitor to them.⁸⁷⁰

8.167 Copart's internal documents show that it considers e2e to be a close competitor in the supply of salvage services. [REDACTED].⁸⁷¹ [REDACTED]⁸⁷² [REDACTED]⁸⁷³ [REDACTED].⁸⁷⁴

View on the constraint from e2e prior to the Merger

8.168 Based on the evidence set out above, our 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 Copart⁸⁷⁵ – and Hills Motors when identified by Hills Motors' customers.⁸⁷⁶ While e2e participated in just under half of the tenders that Copart participated in, it only won two of those tenders and in

⁸⁶⁵ [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.

⁸⁶⁶ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁸⁶⁷ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁸⁶⁸ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁸⁶⁹ This does not include competitors that responded to the CMA's questionnaire and are members of the e2e consortium.

⁸⁷⁰ Third-party responses to the CMA's Phase 1 competitor questionnaire, October 2022, question 6.

⁸⁷¹ For example, see: FMN, Annex 17, [REDACTED], submitted in response to Phase 2 Notice 1 to Copart, page 10.

⁸⁷² 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.

⁸⁷³ For example, see Copart, annex COP_0000549, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart, [REDACTED].

⁸⁷⁴ 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.

⁸⁷⁵ 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.

⁸⁷⁶ Third-party responses to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

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 is 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

8.169 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.⁸⁷⁷

8.170 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.⁸⁷⁸ e2e further explained that it allocates capacity based on past volumes and proven track record of meeting certain service standards.⁸⁷⁹
- (b) At Hills Motors' hearing, Ian Hill explained that non-collecting members may collect between 10-30 vehicles a week for e2e. In comparison, Hills Motors collects [redacted] vehicles a week for e2e. Furthermore, non-collecting members have to pay additional fees to e2e to use the auction platform.⁸⁸⁰
- (c) While e2e may have reallocated the volumes from Hills Motors to other members, [redacted] certain of its members have raised concerns that their competitiveness is reduced as they face increased transportation times and costs as they have to travel further to salvage vehicles from the areas previously covered by Hills Motors.⁸⁸¹

⁸⁷⁷ Note of a call with a third party, February 2023, paragraphs 9,12 and 13.

⁸⁷⁸ Email from a third party, November 2022.

⁸⁷⁹ Note of a call with a third party, January 2023, page 4.

⁸⁸⁰ Hills Motors' main party hearing transcript, page 35.

⁸⁸¹ 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.

8.171 Only one customer said it might consider e2e to be weaker post-Merger as it believed the e2e network relied on Hills Motors.⁸⁸² 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.

8.172 [REDACTED]⁸⁸³ [REDACTED]⁸⁸⁴ [REDACTED].⁸⁸⁵ In addition, while e2e is still achieving its service levels (and e2e also told us it had maintained service standards),⁸⁸⁶ the increased transport costs currently incurred by its members may still mean it is less competitive than it would have been absent the Merger.

8.173 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].⁸⁸⁷ However, currently e2e does not have a centralised platform to provide recycled parts [REDACTED].⁸⁸⁸ [REDACTED].⁸⁸⁹ In this regard, [REDACTED]⁸⁹⁰ (see chapter 11).

8.174 Following the acquisition of SYNETIQ by IAA, e2e has also developed its own auction platform. e2e launched a replacement auction platform at the end of 2022.⁸⁹¹ However:

(a) [REDACTED].⁸⁹²

(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.⁸⁹³ We note this would include all the Ageas network volumes that are subcontracted as we understand that, if

⁸⁸² 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.

⁸⁸³ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 15.

⁸⁸⁴ Note of a call with a third party, February 2023, paragraph 18.

⁸⁸⁵ Third-party response to follow-up questions, April 2023.

⁸⁸⁶ Note of a call with a third party, February 2023, paragraph 18.

⁸⁸⁷ Note of a call with a third party, February 2023, paragraph 6.

⁸⁸⁸ 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.

⁸⁸⁹ Note of a call with a third party, January 2023, paragraphs 14-16.

⁸⁹⁰ 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.

⁸⁹¹ See [Members — e2e Total Loss Vehicle Management](#).

⁸⁹² Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 6.

⁸⁹³ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 6.

possible, Copart would like to bring all the Ageas network volumes not collected by Hills Motors in-house following the Merger.⁸⁹⁴

- (c) A document setting out [REDACTED]⁸⁹⁵ [REDACTED].⁸⁹⁶

View on the constraint from e2e following the Merger

8.175 On balance, our view is that e2e is likely to be weaker following the Merger for the following reasons:⁸⁹⁷

- (a) While customers have not raised concerns about Hills Motors leaving e2e – [REDACTED] – 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 (see Chapter 11).
- (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

8.176 The Parties submitted that:

- (a) Charles Trent, Recycling Lives and Redcorn are all of a similar size or larger than Hills Motors.⁸⁹⁸

⁸⁹⁴ Copart's main party hearing transcript, pages 19 and 20.

⁸⁹⁵ Hills Motors' response to Phase 2 Notice 2 to Hills Motors, question 1 and Annex 1.

⁸⁹⁶ Hills Motors' response to Phase 2 Notice 2 to Hills Motors, Annex 1.

⁸⁹⁷ In response to our Addendum Provisional Findings three competitors raised the impact of the Merger on e2e. For example, citing an immediate impact on [REDACTED]. Third-party response to the Addendum Provisional Findings. We considered these points in our assessment of e2e in our Provisional Findings ([Provisional Findings](#), paragraph 8.143 and 8.144) and these responses to the Addendum Provisional Findings did not raise new points or evidence to impact our assessment.

⁸⁹⁸ 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.

- (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.⁸⁹⁹
- (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.⁹⁰⁰ 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.⁹⁰¹
- (d) As noted above (see paragraph 8.106), 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.⁹⁰²
- (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.⁹⁰³

Our assessment

8.177 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 been invited to tender by customers who responded to our investigation⁹⁰⁴ or identified by customers as salvagers that could meet their requirements.⁹⁰⁵ Of

⁸⁹⁹ [Parties’ response to the Phase 1 Decision](#), paragraphs 61 and 62. [IAA/SYNETIQ Decision](#), paragraph 53.

⁹⁰⁰ Parties’ response to the AIS and working papers, paragraph 64.

⁹⁰¹ Parties’ response to the AIS and working papers, paragraph 66.

⁹⁰² Parties’ response to the AIS and working papers, paragraph 67.

⁹⁰³ [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.

⁹⁰⁴ 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.

⁹⁰⁵ 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.

these, SureTrak is the only salvager other than the Parties, IAA and e2e that has a large national insurance contract.

- 8.178 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, Jonathan Lloyd responded to our investigation and said that it supplied insurance customers, but it only has [REDACTED] national contracts each worth [REDACTED] vehicles a year.⁹⁰⁶ 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 describes itself as 'London's largest ELV and nuisance vehicle contractor' and an 'ELV and Nuisance Vehicle Specialist'.⁹⁰⁷
- 8.179 As regards the Parties' submissions with respect to the results of Copart's Seller Survey, we do not place material weight on Copart's Seller Survey for the reasons set out above (see paragraph). More generally, we consider the views of customers alongside other evidence set out below when assessing the constraint from other salvagers, as detailed below.
- 8.180 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 it 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 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

⁹⁰⁶ Third-party response to CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁹⁰⁷ [About us - Redcorn Ltd](#) and [Local Authorities - Redcorn Ltd](#).

unique platform that enabled Hills Motors to offer an 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.⁹⁰⁸ 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.⁹⁰⁹

Charles Trent

8.181 Charles Trent is a member of the e2e consortium. Charles Trent currently has two sites covering [REDACTED] acres with capacity for [REDACTED] vehicles.⁹¹⁰ 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).⁹¹¹

8.182 Charles Trent holds one small insurance contract independently⁹¹² 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.

8.183 This shows that Charles Trent, while historically a larger player than Hills Motors in the supply of salvage services overall, 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.

8.184 [REDACTED].⁹¹³ [REDACTED].⁹¹⁴

8.185 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.⁹¹⁵ Charles Trent said 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

⁹⁰⁸ Note of a call with a third party, February 2023, paragraphs 1 and 2.

⁹⁰⁹ Note of a call with a third party, February 2023, paragraph 18.

⁹¹⁰ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 7.

⁹¹¹ Parties' response to Phase 2 RFI 1, question 13. [REDACTED]

⁹¹² [REDACTED] Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁹¹³ Note of a call with a third party, September 2022, paragraph 11.

⁹¹⁴ Note of a call with a third party, September 2022, paragraph 10.

⁹¹⁵ Note of a call with a third party, March 2023, paragraph 22.

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.⁹¹⁶ 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.⁹¹⁷

8.186 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.⁹¹⁸ 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].⁹¹⁹

8.187 In this regard, tender data provided by the Parties and customers indicates that Copart competed against Charles Trent in two tenders for insurance customers including one large customer with over 10,000 vehicles ([REDACTED]) vehicles.⁹²⁰ Charles Trent lost one of these opportunities to Copart when it had been the incumbent.⁹²¹ [REDACTED]⁹²² [REDACTED].⁹²³

8.188 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.⁹²⁴ Two of these customers gave Charles Trent a moderate rating and one a weak rating, 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 does not have a profit share model.⁹²⁵

8.189 Three competitors identified Charles Trent as a main competitor with one identifying it as a strong competitor and describing it as a 'Mid-tier player', one as a moderate competitor and one as a weak 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 also identified Hills Motors as a main competitor (all identifying Hills Motors as a strong

⁹¹⁶ [REDACTED].

⁹¹⁷ Note of a call with a third party, March 2023, paragraph 22.

⁹¹⁸ Note of a call with a third party, March 2023, paragraph 11.

⁹¹⁹ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 4.

⁹²⁰ 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.

⁹²¹ Parties' response to RFI 1, 'RFI1 - Annex 4 - Copart and Hills Motors Customers and Tender Opportunities'.

⁹²² Note of a call with a third party, June 2023, paragraph 7.

⁹²³ Third-party response to the CMA's Phase 2 customer questionnaire (previous respondent), December 2022, question 3 and Annex 2.

⁹²⁴ Third-party responses to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

⁹²⁵ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7.

competitor). The competitor 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.⁹²⁶

8.190 Copart's internal documents show that it considered Charles Trent in a similar way to Hills Motors. In particular, [REDACTED].⁹²⁷ [REDACTED].⁹²⁸

- *View on the constraint from Charles Trent*

8.191 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.

8.192 On balance, based on the evidence set out above, our views is that historically Charles Trent has placed only a weak constraint on Copart. While we expect the competitive constraint from Charles Trent to increase in the future, for example, due to its recent investments, we still consider it would place a weak constraint on the Merged Entity and a weaker constraint than Hills Motors would have done in the counterfactual. This is because of Hills Motors' more developed IT systems, stronger position in the supply of recycled parts to insurance repair networks (see Chapter 11) and proven track record of servicing a large national insurance contract outside of e2e.

Recycling Lives

8.193 Recycling Lives is an independent salvager and dismantler and has eight sites covering [REDACTED].⁹²⁹ By comparison Hills Motors has two sites where it engages in salvaging covering [REDACTED]⁹³⁰ and Copart has [REDACTED] acres across [REDACTED] sites.

⁹²⁶ 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.

⁹²⁷ 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.

⁹²⁸ [REDACTED].

⁹²⁹ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁹³⁰ Parties' response to Phase 2 RFI 1, question 13. [REDACTED]

8.194 While Recycling Lives provides salvage services to some insurance companies, this is for a very small number of vehicles per year.⁹³¹ 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.

8.195 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.⁹³²

8.196 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. However, Recycling Lives said that the rationale for purchasing Raw2K was to improve its competitive position in relation to police contracts.⁹³³ 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.⁹³⁴ 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.

8.197 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.⁹³⁵

(ii) One was with a large insurance company in 2018 which Copart won [redacted].⁹³⁶

⁹³¹ [redacted]. Note of a call with a third party, paragraph 10.

⁹³² Note of a call with a third party, paragraphs 1 and 2.

⁹³³ Email from a third party, April 2023.

⁹³⁴ Note of a call with a third party, paragraph 10.

⁹³⁵ Parties' response to the Issues Statement, paragraph 44.

⁹³⁶ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2.

(iii) Two of the tenders were with the same large insurance company. One was in 2018 and won by Copart.⁹³⁷ The other is ongoing [REDACTED].⁹³⁸

(b) Hills Motors competed against Recycling Lives in [REDACTED] police contracts with Recycling Lives winning [REDACTED] of those tenders and Hills Motors none.⁹³⁹

8.198 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 response⁹⁴⁰ and as outlined above [REDACTED].⁹⁴¹

8.199 One competitor who responded to our question as to who its 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.⁹⁴²

8.200 Evidence from Copart's internal documents is consistent with the other evidence set out above.

(a) [REDACTED].⁹⁴³ 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.⁹⁴⁴

(b) As noted above (see paragraph 8.140(c)), Copart's internal documents indicate that [REDACTED]. [REDACTED]⁹⁴⁵ [REDACTED].

- *View on the constraint from Recycling Lives*

8.201 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 view is that Recycling Lives will only place a weak constraint on the Merged Entity.

⁹³⁷ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, Annex 2.

⁹³⁸ Third-party response to a follow-up question, March 2023.

⁹³⁹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2; [Parties' response to the Phase 1 Decision](#), paragraph 32.

⁹⁴⁰ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

⁹⁴¹ Third-party response to a follow-up question, March 2023

⁹⁴² Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 6.

⁹⁴³ FMN, annex 17, slide 19.

⁹⁴⁴ Note of a call with a third party, paragraphs 1 and 2.

⁹⁴⁵ [REDACTED] Copart, annex COP_0000961, [REDACTED], 15 July 2022 submitted by Copart in response to Phase 2 Notice 2 to Copart.

SureTrak

- 8.202 SureTrak uses a subcontracted network of independent salvagers.⁹⁴⁶
- 8.203 SureTrak currently holds one large insurance customer which SureTrak told us provided, [REDACTED] vehicles a year.⁹⁴⁷ 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.
- 8.204 However, SureTrak informed us that it was losing a major contract to Copart⁹⁴⁸ [REDACTED].⁹⁴⁹ [REDACTED]⁹⁵⁰ [REDACTED].
- 8.205 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 in 2018 which Copart won [REDACTED];⁹⁵¹
 - (b) one was with a large insurance company where SureTrak and e2e were the incumbent suppliers, but Copart and e2e won the tender;⁹⁵² and
 - (c) one was with a large insurance company [REDACTED].⁹⁵³
- 8.206 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 2020.⁹⁵⁴ 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.⁹⁵⁵
- 8.207 No competitors other than the Parties identified SureTrak as a main competitor.

⁹⁴⁶ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 11.

⁹⁴⁷ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁹⁴⁸ Email from a third party, November 2022. SureTrak submitted that this was as a result of the Merger (email from a third party, July 2023).

⁹⁴⁹ [REDACTED].

⁹⁵⁰ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, Annex 2.

⁹⁵¹ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2

⁹⁵² Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, Annex 2

⁹⁵³ Third-party response to Phase 2 Notice 1 to [REDACTED], question 1(a).

⁹⁵⁴ Third-party response to the CMA's Phase 2 customer questionnaire, December 2022, question 7 and annex 2.

⁹⁵⁵ Third-party response to the CMA's Phase 1 customer questionnaire, October 2022, question 6.

8.208 Copart's internal documents [REDACTED].⁹⁵⁶ However, when assessing the [REDACTED].
[REDACTED].⁹⁵⁷

8.209 Finally, [REDACTED]. [REDACTED].⁹⁵⁸ Furthermore, SureTrak informed us that it was losing a major contract to Copart [REDACTED].⁹⁵⁹ ⁹⁶⁰ [REDACTED].⁹⁶¹

- *View on the constraint from SureTrak*

8.210 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]⁹⁶² – and as such our view is that SureTrak is likely to place a weak constraint on the Merged Entity going forward.

Silverlake, ASM and Combellack

8.211 Silverlake, ASM and Combellack are members of e2e consortium. We understand that Silverlake has [REDACTED] covering [REDACTED] acres,⁹⁶³ ASM has [REDACTED] sites covering [REDACTED] acres⁹⁶⁴ and Combellack has a [REDACTED] site covering [REDACTED] acres.⁹⁶⁵ By comparison Hills Motors has two sites where it engages in salvaging covering [REDACTED].⁹⁶⁶

8.212 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 customers⁹⁶⁷ 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.⁹⁶⁸

⁹⁵⁶ 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.

⁹⁵⁷ FMN, annex 17, slide 19.

⁹⁵⁸ Hills Motors' main party hearing transcript, page 13.

⁹⁵⁹ [REDACTED].

⁹⁶⁰ Email from [REDACTED], November 2022.

⁹⁶¹ Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, question 15.

⁹⁶² In response to our Addendum Provisional Findings, four competitors raised that SureTrak was [REDACTED]. We acknowledged this in our Provisional Findings ([Provisional Findings](#), paragraph 8.181) and our assessment of SureTrak is the same irrespective of this. Third-party responses to the Addendum Provisional Findings

⁹⁶³ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁹⁶⁴ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 7.

⁹⁶⁵ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 10.

⁹⁶⁶ Parties' response to Phase 2 RFI 1, question 13. [REDACTED]

⁹⁶⁷ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 2.

⁹⁶⁸ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, Annex 1.

- (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 insurance companies⁹⁶⁹ such that its share of supply in relation to insurance vehicles is slightly larger at [0-5%].
- (c) Combella's share of supply in salvage services based on all vehicles was just [0-5%] in 2022. Combella only received one vehicle directly from an insurance company in 2022,⁹⁷⁰ but it has a direct contract with the AA in relation to police disposal services in Devon and Cornwall.⁹⁷¹

8.213 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.⁹⁷²
- (b) ASM told us that it tenders through e2e for national contracts as the only other option would be to sub-contract significant volumes.⁹⁷³
- (c) Combella told us that it does not provide national coverage and operates in South West England.⁹⁷⁴

8.214 Tender data provided by the Parties and customers indicate 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.⁹⁷⁵

8.215 These salvagers were not identified by any customers as alternatives to the Parties. In addition, Silverlake and Combella 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 responding to this question and that competitor said ASM was

⁹⁶⁹ 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.

⁹⁷⁰ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 2.

⁹⁷¹ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, Annex 2.

⁹⁷² Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 4.

⁹⁷³ Third-party response to the CMA's Phase 2 competitor questionnaire (previous respondents), December 2022, question 4.

⁹⁷⁴ Third-party response to the CMA's Phase 2 competitor questionnaire, December 2022, question 3.

⁹⁷⁵ Combella 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.

a moderate competitor. This competitor identified Hills Motors as a moderate competitor.⁹⁷⁶

8.216 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’.⁹⁷⁷

- *View on the constraint from Silverlake, ASM and Combellack*

8.217 On balance, our view is that this evidence indicates that these salvagers are likely to place a weak constraint on the Merged Entity.

Constraint from other vehicle remarketers

8.218 While our 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.⁹⁷⁸

Our assessment

8.219 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.

8.220 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 roadworthy and not like those involved in major accidents. Whereas Copart mainly deals with recovered vehicles which are not roadworthy or scrapped, Manheim is not a recovery agent. Manheim identified itself as competing with BCA (whose suite of services it considers are very similar to

⁹⁷⁶ Third-party response to the CMA’s Phase 1 competitor questionnaire, October 2022, question 6.

⁹⁷⁷ FMN, annex 17, slide 19.

⁹⁷⁸ FMN, paragraph 135.

Manheim's) as well as other independent auctions like Aston Barclay.⁹⁷⁹ BCA stated that it is very rare for it to sell any vehicle that would be deemed to be salvage therefore it did not see the Parties as competitors.⁹⁸⁰

8.221 More generally, we understand from the Parties that BCA and Manheim's customers include fleet companies, contract hire and leasing companies, and dealer groups.⁹⁸¹ Based on data from the Parties we understand that such customers make up only a small proportion of their vehicles.⁹⁸²

8.222 Further, Copart's internal documents indicate that while Copart and vehicle remarketers may have some common customers (eg, both may service fleet customers) – [REDACTED]⁹⁸³ – the overlap in their offerings is limited and they generally service different needs. For example:

(a) A document titled [REDACTED].⁹⁸⁴

(b) A document titled [REDACTED]. [REDACTED].⁹⁸⁵

8.223 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 vehicles⁹⁸⁶ and, as outlined above, for the Parties these are likely to be old, damaged or faulty vehicles.

View on other vehicle remarketers

8.224 Overall, BCA, Manheim and Aston Barclay are not being identified by customers or competitors or appearing in tenders. Our 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.

⁹⁷⁹ Note of a call with a third party, January 2023, paragraphs 3, 6-7, 11-12.

⁹⁸⁰ Email from a third party, February 2023.

⁹⁸¹ [Parties' Response to the Phase 1 Decision](#), paragraph 84.

⁹⁸² [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.

⁹⁸³ Copart, annex COP_0000272, [REDACTED] submitted in response to Phase 2 Notice 1 to Copart.

⁹⁸⁴ Copart, annex COP_0000134, [REDACTED], slides 2, 5 and 7 submitted in response to Phase 2 Notice 1 to Copart.

⁹⁸⁵ Copart, annex COP_0000546, [REDACTED], slides 3, 4, 5 and 6 submitted in response to Phase 2 Notice 1 to Copart.

⁹⁸⁶ [REDACTED]% for Copart ([REDACTED]) and [REDACTED]% for Hills Motors ([REDACTED]). Copart response to Phase 2 Notice 1, Annex 3, Q13 and Hills Motors' response to Phase 2 Notice 1, Annex 3, Q13.

Conclusion on horizontal unilateral effects in the supply of salvage services in the UK

8.225 For the reasons given above, we have found that the Merger has not resulted and may not 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 As set out above, we 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.

9.2 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).

9.3 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 2022.⁹⁸⁷

(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.⁹⁸⁸

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.⁹⁸⁹ Further, this 79 are just a subset of all the dismantlers active in the UK.⁹⁹⁰ For example, there are large dismantlers such as Recycling Lives who are not VRA-certified.⁹⁹¹

(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

⁹⁸⁷ In 2022, Hills Motors' top ten 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'.

⁹⁸⁸ 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.

⁹⁸⁹ As listed on its website (as of 11 April 2023). [CERTIFIED ATFs – VRA Certification](#).

⁹⁹⁰ 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.

⁹⁹¹ 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].

investigation received less than half of their volumes from the Parties with five receiving less than 30%.⁹⁹²

- 9.4 We have not received any evidence to suggest our assessment would differ if we considered competitive dynamics on a regional basis.
- 9.5 In light of the above, we have 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.

10. Horizontal unilateral effects in the supply of damaged and other vehicles to non-dismantlers in the UK

- 10.1 As set out above, we 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 inquiry, 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.
- 10.2 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.
- 10.3 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.⁹⁹³ We also understand that Copart's large scale buyers are more likely to be dismantlers rather than non-dismantlers.⁹⁹⁴
- 10.4 Survey evidence submitted by the Parties shows that, among non-dismantler respondents, the most commonly identified alternatives were eBay ([X]%), Auto Trader ([X]%), Gumtree ([X]%), Facebook Marketplace ([X]%) and IAA ([X]%). Hills Motors was only identified by [X]% of respondents and this was

⁹⁹² Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, Annex 1.

⁹⁹³ Parties' supplementary submission – Data supporting competition in the supply of vehicles.

⁹⁹⁴ 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.

less than other salvagers such as ASM ([REDACTED]%) and similar to Charles Trent ([REDACTED]%) and Recycling Lives/Raw2K ([REDACTED]%).⁹⁹⁵

- 10.5 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.
- 10.6 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]⁹⁹⁶ which is consistent with there being some overlap in the vehicles available for non-dismantlers.
- 10.7 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.
- 10.8 We have not received any evidence to suggest our assessment would differ if we considered competitive dynamics on a regional basis.
- 10.9 In light of the above, we have 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.

⁹⁹⁵ 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, Auto Trader, Gumtree and BCA (Copart's response to Phase 2 RFI 3 to Copart, annex 3).

⁹⁹⁶ 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 was 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:⁹⁹⁷ 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.⁹⁹⁸
- 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 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

⁹⁹⁷ CMA129, paragraph 7.10.

⁹⁹⁸ 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.⁹⁹⁹
- 11.7 As set out in paragraphs 7.48 and 7.49, we have 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 damaged and other used vehicles to dismantlers in the UK, we have taken as a starting point our

⁹⁹⁹ [CMA129](#), paragraph 7.14.

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%] – with the Merger resulting in an increment of [0-5%] – in the supply of Category B vehicles, excluding in-house supply on the part of vertically integrated salvager-dismantlers.¹⁰⁰⁰ 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.¹⁰⁰¹
 - (c) SureTrak ([0-5%]). This reflects volumes that SureTrak sub-contracts this to a network of salvagers.¹⁰⁰²

¹⁰⁰⁰ 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.

¹⁰⁰¹ Note of call with a third party, February 2023, paragraphs 5 to 10.

¹⁰⁰² Third-party response to the CMA's Phase 1 competitor questionnaire, October 2022, annex 2.

11.11 Based on the data we received, Recycling Lives and [REDACTED] also sold via auction a small number of Category B vehicles in 2022.¹⁰⁰³

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]
Combellaack	[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 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

¹⁰⁰³ 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.

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 was to understand the extent to which the Merged Entity's rivals are dependent on the Merged Entity for their inputs. To do this, we looked 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 Motors' main salvage service customers Ageas;¹⁰⁰⁴
- (b) SYNETIQ's mygreenparts, through which IAA supplies its salvage service customers, and insurance repair networks more generally, with recycled parts;¹⁰⁰⁵
- (c) Solera's InPart system¹⁰⁰⁶ which 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 no direct link between Pinnacle and the Solera products.¹⁰⁰⁷ Several e2e members use these systems to supply parts to insurance repair networks¹⁰⁰⁸ and [redacted];¹⁰⁰⁹ and

¹⁰⁰⁴ Parties' response to Phase 2 RFI 1, question 21.

¹⁰⁰⁵ Note of call with a third-party, February 2023, paragraphs 16 and 17.

¹⁰⁰⁶ <https://global.inpart.es/frmDocument.aspx?IdDocumentType=ay0TM6fzSxQ%3d>.

¹⁰⁰⁷ Email from a third party, April 2023.

¹⁰⁰⁸ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 5.

¹⁰⁰⁹ Note of call with a third-party, February 2023, paragraphs 6 and 8.

(d) eBay’s business-to-business portal, through which VRA-accredited dismantlers can sell to insurance repair networks.¹⁰¹⁰

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 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

<i>Competitor</i>	<i>Number of parts supplied</i>	<i>Shares (%)</i>
Hills Motors	[REDACTED]	[40-50]
Silverlake*	[REDACTED]	[20-30]
IAA	[REDACTED]	[20-30]
Traynors*	[REDACTED]	[5-10]
Charles Trent*	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]
[REDACTED]	[REDACTED]	[0-5]
Total	[REDACTED]	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 [REDACTED].

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 [REDACTED] recycled parts supplied to insurance repair networks in 2022. Silverlake then estimated that [REDACTED]% ([REDACTED]) of these sales were via eBay’s business-to-business portal.¹⁰¹¹ However, eBay’s own data suggests Silverlake sold only [REDACTED] parts via eBay’s business-to-business portal in 2022.¹⁰¹²

¹⁰¹⁰ <https://www.ebayforbusiness.co.uk/>.

¹⁰¹¹ Email from a third party, April 2023; third-party response to the CMA’s Phase 2 supplementary questionnaire, March 2023, question 7.

¹⁰¹² Third-party response to the CMA’s RFI dated 17 February 2023, question 2.

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.¹⁰¹³ 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.¹⁰¹⁴ We therefore consider that its share of supply – which is modest 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 2022¹⁰¹⁵ 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 2022.¹⁰¹⁶

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%.¹⁰¹⁷ 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 Motors'

¹⁰¹³ Which it identified as being [REDACTED]. Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 3.

¹⁰¹⁴ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 12.

¹⁰¹⁵ Third-party responses to the CMA's Phase 2 supplementary questionnaire, March 2023, question 12.

¹⁰¹⁶ Third-party response to the CMA's RFI dated 17 February 2023, question 2.

¹⁰¹⁷ 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]. In response to our Provisional Findings additional dismantlers outlined concerns about the Merger due to their reliance on the Merged Entity. The very small size of these dismantlers suggests that they are not material to shaping competition, and therefore we do not consider them further. See [Third-party response to the Provisional Findings](#); [Third-party response to the Provisional Findings](#).

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 insurance vehicles¹⁰¹⁸ 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 conclusions about the dependency of key rivals¹⁰¹⁹ 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.¹⁰²⁰ We 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

¹⁰¹⁸ 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.

¹⁰¹⁹ 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.

¹⁰²⁰ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

from other sources ([REDACTED]).¹⁰²¹ This suggests that, while Silverlake does source vehicles from the Merged Entity, the Merged Entity has no ability to foreclose Silverlake.

- (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 Motors.¹⁰²² As is the case for Silverlake, this suggests that the Merged Entity has no ability to foreclose Charles Trent.

Conclusion on ability to foreclose

11.26 We 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 found no ability to foreclose, we do not proceed any further with the analysis, and 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. Conclusions

12.1 As a result of our assessment, we have concluded that:

- (a) the completed acquisition of Hills Motors by Copart has resulted in the creation of an RMS; and
- (b) the creation of that RMS has not resulted and may not be expected to result in an SLC in:
 - (i) the market for the supply of salvage services in the UK due to horizontal unilateral effects;

¹⁰²¹ Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

¹⁰²² Third-party response to the CMA's Phase 2 supplementary questionnaire, March 2023, question 1.

- (ii) the market for the supply of damaged and other used vehicles to dismantlers in the UK due to horizontal effects;
- (iii) the market for the supply of damaged and other used vehicles to non-dismantlers in the UK due to horizontal effects;
- (iv) the market for the supply of recycled parts to insurance repair networks in the UK due to input foreclosure; and
- (v) the market for the supply of recycled parts to other customers in the UK due to input foreclosure.