

Our ref: TYZ\ROKE\1000-117-438
Your ref: AA1000599
Partner: Tihana Zuk
Direct line: [REDACTED]
Email: [REDACTED]
Contact: Roderick Kennedy
Direct line: [REDACTED]
Email: [REDACTED]

Ashurst Australia
Level 16
80 Collins Street, South Tower
Melbourne VIC 3000
Australia

GPO Box 9938
Melbourne VIC 3001
Australia

Tel +61 3 9679 3000
Fax +61 3 9679 3111
DX 388 Melbourne
www.ashurst.com

2 February 2022

BY EMAIL

Gavin Jones
Competition Exemptions
Australian Competition and Consumer Commission
exemptions@accc.gov.au

ashurst

cc: Sophie Mitchell (sophie.mitchell@accc.gov.au) and Lily Xiao
(lily.xiao@accc.gov.au)

Dear Mr Jones

AA1000599 – Cardtronics - Submission

We act for Cardtronics Australia Pty Ltd (**Cardtronics**). We refer to the submission dated 28 January 2022 submitted by the Armaguard Group (**Armaguard**) in relation to Cardtronics' application for interim authorisation of the Allpoint Network Conduct (as defined on the ACCC's [authorisations register](#)).

The Armaguard submission opposes the application for interim authorisation on the basis that Cardtronics was acquired by NCR Corporation (**NCR**) in June 2021 and that the proposed conduct "involves the expansion of the activities of the newly vertically integrated NCR/Cardtronics that is competitive with Armaguard in circumstances where Armaguard is dependent for essential inputs on NCR."

The Armaguard submission was made available on the ACCC's public register on 1 February 2022, and the ACCC has requested Cardtronics' response by 2 February 2022. In the time available, Cardtronics has sought to provide information about the products NCR supplies in Australia, NCR's rivals in the supply of those products, and the key reasons why the proposed conduct will not affect the ability of third party ATM networks, including Armaguard, to acquire ATM hardware and software services.¹

In short, NCR is not a supplier of "essential inputs". NCR competes in the supply of ATM hardware and software with major global providers, including Diebold Nixdorf, Hitachi-Omron, GRG and Hyosung TNS, many of whom supply customers in Australia. These providers constrain NCR, and there is nothing to suggest that they will not continue to do so in the foreseeable future. Third party ATM networks that are not satisfied with terms offered by NCR can readily bypass NCR by sourcing ATM hardware and software from credible alternative suppliers.

For the reasons outlined below, the proposed conduct does not alter NCR's incentives to supply ATM hardware and software to other ATM networks (including Armaguard) on competitive terms. Cardtronics maintains that the proposed conduct is pro-competitive, for the reasons given in Cardtronics' application of 22 December 2021 (**Application**).

¹ There are a number of statements made in the Armaguard submission that Cardtronics does not necessarily agree with, but Cardtronics has not sought to respond to each of them in this submission, in the time available. This should not be taken as a concession or general agreement with the propositions in Armaguard's submission.

1. NCR AND ITS SUPPLY ARRANGEMENTS IN AUSTRALIA

NCR is a public company listed on the New York Stock Exchange. Relevantly, NCR manufactures and supplies ATMs to banks, independent ATM deployers (**IADs**) and Cash-in-Transit (**CIT**) providers in Australia.² It also provides associated software, including ATM software and bank branch software, and associated services relating to the maintenance and repair of ATMs.

In Australia, ATMs are typically purchased via competitive tender processes for one-off bulk sales of ATMs. NCR also sells ATMs on a "needs basis" outside large life cycle management bids. For example, NCR has in the past sold ATMs to Banktech, Cardtronics (before it was acquired by NCR) and credit unions.

The ATM software supplied by NCR falls into two categories:

- (a) basic operating software (the "XFS layer"), which is necessary for the ATM to operate. XFS layer software comes pre-installed on ATM hardware and is not supplied separately. NCR provides technical support in the event of issues with XFS layer software installed on NCR machines.
- (b) the "stack", which broadly refers to additional software for the purpose of the ATM's functions, including application software (such as the consumer interface), remote monitoring software, security software and marketing software. The "stack" is fully interchangeable: NCR software can be installed on other manufacturers' machines, and competitors' software can be installed on NCR machines.

NCR does not sell ATM components, but does provide specific parts for maintenance purposes if an NCR ATM is malfunctioning. Components for NCR ATMs can also be purchased from alternative suppliers.

2. ALTERNATIVE SOURCES OF ATM HARDWARE AND SOFTWARE

NCR competes with the following providers of ATM hardware in Australia:

- (a) **Hyosung TNS**, a South Korean industrial conglomerate;³
- (b) **Diebold Nixdorf**, an American multinational financial and retail technology company listed on the New York Stock Exchange;⁴
- (c) **Triton Systems LLC**, a US-based company specialising in ATM manufacture;⁵
- (d) **Neo ICP Korean Inc**, a South Korean developer and manufacturer of machines for the financial services industry;⁶ and
- (e) A number of other ATM manufacturers that currently have a smaller presence in Australia, including Chungho Comnet, Hantle/Genmega, GRG and Glory.

² NCR also engages in other business activities that are not raised in the Armaguard submission and are not relevant.

³ For more information, see the following websites: <https://global.hyosung-tns.com/?setPreferredRegion=GLB> and <http://www.nhau.com.au/>.

⁴ For more information, see the following website: <https://www.dieboldnixdorf.com/en-us/>

⁵ For more information, see the following website: <https://triton.com/>

⁶ For more information, see the following website: <http://www.neotk.com/ENG/html/intro01.php>

NCR competes with the following providers of ATM software in Australia:

- (a) Hyosung TNS;
- (b) Diebold Nixdorf;
- (c) Triton;
- (d) Neo ICP;
- (e) KAL, a company headquartered in Germany and which specialises in multivendor ATM software;⁷ and
- (f) Fiserv, an American multinational Fortune 500 company providing financial technology and financial services.⁸

The products offered by the providers listed above are substitutable for the products offered by NCR. Cardtronics is not aware of any capacity constraints that would prevent NCR's rivals from expanding their supply of ATM hardware or software.

3. **THE ALLPOINT NETWORK CONDUCT WILL NOT AFFECT THE ABILITY OF OTHER ATM NETWORKS TO SOURCE ATM HARDWARE AND SOFTWARE**

The Allpoint Network Conduct will not affect the ability of third party ATM networks (including Armaguard) to source ATM hardware and software, and continue to compete effectively, because:

- (a) Any hypothetical concerns that NCR would limit Cardtronics' competitors' access to its ATM hardware (e.g. by refusing to supply ATMs or raising prices) or associated services (e.g. spare parts and maintenance), with the goal of shifting share to itself in downstream segments, are unfounded. NCR does not have the ability or incentive to engage in any input foreclosure strategies.
- (b) The market for the supply of ATM hardware and software is highly competitive. NCR faces vigorous competition from a large number of alternative ATM hardware and software providers, including major global players and smaller regional providers. In Australia, NCR faces strong competition from Hyosung, Diebold Nixdorf, Triton and NEO ICP, in particular, and there is nothing to suggest that this will not continue. NCR's commercial incentive is to continue to compete with other ATM manufacturers and suppliers for market share.
- (c) The ATM hardware and software provided by NCR is not an "essential input". Customers typically multi-source ATM hardware which has become commoditised and is procured by customers through tender processes. For example, we understand that the ATM fleets of Banktech, Prosegur and Cardtronics consist of:
 - (i) Banktech: NCR, Diebold Nixdorf and Hyosung ATMs;
 - (ii) Prosegur: NCR and Diebold Nixdorf ATMs.
 - (iii) Cardtronics: Hyosung , Triton, NCR, Diebold Nixdorf, NEO ICP and GRG ATMs.

⁷ For more information, see the following website: <https://www.kal.com/en/kal-atm-software-company>

⁸ For more information, see the following website: <http://www.fiserv.com/> and <https://www.fiserv.com/en-au.html>.

In addition to sourcing from OEMs, independent ATM deployers can and do also frequently purchase second hand, i.e. refurbished, hardware from sources other than the OEMs.

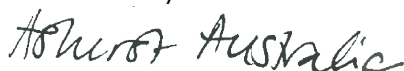
- (d) If NCR were to decrease its service quality or increase prices, its customers would be able to switch (or credibly threaten to switch) to other suppliers, including Hyosung TNS, Diebold Nixdorf and Triton. In addition to the loss of revenue from such contracts, NCR would also likely suffer reputational damage regarding the functionality and quality of its hardware, impacting its ability to compete successfully in future.
- (e) A significant proportion of demand for ATM hardware and software comes from parties other than Cardtronics, such as banks or other IADs. NCR will have every incentive to continue competing for that business (regardless of who services these ATMs).
- (f) Customers also multi source and mix-and-match ATM hardware and software. NCR ATMs can be used with software from a number of providers, including (in respect of application software) Moniplus (Hyosung), ProCash (Diebold Nixdorf), Kalignite NDC (KAL), Phoenix Interactive (Diebold Nixdorf) and Vista (Diebold Nixdorf). If NCR were to raise prices for its ATM software, it would lose sales to its competitors.

Moreover, the Allpoint Network Conduct does not alter NCR's incentives to supply ATM hardware or software to Armaguard or to Cardtronics' other rivals, on competitive terms. NCR acquired Cardtronics in June 2021. Cardtronics and Armaguard are existing competitors in for the supply of ATM deployment services and ATM managed services, as explained in detail in section 7.1 of the Application. The proposed launch of the Allpoint network does not alter this dynamic.

For the reasons outlined in the Application, the Allpoint Network Conduct is pro-competitive, as it would enable the creation of a third surcharge-free ATM network. Interim authorisation would maximise this pro-competitive benefit by allowing Cardtronics to commence competing before demand from financial institutions is captured by incumbent surcharge-free ATM networks, including atmX.

Please let us know if you require further information on the above issues for the purpose of the Commission's consideration of the Application.

Yours faithfully



Ashurst Australia