



Our ref: MA1000022
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Dear interested party

Proposed merger between Armaguard and Prosegur – interested party consultation

The Australian Competition and Consumer Commission (**ACCC**) has received an application for authorisation from Linfox Armaguard Pty Ltd (**Armaguard**) and Prosegur Australia Holdings Pty Limited (**Prosegur**) to combine their cash distribution and management, device monitoring and maintenance and ATM businesses in Australia (the **Proposed Transaction**).

The ACCC invites you to comment on the application.

Information from organisations like yours is one of the ACCC's most valuable tools in assessing mergers, and will help the ACCC understand the impact of the Proposed Transaction, including how your business may be affected.

Armaguard and Prosegur both offer cash-in-transit (**CIT**) services, including cash storage, transport and processing in Australia. CIT services are predominantly provided to banks and both large and small retailers.

Armaguard and Prosegur also supply other services including operating ATM networks, ATM device monitoring and maintenance services and valuable cargo transport services (**non-CIT services**).

The ACCC's review is focused on the likely effects on competition, as well as whether any public benefits from the Proposed Transaction outweigh any public detriments. In particular, the ACCC is considering:

- how closely Armaguard and Prosegur compete with each other in the supply of CIT and non-CIT services;
- whether competition from other CIT and non-CIT service providers will competitively constrain the merged entity;
- the implications of the decline in cash usage on the efficient provision of CIT and non-CIT services;
- the extent to which customers of CIT and non-CIT services will constrain the merged entity from raising prices or reducing the quality of its services post-merger;
- the extent and likelihood of the public benefits and detriments claimed by Armaguard and Prosegur; and
- any other competition issues relevant to the ACCC's consideration of the Proposed Transaction.

A full copy of the application for merger authorisation is available on the ACCC's [Merger authorisations register](#). **Attachment A** to this letter provides a summary of the parties and the Proposed Transaction, including the public benefits claimed by Armaguard and Prosegur.

Merger authorisation

Merger parties may apply for merger authorisation from the ACCC, which gives them legal protection from section 50 of the Competition and Consumer Act 2010 (the **Act**) to acquire the relevant shares or assets.

The ACCC must not grant merger authorisation unless it is satisfied in all the circumstances that either:

- the proposed acquisition would not be likely to substantially lessen competition; or
- the likely public benefit from the proposed acquisition outweighs the likely public detriment.

The ACCC usually has 90 days from the date that the application was lodged to make its decision, although it can extend the timeframe if the applicant agrees. In this case Armaguard and Prosegur have agreed to an extension. This means that the ACCC has until 24 February 2023 to make its decision.

Further information on the merger authorisation process is available in the ACCC's [Merger Authorisation Guidelines](#).

Making a submission

Attachment B contains a list of issues and questions on which we are seeking submissions. Please feel free to comment on these issues, or on any other issues that you consider are relevant to the ACCC's consideration of the Proposed Transaction.

Due to the statutory timeframe, we request that you provide your submission by no later than **21 October 2022**. Under the Act the ACCC may, but need not, take into account submissions received after this date. If you wish to make a submission but cannot provide it by the specified date you should contact us to seek an extension.

You can contact us in two ways:

- If you would like to comment in writing, please do so by email to Armaguard-Prosegur-Merger@acc.gov.au with the subject '[your company name]: Armaguard/Prosegur– submission'.
- If you would like to comment orally, contact Miriam Kolacz on (03) 9658 6476 or Nissa Burns on (03) 9910 9558 to organise a suitable time.

The public register and requesting confidentiality

Authorisation is a public process. The ACCC must keep a public register of documents relating to the application for merger authorisation, including submissions made by interested parties. The ACCC's public register can be found at the following link: [Merger authorisations register](#).

All submissions (including yours) **will be published** subject to confidentiality claims. You may request that your submission, or parts of it, be excluded from the public register for confidentiality reasons. For example, if your submission contains commercially sensitive

information or if revealing that you have made a submission could cause you commercial harm. You must make your claim for confidentiality at the time of providing the submission to the ACCC and all claims must be substantiated.

Refer to the ACCC's [Guidelines for excluding information from the public register](#) for any requests for material to be excluded from the public register.

This matter is public and you can forward this letter to anybody who may be interested.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'BM', with a long horizontal flourish extending to the right.

Bruce Mikkelsen
A/g General Manager
Competition Exemptions

Attachment A

Linfox Armaguard Pty Ltd

Armaguard is an Australian proprietary company limited by shares and incorporated in Victoria. Armaguard is ultimately wholly owned by Linfox Proprietary Limited (**Linfox**), which in turn is wholly owned by LEPGF Pty Ltd, the ultimate parent company of the Linfox Group.

Linfox operates its Armaguard business in Australia through Armaguard and three wholly owned subsidiaries (which will form part of the Proposed Transaction):

- Armaguard and Point 2 Point Secure Pty Ltd (**P2P**) operate the cash transport, management, and cash processing and settlement services.
- Armaguard Technology Solutions Pty Ltd (**ATS**) operates Armaguard's ATM network in Australia.
- Integrated Technology Services Pty Ltd (**ITS**) provides equipment procurement and maintenance services to Armaguard's ATM network in Australia, and to third parties including banks and other ATM providers.

Prosegur Australia Holdings Pty Limited

Prosegur is wholly owned by Prosegur Cash, SA (**Prosegur Cash**), a company incorporated in Spain. Prosegur Cash is majority owned and controlled by Prosegur Compañía de Seguridad, SA, which is the ultimate parent company of the Prosegur Group.

Prosegur primarily operates its business in Australia through three subsidiaries:

- Prosegur Australia Investments Pty Limited, the holding company of Prosegur Australia Pty Limited (**PAPL**), which is the company that operates Prosegur's CIT, device monitoring and maintenance, valuable cargo transportation services and the Kwikcash and white label ATM network in Australia.
- Precinct Hub Pty Ltd (**Precinct**), which is the company that operates Prosegur's Precinct ATM network in Australia.
- Prosegur Foreign Exchange Pty Limited (**PFX**), which is the company that operates Prosegur's retail foreign exchange business, primarily at airports.

PAPL and Precinct will form part of the Proposed Transaction, PFX will not.

The Proposed Transaction

As part of the Proposed Transaction:

- Armaguard will purchase 100% of the shares in PAPL and Precinct from Prosegur, being the businesses that carry out Prosegur's CIT, maintenance, valuable cargo transportation and ATM businesses; and
- Armaguard will issue shares in Armaguard to Prosegur, such that Prosegur will hold 35% of the total issued share capital of Armaguard on completion.

In addition, shares will be transferred or issued such that Prosegur will have a 15% shareholding in Armaguard's technical services business, ITS.

Rationale for the Proposed Transaction

Armaguard and Prosegur submit that the Proposed Transaction would combine their CIT, ATM deployment and technical services businesses in Australia to create a financially

sustainable business with an efficient cost base which is able to invest in innovative, safe and efficient infrastructure and technology to support the availability of, and continued access to, cash in Australia on safe and secure terms.

Armaguard and Prosegur note the decline in cash usage and submit that they have separately implemented extensive efficiency and improvement programs to reduce costs, including outsourcing services where it is cost effective to do so. However, because of the high fixed costs of providing CIT services and declining demand, the unit cost of supply of CIT services has increased significantly and, Armaguard and Prosegur submit, neither is able to operate a financially viable business providing cash-related services.

More broadly, Armaguard and Prosegur submit that the existing market structure cannot support two national players and that ongoing competition between them is not sustainable.

Impact on competition

Armaguard and Prosegur submit that the Proposed Transaction will not substantially lessen competition in any CIT or non-CIT market including because the merged entity will be constrained by a multitude of factors, including:

- the need to keep prices of CIT and ATM services sufficiently low to arrest the decline in cash usage by remaining a cost competitive payment method for retailers to offer in comparison to lower cost card and digital payment methods;
- the threat of regulatory intervention by the Reserve Bank of Australia (**RBA**);
- the threat of sponsorship of entry or expansion to create another major CIT provider by the major banks, and the ability of retail customers to insource cash delivery;
- other providers of CIT and ATM services and prospective providers of CIT and non-CIT services; and
- Armaguard and Prosegur's limited presence in the supply of valuable cargo transport services.

Public benefits

Armaguard and Prosegur submit the Proposed Transaction will deliver public benefits, including:

- ensuring that Australia continues to have sustainable, reliable and safe cash distribution as digital payment systems become increasingly prominent, particularly for certain consumers who prefer cash as a payment method and in emergency situations (e.g. natural disasters);
- avoidance of a major interruption to the operating of the cash distribution system and associated costs from an exit of Armaguard or Prosegur from the supply of CIT services, including lower quality services or a lack of services;
- improved productive efficiency by eliminating the duplication of fixed costs;
- a reduction in Armaguard and Prosegur's carbon footprint, including through the use of fewer vehicles using less fuel; and
- avoiding the cost, delay and uncertainty associated with the RBA moving to any new regulatory model for cash distribution or the need for the RBA or the Australian Government to assume responsibility for cash distribution.

Attachment B

This attachment provides a list of questions the ACCC is interested in seeking views on from interested parties. The more information we have, the better we can assess the impact of the Proposed Transaction, but if you are unsure of any questions, or do not have specific knowledge about some of the questions, you can leave them blank. You can also include any other information you think is relevant.

Where possible, please provide specific examples to support your views.

General

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the Proposed Transaction, including any commercial relationships with Armaguard, Prosegur or any of their subsidiaries. In doing so please identify the specific service(s) you acquire from or supply to Armaguard and/or Prosegur, if any.

CIT services

3. Please provide any views on the market shares and competitive positioning of Armaguard, Prosegur and their competitors in the following areas of competition:
 - a) the supply of integrated end-to-end wholesale and retail CIT services;
 - b) the supply of CIT services to retail customers who require a full-service solution of cash transport, processing and administration; and
 - c) the supply of cash-transport-only services to retail customers who only require cash transport between their location(s) and, for example, a bank branch.
4. Please identify and describe other businesses that compete with Armaguard and/or Prosegur in the supply of CIT services. In your response, please identify the specific CIT service in which these competitors compete and discuss how strong these competitors are.
5. What factors (scope, quality, geographic coverage/networks, cost of service) are important to customers of CIT services? Why are those factors important? Do you consider there to be anything unique about the CIT services provided by Armaguard and/or Prosegur?
6. Do you consider that other companies would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its CIT services? Why? Which companies would provide this competitive constraint?
7. Would a new entrant, or existing business seeking to expand face any significant barriers in seeking to establish a CIT service? Do you consider that the possibilities noted by Armaguard and Prosegur, including the major banks sponsoring new entry and the ability of retail customers to insource cash delivery, are viable options?
8. Do you consider any other factors would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its CIT services? For example:
 - a) Do you consider customers have significant bargaining power in the negotiation and procurement of CIT services? You may wish to consider factors such as the

contract tendering process (including details of the process and results of any recent tender processes) and how easy or difficult it is for customers to switch supplier.

- b) To what extent does the price of CIT services influence retailers' decisions about whether to offer cash as a payment option (i.e. do you consider that, as Armaguard and Prosegur submit, they would need to keep prices of CIT services sufficiently low to arrest the decline in cash usage by remaining a cost competitive payment method for retailers to offer in comparison to card and digital payment methods)?
 - c) Do you consider, as Armaguard and Prosegur submit, that if they were to significantly increase prices for CIT services the RBA could exercise powers to regulate the cash distribution system and that the threat of such regulatory intervention would constrain them?
9. Do you consider, as Armaguard and Prosegur submit, the current demand for cash is not sufficient to sustain two major national suppliers of CIT services? Please provide details including examples where possible.

Non-CIT services

10. Please provide any views on the market shares and competitive positioning of Armaguard, Prosegur and their competitors in the following areas of competition:
- a) the supply of ATM services (including cash withdrawal facilities, deployment services to merchants and access arrangements to financial institutions);
 - b) the supply of ATM maintenance services; and
 - c) the supply of valuable cargo transportation services.
11. To what extent do Armaguard and Prosegur compete in the areas of competition listed above in question 10? Do you consider Armaguard and Prosegur to be particularly close competitors? For example, do they compete for the same customers?
12. Please identify and describe other businesses that compete with Armaguard or Prosegur in the supply of these non-CIT services. In your response, please identify the specific non-CIT service in which these competitors compete and discuss how strong these competitors are.
13. Do you consider that other companies would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its non-CIT services? Why? Which companies or factors would provide this constraint?
14. Do you consider any other factors would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its non-CIT services? Why and what is the likelihood of each of those factors occurring?

Public benefits

In assessing the benefits that are likely to flow from the Proposed Transaction, the ACCC may take into account anything of value to the community generally.

Armaguard and Prosegur submit the Proposed Transaction will deliver public benefits. A brief description of the public benefits claimed by Armaguard and Prosegur in its application for authorisation is outlined in **Attachment A**. A full discussion of the public benefits claimed by Armaguard and Prosegur is set out in its application.

15. Do you consider, as Armaguard and Prosegur submit, that if one of them was to cease supplying CIT services this would cause major interruption to the operation of the cash distribution system and associated costs?
16. In the event of one party ceasing to supply CIT services, what would be the anticipated timeframe for transitioning across to another provider? What, if any, disruption do you consider that this transition would cause to your business?
17. Do you consider, as Armaguard and Prosegur submit, that the Proposed Transaction will generate efficiencies in the provision of CIT services by them and/or ensure ongoing high levels of customer service?
18. To what extent would acquirers of CIT and non-CIT services, and/or the community more broadly, benefit from Armaguard and Prosegur combining their businesses?
19. To what extent do you consider that any other public benefits, including the ones listed in **Attachment A**, are likely to result from the Proposed Transaction?
20. How significant do you consider any public benefits likely to arise from Proposed Transaction to be in terms of likely size/magnitude (for example, on a scale from very small, to significant)? Where relevant, is the public benefit likely to be an enduring benefit or a one-off benefit?

Public detriments

21. In addition to any competitive detriment that you may have identified in your responses to questions 3 to 14, please outline whether there are any other effects of the Proposed Transaction that you consider may give rise to a public detriment.

Other information or issues

22. Please provide any additional information or comments, or identify other competition or public benefit issues, that you consider relevant to the ACCC's consideration of the Proposed Transaction.