

ACCC – Attachment B – Questions

General

1. Our company provides armoured / soft-skin CIT services, asset protection, event management security services, currently based out of [REDACTED].
2. We have an interest in the outcome of the proposed Armaguard / Prosegur transaction as it will have a largescale detrimental ripple effect across multiple industries Australia-wide if approved.

We have had dealings with both companies, as well as being directly affected in our abilities to provide services to our clients by the shortcomings already present in the way that both Prosegur and Armaguard service the finance sector.

CIT services

3. Currently between them Armaguard and Prosegur on the very low end of the scale, control 80% + of Australia's CIT market on a national basis. Should a merger be approved, it would result in Armaguard having closer to 85-90% + market share and effectively 100% monopolisation of the market in relation to large CIT clients utilising this type of service on a national basis.
4. Brinks, Streamcorp and Security Specialists are effectively the only larger competitors for CIT services with Brinks and Streamcorp providing armoured CIT services and Security Specialists providing soft-skin services.

After losing the NAB contract to Armaguard in 2006, Brinks closed their depots in most states and retains only a minimal presence in Vic, NSW and WA. Brinks is the largest armoured transport company in the world but without guarantees of multiple national contracts, would have little to no interest in expanding Australian operations again. Armaguard previously requested an acquisition approval of Brink's remaining Australian operations through the ACCC in 2014.

The Armaguard / Prosegur prognosis for the state of cash appears even more self-serving when compared to Brinks annual shareholder report that stated increases in profits of over \$300 million USD and a strong return to the usage of cash.

Streamcorp is a Victorian based armoured provider that while offering national services, only has the capability to do so in a limited way via the use of sub-contracted companies in states where they don't have a depot already. While they are an Australian company with aspirations of being able to compete with larger providers, they are in no way close to being at that level presently.

Security Specialists while having coverage on a national basis, only do so via the use of multiple sub-contractors and concentrate on providing soft-skin collections. They cannot perform large scale currency processing and have no interest in investing in the infrastructure required to perform armoured operations.

5. The largest advantage both Armaguard and Prosegur have over other competitors when competing for clients is their national coverage, ability to perform the functions national clients require without the use of sub-contracted services and by providing services over and above the capabilities of other providers.
6. Other companies would in no way be able to constrain a combined Armaguard / Prosegur from dictating prices or reducing quality of service as they are already the most expensive service providers in the market. It would also have little to no effect on reduction in quality of service as both companies have steadily been reducing QoS over an extended period of time in efforts to

automate operations, reduce reliance on manpower to provide effective services and both Armaguard and Prosegur (as well as their precursor in Chubb) were the providers that were directly responsible in the reduction from 3-man crewed operations to 2-man-crewing and attempts at 1-man crews to try and reduce costs. These decisions were made from wants to increase profit margins with detrimental effects on safety levels for the personnel crewing ground armoured operations and increases to potential loss of liability for customers.

They also were responsible for the introduction of soft-skin CIT operations as another means of providing cheaper services whilst also only needing to pay for 1-man crewed vehicles to perform customer collections.

7. If a combined Armaguard / Prosegur merger come into effect any new or existing business would find it effectively impossible to a) effectively enter the market or b) gain any sort of foothold where they could compete on a national basis due to the complete monopolisation of all large-scale clients with a national presence.

At present the way that Armaguard and Prosegur operate and supply the major banks has created great difficulty for all smaller CIT providers in gaining access to cash for client change orders due to wanting banks to push both smaller CIT providers and retail businesses toward dealing directly with Armaguard / Prosegur depots to obtain cash for customers so that they can control and charge any potential competitor for access to cash stocks.

If banks had any intention of “sponsoring in” a competitor, it is something that they would have already been exploring due to the precipitous decline in QoS from both providers in the last 20 years.

8. a. Contrary to their claims, a combined Armaguard / Prosegur provider would have no issues with customers attempting to exercise bargaining power for procurement of CIT services due to the ever-present threat that if they don't want to pay the price that Armaguard / Prosegur want to charge, they are always “free to take your business elsewhere”. With no other viable national provider, it effectively assures a perpetual monopolisation of the market by Armaguard / Prosegur due to client fear of the crippling effect that not being serviced for even a few days would have on banks, supermarkets, service stations, fast food and retail chains.

b. The price of CIT services only influences decisions about retaining cash as a payment option if they don't get consumer pushback by refusing to purchase from their stores due to deciding not to accept legal tender. While there may be a reduction in overall usage due to the myriad new and alternative payment methods, declaring that cash will always have a place in any society.

c. Part of this argument would be mitigated if the RBA had not closed / reduced some of its own operational capacity and proceeded to utilise both Armaguard and Prosegur as de-facto RBA distribution centres in a number of states around the country, including South Australia. The threat of regulatory intervention would do little to deter either company as while they continue to do the RBA's job for them in multiple states the RBA to an extent remains beholden to how Armaguard and / or Prosegur decide to operate their businesses.

9. I disagree that the current demand for cash is insufficient to sustain 2 national suppliers of CIT services. While there has been a sharp decrease during COVID, as evidenced in numerous other countries that removed / reduced COVID restrictions far in advance of Australia, cash usage has rebounded reasonably quickly throughout the world. Another factor to consider regarding cash

usage increasing is that with the majority of world economies going into recession and subject to high inflation, cash usage will continue to increase as people tend to withdraw money from banks and use cash as a budgetary device which digital transactions cannot provide.

While both companies may have to revise their expected profit margins down from the high rates that they have previously been at, it in no way means that their CIT businesses are unviable. With crime increasing in countries all over the world, the need for businesses to factor the cost of CIT services into their business models becomes more important than it ever has.

10. a. Regarding ATM services, including the ATM networks that both Armaguard and Prosegur replenish and maintain on behalf of most of the major banks, between them they would control more than 80% market share. The CBA replenish their own in branch ATMs but have ITS perform their first line and preventative maintenance. Some smaller ATM networks are replenished and maintained external to Armaguard / Prosegur influence.

b. ATM maintenance is performed almost exclusively by Armaguard and Prosegur on a national basis with minimal service footprints performed by smaller suppliers.

c. This is an area that both companies offer but don't put a lot of time and effort into increasing as a revenue stream. Valuable Cargo is one of the reasons that Brink's maintains a presence in Australia as if possible they won't outsource this type of service to competitors.

Mines eg: Gold, Silver, precious gemstones, traditionally utilise the services of armoured carriers for the secure transportation of bullion from mine sites to designated distribution points on behalf of mine owners or customers purchasing the bullion for use within their own businesses.

This type of enterprise hasn't stopped due to COVID and remains a viable secondary revenue stream if structured correctly.

11. While there is competition between the two, because neither company tend to pro-actively push this arm of their businesses it isn't a potential client-base that is effectively marketed to by either competitor.

12. Brink's is the world's first, world's biggest and most effective at obtaining valuable cargo transportation contracts. They don't rely on supply from other companies and have a number of long term contracts in this area.

ATM Protective Services is a smaller competitor in the ATM replenishment, preventative maintenance areas but while they have a steady work flow are in no way large enough to compete with Armaguard or Prosegur in a meaningful way.

13 / 14. As neither company concentrates on valuable cargo movements it is something that likely will remain mostly performed by Brink's in the current market. Price won't make a difference in this instance as Brink's prices are of a similar range or higher than both due to their operational structures.

In regard to ATM services and ATM maintenance services, due to Armaguard and Prosegur dominating this area on a national basis an increase in prices or reduction of service quality while detrimental to clients and annoying to the end-user would do little to nothing to prevent either company from either charging more or reducing QoS as there is no viable competition capable of providing these services on a national basis. In direct contrast to what both companies have indicated, I believe that it is almost guaranteed that they will both increase pricing and reduce QoS with impunity as evidenced by their track records.

When they won the NAB contract from Brinks in 2006, Armaguard initially performed services on behalf of the NAB outside of their normal operating hours during the transitional period as Brinks had. After the honeymoon period was over Armaguard reduced QoS and service scheduling to coincide with what their regular business hours were previously which left NAB with the decision of accepting the change they didn't want or looking for another provider.

Prosegur also had a similar drop-off in QoS supplied to the Westpac within 12 months of obtaining the contract as they were unable to service WBC branches as per contractual obligations.

Both companies have become accustomed to being able to dictate to clients what price point and what level of service they will provide that irrespective of the factors they claim to be subject to in their application, they will both continue to charge or provide service at levels they decide with impunity. Enabling a merger of these two companies will only exacerbate this issue due to there being no other viable national competition.

15 / 16. Should one of Armaguard or Prosegur cease supplying CIT services, there would be a major interruption to the cash distribution system and associated costs. If one of them stopped trading, neither of them have the infrastructure, manpower or ability to take over providing services. It would lead to mass disruption and failure to service the banks, supermarket chains, service stations, retail outlets, hotels and entertainment venues, casinos, government departments, convenience stores or fast food chains of the other.

Should a merger be approved, there would still be detrimental factors that would affect service levels as while both entities would need to run side-by-side for an extended period while routes are re-invented, proprietary software systems would need to be changed and information transitioned into a different system, Kaba-Mas locks would need to be removed and replaced on a nation-wide basis for all bank safes, ATM's, cash recyclers, commercial clients. The serial numbers of the new locks would need to be entered into the remaining providers system so that opening codes could be generated for client servicing. Even if they don't need to replace all of the locks, they will still need to obtain the serial number for every one of those locks nation-wide and enter them into their system. Vehicles would need to be retired and replaced from the closed entity; Staff would need to be evaluated and staffing levels reduced accordingly, transition to or away from firearms used by the closing entity as Armaguard utilise semi-autos now and Prosegur are still using firearms that were inherited from Chubb.

Therefore even if a merger were to be approved it would involve at least a 6-24 month transitional period that would work far from smoothly.

This transition would be extremely detrimental to every other CIT provider nationwide (all other companies are beholden to Armaguard / Prosegur being able to supply the cash they use, to banks throughout the country), all of the banks, supermarket chains, casinos, hotels and entertainment venues, service stations, retail outlets, government departments, fast food, convenience stores etc.

17. While long-term it could potentially help to generate efficiencies in their own business structure, it will also mean an increase in cost to the consumer, reduction in service quality to clients and a decrease in operational efficiencies for every other CIT provider remaining in the Australian market.

18. At the end of the day, the only ones (whether competitor, client or end consumer) that will benefit in any way from an Armaguard / Prosegur merger are Armaguard and Prosegur themselves. An approved merger would be hugely detrimental to Australian industries as a whole.