

27 October 2022

Mr Bruce Mikkelsen  
A/g General Manager  
Competition Exemptions  
Australian Competition & Consumer Commission  
GPO Box 3131  
Canberra  
ACT 2601



Sent by email: [Armaguard-Prosegur-Merger@acc.gov.au](mailto:Armaguard-Prosegur-Merger@acc.gov.au)

Dear Mr Mikkelsen,

On behalf of the Australian Security Industry Association Limited (ASIAL) we appreciate the opportunity to respond to the ACCC's letter to interested parties seeking feedback on the proposed merger of Linfox Armaguard Pty Ltd (Armaguard) and Prosegur Australia Holdings Pty Limited (Prosegur).

### **Background to ASIAL**

As the peak body for security professionals in Australia, ASIAL represents over 2,750 members providing electronic, protective, physical and cyber security services.

ASIAL advocates for an effective, secure, efficient, sustainable and innovative CIT industry that delivers a high level of service for customers. We promote and encourage policies that seek to improve security services for all Australians, through advocacy, the development of industry codes of practice, policy development, thought leadership and research.

Among ASIAL's membership includes 235 companies who provide Cash In Transit (CIT) services across Australia, including the major CIT providers. The role performed by the CIT sector is critical to the operation of Australia's cash management and distribution arrangements. Servicing the broad scope and complex needs of business and government requires significant investment by CIT providers through development of sophisticated systems and technologies.

Despite the large number of firms operating in the industry, the majority are relatively small operators, resulting in two dominant players accounting for 70-90% of market share as acknowledged in the Reserve Bank's *Review of Banknote Distribution Arrangements: Issues Paper* – November 2021.

### **Access and availability to cash**

Among the issues identified in the Australian Government's *Payments System Review – from system to ecosystem – June 2021*, included access and availability to cash across the economy as the use of cash falls.

Whilst acknowledging that cash transactions have fallen, the review noted that cash will remain an important method of payment well into the future, not only for vulnerable consumers and regional communities, but as an important back-up form of payment not tied to the digital economy should there be cyber-attacks, natural disasters or power outages. Cash is a core part of Australia's national infrastructure and not just a commercial issue.

Consumers should be entitled to have freedom of choice when it comes to whether or not they use cash. However, having this choice is predicated on access to cash, acceptance of cash and a viable cash infrastructure.

Earlier this year, ASIAL wrote to the Treasurer along with the Australian Council of Social Service (ACOSS), ATM Industry Association (ATMIA) and the Council of Australian Small Business Organisations Australia (COSBOA) calling on the Australian Government to engage with key stakeholders to develop a strategy for evolution of the payments ecosystem to ensure that we do not leave anyone behind.

Cash users in different demographic groups should have the right to choose their payment methods of preference, whether cash, online, mobile or card payments, or a combination of any. The vulnerable and those without access to digital payment technologies should have suitable alternative payment methods that they can rely on, so they are not 'locked out' of the broader economy. However, having this choice is predicated on access to cash, acceptance of cash and a viable cash infrastructure.

The Reserve Bank's issues paper released in 2021 (*Review of Banknote Distribution Arrangements: Issues Paper – November 2021*) acknowledges that “the declining use of cash for retail payments, accelerated by the COVID-19 pandemic, has placed pressure on the current cash distribution system. Specifically, lower processing volumes have led to underutilisation of cash distribution infrastructure and increased the average cost of transporting and processing banknotes.”

A declining revenue base combined with the high fixed costs of maintaining a broad geographic network have contributed to declining profitability among the CIT companies (Parliament of Australia, Rural and Regional Affairs and Transport References Committee 2021). Unit costs for transportation have risen as the volume of banknotes transported has fallen, making it more challenging to maintain service levels, particularly in regional areas.

Central banks around the world are reviewing how best to promote an effective cash system, including consideration of alternative models for wholesale cash distribution such as a utility model.

As stated in the Reserve Bank's Conclusions Paper (*Review of Banknote Distribution Arrangements: Conclusions Paper - August 2022*), “there is considerable evidence that the cash distribution industry in Australia is under financial pressure”. It goes on to add that it “supports ongoing actions by the industry to seek to reduce overcapacity in the system, in the face of declining transactional case use, and has a strong preference for this to occur in an orderly manner.”

## **Public benefit**

As digital transactions grow, there is a public benefit in ensuring consumers who prefer using cash as a payment method continue to have access to a sustainable, reliable and safe cash distribution infrastructure. The public benefit is not served without access to such a distribution infrastructure.

As noted previously, lower processing volumes have led to underutilisation of cash distribution infrastructure and increased the average cost of transporting and processing banknotes, is placing significant financial pressure on CIT providers.

Maintaining sustainable access to cash as a cost-effective alternative to digital payment options is important in providing consumers with greater choice.

Ensuring cash is a cost-effective alternative payment option for consumers is reliant on delivery of an efficient, secure, sustainable and innovative CIT service. Achieving this not only requires significant investment in new systems and technologies, but also in maintaining the efficacy and security of operations through for example target hardening measures to protect against criminal activity (the ASIAL Cash In Transit Code of Practice provides guidance in this regard).

In an environment where cash usage is declining, maintaining a sustainable and high level of service to customers requires significant investment. Given this, and the large geographic areas that require servicing there is a strong case for change. Ensuring there is a managed rather than disrupted transition is in the public interest.

In saying this, ASIAL is supportive of an approach that provides sustainability for the ongoing provision of cash management services at a competitive price across all levels of the CIT industry.

## **Concluding remarks**

The decline in the use of cash for retail payments, accelerated by the COVID-19 pandemic, has placed significant pressure on the current cash distribution system. As a result, a shift in thinking is required to ensure there is a robust, sustainable and efficient cash distribution system capable of servicing the needs of consumers.

ASIAL would be pleased to discuss any aspect of this submission with the ACCC's case team.

Yours sincerely



Bryan de Caires  
Chief Executive Officer