

# Linfox Armaguard Pty Ltd

## Proposed Merger with Prosegur Australia Holdings Pty Ltd

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Statement of: Catherine Lee Canham

Address: [REDACTED]

Occupation: Head of Customer

Date: 8 March 2023

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On 8 March 2023, I, Catherine Lee Canham of 37 Vaughan Street, Essendon Fields, Melbourne say:

1. I am the Head of Customer at Linfox Armaguard Pty Ltd (**Armaguard**).
2. I have been asked by MinterEllison to make a supplementary statement for the purpose of the Australian Competition and Consumer Commission's (**ACCC**) review of Armaguard and Prosegur Australia Holdings Pty Ltd's (**Prosegur**) application for merger authorisation (**ACCC's Review**).
3. I make this supplementary statement in addition to my initial statement of 25 August 2022 (**Initial Statement**). Unless otherwise indicated, all capitalised terms have the same meaning given in my Initial Statement.
4. Based on my experience and role, in this supplementary statement I explain some of the recent challenges that Armaguard has experienced in its business operations since the application for merger authorisation was submitted. In particular, I explain Armaguard's recent:
  - (a) challenges with respect to service degradation and the measures undertaken to try and meet required service levels;
  - (b) processing services and proposed industry changes; and
  - (c) engagement with Australia Post.
5. I am authorised to make this supplementary statement on behalf of Armaguard for the purpose of the ACCC's Review.

### EXPERIENCE AND EMPLOYMENT HISTORY

6. As the Head of Customer at Armaguard, I am responsible for the delivery of business revenue growth and customer engagement. This includes management of the Account Management and Customer Services teams. In this role, I am a member of Armaguard's Executive Leadership Team.
7. I refer to paragraphs 5 to 9 of my Initial Statement for a complete review of my work experience and employment history.

**SERVICE DEGRADATION**

- 8. Armaguard was previously a profitable business but has been in decline since FY2017. The business is currently loss-making and is forecast to continue to be loss making into the future, meaning that Armaguard is unable to maintain the infrastructure and service levels required to meet its contractual commitments to customers.
  
- 9. As a direct result of these financial pressures, Armaguard conducted an internal assessment of all its depots and locations across Australia to rationalise cash centres and support its financial sustainability program. Under this program, a number of Armaguard's Approved Cash Centres (**ACCs**) were transitioned to transport hubs. Armaguard does not process cash at its transport hubs but rather engages sub-contractors to transport cash collected from customers in these areas to the closest ACC locations for processing. **[Confidential to Armaguard]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] During this transition period – 28 November 2022 to 6 January 2023 – there were significant service disruptions, a drastic increase in missed services and overall degradation of Armaguard's service (the **Incident Date Period**).
  
- 10. In response to the customer dissatisfaction over the Incident Date Period, Armaguard produced a series of Corrective Action Reports (**CAR**) for a number of customers. The purpose of the CAR was to share with customers what action had been taken and demonstrate that we were committed to improving our performance despite our deteriorating financial position.

**CHALLENGES LINKED TO SERVICE DEGRADATION**

Customer-specific examples – [Confidential to Armaguard] [REDACTED]

- 11. [REDACTED]  
[REDACTED]  
[REDACTED]
  
- 12. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]



[REDACTED]

17.

[REDACTED]

18. While the service issues at [13] of this statement are not representative of the standard of service that Armaguard has traditionally provided to its customers, those issues are indicative of the challenges that Armaguard faces in continuing to meet its service standards while cutting costs to try and stem its financial losses. **[Confidential to Armaguard]** [REDACTED]

[REDACTED]

19.

[REDACTED]

**PROCESSING SERVICES**

**[Confidential to Armaguard]** [REDACTED]

20.

[REDACTED]

21. [Redacted]

22. [Redacted]

23. [Redacted]

Other settlement options

24. Armaguard offers its customers a range of other settlement and payment options. **[Confidential to Armaguard]** [Redacted]

25. Armaguard typically puts forward its offer with regards to settlement and payment requirements as part of its response to a customer's Request for Tender. To the best of my knowledge, Armaguard has never lost a contract because it has not met the settlement requirements of a customer.

[Confidential to Armaguard] [REDACTED]

Proposed industry changes to processing times

26. Following the RBA's Conclusions Paper on the Review of Banknote Distribution Arrangements, the RBA and the Australian Payments Network Limited (**AusPayNet**) convened the first Banknote Distribution Industry Forum on 15 November 2022 (**Industry Forum**). My colleague, Scott Forster, and I attended the Industry Forum on behalf of Armaguard at which there was discussion of the industry suggestion to alter restrictions on the timing of banknote processing by way of approving 'future-day processing' (also referred to as next day processing) provided there is broad industry support. This would require altering the restrictions on the timing of banknote processing in the BDAs, such that the payment of interest is not contingent on the banknotes having been processed on the same day they are received at an ACC. This highlights that the RBA itself recognises that the current interest compensation mechanism attached to VCH introduces additional overheads for ACCOs and could limit scope for efficiency gains. Having the flexibility to process banknotes on a future day could allow better management of processing workload and reduce costs (e.g. by avoiding labour overtime costs and/or penalty rates).

27. As a result, as part of the Industry Forum, the RBA is considering whether, amongst other things, it should amend the conditions for the RBA's interest payments on the Major Banks' banknote holdings at ACCs. Specifically, altering restrictions on the timing of banknote processing, such that the payment of interest is not contingent on the banknotes having been processed on the same day they are received at an ACC. The suggestion was made that the RBA should pay interest on the value of unprocessed banknotes held at an ACC (on a 'said to contain' basis) provided the value reported to the RBA is adjusted for any discrepancies identified by the ACCO when processing the banknotes. [Confidential to Armaguard] [REDACTED]

28. [REDACTED]

29. [REDACTED]

**DEMONSTRATING ARMAGUARD'S RECENT DECISION-MAKING PROCESS**

Armaguard's engagement with [Confidential to Armaguard] [REDACTED]

30. Armaguard has a long-standing relationship with [Confidential to Armaguard] [REDACTED]  
[REDACTED]  
[REDACTED] cash collection, cash supply, processing, and settlement services.

31. As both Armaguard and [Confidential to Armaguard] [REDACTED] around the rapidly changing cash landscape, Armaguard reached out to [Confidential to Armaguard] [REDACTED] to discuss how to best mitigate change to continue to offer the breadth and scope of its national service. A summary of Armaguard's recent engagement [Confidential to Armaguard] [REDACTED] is set out below: [Confidential to Armaguard]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

(Recent Engagement).

32. The Recent Engagement led Armaguard to propose the following ideas for working together: [Confidential to Armaguard]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

(together, the **Suggestions**).

*Implications and Armaguard's future relationship with [Confidential to Armaguard] [REDACTED]*

33. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**Signed** by Catherine Lee Canham on 8 March 2023 in the presence of



Signature of witness

Jessica Lau

Name of witness (print)



Catherine Lee Canham