

31 October 2022

Miriam Kolacz and Nissa Burns
Australian Competition and Consumer Commission
Level 27
35 King Street
SYDNEY NSW 2000

Sent via Email: Armaguard-Prosegur-Merger@acc.gov.au

Dear Miriam and Nissa,

RE: Bank of Queensland (BOQ) response to proposed merger between Armaguard and Prosegur

Further to the ACCC's letter and request on 20 October 2022 and the market enquiries that is currently being completed, please find below BOQ's summary responses in respect to proposed merger between Armaguard and Prosegur for consideration by the ACCC.

Background and Nature of the BOQ's Relationship – Armaguard

Linfox Armaguard has provided cash delivery and collections services to BOQ branches since 2017.

BOQ recently renewed its contract with Armaguard. Since negotiations were completed, Armaguard has announced a proposed merger with its' major competitor Prosegur, subject to regulatory approvals.

BOQ has over 150 branches in metropolitan and regional areas across the country. Many of these branches are owned and operated by accredited franchisees of the bank who have supported their local communities through the provision of financial services over many years.

Customers of BOQ branches rely on cash in transit services to sustain liquidity to ensure services such as over the counter or Automatic Teller Machine (ATM) cash withdrawals can be fulfilled. Additionally, BOQ services a large number of business owners themselves who have similar needs to ensure business continuity through timely withdrawal and deposit services.

Periodically, this requires the provider of these services to prioritise ad hoc delivery when customer demand increases. Recent examples of this have been seen across the financial services industry in flood-affected areas or where COVID-19 has increased demands for cash in certain areas of the community.

Rightly, customers expect that their banking needs are fulfilled at the point of service. To this end, BOQ has been satisfied with the relationship it has held with Armaguard.



Proposed merger between Armaguard and Prosegur

Armaguard and Prosegur represent two competing forces in the Australian marketplace. Given the proposed merger, there are a number of considerations that direct and indirect consumers of these services would need to reflect upon when considering how they would be affected by a corporate merger as proposed.

With the evolution of online banking services many major banks have elected to close branches and decrease their physical footprint. This has been seen particularly in regional areas where many towns are serviced by one or only a few retail branches. Subject to its selection criteria, BOQ makes a deliberate choice to support franchisees who elect to open or continue to operate a branch to support these local communities. As such, members of the financial community would continue to rely on service providers such as Armaguard and Prosegur to continue to support these communities also.

If indeed a merger of this size were successful, BOQ would expect that the prices of these services to be reflective of its prior arrangements with Armaguard during the current contract period whereby any increase to the cost of services was negotiated fairly and representative of the relative cost of doing business, for example, increased operational costs due to fuel consumption.

The risk of a merged entity with an increased market share is that it may have unfair influence over the price elasticity of demand. Safeguarding ongoing competition will be important to ensure players continue to exist that would service a market as broad as the Australian Banking Industry. This risk is especially acute in regional areas where there are fewer branches from various banks than in the past.

Outside the extraordinary events such as those noted above causing an increased demand for cash, technology advances in recent years has seen increased consumer usage of electronic transfer of funds. This in turn has led to a decrease in demand for cash services compared to previous years. This trend is expected to continue with the majority of major banks in Australia continuing to undertake digital transformation to improve accessibility and continue to ensure they can provide safe and secure services to their customers. Therefore, it appears unlikely that banks would invest heavily in cash in transit services (either sponsored investment or in-sourced services) to compete with incumbent players in the market.

Given the intermediated nature of the service to banking customers, it is unlikely that an individual retail customer would have any bearing over the provider chosen by banks to ensure cash in transit services.

Further Engagement

Should you have any questions in respect to our responses or would like to discuss any other aspect of the proposed merger further with representatives from BOQ, please do not hesitate to contact our Regulatory Affairs team at regulatoryaffairs@boq.com.au.

Yours sincerely,



**Head of Operations & Business Optimisation
Retail Distribution**