Bendigo and Adelaide Bank

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Bendigo and Adelaide Bank Limited
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Australian Competition & Consumer Commission
Attention Ms Miriam Kolacz and Ms Nissa Burns

By email: Armaguard-Prosegur-Merger@accc.gov.au

20 October 2022

Dear Ms Kolacz and Ms Burns

Thank you for your Market Inquiries letter dated 6 October 2022 (regarding the proposed merger between Armaguard and Prosegur), delivered to the Bendigo Group as an interested party.

We attach the group's submission on issues that we consider relevant to the Commission's consideration of the Proposed Transaction.

Yours sincerely

John Price

John Price
Head of Group Regulatory Compliance
Bendigo & Adelaide Bank

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Submission in response to Attachment B

The materials below have adopted the same numbering to the questions in Attachment B of the Market Inquiries letter.

1. The Bendigo and Adelaide Bank Group runs a diverse banking and Wealth business throughout Australia, which includes:

    - 512 branches, and
    - 444 ATMs.

2. The group's interest in the proposed transaction is that it is a consumer of CIT services, and currently a customer of Prosegur.

3. The Bank has no submissions on this issue.

4. The Bank has no submissions on this issue.

5. The Bank has no submissions on this issue.

6. The Bank has no submissions on this issue.

7. In principle, it might be possible that major banks could sponsor a new entry. In practice, it runs into the same difficulty as the Applicants have pointed out around their own fixed costs.

The Applicants have suggested that these fixed costs currently make competition between them unsustainable (for example, paragraph 185(a) of the Application.) The Proposed Transaction will result in a single larger competitor. Any new entrant would find it very difficult to challenge the merged entity, because of the fixed costs identified by the Applicants.

We believe the market presence of the merged entity would provide an even higher level of competition than either of the Participants can to new entrants. The Participants state, when explaining why no purchaser other than themselves is likely to appear, '[n]o other acquirer could achieve the same level of synergies that would be achieved under the proposed transaction' (Executive Summary at page 16 of the Application). This would probably be the case with any attempt by customers to organise their own services.

8 (a). The Proposed Transaction would reduce customers' bargaining power, because they will be dealing with one large entity in the market. The observations made in the Brinks transaction (paragraph 395 of the Application), would be made largely obsolete by the Proposed Transaction.

The Bendigo Group does not dispute the Participants' statement that the competition between them is unsustainable. However, this does not mean that the detriment of a merger will fall short of a substantial lessening of competition. The potential detriment in the CIT market requires a consideration of appropriate remedies, even if it arises only from a loss of rivalry between the applicants which was unsustainable. One possible remedy is a collective negotiation authorisation.

It is the potential market detriment which means customers may need to seek collective negotiation remedies. Paragraph 413 c of the economic expert's report notes expected prices in the altered state of competition to be higher than the prevailing prices now, yet also that the new entity will benefit from synergies of fixed costs.

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A tendering process can make the most of a market, but it cannot improve the basic competitive situation of the market. As a result, the Proposed Transaction could make it necessary for customers to reach a collective bargain with the merged entity.

The effect of currently contracted services on competition will be relatively short-lived. As the economic expert's report says, new contracts can expect to be struck at higher prices.

The Applicants state that the entity will have an incentive to ensure that price rises do not occur to the level which results in customers seeking substitutes for CIT services (paragraph 374 of the Application). This, on its own, is an insufficient basis for restraint of market power once current contracts have expired.

The economic experts report at paragraph 413 b states that existing contracts will 'limit' customer detriment. It would be more accurate to state that existing contracts will *delay* customer detriment. The 'altered state of competition' is not only to be judged against the relevant counterfactual outcome. The market will have shifted to a largely monopolistic format, and we submit customers, and the Commission should consider collective negotiation options under section 88 of the *Competition and Consumer Act 2010.*

8(b) & (c) The Bank has no submissions on these issues.

9. to 22. The Bank has no submissions on these issues.