



Commander Security Services Pty Ltd

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M.L. 000 101 120

22nd October 2022

Australia Competition & Consumer Commission

Attention: Miriam Kolacz / Nissa Burns

Re: MA1000022

Proposed Merger between Armaguard and Prosegur – Interested Party Consultation

Submission from

Commander Security Services Pty Ltd

6 Stuart Street,

Padstow NSW 2211

Ph: 1300 326 637

ABN: 31 169 460 842

Dear ACCC,

Thank you for the opportunity to review and provide comment in relation to the proposed merger between Armaguard and Prosegur.

In my response you will see outlines and reasons based on over 20 years of industry experience and now owning my own Cash in Transit Company based in Sydney NSW.

General Response

1. Commander Security has been operating in Sydney NSW as a full-time cash in transit company since its registration in May 2014. Services we offer are as follows but not limited to:

- Cash collection / Same Day banking of clients' money
- Change Supply Service
- Cash Processing, Reporting & EFT back to client
- ATM Service
- ATM Hire
- ATM Replenishment
- Valuable Cargo Division
- Foreign Currency pick pack and delivery services
- Foreign Currency clearance, collection and lodgment services for clients importing or exporting cash for supply or distribution.
- Pharmaceutical storage, delivery & collection services in accordance with NSW Health and Therapeutic Goods Australia.

We Offer

Consultation

Alarms

24 hour monitoring

Installed

Serviced

24 hour responses

CCTV

Monitoring

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Video Alarm Systems

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Security Guards

Static

Gate House

K-9 Dogs

Mobile Patrols

Industrial

Commercial

Domestic

Government

Cash Management

Consultation

Daily Banking

Armoured Vehicles



Our office located in Padstow NSW has been built and fitted out to operate a fleet of vehicles to provide these services to our clients.

2. We operate a fleet of 10 vehicles comprising of Softskin, Armoured Trucks and Vans. These services are conducted with armed and unarmed officers in either a uniformed or plain clothed operation.

The reason I have an interest in the proposed merger is based on my relationship with Armaguard as a supplier for the purposes of cash supply and clearance, but I also have difficulty in comprehending & understanding their reasons surrounding this proposed merger as from my angle, I haven't seen a decline in cash usage but more cash growth in the market segments we service and operate in.

CIT Services

3. With the proposed merger the integrated end to end wholesale and retail service would no longer remain competitive and quite simply clients would no longer be given an option to source pricing on a competitive nature to compare against to get the best deal and solution for their requirements.

Clients would be faced with higher costs, more red tape and would be dictated to by these companies due to the fact there would be no other alternatives so essentially placing the client/s into a corner they cannot escape from or seek alternative solutions to due to limited number of alternative companies that operate.

This merger the fact these 2 companies are the only ones that provide services to the banking sector as the banks won't allow others into the fold or sponsor us. This proposed merger potential threatens the ability for banks to gain access to cash delivery services to meet the requirements and demands of their customers. Unless the banks sponsor or there is the ability to get a smaller company provisioned into this space cash demise and banking services as we see now could soon dry up and Australian Citizens and the Taxpayer end up paying the ultimate price. Is that fair option? No.

4. To my knowledge aside from the two companies proposing to merge there are no other companies of their size that could or would be seen to be in direct competition as there are limited spaces in this industry to get the sponsorship required to grow and come into their space of service unless you have the support of one of the major banks information sought and confirmed by the Reserve Bank of Australia. It is therefore paramount that these two entities remain separate and operate independently to eliminate collusion and price gauging.
7. In response to this question the simple answer is Yes. The Banks control the cash distribution and CIT companies' capabilities of who can gain access to the supply and delivery of Cash in the Country ever since 2001 when the RBA withdrew from wholesale cash supply and placed it into the private bank's hands to control.

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Whilst I can confirm that the banks can consider sponsoring a new entry into the wholesale cash supply and holdings like that of Armaguard and Prosegur I can also confirm firsthand as I have attempted over the space of 5 years to get access to such facility and sponsorship from multiple Banks. All the major banks have declined indicating they have no appetite, or they already have their providers in place.

Could this change given this merger proposal, is it likely too? No. Why? The banks are in all ways possible trying to get everyone over to online digital banking to eliminate cash as it is a much higher cost to work and deal with. In this instance the banks along with Armaguard and or Prosegur could further restrict ability to access cash and strangle our industry completely.

As it stands, I am still waiting from December 2021 to get Armaguard to sign off an agreement for us to work with them in respect to cash supply and clearance services. Again, this has been red taped by the legal team of Armaguard so in hindsight this could be seen as interference with the view of wiping out the competition. Despite agreeing on services, the costs to collaborate with these providers makes it hard to compete in our market and given the banks are refusing to supply us they indicate we must go to these companies for supply. This is hard when the pricing is noncompetitive and or they refuse to collaborate with you owing to us being competitors to them.

In conclusion if the banks won't provide sponsorship, then there will be no chance for any other entity to enter this space.

I have since emailed all points of contact at the banks that previously indicated no appetite to sponsor or support access to see if their position has changed. I would like the opportunity if approved by the ACCC to submit any responses as evidence as and when they are received as an addendum to my submission.

8. In response to this point there would be little or no bargaining power in the negotiation process of CIT services. If these companies are approved to merge, then they would have ultimate control over the supply network for others to work into their space which they simple would frown upon and use other reasons so as not to place them in a position of vulnerability to not allow competitors like us access to their facilities as raised in point 7.

- b. Pricing plays a major part in the decision making of clients on whether a company will be successful in being approved or accepted to provide CIT services to their stores or company.

As it stands Armaguard and Prosegur are priced quite high in certain market segments in comparison to competitors like us. Their claim that cash is declining simply is not true as I have previously outlined as in the market segment, we offer services too cash has increased yet the banks and others alike are demonizing its use.



c. This is a 2-answer response. Part is a Yes, the other is a No. Whilst the RBA has a responsibility to ensure fair game play in this industry, they would not constrain the competition as if they did how would services be conducted. In this instance I am certain you will find the RBA would be placed into a corner using the analogy by way of example where unions cause issue to employers to get better outcomes for themselves the same principle could be applied here with Armaguard & Prosegur putting the lean on the RBA.

9. In reply to this I must decline their reasoning. There is still demand for cash and CIT services in Australia. The issue in question is the rates of pay these two providers have negotiated to pay their employees forcing their costs extremely higher in comparison to paying the award rates. Over the many years these two companies have created a rod for their own backs with the high payroll costs and as such this is more the lean I am heading to as to the reason for this proposal.

I can also confirm that Armaguard and Prosegur have begun the process to outsource all road crew to reduce their overheads and send the work to sub-contractors however only want to pay minimal for the works carried out and expect us smaller operators to bear the brunt of losses. I can confirm this as I have had meetings with both about sub-contract work and declined to take it on as the rates were insulting and wouldn't cover running costs or paying even award rates. In conclusion they only have themselves to blame for the financial position they are in but instead of this they use cash demand as the reason which is a weak argument.

10. In respect to this point both companies already use sub-contractors in a lot of areas to perform this work on their behalf.

Ultimately both companies have market control in relation to the 3 points raised in question 10 this is owing to the supply chain and the ability for them and the banks to dry it up fast.

My company does do a little work in the ATM and Valuable Cargo space and unless we hold cash that we process it is difficult to order as the banks refuse to supply and our competitors refuse to deal with us or place absorbent pricing on us making it essentially impossible to compete in pricing.

The only solution is the need for one of the other major banks to sponsor a company like mine to gain access to wholesale facilities or in the event of their refusal to do so the RBA resuming control of wholesale cash distribution in Australia.

11. In relation to this point yes, they compete closely in all areas mentioned. They each have their own divisions and tender for the same things thus creating a competitive nature on the clients favor to get the best deal possible.

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15. Yes, it could and on the other hand not as it would be the responsibility of the remaining one standing to pick up the requirements until another company is sponsored by a bank to enter the market. This if it were to occur could essentially force the banks hand to consider sponsorship of others who like me are wanting and willing to enter the market but not able too due to the banks refusal to support.

16. This is a hard one to answer. One would think that if this was to occur the other would be sufficiently stocked to supply services until alternatives can be arranged. In saying this also there would be companies like mine willing to assist and facilitate services to ensure minimal disruption to supply chains. We have done this type of service in the past for banks when Armaguard and Prosegur employees have gone out on strike action. The banks then turn to smaller operators like us to bail them out.

17. This will not create efficiencies as there is so much red tape when using their services that will only increase not decrease as I have firsthand experience of. Customer service levels are not in place now and are poorly managed so a merger would only further deepen the issues and customer service experiences faced now.

18. I don't believe there would be any benefit to anyone with this merger aside from the two entities in this proposal mainly as they would substantially gain financially by its sanction.

22. In conclusion to my submission I think it is important to allude to the fact that there have been a few Cash in Transit providers including myself that have been the victims of de-banking of accounts by the major banks. One bank being Westpac. I am one of those victims and took Westpac on in the Supreme Court for a 12-month duration that cost me dearly both physically, mentally, and financially. I did so as the reasons used were down and out lies. Since proven after many a sleepless night.

Given in this instance Westpac is responsible to over 60% of Australia's cash distribution concerns me they could force the hand of Armaguard and Prosegur to cease working with us if we ever get approved due to outlining their strategic debanking accounts on my company and others all proven.

This move of Westpac debanking CIT companies is one of strategic positioning to eliminate smaller operators in favor of the larger ones and in this instance or the proposed Merger Armaguard would be in an extraordinarily strong position to assume full market control and profiter over our demise that would be beyond our control.

This proposal needs assurance that the banks will sponsor new entries into the wholesale market to compete against these companies or one company.

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This whole merger from an industry point of view is only the start as it is the belief that within a 12–18-month cycle Armaguard will assume 100% control of Prosegur removing them from any ownership thus creating only the 1 provider they now seek in this merger proposal.

I am available for discussion at any time should you require clarification or further comment relating to my submission.

Yours faithfully,



Paul Thomas

Sec Lic: [REDACTED]

M.L. [REDACTED]

Ph: [REDACTED]

Email: [REDACTED]

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