

Linfox Armaguard Pty Ltd

Proposed Merger with Prosegur Australia Holdings Pty Ltd

Statement of: Catherine Lee Canham
Address: 37 Vaughan Street, Essendon Fields, Melbourne, Victoria 3041
Occupation: Head of Customer Partnerships and Service
Date: 25 August 2022

On 25 August 2022, 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 to make a statement by MinterEllison 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. Based on my experience and role, in this statement I explain:
 - (a) the services which customers obtain from Armaguard and what they value about those services;
 - (b) the impact of the decline in the use of cash for payment on the types of services customers want Armaguard to provide and how much they are willing to pay for them; and
 - (c) recent changes to the services provided to customers in some areas as a result of efficiency measures Armaguard has introduced.
4. I am authorised to make this statement on behalf of Armaguard for the purpose of the ACCC's Review.

EXPERIENCE AND EMPLOYMENT HISTORY

5. As the Head of Customer at Armaguard, I am responsible for the delivery of business revenue growth and customer engagement in a rapidly changing and complex environment. This includes management of the Account Management and Customer Services teams. In this role, I form part of the Armaguard Executive Leadership Team.
6. A key part of my role is developing relationships with key stakeholders for Armaguard's major customers so we can better understand their business needs and ensure that we are meeting them now and in the future. I regularly talk to and meet with our customers to discuss any concerns they have regarding the current services we provide to them, as well as new opportunities for us to deepen our relationship with them. It's important that customers can have confidence that these conversations are confidential in nature as they are relevant to their industry.

7. I also lead a team of nine account managers who have responsibility for different customers throughout the business, as well as liaising with the business development team to respond to any requests for tender or proposals for new or existing customers across our CIT and ATM businesses.¹
8. Prior to being appointed to my current position in October 2021, I was the Manager Customer Partnerships and Service.
9. I have worked as a customer advocate professional for my entire career, and prior to joining Armaguard in August 2006, I was employed in a number of customer service and marketing management positions with Kmart from 1985 to 2006.

ARMAGUARD'S CIT SERVICES

10. Most, but not all of Armaguard's major CIT customers, operate in every state and territory in Australia and we provide them with secure cash transport, processing and management/administration services through Armaguard's network of Approved Cash Centres (**ACCs**). Our largest customers are [REDACTED]
[REDACTED]
[REDACTED] Our service provision to these [REDACTED] major banks includes wholesale cash management services which enables them to operate their own wholesale note pools as required in the bi-lateral Bank Distribution Agreements (**BDAs**) each one has with the Reserve Bank of Australia (**RBA**).
11. In my experience, Armaguard is very well regarded by customers as providing a service which is high quality, safe and reliable. Typically, our customers require detailed service level agreements (**SLAs**) as part of their contractual arrangements that may include financial penalties if specific service level targets are not achieved. Customers regard the secure transport service we provide as very important [REDACTED]
[REDACTED]
[REDACTED]
12. While the secure cash transport service is the one that is most visible to the public, one of the main ways in which we provide value to our customers is helping them to understand how much cash they need to run their businesses and operations more efficiently. Our customers place great value on our ability to understand their specific requirements and share our expertise with them to streamline their cash handling related processes, including the use of technology.
13. A major change I have noticed in customers' concerns over the last 3-5 years is in how they see Armaguard. Armaguard was once regarded as a partner to work with and to help create "value" in our customers' businesses in areas such as outsourcing, technology and bespoke services. In my experience, this was largely because we could help customers minimise the number of times their

¹ Armaguard provides a range of ATM maintenance services through Integrated Technology Services Pty Ltd (ITS) and operates and manages an ATM network (known as atmX by Armaguard) through Armaguard Technology Solutions Pty Ltd.

staff had to handle cash before it was deposited within their bank accounts by Armaguard. In many cases, the changes to cash handling processes we proposed allowed the customer to reduce the number of staff involved in cash handling and as a result their cost of doing business.

14. For example, in the 1990's, [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

15. As customers have realised many of those efficiency gains working with Armaguard over the years and cash usage has sharply declined, they now tend to regard the service we provide primarily as a commodity-type cost to be minimised. Two of the most effective ways they have to minimise that cost is to:
- (a) reduce the amount of cash they are handling in the business; and
 - (b) reduce the cash transport, management and administration services they obtain from us.

Customers are changing their business models to handle less cash

16. Armaguard's customer pricing for standard cash transport and change supply services is usually made up of three components:
- (a) Service fee: this is a flat fee for transportation and is dependent on the number of sites the customer requires cash to be collected from and the location of those sites in relation to Armaguard's ACCs;
 - (b) Collection/Processing fee: this is a percentage based fee depending on the amount of cash collected from the customer, and includes all costs associated with processing and storing the cash;
 - (c) Change supply fee: this is a percentage based fee depending on the amount of change the customer requires from Armaguard, and includes all costs associated with storage and packing.
17. This pricing structure means that customers can save on costs by reducing the number of collections and the amount of cash they handle. [REDACTED]
- [REDACTED]

[REDACTED]

- 18. The adoption of technology such as smart safes also helps customers reduce the need for secure cash transport services and internal reliance on resources to manage cash requirements.

[REDACTED]

- 19. Retailers are also increasingly promoting the use of cards (as opposed to cash) in-store. Large retailers such as Coles and Aldi have increased their bank of “card-only” checkout counters over the last two years, with only a few service counters accepting cash. Although this trend started primarily as a means of reducing Covid transmission during the pandemic, it continues today. Retailers do tweak their ratio of card to cash-only checkouts on an ongoing basis depending on customer demand for using cash to pay. While retailers often do this on a store-by-store basis to reflect the payment preferences of customers in the catchment areas of specific stores, overall there has been a marked increase in the promotion of card or digital payments at a retail level and many customers have been happy to change.

[REDACTED]

- 20. Similarly, banks are trying to limit the cash in their branches to reduce their cash handling costs. Banks have, over the last few years, significantly reduced their number of branches – encouraging customers to do their banking online.

[REDACTED]

[REDACTED] Instead the major banks and a number of other smaller banks and financial institutions allow their customers to use Australia Post's service Bank@Post to carry out basic deposit and withdrawal banking services at specified Australia Post stores.

Increased pricing pressure

21. Customers now view CIT services as a cost to their business, especially given the decline in the use of cash, and they face increasing internal pressure to reduce their overheads. Armaguard's customers are increasingly looking for reasons to secure a discount from us, or more favourable commercial terms, when negotiating for new services or renegotiating existing arrangements.

22. [REDACTED]

23. [REDACTED]

24. [REDACTED]

25. [REDACTED]

[Redacted]

26. [Redacted]

ARMAGUARD'S RESPONSE TO THE SIGNIFICANT DECLINE IN CASH VOLUMES

[Redacted]

27. In around mid-2021, as the impacts of the COVID-19 pandemic on our business continued, we started considering what changes we could make to our business model to address the dramatic reduction in revenue we were experiencing as a result of the huge drop in the amount of cash being used in the economy.

28. [Redacted]

29. [Redacted]

30. [Redacted]

31. [Redacted]

[Redacted text]

[Redacted text]

[Redacted text]

[Redacted text]

32. [Redacted text]

33. [Redacted text]

Network Re-Configuration

34. Since 2017, Armaguard has reduced its operating footprint by rationalising its branch network:

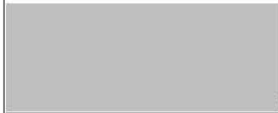
- (a) closing ACCs in a number of locations and using sub-contractors to provide cash transport services in certain locations; and
- (b) the conversion of some ACCs into transport hubs.

35. Each time we have implemented changes of this nature, we have communicated with customers prior to implementation to be clear about what, if any, impact there will be to their regular service. For example, this includes whether any of the changes may impact the days of the week cash will be collected from the customer's premises or whether there will be new security guards collecting cash from their premises now employed by an Armaguard approved sub-contractor. Armaguard trains the sub-contractors to provide customer specific services. As part of our regular customer

meetings, we monitor the changing environment to address any concerns the customer has and work with the customer to find a solution.

36. While most customers value the service they have and do not want it changed in any way, we have been very clear that the changes described above are being made in response to the significant decline on the volume of cash being used for payments in Australia and the need for Armaguard to do all it can to reduce its costs so it can continue to provide services and remain sustainable into the future.

Signed by Catherine Lee Canham on August



Catherine Lee Canham