

4 May 2023

**Submission in response to Applicants Revised Proposed Undertaking – 1 May 2023**

Authentic Security Pty Ltd (Authentic) welcomes the opportunity to provide a confidential response on the Applicants (MergeCo) Revised Proposed Undertaking dated 1 May 2023.

**1. Executive Summary:**

Authentic Security note that the Applicants have agreed to both the creation of and access to registers to allow Authentic and other CIT providers access to both depots and staff that are surplus to MergeCo requirements post the merger.

Whilst this is pleasing, they are actually ineffectual undertakings in the absence of similar undertakings regarding both vehicles and firearms – ie the depots and staff are of no use in the absence of vehicles and firearms to safely and securely provide cash in transit services to customers that comply with relevant CIT Codes of Practice and to the standards to which Authentic currently services it's customers.

This response will highlight those areas where we believe it is imperative that the Applicants provide further undertakings so that in the event that MergeCo is created there remains a financially sustainable and viable CIT marketplace.

Our feedback through this long and exhaustive process has been consistent – the notion of Authentic is to create a financially sustainable and viable CIT business marketplace, which contains market forces and diverse offerings to the Australian Consumer Market and protects the critical availability of cash as a payment mechanism.

## **2. Requirements to not inhibit the growth of competitors to MergeCo:**

- 2.1 Authentic and other CIT providers require resources necessary to support growth, which includes access to infrastructure and people that are superfluous to the requirements of MergeCo. This includes CIT depots, asset registers in terms of vehicles (which the entities within MergeCo have previously destroyed – rather than sold), labour and CIT equipment (including counting machines).
- 2.2 We expect an immediate divestment of the MergeCo resources in expectation of a duplication of resources (which they are implicit in expecting as a result of a merger), which will provide Authentic Security and other CIT providers the necessary operational capacity to service customers and maintain our investments. The carriage of this infrastructure is necessary in a complex and specialised industry where supply of these resources is severely limited.

## **3. Issues with the MergeCo Revised Proposed Undertakings**

- 3.1 There remains an ability for MergeCo to still engage in predatory pricing – the Revised Proposed Undertakings remain silent in this regard. MergeCo still have the discretion to negotiate and offer discounted pricing - Authentic maintains concerns that MergeCo will use it's market size and power to target our customer base.
- 3.2 Access to cash remains a concern. Authentic are reliant on both Armaguard and Prosegur (currently) and MergeCo (potentially) to access physical cash in order to service its customers. The Revised Proposed Undertaking includes a proposed "Third Party CIT Provider Agreement" which is unsatisfactory and not commercial. In particular overly onerous requirements to facilitate access to MergeCo depots (relative to existing arrangements) and also the MergeCo position that they would not be liable for discrepancies regarding any cash that *they* count and process on behalf of third party CIT providers. The detail in this Proposed Undertaking only serves to reinforce the concerns of Authentic regarding the potential behaviour of MergeCo should the merge proceed and why the additional recommendations for further undertakings are required.
- 3.3 The proposed cost for Third Party CIT operators to access MergeCo depots to gain access to cash is not known – Authentic is concerned that MergeCo could apply rates for access to depots and cash that is beyond reasonable and not commercially viable, thereby restricting the ability of Third Party operators to access cash to support the needs of their business and customers.

3.4 Support for regional services – the Revised Proposed Undertaking excludes the provision of subcontracted transport services by MergeCo for other Third Party CIT operators. This will inhibit the ability of other CIT providers in winning larger national customers where servicing is required in some regional and remote areas.

**4. Recommendations for conditional support of MergeCo proceeding.**

4.1 As detailed in our most response to the ACCC, Authentic envisages the following infrastructure is required in capital cities and regional areas to support an increased client base. This infrastructure will also require guards, cash processing staff and appropriate equipment (cash counting equipment, software, hardware and other associated needs):

State / Region	Armoured Vehicles	Covert Vans	Firearms
Sydney	7	2	15
Melbourne	7	2	15
Brisbane	7	2	15
Adelaide (NEW)	5	2	10
Hobart	4	2	6
Perth	6	2	8
Darwin	4	2	6
Townsville	4	2	6
<b>Total</b>	<b>44</b>	<b>16</b>	<b>71</b>

4.2 It is proposed that MergeCo be required to provide a register of any vehicles that are surplus to requirements for the merged entity. This register should include details including age, type, kilometres travelled and if required service records of said vehicles that would facilitate the ability for other Cash in Transit operators to bid to purchase any of these vehicles.

4.3 It is proposed that MergeCo be required to provide a register of any firearms that are surplus to requirements for the merged entity. The register should provide details of firearm type and age.

4.4 It is proposed that MergeCo be required to provide a register of any cash counting equipment that is surplus to requirements for the merged entity. This register should include details of the equipment including manufacturer, model type and age or date purchased.

- 4.5 It is proposed that MergeCo be required to provide a register of Cencon locks (lock mechanism for ATMs) that is surplus to requirements for the merged entity. This register should include details of the equipment including model type and age or date purchased.
- 4.6 It is proposed that existing clients of the Applicants be provided with the authority – at their own discretion – to allocate portions of their services to Third Party operators if they currently have a contract in place that gives either Applicant exclusive rights to perform those services. Those contracts – and the agreement to exclusivity – were agreed to in a competitive CIT environment not the proposed monopolistic environment.
- 4.7 Gaming clearance services performed at hospitality and club venues should be deemed to be non core CIT services and be excluded from the proposed MergeCo service offering. Given Authentic's long term experience and history in providing these services it is proposed that any existing contracts that the Applicants have with customers to provide these services be divested to Authentic.

## **5. Closing Statement**

- 5.1 In the absence of further commitments by the Applicants above and beyond the Revised Proposed Undertakings and as detailed here in this submission, Authentic holds grave concerns regarding our long-term viability.
- 5.2 We believe that acceptance of and agreement to the additional requirements detailed herein by the Applicants will provide Authentic and other Third Party operators a reasonable platform to compete with MergeCo and be able to continue to provide cash in transit services to customers who seek to have an alternative service provider to MergeCo, either partially or in totality.