

Commonwealth Bank of Australia

ABN 48 123 123 124

Chief Operations Office
Retail Operations
Axle Building, 5-7 Central Ave
South Eveleigh NSW 2015



4 April, 2023

Australian Competition and Consumer Commission
Attn: Alex Reed and Louisa Wilson
GPO Box 3131
Canberra ACT 2601

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

Dear Alex and Louisa

Re: Proposed merger between Armaguard and Prosegur – consultation on proposed undertaking

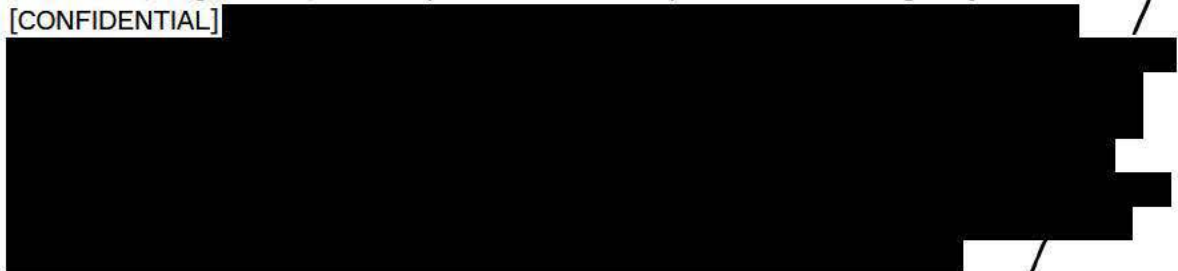
Thank you for your letter of 21 March 2023 seeking market feedback on the proposed undertaking offered by Armaguard and Prosegur (the Applicants). CBA has reviewed the undertaking and welcomes the opportunity to comment.

CBA remains concerned that the proposed merger between the Applicants will unavoidably lead to anti-competitive outcomes and public detriments in respect of CIT Services and ATM Maintenance Services, through higher costs and reduced services. The undertaking is not capable of resolving these concerns.

The key aspects of the undertaking involve various commitments as to price, service and national coverage for the supply of CIT services. In our view these commitments are complex and opaque, and do not provide for effective operation or oversight; effectively, CBA is being asked to rely on the verification of the independent auditor engaged by MergeCo to verify the accounting and compliance processes underpinning the undertaking. There is no way for any customer to verify either that the material presented by MergeCo to the auditor, or the work of the auditor themselves, is accurate. Nor do we expect that the ACCC or RBA will be resourced to independently verify whether MergeCo's conduct in relation to pricing, service and national coverage is consistent with what has been proposed in the undertaking.

Even if the undertaking were enforceable, a number of matters would still raise concern. For example:

- (1) **CBA will be exposed to significant price increases in respect of MergeCo's supply of CIT Services:** The undertaking contemplates significant, annual price increases for the supply of CIT services of (the greater of) inflation plus 5%, or inflation plus a Volume Change Adjustment.
[CONFIDENTIAL]



[REDACTED]

On this basis, CBA has concerns about MergeCo sustainably meeting its undertaking commitments in a post-merger environment.

- (2) **The undertaking does not address the potential for anti-competitive conduct in relation to MergeCo's supply of ATM Maintenance Services:** The undertaking only applies to the supply of CIT services, meaning MergeCo will remain unconstrained from raising prices and reducing service levels in relation to the supply of ATM Maintenance Services. CBA notes that ATM Maintenance Services [CONFIDENTIAL] [REDACTED]

CBA anticipates that MergeCo will seek to extract maximum revenue from customers in respect of these services, especially in circumstances where its ability to maximise CIT revenues is (somewhat) limited by the pricing process set out in the undertaking. CBA is particularly exposed to price increases in the supply of ATM Maintenance Services, as no other supplier is able to provide maintenance services to CBA's Diebold Nixdorf ATM network on a national basis.

- (3) **The undertaking does not address the potential for anti-competitive conduct in relation to Armaguard's Integrated Technology Service business (ITS):** [CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- (4) **The undertaking does not mitigate against the further expected decline in service levels:** The proposed service offering commitment suggests that MergeCo will continue to supply CIT services to customers in accordance with the standard of service supplied in the period immediately preceding the commencement date. The context for this commitment needs to be properly understood by the ACCC. [CONFIDENTIAL] [REDACTED]

Additionally, should the merger proceed, CBA does not expect that MergeCo, as a monopoly supplier, will either be incentivised to work with customers to identify and implement productivity and service delivery improvements, or be committed to improving the cost effectiveness of its service delivery. This has not occurred in a pre-merger environment and is not expected to occur post-merger.

Please let us know if you wish to discuss these matters further.

Yours sincerely



Samantha Taranto
Executive General Manager
Retail Operations