



21 October 2022

Merger Investigations Branch  
Australian Competition & Consumer Commission  
Your Ref: MA1000022  
Contact officer: Miriam Kolacz / Nissa Burns  
Contact phone: (03) 9658 6476 / (03) 9910 9559

Via email to [Armaguard-Prosegur-Merger@acc.gov.au](mailto:Armaguard-Prosegur-Merger@acc.gov.au)

Classification Public

Dear Miriam Kolacz and Nissa Burns,

**Cuscal - MA1000022 - Proposed merger between Armaguard and Prosegur - interested party consultation, submission in response to ACCC's market inquiries letter.**

Cuscal Limited (Cuscal) welcomes the opportunity to respond to the ACCC's market inquiries letter regarding the application for authorisation from Linfox Armaguard Pty Ltd (**Armaguard**) and Prosegur Australia Holdings Pty Limited (**Prosegur**) to combine their cash distribution and management, device monitoring and maintenance and ATM businesses in Australia (the **Proposed Transaction**) dated 6 October 2022.

Cuscal does not propose to provide a detailed submission, but wishes to address two key points arising from the Proposed Transaction:

1. The continued decline in cash transaction and subsequent pressures to increase efficiency in a declining market.
2. In the existing duopoly, there is already restricted competition and the ACCC may need to undertake a pricing review to address any concerns regarding pricing.

## Background to Cuscal

For over 40 years, Cuscal has leveraged our assets, licensing, and connectivity to provide intermediary and principal outsourcing activities on behalf of our clients. We are an end-to-end payments specialist that services more than 100 established ADI and challenger brand clients within Australia's financial system, including most of the mutual banking sector, and a growing number of FinTech and 'PayTech' enterprises. We enable their market connectivity so they may provide innovative products, business models, and drive improved customer outcomes.

We are an Authorised Deposit-taking Institution (ADI), the holder of an Australian Financial Services Licence, and an Australian Credit Licence for Securitisation purposes. Cuscal has Board representation with Australian payment plus, NPPA, Australian Payments Network and participates in numerous industry committees. We are also the founder of 86400 (rebranded to ubank, <https://www.ubank.com.au/>), a fully licenced mobile-led digitized bank, acquired by National Australia Bank.

The services that we provide to our client institutions include card scheme sponsorship for issuing and acquiring, payment card issuing, card production services, digital banking applications, access to domestic payment services using direct entry, BPAY, the New Payments Platform (NPP) and Open Banking Data holder services. We also act as settlement agent for many of our clients through our Exchange Settlement Account with the Reserve Bank of Australia (RBA).

As a fully PCI-DSS accredited ADI, Cuscal is uniquely placed to provide secure and robust capabilities that facilitate access to markets that would otherwise be beyond the reach of some organisations.





## **Cuscal's commercial interests and relationships**

Cuscal has expertise in non-CIT services, having launched Australia's first ATM, in collaboration with Queensland Teachers' Credit Union, in 1977 and the rediATM scheme in 2009, allowing customers of smaller financial institutions fee-free access to a convenient, nationwide ATM network. Moreover, we are acutely aware of the continued decline in cash transactions, which led to the eventual sale of our ATM business in August 2019 to the Armaguard Group, including the transfer of the management and operation of the rediATM Scheme together with all customer-owned servicing contracts. The sale provided continuity and sustainability of ATM Services for Cuscal clients and their customers, while allowing us to focus on our core strategic areas of mobile, real-time and data.

We also note that the Covid-19 pandemic significantly accelerated the decline in cash transactions in Australia, leading to decreased ATM cash withdrawals and the closure of some regional bank branches, which has increased the distance for a consumer that needs to be covered between branches, putting further pressure on this sector.

Cuscal has continued to support Armaguard as a client, through our settlement, driving and switching services. While Cuscal may stand to potentially gain from this merger, owing largely to the potential increase in transaction volumes, our support is also underpinned by our deep understanding of the pressures posed by the declining market.

## **Potential competitive detriments and pricing review**

While Cuscal generally chooses to maintain neutrality by not directly competing with our clients, we do have clients that compete in the non-CIT space that may see the merger of the two largest competitors as potentially creating a dilution of competition in the industry. We do not see this this dilution as material.

We also note that some of our other clients, who rely on Armaguard and Prosegur CIT and non-CIT services, may be concerned by the potential of price increases, including potential for surge pricing in the CIT space, and an overall dilution in services, as the post-merger entity continues to focus on efficiency. While a monopoly may not improve pricing and service quality in the long term, Cuscal concedes that even in the current duopoly context, the continued decline in cash transactions is also likely to result in a deterioration in services, as entities continue to seek a reduction in operating costs, and especially if one of the businesses is forced to leave the market.

Accordingly, Cuscal believes it may be prudent for the ACCC to conduct a pricing review of the CIT and non-CIT industry overall, potentially introducing a pricing-cap, to maintain accessible pricing for impacted parties.

## **Concluding remarks**

Cuscal broadly supports the proposed merger. Cuscal's submission concentrates on the perceived issues of competition, including pricing and service quality in the industry context of the continued decline in cash usage and identifies areas that needs further discussions and review by ACCC.

Cuscal would be pleased to discuss any aspect of this submission with the ACCC's case team.

Yours Sincerely,

Kieran McKenna  
Chief Risk Officer

