

Proposed Merger Between Armaguard and Prosegur

Submission to ACCC consultation on Revised Proposed Undertaking

May 2023

Introduction

The Reserve Bank of Australia (the Reserve Bank) has prepared this submission to the Australian Competition and Consumer Commission (ACCC) in response to the Revised Proposed Undertaking (Revised Undertaking) provided by Armaguard and Prosegur (the Applicants) to the ACCC and released publicly on 1 May 2023.¹ The Reserve Bank also refers to its previous submissions to the ACCC (Previous Submissions).² The submission provides a perspective from the Reserve Bank based on its role as the sole issuer of banknotes in Australia and its responsibilities under the *Payment Systems (Regulation) Act 1998* (Cth) (PSRA).

The Revised Proposed Undertaking

In considering the merits of the Revised Undertaking, the Reserve Bank recognises that, to assist Australians to continue to have good access to cash, the banknote distribution system needs to remain effective, efficient, sustainable and resilient in the face of ongoing declines in cash usage. As outlined in its Previous Submissions, it is the Reserve Bank's assessment that some form of change is required to reduce the excess capacity that currently exists in the banknote distribution system to ensure it is both viable and able to withstand further expected structural declines in transactional cash usage. The Reserve Bank continues to hold the view, as stated in its Previous Submissions, that it is in the national interest that the industry be put on a more sustainable footing. If this is not done, access to and availability of cash will decline, damaging the efficiency of the economy, particularly in regional Australia.

The Revised Undertaking addresses many of the issues identified by the Reserve Bank in the Previous Submissions. The finite time horizon of three years largely resolves the issues with the in-perpetuity nature of the original undertaking provided to the ACCC in March 2023 (Original Undertaking), thereby providing more flexibility for the industry to respond to declining cash use. The three-year horizon does, however, underscore the importance of government and relevant agencies (including the Reserve Bank) working with the wider cash industry to determine whether any additional policy or regulatory responses may be necessary to maintain adequate access to cash in the future. We look

1 Armaguard and Prosegur (2023), 'Undertaking to the Australian Competition and Consumer Commission', 1 May.
2 Previous Submissions are available at: <<https://www.rba.gov.au/publications/submissions/payments-system>>.

forward to the Government's forthcoming Strategic Plan for the Payments System helping shape a vision and providing guidance on how these issues could be addressed.

The proposed pricing model in the Revised Undertaking is simpler than originally proposed, which should mean that it is easier to measure and enforce MergeCo's adherence to the proposed arrangements. However, the Reserve Bank has no visibility of the rationale for MergeCo applying annual increases of up to 7.5 per cent plus inflation to new contracts for existing customers, and so cannot comment further on it. As was the case with the pricing model that was proposed in the Original Undertaking, the Reserve Bank considers it important that the pricing structure adequately incentivises MergeCo to find efficiency savings in its operations in future.

The Reserve Bank notes the suggestion that the Reserve Bank may receive compliance reports has been deleted. As mentioned in the Reserve Bank's Previous Submission, it is the ACCC alone that has the discretion to make an application to the courts if MergeCo breaches the terms of the Proposed Undertaking. The Reserve Bank has no ability to do so.

Reserve Bank of Australia
8 May 2023