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Determination

New Zealand Banking Association [2026] NZCC 14

The Commission:	Dr John Small Bryan Chapple Nathan Strong
Summary of application:	The New Zealand Banking Association has applied for authorisation for itself and other identified participants to engage in collective bargaining with Evergreen International NZ, LLC (Armourguard) for the purchase of certain Cash-in-Transit (CIT) services.
Determination:	The Commerce Commission's decision is to grant authorisation subject to conditions for a period of eleven years as it is satisfied that the proposed arrangements will, in all the circumstances, result or likely result in such a benefit to the public that the conduct should be permitted.
Date of Determination:	14 May 2026

Confidential material in this Determination has been removed. Its location in the document is denoted by [ ].

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Executive Summary

X1. The Commerce Commission (**Commission**) received an application for authorisation of a restrictive trade practice on 11 September 2025. The Application was made by the New Zealand Banking Association (**NZBA**), seeking authorisation for it and a group of Participants (initially the five major banks, but since extended to a larger group) to collectively negotiate with Evergreen International, LLC (and its interconnected bodies corporate, together, **Armourguard**) over cash-in-transit services (**Proposed Arrangement**).

X2. NZBA also sought Interim Authorisation for certain collective bargaining arrangements. On 12 November 2025, we declined that application for interim authorisation because a majority were not satisfied that the potential benefits of doing so would outweigh the detriments and there was no other compelling reason in the public interest to grant interim authorisation.

X3. We now grant authorisation with conditions for the relevant conduct. Having had more time to consider the application, including receiving further information from Participants, Armourguard, others and consulting on a Draft Determination, we now consider that the public benefits of the Proposed Arrangement would outweigh its detriments. In coming to this view, we have also had regard to material factual developments since our Interim Determination that have the potential to change the conditions of competition in the cash-in-transit sector. In particular, we have not placed the same weight on the potential detriments in relation to coordination and investment as we did in our Interim Determination.

X4. As discussed below, we consider that the collective bargaining envisioned under the Proposed Arrangement would likely lead to (unquantifiable, and possibly small) benefits relating to both the price and non-price terms of a collectively bargained agreement, improved operational efficiency, and step-in rights. We consider these benefits would likely still exist, although they would be smaller, were the new entry operating model discussed below successfully stood up. We also consider there would be little likely impact on investment that would amount to a detriment. Granting authorisation would impact on transaction costs, although we consider this would likely be a neutral factor. Although there could be some detriment relating to coordination between the Participants, we impose information-sharing conditions to limit this detriment.

X5. Accordingly, we grant authorisation with conditions for the Proposed Arrangement for the 11-year period requested.

Introduction

1. On 11 September 2025, the Commission received an **Application**[1] from the New Zealand Banking Association (**NZBA**) seeking authorisation, on behalf of itself and five banks,[2] to collectively bargain with Evergreen International NZ, LLC and its interconnected bodies corporate (together, **Armourguard**) for the purchase of wholesale Cash-In-Transit (**CIT**) services, retail CIT services, ATM maintenance services, and ancillary guarding services (the **Proposed Arrangement**).

2. NZBA applied for authorisation under sections 58(1), 58(2), 58(6B) and 58(6D) of the Commerce Act 1986 (the **Act**). NZBA is seeking authorisation for a period of 11 years.

3. NZBA submitted that the Proposed Arrangement will help restore balance in the provision of CIT services; reduce bargaining inefficiencies; and ensure that CIT services continue to operate sustainably, with incentives to innovate and invest in a quality service.[3] It submitted that CIT services remain essential infrastructure and that providing cash to bank customers is currently an indispensable service.[4]

4. The Proposed Arrangement is described in more detail at paragraphs [36]-[37] below.

5. In its Application, NZBA also requested interim authorisation of certain related conduct under section 65AAA of the Act. The Commission declined that application for interim authorisation on 12 November 2025.[5]

Determination

6. The Commission's view is that it is satisfied that the expected public benefits from the Proposed Arrangement would outweigh the detriments. Accordingly, we grant authorisation with conditions, as discussed below.

Assessment procedure

7. In preparing this Determination, we sought submissions and obtained information for a range of sources. The Commission:

    7.1 reviewed the information and analysis in the Application;

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1 New Zealand Banking Association (**NZBA**) "Notice Seeking Authorisation of a Restrictive Trade Practice pursuant to Sections 58(1), (2), (6B) and (6D) and Interim Authorisation pursuant to section 65AAA of the Commerce Act 1986" (11 September 2025) (**Application**).

2 ANZ Bank New Zealand Limited (**ANZ**), ASB Bank Limited (**ASB**), Bank of New Zealand (**BNZ**), Kiwibank Limited (**Kiwibank**) and Westpac New Zealand Limited (**Westpac**). We note that the group comprising NZBA, ANZ, ASB, BNZ, Kiwibank, The Co-operative Bank Limited (**The Co-operative Bank**), TSB Bank Limited (**TSB**), Westpac, and Cardtronics NZ Limited (**NCR Atleos**) (together, the **Participants**) are a larger group that was finalised after the Application was submitted.

3 Application at [6.1] and [6.3(c)].

4 Application at [6.1]; [
]].

5 *New Zealand Banking Association – Interim Authorisation* [2025] NZCC 23 (**Interim Determination**).

7.2 considered evidence received from the Applicant and interested parties by way of interview and in response to information requests;

7.3 considered submissions made by various interested parties in response to the Commission's Statement of Preliminary Issues relating to the Application;[6]

7.4 prepared a Draft Determination which explained the Commission's preliminary view that authorisation should be granted and called for submissions on our preliminary view; and

7.5 considered submissions on the Draft Determination.

Background

NZBA and the Participants

8. NZBA is an industry representative organisation that represents and advocates for the interests of the New Zealand banking industry. Seventeen banks registered in New Zealand are members of the NZBA.[7] Its work includes engagement with government and regulators on policy and legislative matters, promoting industry standards and best practice, and supporting public understanding of banking. NZBA also facilitates industry collaboration on issues of shared importance, including financial inclusion, sustainability, and operational resilience.

9. As part of its Application NZBA set out a procedure for member and non-member entities to indicate their interest in joining the proposed bargaining group.

9.1 Those group members are now NZBA, ANZ, ASB, BNZ, Kiwibank, the Co-operative Bank, TSB Bank, Westpac and NCR Atleos New Zealand (together, the **Participants**).

9.2 The Warehouse Group, SBS Bank and Woolworths New Zealand also joined, but later withdrew from the Proposed Arrangement on 3 December 2025, 15 December 2025, and 6 March 2026 respectively.[8]

Armourguard and CIT services

10. Armourguard became New Zealand's primary provider of retail CIT services, and its only provider of wholesale CIT services, after acquiring its sole competitor ACM New Zealand Ltd in 2025. The Commission cleared this acquisition on 7 October 2024,[9]

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6 Commerce Commission, "Statement of Preliminary Issues" (22 September 2025) (**SOPI**).

7 NZBA's member banks are ANZ, ASB, Bank of China (NZ) Limited, BNZ, China Construction Bank (New Zealand) Limited, Citibank, NA , The Co-operative Bank, Heartland Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (New Zealand) Limited, JPMorgan Chase Bank NA, Kiwibank, Kookmin Bank, Rabobank New Zealand Limited, Southland Building Society (**SBS Bank**), TSB, and Westpac. It has five affiliate members (see https://nzba.org.nz/about-us/).

8 NZBA, "NZBA Application for Authorisation: List of Participants" (8 December 2025). NZBA, "NZBA Application for Authorisation: List of Participants" (17 December 2025). NZBA, "NZBA Application for Authorisation: List of Participants" (9 March 2026).

9 *Evergreen NZ Holdings and ACM New Zealand Limited* [2024] NZCC 23.

and, as part of its assessment, acknowledged relevant industry background, including a general decline in the use of cash as a form of payment, COVID-19's effect on contactless payments, and bank branch rationalisations over the past two decades.[10]

11. Since acquiring ACM, Armourguard continues to provide the following services to banks, retailers, and other customers dealing with cash:[11]

    11.1 Wholesale CIT services, which involve movement of cash between the Reserve Bank of New Zealand (**RBNZ**) and commercial banks, and between commercial banks, through CIT centres owned by Armourguard. Armourguard's provision of wholesale CIT services is the main focus of our assessment.

    11.2 Retail CIT services, which involve transportation of cash between CIT centres and consumers, merchants, independent ATM operators and mobile money providers.

    11.3 ATM maintenance/management services, which involve loading, clearing and maintaining ATMs nationwide.

    11.4 Guarding services which, for the purpose of this authorisation, are those related to provision of the CIT and ATM maintenance/management services listed above.

12. Armourguard is currently the only CIT provider able to access RBNZ's Secure Zone (also known as RBNZ's 'vaults') and through such access it facilitates commercial banks obtaining wholesale cash from RBNZ. We understand that [ ] have recently applied for access to RBNZ's Secure Zone in an effort to establish a new entry operating model to provide disaggregated CIT services.[12] We discuss this new entry operating model further below. In addition to obtaining wholesale cash from RBNZ's vaults, banks can also sell cash to each other at a wholesale level through commercial cash supply agreements.

13. In contrast to wholesale CIT services, Armourguard faces competition in relation to the provision of retail CIT, ATM maintenance/management, and guarding services. For instance, Direct Security Services (**DSS**) provides cash collection, cash processing, and change supply services; First Security provides ATM maintenance and guarding services; and Authentic New Zealand (**Authentic**), who recently entered the New

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10 Ibid, at [36].

11 Application at [1.3]–[1.4].

12 [ ] [ ] [ ]

Zealand market, provides cash reconciliation and associated vault management, reporting forecasting and control services.[13]

14. Banks (and large retailers) account for more than 50% of Armourguard's consolidated revenue.[14] Banks and Armourguard each provide large retailers with cash as needed. There is, in this way, an inter-dependency among these industry sectors (although we note that both large retailers withdrew from the Participant group as we were considering this application, affecting the degree to which we have needed to assess retail CIT markets).

Industry background and developments

Armourguard's actions post-merger

15. Prior to the merger, Armourguard charged for services [ ].[15] Armourguard submitted that the prices it charged for wholesale CIT services prior to 2024 were below cost, and that these loss-making prices were due to the banks exercising their buyer power.[16]

16. Soon after it became the sole supplier of wholesale CIT services following its acquisition of ACM, Armourguard sought to re-negotiate its major customer agreements. In April-June 2025, Armourguard met with four banks to discuss proposed new contract terms.[17] It offered similarly structured agreements to each bank, including a new pricing scheme.[18] In addition to a new pricing structure, Armourguard also proposed a 10-year exclusive contract term in the new agreements,[19] as it says that this length of time is necessary to recover the capital investment required to ensure resilience.[20]

17. That new pricing scheme included a new fixed Infrastructure Access Fee (**IAF**) and a new service fee/rate card. According to Armourguard, the IAF represents a fixed,[21] non-transactional fee intended to recoup minimally required national fixed overhead

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13 Authentic New Zealand submission on Draft Determination (10 April 2026) at 2. [ ] [ ] [ ]

14 New Zealand Institute of Economic Research (**NZIER**), "Independent Review & Assessment of the Infrastructure Access Fee proposed by Armourguard Logistics Limited: NZIER report presented to Armourguard Logistics Limited" (31 March 2025) (**NZIER Report**) at [1.4]. [ ]

15 For example, [ ]

16 Armourguard interim submission on Application (22 September 2025) at 9.

17 Ibid, at 13.

18 Ibid, at [46(b)].

19 NZBA cross-submission on RBNZ submission on the SOPI (23 October 2025) (**NZBA Cross-Submission Dated 23 October 2025**) at [5].

20 Armourguard cross-submission on NZBA Cross-Submission dated 23 October 2025 (26 October 2025) at 1.

21 Ibid, at 3.

costs,[22] and the volumetric service fee/rate-card pricing [ ].[23] Armourguard also submitted that
[ ].[24]

18. Armourguard's IAF is proposed to be just over $30 million per year,[25] allocated across [ ].[26] It will not apply to non-bank customers.[27]

19. Armourguard said that the IAF is a utility-style pricing model which it imposed on itself in an attempt to "self-regulate".[28] It engaged the New Zealand Institute of Economic Research (**NZIER**) to review its proposed pricing mechanism,[29] [ ].[30]

20. NZBA has questioned the validity of the IAF, noting it is allocated on the basis of [ ].[31] NZBA said that this approach [ ].[32] NZBA also said that Armourguard's proposed new agreements were offered on [ ].[33]

21. As part of its proposal to re-negotiate its agreements with major customers, Armourguard also [ ]. It:

21.1 [ ];[34]

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22 Armourguard interim submission on Application (22 September 2025) at [46(b)].

23 Armourguard cross-submission on NZBA Cross-Submission dated 23 October 2025 (26 October 2025) at [3] and [7]. [ ]

24 [ ]

25 NZIER Report, above n 14, at [1.4].

26 [ ]. We understand that these banks are [ ]. [ ]

27 Armourguard interim submission on Application (22 September 2025) at [8].

28 Ibid.

29 Ibid, at [4].

30 Application at [ ].

31 Ibid.

32 Ibid.

33 Application at [ ].

34 [ ]

21.2 [
];[35]

21.3 [
].[36]
[
];[37] and

21.4 [ ].[38]

Factual situation when the Application was filed

22. When NZBA filed its application on 11 September 2025,
[ ].[39]

22.1 [ ].[40]
[
].[41]

22.2 [ ].[42]

23. At the time of the Application, [ ] banks' agreements with Armourguard faced the following expiry deadlines: [ ][43]

24. Each bank's agreement with Armourguard
[
].[44]

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35 [
] [
]

36 [ ]

37 Ibid.

38 [ ]

39 Application at [ ].

40 [ ]

41 [ ] See also [ ]

42 Application at [ ].

43 Application at [ ]. [ ]

44 See for example [
] [
]

25. At the time the Application was filed, at least [ ] were also parties to a step-in rights agreement with Armourguard [ ].[45] Step-in rights refer to the rights of the [ ] banks to manage and perform Armourguard's CIT services if a material trigger event occurs, including a critical service failure.[46] [ ] agreed to a process by which step-in rights would be exercised [ ]. [ ] also had step in arrangements with ACM before it was acquired by Armourguard.[47]

Interim authorisation determination

26. As part of its Application, NZBA also requested interim authorisation of certain related conduct under section 65AAA of the Act, permitting it and Participants to:[48]

    26.1 collectively negotiate individual service contract extensions and the possible terms of such extensions [ ];

    26.2 undertake preparatory work necessary to support the Proposed Arrangement, including sharing competitively sensitive information about each customer's respective CIT requirements;

    26.3 commence negotiations in relation to the Proposed Arrangement, excluding entry into any new contract with Armourguard; and

    26.4 facilitate discussions and exchange of information to the extent reasonably necessary to support the above.

27. The Commission declined the application for interim authorisation on 12 November 2025 (the **Interim Determination**):[49]

    27.1 At that time, the Commission considered there would likely be small benefits in granting interim authorisation, but two of the three Commissioners considering the matter were not satisfied that the potential benefits of doing so would outweigh the detriments of doing so, and there was no other compelling reason in the public interest to grant the interim authorisation; but

    27.2 One Commissioner would have granted the interim authorisation, as he considered the potential detriments were not likely so only the benefits of interim authorisation remained.

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45 [ ]

46 [ ]

47 [ ] [ ]

48 Application at [9.2].

49 Interim Determination, above n 5.

Developments following the Interim Determination

28. Since the Interim Determination, Participants have taken the following actions:

28.1 [ ] signed a new [ ] agreement on [ ] with Armourguard.[50] [ ].[51]

28.2 [ ] are disengaging, have disengaged, or will be disengaging from Armourguard[52] and [ ] (see paragraphs [30]-[35] below).

28.3 [ ] signed a new agreement with Armourguard in early 2026.[53]

28.4 [ ] signed a new [ ] agreement with Armourguard in early 2026, which [ ].[54]

28.5 [ ] is in the process of negotiating with Armourguard to finalise a new contract.[55] [ ].

29. Despite these developments, each Participant has said it remains interested in joining the collective bargaining should the Commission grant authorisation.[56]

Possible new entry operating model

30. As referenced above, [ ] have taken concrete steps to stand up and operate under a new disaggregated CIT model, including both wholesale and retail services. This model would involve [

].[57]

31. [ ] told the Commission that [

50 [ ]
51 Ibid.
52 [ ] [ ] [ ] [ ]
53 [ ]
54 [ ] [ ]
55 [ ] [ ]
56 [ ]
57 [ ]] [ ]

].[58] Moreover, [ ] explained that the new entry operating model contemplates disaggregation of services and is, therefore, not a complete like-for-like substitute for Armourguard's model.[59]
[

].[60]

32. At this stage, the success and timeline of establishing this new entry operating model is uncertain. The Commission understands that the only outstanding item in this process is RBNZ's approval to grant proposed new service providers access to RBNZ's Secure Zone, to pick up and drop off cash.[61] [ ], and RBNZ is considering these applications.[62]

33. However, RBNZ has told the Commission that:[63]

    33.1 it has a flexible approach in considering requests in light of the infrequent nature of the applications and, even in a best-case scenario, processing an access application would likely take significantly longer than the timeline envisaged by the applicants. The RBNZ cited that [
    ]. It submitted that these access requests are not likely to be processed in the timeframe that industry requires;

    33.2 accessing RBNZ's Secure Zone to collect purchased cash and to sell cash back to RBNZ is only one component; additionally, access seekers need to demonstrate that they can meet RBNZ's quality and authentication sorting standards for RBNZ to purchase cash back from them;

    33.3 further investment and/or changes to an applicant's operational processes may be required before permission to access to the Reserve Bank's Secure Zone is granted; and

    33.4 security or 'fit and proper' issues could prevent applicants from ever obtaining Secure Zone access.

34. We understand that RBNZ [ ],[64]
[ ] and the relevant parties are continuing their efforts to set up the new entry operating model. Nonetheless, NZBA most recently submitted that

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58 [ ]
59 [ ]
60 [ ] [ ]
61 [ ]
62 [ ] [ ] [ ]
63 [ ]
64 [ ]

Armourguard is currently, [ ] the only wholesale CIT provider, and Participants do not have access to a quality offering that could replace Armourguard's aggregated wholesale CIT services.[65]

35. For the purposes of our Determination, we have factored in the likelihood of the new entry operating model only so far as it relates to the authorisation. We discuss this further below in the 'With and without' and 'Benefits and detriments' sections.

The Proposed Arrangement

36. NZBA seeks authorisation for two or more Participants to:[66]

    36.1 collectively bargain for CIT services provided by Armourguard;

    36.2 engage in discussions and exchange information to support that collective bargaining;

    36.3 enter into a collective agreement and/or separate agreements based on a common contractual framework; and

    36.4 give effect to any such provisions collectively negotiated,

    (together, the **Proposed Arrangement**).

37. Such collective negotiation is likely to include (but not be limited to):[67]

    37.1 key commercial and operational terms such as pricing (including the IAF and its methodology), minimum service levels, security commitments, and opportunities to rationalise Armourguard's costs in providing CIT services across the network;

    37.2 "step-in rights", which describe when a Participant, or Participants, can "step-in" to control the operations of Armourguard's CIT services in the event of service disruption or failure, and how the exercise of such rights would be communicated to all customers;

    37.3 operational sustainability and efficiency opportunities that can be implemented across services provided to each Participant which may include (but is not limited to):

        37.3.1 standardised commercial deposit products;

        37.3.2 pre-registration of collection values;

        37.3.3 standardisation of delivery and collection schedules;

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65 NZBA cross-submission on Draft Determination (22 April 2026) at [6(b)] and [19].

66 Application at [5.2].

67 Application at [5.3].

37.3.4 standardisation of coin order values and format;

37.3.5 use of integrated safes by retailers;

37.3.6 a simplified discrepancy process; and

37.3.7 standardised treatment of cassettes / bags on site;

37.4 exploring the development of an alternative pricing mechanism to fairly contribute to the costs of the CIT infrastructure while allowing Armourguard to earn a reasonable return.

38. NZBA has requested authorisation for a period of 11 years to permit time to negotiate new service contracts, which may need to cover a 10-year period in particular given Armourguard's position during bilateral negotiations.[68]

39. For the avoidance of doubt, we understand from the Application and from subsequent engagement with the Participants that the intention is for the Proposed Arrangement to cover CIT services that the Participants either currently acquire from Armourguard or previously acquired from Armourguard or ACM. The authorisation does not allow the Participants to collectively bargain in respect of any other services, nor to share information or engage in discussions about any other services they may acquire or supply in competition with one another.

40. Also for the avoidance of doubt, authorisation of the Proposed Arrangement allows the Participants to engage in the relevant conduct only for the relevant period of time (11 years). The Participants may discuss, reach, and give effect to one or multiple collectively bargained agreements during this time; but:[69]

40.1 any agreements reached may only be given effect to until the end of this period of time (ie, extension of any agreements beyond 11 years would require reauthorisation); and

40.2 any information exchange and discussions may only be in respect of agreements to be reached under this authorisation (ie, the parties may not use this authorisation to commence discussions for an agreement to take effect after the 11-year period expires).

How we assess authorisations

Statutory framework

41. The Commission's power to authorise certain restrictive trade practices is set out in section 58 of the Act. Relevant to the Application, the Commission may authorise conduct potentially breaching section 27 (prohibition of contracts, arrangements or understandings that substantially lessen competition) or section 30 (prohibition of

[68] Application at [5.6].

[69] For the avoidance of doubt, this does not exclude agreements as to the orderly 'wind down' of any authorised agreement, or arrangements to reapply for authorisation, in either case within the 11 year period.

contracts, arrangements, understandings or covenants containing cartel provisions) of the Act.

42. The Commission undertakes a two-stage assessment when considering an authorisation application under section 58 of the Act.

    42.1 We first confirm whether the Commission has jurisdiction to assess the application, including whether:

        42.1.1 for applications pursuant to sections 58(1) and (2), the applicant considers that section 27 of the Act would, might or may apply to the proposed arrangement; and

        42.1.2 for applications pursuant to sections 58(6B) and (6D), the proposed arrangement contains a provision that is, or might be, a cartel provision.

    42.2 Second, we establish whether the public benefit test is satisfied under:

        42.2.1 section 61(6) of the Act (for applications under sections 58(1) and (2); and/or

        42.2.2 section 61(8) of the Act (for applications under sections 58(6B) and (6D).

43. The public benefit test is discussed in greater detail below at paragraphs [47]-[54].

Jurisdictional threshold

44. The Applicant has applied for authorisation under:[70]

    44.1 Sections 58(1) and (2), which set out that a person who wishes to:

        44.1.1 enter into a contract, arrangement or understanding (section 58(1)); or

        44.1.2 give effect to a provision in a contract, arrangement or understanding (section 58(2)),

    to which that person considers section 27 would or might apply, may apply to the Commission for an authorisation to do so; and

    44.2 Sections 58(6B) and (6D) which set out that a person who wishes to:

        44.2.1 enter into a contract, arrangement or understanding or covenant that contains a provision that is, or might be, a cartel provision (section 58(6B)); or

[70] Application at [5.12].

44.2.2 give effect to a provision of a contract, arrangement, understanding or covenant that is, or might be, a cartel provision (section 58(6D)),

may apply to the Commission for an authorisation to do so.

45. The Commission has jurisdiction to assess applications under sections 58(1) and (2) only for arrangements that the applicant considers will, or are likely to, lessen competition, commonly referred to as the 'competition threshold'. The competition threshold arises from the wording in section 61(6) which requires a "…lessening in competition that would result, or would be likely to result…" from the arrangement.

46. For the purposes of applications under sections 58(6B) and (6D), the Commission has jurisdiction to grant authorisation if it has reasonable grounds to believe the arrangement might contain a cartel provision. However, it is not necessary for the Commission to determine whether a particular provision is in fact a cartel provision.[71]

Public benefit test

47. Despite differences in the jurisdictional test, the applicable substantive public benefit test and assessment is materially the same for authorisations under sections 58(1), 58(2), 58(6B) and 58(6D).[72]

48. The Commission can authorise an arrangement if it is satisfied that a proposed arrangement will, in all the circumstances:

48.1 in relation to sections 58(1) and (2), be likely to result in a benefit to the public which would outweigh the lessening of competition;[73] and

48.2 in relation to sections 58(6B) and (6D), be likely to result in such a benefit to the public that the matter should be permitted.[74]

49. Courts have taken a consistent approach to the assessment of public benefits in authorisation decisions and have applied a fact-based assessment of the benefits and detriments, adopting a quantitative approach where possible.[75] Courts have also permitted the use of a qualitative assessment of all the benefits and detriments from a proposed arrangement, including those that cannot be quantified in monetary terms.[76]

50. In each case, the Commission needs to investigate and assess the nature, likelihood, and magnitude of any benefits and detriments that might arise from the proposed arrangements.

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71 Section 61(9) of the Act.
72 Sections 58(1)–(2), 58(6B) and 58(6D) of the Act.
73 Section 61(6) of the Act.
74 Section 61(8) of the Act.
75 Commerce Commission, Authorisation Guidelines (June 2023) (**Authorisation Guidelines**) at [51].
76 Authorisation Guidelines at [7].

51. The benefits and detriments balanced in the public benefit test must arise from the proposed arrangements for which authorisation is sought.[77] To determine whether the benefits and detriments are specific to the proposed arrangements, we assess:

    51.1 what is likely to occur in the future with the arrangement (the factual); and

    51.2 what is likely to occur in the future without the arrangement (the counterfactual).

52. Once we have identified likely benefits and detriments, we then assess their relative value. When making that assessment, factors we may consider include how the conduct could affect:

    52.1 allocative efficiency – whether the conduct would raise or lower margins, and whether it would reduce or improve quality, choice or other elements of value to consumers;

    52.2 productive efficiency – whether the conduct would improve or worsen the cost of production processes; and

    52.3 dynamic efficiency – whether the conduct would assist or hinder efficient innovation in products or processes.

53. The Courts have recognised that efficiencies are not the only benefits and detriments relevant to the Commission's assessment.[78] As such, the Commission is not limited to considering only these efficiencies. Rather, the Commission assesses what benefits accrue to the public in the circumstances of any given case.[79]

54. If we are satisfied that the benefits of a proposed arrangement likely outweigh the detriments, we will grant authorisation. If we are not satisfied of this, we will not grant authorisation.[80]

Conditions and time period of authorisation

55. We can authorise agreements subject to conditions and for a period we consider appropriate.[81]

56. If we decide to impose conditions on an authorisation, these must be consistent with the Act.[82] We may include conditions that remove or lessen the detriments arising from an agreement or unilateral conduct, or conditions that create or enhance the benefits.[83]

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77 Ibid, at [43].
78 *NZME Ltd v Commerce Commission* [2018] NZCA 389, [2018] 3 NZLR 715 at [80]–[81].
79 Authorisation Guidelines at [42].
80 Ibid, at [49].
81 Section 61(2) of the Act.
82 Section 61(2) of the Act.
83 Authorisation Guidelines at [32].

57. When considering whether to impose behavioural conditions, we are mindful they can carry costs. In assessing potential conditions, we have regard to:[84]

    57.1 how well they achieve their objectives, while minimising the risk of unintended negative consequences;

    57.2 the likely cost of monitoring and enforcement; and

    57.3 the likely compliance costs for the firms involved.

Relevant Markets

58. The term "market" refers to a market in New Zealand for goods or services as well as other goods or services that, as a matter of fact and commercial common sense, are substitutable for them.[85]

59. The Applicant has not defined or offered a view on relevant markets, but submitted that the scope of the proposed conduct includes:[86]

    59.1 wholesale CIT services;

    59.2 retail CIT services;

    59.3 ATM maintenance; and

    59.4 guarding services where ancillary to the other services.

60. We note that the Applicant submitted that the "Arrangement may have the effect, or likely effect of substantially lessening competition in a market for the acquisition of CIT services".[87]

61. In general terms, the Commission assesses the competitive effects of proposed arrangements on relevant markets in New Zealand when considering an authorisation application. We define relevant markets in the way that we consider best isolates the key competition issues that may arise from the proposed arrangements. However, it may not be necessary to precisely define the boundaries of these markets if the outcome of the assessment is likely to be substantially the same irrespective of the precise scope of the market.

62. We have not undertaken a detailed market definition assessment in this case, which, following our usual approach, would involve us applying the hypothetical monopolist (or 'SSNIP') test.[88]

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84 Ibid, at [34].
85 Section 3(1A) of the Act.
86 Application at [1.4].
87 Ibid, at [5.11].
88 As set out in more detail in Commerce Commission, *Mergers and Acquisitions Guidelines* (May 2022) at [3.15]–[3.24].

63. In the Commission's *Evergreen* merger decision, we defined separate national markets for wholesale CIT services, retail CIT services, and ATM maintenance services.[89] We have adopted that as our starting point. We have not received evidence suggesting that our starting point from our merger decision in 2024 is not appropriate.

64. We note that wholesale CIT services are a key area of focus in the bargaining between the Participants and Armourguard, and as such, in this authorisation, despite these customers also requiring retail CIT and ATM maintenance services. We understand that some banks, particularly smaller ones not requiring wholesale CIT services, may be able to satisfy their needs for CIT services using providers of retail CIT services alone (eg, DSS).[90] However, large banks requiring wholesale CIT services likely require the services of a firm that specifically provides such services, and may not find providers who do not offer such services as viable alternatives unless they expand.[91] The evidence also suggests that ATM maintenance services are functionally separate, can be procured separately, and can be supplied by firms that do not supply each of wholesale and retail CIT services (eg, First Security Group).

65. In this authorisation matter, we have not needed to reach a view on whether the national provision of ancillary guarding services required as part of the suite of services offered to banks may also be a relevant market.

66. In any event, for the purpose of assessing the Proposed Arrangement, we do not consider it necessary to conclude on the exact boundaries of the relevant market(s) because we ultimately do not consider that it would change our assessment of whether the benefits of the Proposed Arrangement are likely to outweigh the detriments.

Our Assessment of Jurisdiction

Sections 58(1) and (2)

67. We consider we have jurisdiction to assess the Application under sections 58(1) and (2) of the Act. This is because we consider the Proposed Arrangement is likely to lessen competition in two ways:

    67.1 First, we accept NZBA's submission that, to the extent Armourguard contemplates different contractual terms for its customers, the Proposed Arrangement is likely to lessen competition between Participants to acquire CIT services from Armourguard.[92] Armourguard's recent negotiations and

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89 *Evergreen NZ Holdings and ACM New Zealand Limited*, above n 9, at [26].

90 [ ]

91 Which, as discussed above, practically appears to require access to the RBNZ Secure Zone. [ ]

92 Application at [5.11].

executed service agreements with customers showed different contemplated terms for different users.[93]

67.2 Second, collective bargaining via the Proposed Arrangement is likely to change the Participants' bargaining power as purchasers of CIT services. To the extent that there are increases to the Participants' relative bargaining power, there could be a lessening of competition.[94]

Sections 58(6B) and (6D)

68. We also consider that we have jurisdiction to assess the Application under sections 58(6B) and (6D) of the Act. In our view, the Proposed Arrangement may contain at least one provision that is, or might be, a cartel provision because:

68.1 any arrangement is likely to be an agreement that contains provisions that:

68.1.1 fix, control or maintain the price at which Participants acquire CIT services from Armourguard;[95] and/or

68.1.2 restrict the acquisition of certain CIT related goods or services as Participants intend to standardise various CIT elements;[96] and

68.2 but for the Proposed Arrangement, Armourguard's services are supplied to the Participants in competition with each other.

69. Given that the Proposed Arrangement involves collective negotiations beyond price, we do not consider it necessary for the purposes of jurisdiction to consider whether some of the conduct would be exempt under section 33 of the Act.

Arguments raised by Armourguard on Application and jurisdiction

70. Armourguard raised concerns about the validity of the Application and our jurisdiction, including that the Application:[97]

70.1 is overly broad, especially due to its proposed period of 11 years;

70.2 appears to cover conduct beyond relevant jurisdiction; and

70.3 is not supported with evidence.

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93 For example, see [

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94 *Woolworths Ltd v Commerce Commission* (2008) 8 NZBLC 102,128 (HC) at [127] per Mallon J: "To say that competition is lessened is equivalent to saying that market power is increased or that competitive constraints are reduced" (citations removed).

95 Application at [5.9], relating to section 30A(2) of the Act.

96 Application at [5.10], relating to section 30A(3)(d) of the Act.

97 Armourguard's interim submission on Application (22 September 2025), at [2].

71. Authorisations for a period of approximately 10 years are not unusual; we address the term of this authorisation separately below. It is the applicant who chooses for what authorisation is sought.[98] The arrangement to which authorisation relates may be specific or it may leave open the possibility of development and evolution. As to whether the application is supported with sufficient evidence, we note that a lack of evidence may create an obstacle for the applicant in discharging its practical burden of persuasion in satisfying the Commission that the expected public benefits from the arrangement would outweigh any detriments.[99] Ultimately, the Commission may make its own enquiries, and then make a decision on the evidence before it.

72. Whether sufficient evidence has been provided in support of the Application is ultimately a matter for final determination, not jurisdiction. We do not consider Armourguard's arguments raise material concerns about the scope of the Application and the Commission's jurisdiction in this matter.

With and Without the Proposed Arrangement

73. As noted above, to determine whether the benefits and detriments identified by an applicant are specific to the Proposed Arrangement, we assess:

    73.1 what is likely to occur in the future with the Proposed Arrangement (the factual); and

    73.2 what is likely to occur in the future without the Proposed Arrangement (the counterfactual).

74. This analysis also allows us to determine both the existence and magnitude of potential benefits and detriments to assess whether there are public benefits.

75. We have considered all of the submissions and evidence we have received on what is likely to occur in the future with (factual) and without (counterfactual) the Proposed Arrangement.

76. In this context the Commission is necessarily engaging in a future-focussed assessment. As such, there is scope for a range of potential factual and counterfactual scenarios.

77. The Commission must consider all "likely" factual and counterfactual scenarios to identify all likely benefits and detriments relevant to its authorisation assessment.[100]

78. For the "likely" threshold to be met, Courts have held that there must be a real and substantial chance of the factual or counterfactual arising.[101] It must be more than a mere possibility but it need not be more likely than not.[102] The Courts have observed

98 *New Zealand Tegel Growers Association Incorporated* [2022] NZCC 30 at [55].

99 *NZME Ltd v Commerce Commission* [2018] 3 NZLR 715 (CA) at [86(b)].

100 Authorisation Guidelines at [44]–[45].

101 *NZME Ltd v Commerce Commission* at [86(a)], citing *Port Nelson v Commerce Commission* [1996] 3 NZLR 554 (CA) at 562–563.

102 Ibid.

that, inherently, the factual and counterfactual are "necessarily incapable of accurate assessment".[103] In recognising this inherent uncertainty and the requisite extent of the Commission's enquiries into what is "likely", the Court of Appeal has stated that, "to say that the Commission is "satisfied" is simply to say that it has made up its mind on all the material before it".[104]

Unaffected Situations

79. Benefits and detriments must be specific to the authorisation sought. In this case, we consider that there are a range of outcomes that would occur in a roughly equivalent manner both with and without authorisation, such that the difference would be insufficient to amount to be considered either as benefits or detriments for the purpose of our assessment.

80. Based on evidence received to date, we consider the following scenarios are likely to occur in both, and have immaterial differences between, the factual and counterfactual:

    80.1 Banks will continue to offer cash to consumers and to purchase CIT services to meet their banking and prudential obligations;

    80.2 Armourguard will continue to provide CIT services to its customers under existing (including newly-executed) agreement terms; and

    80.3 Participants without current CIT contracts will likely continue to negotiate with Armourguard for the purchase of future CIT services.

81. Based on evidence received, we also do not consider any significant or widespread disruption to the supply of CIT services is likely in either the factual or counterfactual because of the existence of step-in rights[105] and [ ].

Possibility of new entry and interaction with the factual and counterfactual

82. As discussed above, there currently are efforts to set up a new entry operating model, [ ].[106] As mentioned above, [ ] applied to RBNZ for access to its Secure Zone, which we understand to be critical for the provision of effective and viable wholesale CIT services. At the time of this Determination, [ ].

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103 *NZME Ltd v Commerce Commission* at [85], citing *Woolworths Ltd v Commerce Commission* (2008) 8 NZBLC 102,128 at [113].

104 *NZME Ltd v Commerce Commission* at [86](c)], citing *Z v Dental Complaints Assessment Committee* [2008] NZSC 55 at [26] per Elias CJ and [96] per Blanchard, Tipping and McGrath JJ.

105 Contractual rights which grant banks the ability to take over the running of CIT services in particular circumstances: see 'Step-in rights' section below.

106 [ ] [ ]

83. The potential successful new entry operating model providing services in competition with Armourguard—in particular, wholesale CIT services—would be a material change in the conditions of competition in the relevant markets. Such entry into CIT services was not considered to be realistic as recently as November 2025 when we issued the Interim Determination.[107]

84. In light of recent developments, the chances of such entry occurring have significantly increased over the past few months. We have received evidence from [ ] on the steps they have taken to operationalise the new entry operating model and their engagement with RBNZ,[108] and evidence from RBNZ about its views of the prospect of new entry.[109] More recently, Authentic has submitted that this disaggregated operating model represents "a credible and relevant form of market development", which is now operating and continuing to scale.[110] Ultimately, the prospects of such entry occurring to an extent sufficient to offer competitive constraint to Armourguard in the medium to long term is dependent on that entrant securing sufficient access to the RBNZ's Secure Zone to provide wholesale CIT services.

85. Based on the evidence before us, we consider that the prospect of successful new entry meets the 'real chance' threshold such that we must consider it in the context of this application, although we are unable to comment on exactly what the likelihood of such successful entry would be given its uncertainty. For the avoidance of doubt, we also consider that the prospect of unsuccessful new entry also meets the 'real chance' threshold in the context of this application.

86. We have considered what the prospect of potential successful new entry means for our consideration of this application. Whether entry is successful or not will not impact the categories of benefits and detriments of the Proposed Arrangement, although there may be some differences the in the magnitude of specific benefits or detriments. We consider in this case the appropriate approach to considering the impact of successful new entry is to treat it as an uncertainty, and to consider the incremental impact, qualitatively, of successful entry versus unsuccessful entry, as expressed in **Table 1** at paragraph [298] below.

The Scenario with the Proposed Arrangement (the factual)

87. The factual in the assessment of an authorisation application is a future which includes the conduct for which authorisation is sought. In this case, that involves Participants collectively negotiating service contracts with Armourguard, including on price and non-price terms, and giving effect to any collectively negotiated agreement for the period of time authorised.

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107 Interim Determination at [25.5].

108 See for example [ ]. [ ] [ ]

109 [ ] [ ]

110 Authentic submission on Draft Determination (10 April 2026) at 4.

NZBA's submissions

88. At the time of the Application, NZBA submitted that collective bargaining would support the economic viability of Armourguard's operations by permitting standardised service formats, improved logistics, and streamlined processes, that are not possible without collaborative information exchanges by Participants. Such improvement in Armourguard's ability to deliver services would, it submitted, create a more sustainable cash system.[111]

89. NZBA has further submitted that authorisation is likely to:

    89.1 result in more competitive pricing (reducing potential deadweight loss);[112]

    89.2 lead to better operational coordination;[113]

    89.3 help to lower transaction costs by [ ];[114]

    89.4 help to address information asymmetry, thereby improving risk allocation between the parties, and improve coordination of step-in rights.[115]

Interested parties' submissions

90. In response to the Application, Armourguard submitted that collective bargaining could shift CIT costs onto smaller players (ie, customers other than the larger banks and other Participants), thereby threatening equitable access to cash.[116] Armourguard further submitted that its utility-style pricing model, including the allocation of a significant share of national cash infrastructure costs to banks through the IAF, is the most appropriate and sustainable approach for the continued supply of CIT services to users. It also noted that it would try to maintain business-as-usual service for non-Participants,
[
].[117]

91. Armourguard further submitted that authorisation risks re-creating circumstances similar to those that led to ACM's exit, including unsustainable below-cost pricing.[118] It has contended that authorisation may entrench a buyer-side monopsony dynamic[119] and will encourage Participants with existing contracts to try to re-negotiate terms, leading to higher transaction costs and uncertainty.[120]

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111 Application at [1.13].
112 NZBA cross-submission on Draft Determination (22 April 2025) at [14]-[15], [17].
113 Ibid at [25].
114 Ibid at [26]-[28] and [45].
115 Ibid at [21] and [31].
116 Armourguard interim submission on Application (22 September 2025). Armourguard cross-submission on NZBA Cross-Submission dated 23 October 2025 (26 October 2025).
117 [ ]
118 Armourguard submission on Draft Determination (14 April 2026) at [3.1(a)-(d)] and 3.19(b).
119 Ibid, at [5.67], [8.20] and [9.2(b)].
120 Ibid, at [7.16(a)].

92. In its submission on the Application, RBNZ expressed doubts about whether a sustainable and resilient CIT provider with a utility-type pricing model would emerge were authorisation to be granted, given banks' negotiating power.[121] It also raised concerns about whether, in light of the banks' requirements under the RBNZ's Outsourcing Policy BS-11 (**BS-11**),[122] the Proposed Arrangement could put effective outsourcing arrangements for cash services at risk by increasing the fragility of the critical service provider.

93. RBNZ has further submitted that authorisation may have "adverse second-order consequences" for sustainability of the cash system.[123] While acknowledging the possibility of small transaction efficiencies, RBNZ considered that negotiations "driven primarily by price outcomes" may fail to support the cash system overall, especially its resiliency, adding that "efficiency gains alone may not fully reflect the public interest considerations" at play here.[124] It agreed that coordination risks remain, which should be mitigated through conditions.

94. Authentic submitted that authorisation should be granted for a shorter initial period (eg, three-five years), with a formal review after three years.[125] It identified a need to limit coordination in order to avoid market entrenchment and impeding development of alternative operating models.[126]

Our assessment of the likely factual

95. In considering the appropriate factual in this case, we have considered the potential options available to each Participant were we to grant authorisation.

96. Our view is that, with the Proposed Arrangement, Participants will have the ability to collectively negotiate, as well as take any action open to them in the counterfactual (for example, to continue to undertake bilateral negotiations and take steps to operationalise the new entry operating model). We consider there are broadly three classes of Participants, and their key options in the factual are as follows:

    96.1 those parties who have already signed agreements with Armourguard ([ ]) would continue under the terms of their existing contracts, but could join the collective for any potential future negotiations, and could also use the new entry operating model were it successfully set up for future negotiations or other needs (subject to the terms of their agreements with Armourguard);

    96.2 those parties who are disengaging or have disengaged from Armourguard (or have issued Armourguard with notices of non-renewal) ([ ]) would continue to take steps towards setting up the new entry operating model and would likely use that model if it were successful, or could join the

121 RBNZ submission on SOPI (10 October 2025).
122 RBNZ, "BS11: Outsourcing Policy" (September 2022) <www.rbnz.govt.nz>.
123 RBNZ submission on Draft Determination (14 April 2026) at 5.
124 Ibid, at 6-7
125 Authentic submission on Draft Determination (14 April 2026) at 3.
126 Ibid, at 3-4.

collective, or could negotiate bilaterally with Armourguard, if entry is unsuccessful; and

96.3 those parties who have not yet executed new agreements with Armourguard ([ ]) would likely join the collective but could use the new entry operating model were it successfully set up or could negotiate bilaterally with Armourguard.

97. In previous collective bargaining authorisations, we have considered whether or not the counterparty would collectively negotiate.[127] In its submission on the Draft Determination, Armourguard says that there is a "real possibility" it would feel "commercially compelled" to engage in a collective process.[128] At the same time, Armourguard has said that it was not obliged in bilateral negotiations to accept uneconomic or commercially unsustainable demands, and we consider that this remains the case in the factual.[129] It remains unknown, however, to what extent Armourguard would change its proposed contract terms as a result of negotiations with a collective; we discuss that further below in the 'Benefits and Detriments' section.

98. We set out below specific information about each Participant group's position relevant to its potential options in the factual. The relevant information also applies to our assessment of the counterfactual.

[ ]

99. [ ] signed a [ ] agreement with Armourguard before we received the Application and is receiving services under that agreement. However, we understand that [ ].[130] Further, the agreement [

].[131] We consider there is some prospect that [ ] could [ ]. We consider [ ] would therefore still seek to join the collective in the factual; and [ ] has told us it would seek to do so.[132]

100. Since interim authorisation was declined, [ ] has signed a [ ] agreement with Armourguard.[133] [ ], [134] [

127 For example, *New Zealand Tegel Growers Association Incorporated* [2022] NZCC 30 at [62]–[79].
128 Armourguard submission on Draft Determination (14 April 2026) at [9.2(a)].
129 Ibid, at [7.7].
130 Armourguard interim submission on Application (22 September 2025) at 14. [ ]
131 [ ]
132 [ ] [ ]
133 [ ] [ ]
134 [ ]

].[135] Armourguard accommodated [
]. The [ ] agreement reached, however, is [ ]% more expensive per annum than [ ].[136] [

].[137] We consider this suggests Armourguard was exercising a degree of market power during these negotiations.[138] Similar to the above, we consider there is some prospect that [
]. We also consider [ ] would still seek to join the collective—particularly for the purposes of [ ].[139]

101. As mentioned above, [ ], and [ ], suggesting some possibility of [ ]. This outcome would potentially be costly and disruptive. We discuss the potential impact of this further in the 'Transaction Costs' section below.

102. Since interim authorisation was declined, [ ] has signed a new agreement with Armourguard.[140] We understand that this agreement [

].[141] We consider that it is likely to join the collective and seek to negotiate for its CIT needs with Armourguard although it has signed a bilateral agreement. We also cannot exclude the possibility of [ ] joining the new entry operating model, were new entry successful – however, we have been unable to test the likelihood of this as the potential of entry is currently not known to [ ].

103. Since interim authorisation was declined, [ ] has also signed a new agreement with Armourguard.[142] Armourguard told the Commission that [ ] had signed a [ ] commitment which [

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135 [ ]

136 [ ]

137 [.]

138 Armourguard submitted that that shorter-term contracts in a high fixed cost industry will result in higher annual pricing where fixed costs must be recovered over a shorter duration: Armourguard submission on Draft Determination (14 April 2026) at 62. We accept this, but [ ] and as such still consider this example indicates a degree of market power.

139 [ ] [ ]

140 [ ]

141 [ ]

142 [ ]

].[143]

[ ]

104. [ ] are disengaging or have disengaged from Armourguard. At the time of writing, [ ] operating under disengagement protocols which allow [ ]. [ ] disengagement period has already commenced. [ ] has [ ].[144]

105. We have discussed above [ ]'s efforts to set up a new entry operating model to Armourguard, the success of which is likely to depend on access by [ ] to RBNZ's Secure Zone. [ ] submitted that [ ].[145] As shown by [ ], we consider that [ ] will likely [ ].

106. If access to the RBNZ's Secure Zone is approved and new entry operating model is successful, we consider that even with the authorisation [ ] would continue operating under the new entry operating model and could [ ]. [ ] has nonetheless told the Commission that it would likely join the collective in order to [ ].[146]

107. However, if access is not approved or entry is otherwise unsuccessful, we consider [ ] would at some point need to re-engage with Armourguard for discrete services; and in such case it would likely join the collective (or rely on an already-negotiated collective agreement). We consider that, in such case, [ ].[147]

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143 Ibid at 4–5.

144 [ ]

145 For cash provisioning services which are typically reliant on RBNZ Secure Zone access, [ ] temporary support arrangements involve: [ ]. We understand [ ] has [ ] to date. See [ ].

146 [ ] told us it would seek to [ ] in the first instance but would seek other options if this were not successful.

147 [ ]

108. [ ] told the Commission that, as it could not reach agreement on terms with Armourguard, it entered into a disengagement period, which lasted until [ ].[148] It plans to [ ]. We are also aware that [ ].[149] We consider that if the new entry operating model is successful, [ ] would likely use the new entry operating model for all of its CIT needs, in particular because [ ].[150] However, if that new entry operating model were unsuccessful, we consider that, at some point, [ ] would need to re-engage with Armourguard, at which point it would likely seek to join the collective (or rely on an already-negotiated collective agreement).

109. [ ] has also told the Commission that it intends to] and has [ ]. [ ]'s existing agreement was set to expire on [ ]. [ ] has also been exploring contingency planning, [ ]. In light of these recent developments, [ ] has indicated that the urgency of the Commission's determination on the authorisation is now less critical for it.

110. If the new entry operating model is successfully set up, we consider that [ ] would likely use it for all its CIT needs. If, however, that new entry operating model is unsuccessful, we consider that [ ] may, at some point, need to re-engage with Armourguard – at time it would likely seek to join the collective for negotiations (or rely on an already-negotiated collective agreement).

Remaining Participants

111. The remaining Participants, [ ], do not have new agreements with Armourguard nor have they formally disengaged. We consider that [ ] are likely to join the collective and seek to negotiate their CIT needs with Armourguard. Were the new entry operating model successful, they may seek to use the new entry operating model.

The Scenario Without the Proposed Arrangement (the Counterfactual)

112. The counterfactual is a future without the proposed collective bargaining, ie one in which Participants broadly continue to have their existing options and incentives. In particular, Participants will need to negotiate on a bilateral basis for any service contracts with Armourguard.

148 [ ]
149 [ ]
150 [ ]

NZBA's submissions

113. NZBA originally submitted that, absent the Proposed Arrangement, the then-status quo (ie, bilateral negotiations) would persist but with increasing instability and risk.[151] It submitted that, despite their scale and commercial sophistication, banks do not possess meaningful countervailing power in negotiating with Armourguard and at the time of the Application there was no meaningful alternative end-to-end provider to Armourguard. NZBA submitted that, in the counterfactual, the Participants, particularly banks who have an obligation to offer cash services, would ultimately need to negotiate bilaterally with Armourguard, which would have little incentive to amend its terms, would retain the ability to recover monopoly rents, and could reduce service quality. It further submitted that the counterfactual would be "the continuation of [Armourguard] using its market power to unilaterally impose terms that are not consistent with a workably competitive market".[152]

114. NZBA has further submitted that, without authorisation, there is a "real prospect" that [ ].[153]

Interested parties' submissions

115. In its response to the Application, Armourguard submitted that the appropriate counterfactual is that it would continue to offer all bank customers uniform CIT contracts and "utility-like regulated pricing" (ie, its proposed pricing model including the IAF).[154] Armourguard disagreed with NZBA's characterisation of market dynamics, stating that the major banks have "substantial countervailing power … their coordinated conduct has historically dictated price levels and contract terms."[155] It stated it would continue to negotiate bilaterally in good faith with the Participants as their contracts expired, offering reasonable compromises where possible; would continue to pursue its investment plan; and would continue to offer its business-as-usual services to other customers with nationwide cash access better enabled through the IAF model.[156]

116. It further submitted that the most likely counterfactual is the "status quo, adjusted to reflect reduced scale and reduced demand", noting that smaller and potentially less efficient scale may affect pricing in due course,[157] and that coordination of step-in rights would persist [ ].[158]

117. RBNZ submitted that it was interested in a sustainable CIT business generating a fair return on investment; it considered this most likely to arise under a utility-like pricing

151 Application at section 7.
152 NZBA cross-submission on Armourguard interim submission (1 October 2025) at [5].
153 NZBA cross-submission on Armourguard submission (22 April 2026) at [28].
154 Armourguard interim submission on Application (22 September 2025).
155 Armourguard cross-submission on NZBA Cross-Submission dated 23 October 2025 (26 October 2025).
156 [ ]; Armourguard cross-submission on NZBA Cross-Submission dated 23 October 2025 (26 October 2025).
157 Armourguard submission on Draft Determination (14 April 2026) at [7.12] and [7.21].
158 Ibid, at [5.21] and [9.4].

structure.[159] It considered such a structure would still allow individual banks to find improved reliability and efficiencies bilaterally and would provide space for other CIT firms to deliver smaller-scale or more niche services. It noted that problems with the *status quo* could still be resolved under this model, including: banks exploring efficiencies through innovation; Armourguard moderating its demands; technology evolution reducing CIT dependency; and banks prioritising addressing duplication and inefficiencies in their own organisations.[160]

Our assessment

118. As stated above, the possibility of successful entry by the new entry operating model—which has arisen since our Interim Determination—exists in both the factual and counterfactual scenarios. We do not consider it necessary to construct a separate counterfactual to assess this uncertainty.

119. In considering the appropriate counterfactual in this case, we have considered the potential options available to each Participant were we not to grant authorisation.

120. Our view is that, without the Proposed Arrangement, Participants would largely continue to negotiate bilateral agreements with Armourguard. We consider there are broadly three classes of Participants, and their key options in the counterfactual are as follows:

    120.1 those parties who have already signed contracts with Armourguard ([ ]) would largely continue under the terms of their existing contracts, and could also use the new entry operating model were it successfully set up and their contracts with Armourguard allowed for this;

    120.2 those parties who are disengaging from Armourguard (or have issued Armourguard with notices of non-renewal), [ ], would continue to take steps related to the successful establishment of the new entry operating model, but would be required to bilaterally negotiate with Armourguard if access to the Secure Zone is declined or entry is otherwise unsuccessful; and

    120.3 those parties who have not yet negotiated new contracts with Armourguard ([ ]) would likely continue to negotiate bilaterally with Armourguard but could use the new entry operating model were it successfully set up.

121. Armourguard submitted that it does not expect ongoing bilateral negotiations with Participants that have terminated or disengaged, save to the extent "some future commercial development caused them to re-engage", and that these Participants have made clear that they do not presently wish to contract with Armourguard.[161]

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159 RBNZ submission on SOPI (10 October 2025) at 4.

160 Ibid, at 5.

161 Armourguard submission on Draft Determination (14 April 2026) at [7.14] and [7.16(b)].

Nonetheless, we consider Armourguard would be likely to re-engage in bilateral negotiations with those Participants if authorisation is not granted and if Participants seek to do so. We note that Armourguard has [ ] during negotiations to date.[162] We consider if authorisation were not granted it would continue to accommodate individual Participant requests to the extent practicable without altering the total cost of a contract (and in particular, it will continue to seek to recover the IAF from the parties to which it is applicable).

122. Below, we set out specific information about each Participant group's position relevant to its potential options in the counterfactual. This information builds on the information set out in the 'factual' section above at paragraphs [99]-[111].

[ ]

123. These Participants have executed agreements. We consider that, were we not to grant authorisation, they would continue to procure services from Armourguard under the terms of these agreements. As [ ], these Participants would not be able to switch any services to the new entry operating model during the terms of their agreements, although we consider [ ] would likely seek to do so [ ] if the [ ].[163] While [ ] agreement is expressly [ ] and does not require [ ], we consider that it could have difficulties [ ].[164] While [ ] may be unaffected by [ ], we do not consider this likely, at least in the short to medium-term.

[ ]

124. These Participants have notified Armourguard that they are not intending to enter a new agreement with Armourguard. [ ] are disengaging or have disengaged from Armourguard and are transitioning or have transitioned into operating under the new entry operating model, as discussed above; and [ ] has notified Armourguard of its intention not to renew its agreement. We consider that in the counterfactual, these Participants will continue to work on this alternative operating model for as long as practicable, in particular due to [ ]. However, if entry is unsuccessful, in the world without authorisation, we ultimately consider it likely that these Participants would need to re-engage bilaterally with Armourguard for at least some CIT services. In such circumstances we consider Armourguard is likely to take a similar approach to bilateral negotiations

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162 See [ ] and [ ].

163 [ ]

164 [ ]

with these Participants as [ ], including seeking to impose the IAF and demonstrating limited openness to party-specific terms.[165]

Remaining Participants

125. [ ] do not currently have new agreements with Armourguard. We consider they are likely to bilaterally negotiate for their CIT needs with Armourguard. Were the new entry operating model successful, [ ] may seek to use the new entry operating model.

Summary of factual and counterfactual

126. Ultimately, the core difference between the factual and counterfactual is whether we grant authorisation for the Proposed Arrangement. In the factual, the Participants would have the additional option of collective bargaining, which they would not have in the counterfactual. We consider all Participants would likely seek to join the collective discussions even though some Participants have existing CIT service agreements, and we consider Armourguard would likely engage with the collective contrasting with the bilateral negotiations that are likely in the counterfactual.

127. In both the factual and counterfactual, there is the possibility of successful entry from a new entry operating model, which would change the underlying conditions of competition and affect the relative benefits and detriments of granting authorisation—we capture this uncertainty in our benefits and detriments analysis below.

Our Assessment of Benefits and Detriments

128. The Commission will grant authorisation if it believes that the proposed conduct will result, or likely result, in a benefit to the public that outweighs the lessening in competition that would result or likely result from the proposed conduct.[166] In making this assessment, the Commission considers the evidence before it, and that evidence's relative weight.

129. In *Godfrey Hirst*, the Court of Appeal observed that the Commission must consider a broad range of benefits and detriments in applications for authorisation. This may include efficiencies and non-economic factors.[167]

130. The Court of Appeal said the Commission must have regard to efficiencies when weighed together with long-term benefits to consumers, the promotion of competition, and any economic and non-economic public benefits. The Court stated that "[w]here possible, these elements should be quantified; but the Commission

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165 For example, although Armourguard [ ].

166 Sections 61(6) and (8) of the Act; Authorisation Guidelines at [18.2].

167 *Godfrey Hirst NZ Ltd v Commerce Commission* [2016] NZCA 560 (CA) at [24] and [31].

and the courts cannot be compelled to perform quantitative analysis of qualitative variables."[168]

131. The Commission's approach is to quantify benefits and detriments to the extent practicable.[169] Regarding the weight that can be given to qualitative factors, the Court of Appeal said in *Godfrey Hirst* that "[q]ualitative factors can be given independent and, where appropriate, decisive weight."[170]

132. Benefits can arise if a market experiences gains in allocative, productive, or dynamic efficiency:

    132.1 Allocative efficiency is gained when efficient prices result in more-preferred alternatives for consumers or the purchase of larger quantities by consumers.

    132.2 Productive efficiency is improved when resources are more effectively employed in production, manifesting in lower fixed or unit costs.

    132.3 Dynamic efficiency is gained when parties' incentive or ability to innovate/invest is increased.

133. On the other hand, detriments can arise if a market experiences loss in allocative, productive or dynamic efficiency:

    133.1 Allocative efficiency is lost when inefficient (higher) prices result in less-preferred alternatives for consumers or to the purchase of smaller quantities by consumers.

    133.2 Productive efficiency is lost when resources are inefficiently employed in production, typically increasing costs above efficient levels. This could manifest in higher fixed or unit costs.

    133.3 Dynamic efficiency is lost when the incentive or the ability to efficiently innovate/invest is reduced.

134. The Court of Appeal in *NZME* confirmed that the Act allows the Commission to apply a 'modified total welfare' approach but does not require us to do so. A modified total welfare approach can take into account the distributional effects of benefits and detriments within a community.[171]

135. Armourguard requested that the Commission adopt the modified total welfare approach as it submitted doing so would highlight that authorisation would

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168 Ibid, at [36].

169 *Telecom Corporation of New Zealand Ltd v Commerce Commission* [1992] 3 NZLR 429 (CA) at 447. *Air New Zealand and Qantas Airways Limited v Commerce Commission* (2004) 11 TCLR 347 (HC) at [319]. *Ravensdown Corporation Ltd v Commerce Commission* High Court, Wellington API68/96 (16 December 1996) at [47] to [48].

170 *Godfrey Hirst NZ Ltd v Commerce Commission* [2016] NZCA 560 (CA) at [38].

171 *NZME Ltd v Commerce Commission* at [75]; and see Authorisation Guidelines at [85].

effectively result in a wealth transfer rather than the generation of genuine net public benefits.[172]

136. The Commission accepts there are neutral wealth transfers that will occur as a result of the Proposed Arrangement. That does not affect the Commission's obligation to weigh the benefits and detriments to determine whether authorisation will result in a net public benefit. Our assessment distinguishes between public benefits and wealth transfers.

137. Armourguard's submission did not persuade us that wealth transfers currently treated as neutral should be counted as detriments because of their distributional effects.

138. Indeed, hypothetically applying a modified total welfare approach, we would expect the key issue in a buyer-side case such as this would be that otherwise neutral wealth transfers from Armourguard to Participants in the factual would be passed through to consumers in the form of lower prices.[173] Those transfers, treated as neutral under the total welfare standard, could therefore be treated as benefits of authorisation under a modified total welfare approach because those transfers would be spread more widely amongst the community than in the counterfactual.

139. Ultimately we have adopted a total welfare approach so it is not necessary to reach a view on these matters but we consider that adopting a modified total welfare approach would be unlikely to change our decision to grant authorisation.

140. In its cross-submission, NZBA submitted that adopting a modified total welfare approach would reinforce the case for authorisation, including because less weight would be placed on returns flowing to Armourguard's offshore owners, and greater weight to transfers flowing to New Zealanders via some Participants' ultimate New Zealand shareholding and ownership.[174]

141. In our view the approach to foreign wealth transfers has been settled since *AMPS-A.*[175] Wealth transfers to foreign companies or shareholders should not be treated differently than to those in New Zealand unless they constitute functionless monopoly rents. Foreign investment is beneficial to New Zealand and is to be encouraged. A return on investment is required to encourage such investment.[176] We do not consider the test in *AMPS-A* is affected by a modified total welfare approach. A potential wealth transfer between the shareholders of two contained sets of businesses is unlikely to trigger the broader distributional concerns of the modified total welfare standard. In this case, we consider the transfer is neutral.

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172 Armourguard submission on Draft Determination (14 April 2026) at [8.11]-[8.12].

173 Noting that, even under a total welfare standard, a decrease in price to consumers might result in output or efficiency benefits.

174 NZBA cross-submission on Draft Determination (22 April 2026) at [47]-[52].

175 *Telecom Corporation of New Zealand Ltd v Commerce Commission* (1991) 4 TCLR 473 (HC) (**AMPS-A**) at 531.

176 *Godfrey Hirst NZ Ltd v Commerce Commission* [2016] NZCA 560 (*Godfrey Hirst* (No 2)) (CA) at [50].

Potential Benefits and Detriments

142. NZBA submitted that a range of benefits are possible from the Proposed Arrangement. It groups these potential benefits into three broad categories:[177]

142.1 system resiliency and long-term stability;

142.2 pricing transparency and fairness; and

142.3 operational efficiencies.

143. NZBA submitted there are no possible detriments.[178]

144. On the other hand, Armourguard submitted there are no possible benefits as the claimed public benefits are already being delivered through Armourguard's uniform bank contract terms and utility-like pricing framework along with its rationalisation programme.[179]

145. Armourguard submitted that there are a range of possible detriments, including:[180]

145.1 the incurring of additional costs;

145.2 creation of risk and uncertainty, including by jeopardising existing commercial contracts and Armourguard's ability to contract with other customers;

145.3 weakening Armourguard financially to the point of distress as a result of the banks collectively delaying or suppressing prices;

145.4 creation of a serious perverse incentive for the banks to engineer the collapse of Armourguard, so that they can exercise their step in rights, enabling them to operate Armourguard in the event of its insolvency;

145.5 the delay and deferring of non-essential investments,[181] which in turn, may reduce the quality of services, due to the long lead times for procuring certain capital assets;[182]

145.6 the prolonging of uncertainty around cost recovery and capital investment signals, which increases the risk to consumer access to cash and the long-term resilience of the national CIT network;[183]

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177 Application at [8.1]-[8.24].

178 Application at [8.25]-[8.27].

179 Armourguard interim submission on Application (22 September 2025) at [6] of cover letter from Matthews Law.

180 Ibid, at [20], [36], [40]-[42], [56], [64] and [70] of main submission.

181 [ ]

182 Interview with [ ].

183 Ibid.

145.7 the risk of tacit collusion once sensitive information is shared among the banks and coordination effects become irreversible; and

145.8 the risk of systemic harm by entrenching buyer power, thereby increasing bank collective dominance.

146. We have assessed NZBA and Armourguard's submissions on benefits and detriments, as well as a significant amount of other evidence we have received while assessing the Application. We have characterised the potential benefits and detriments that might arise from the Authorisation differently to the parties, and we set these out in the sections below, each of which covers one broad 'category' of potential benefits and/or detriments.

The economic framework, bargaining and information asymmetry

147. We set out in **Appendix A** details of the economic framework we consider appropriate for assessing potential public benefits and detriments, particularly in respect of collectively negotiating price and non-price aspects of the contracts between Armourguard and the Participants. We also consider the potential for bargaining inefficiencies caused by information asymmetries in the counterfactual and whether collective negotiation could help reduce or eliminate these.

148. Ultimately, as set out in **Appendix A**, we consider it appropriate to use a bargaining framework, applicable to both bilateral and collective negotiations, to assess the likely outcomes following negotiations in the factual (collective) and counterfactual (bilateral). This enables us to determine if the Proposed Arrangement is likely to yield a net public benefit or detriment. We consider the bargaining framework is sufficiently suitable and flexible to analyse the various issues raised by Armourguard in its submissions as summarised in **Appendix A**. Particularly:

148.1 consideration of the outside options available to the banks would include assessment of credible actual or potential entry, whether sponsored or not. We outline this assessment at paragraphs [187] to [203] below.

148.2 bargaining power may shift to the extent that step-in rights improve the banks' disagreement payoff or weaken Armourguard's. The interaction between step-in rights and collective bargaining can be assessed in terms of how it may shift bargaining power between Armourguard and the banks, and the likely outcomes compared to the counterfactual. We address submissions on the potential for interaction between step-in rights and collective bargaining to result in unsustainable prices at paragraph [201].

148.3 the bargaining framework can also be applied to the potential impact of collective bargaining on successive contract negotiations, whether in the presence or absence of entry including any implications of market features like competition for the periodic contract. We consider this in paragraphs [187] to [203] below, where we assess the potential for collective negotiations to result in unsustainable prices.

148.4 the bargaining framework enables us to consider whether the outcomes observed in the counterfactual are likely less efficient. For example, Armourguard submitted that smaller and potentially less efficient scale due to demand fragmentation arising from failure to conclude contracts with some banks may affect pricing.[184]

149. As an overarching matter, we have not and do not propose to construct a view of the specifics of what any collectively negotiated terms would ultimately look like as part of our assessment. The scope and content of any such collectively negotiated terms will be determined by the parties to that collective agreement (which includes Armourguard), noting that neither Armourguard nor the banks are required to agree to any terms.

Collectively negotiated pricing mechanism: price and volume effects

Applicant and Participant submissions

150. NZBA submitted that, without collective negotiations, Armourguard has disproportionate leverage in negotiations that would allow it to impose terms and extract monopoly rents.[185] The Applicant submitted that the Participants lack meaningful bargaining power in negotiating with Armourguard.[186] For example:

150.1 Armourguard gave [ ].[187]

150.2 [ ] signed a [ ] agreement at a [ ],[188] which it says [ ].[189]

150.3 Armourguard [ ][190] and then [ ].[191]

151. The Applicant submitted that [ ].[192] That is, it submitted there is a relationship between prices and volumes of CIT services demanded. It also submitted

184 Armourguard submission on Draft Determination (14 April 2026) at [7.12].
185 Application at [7.2].
186 Ibid, at [7.2(a)].
187 Ibid, at [ ].
188 [ ]
189 [ ]
190 Application at [ ].
191 Application at [ ].
192 Ibid.

that there is increased risk of protracted bilateral disputes or litigation, which could further disrupt the supply of CIT services.[193]

152. [ ] submitted that [ ] and [ ] could [ ].[194] In a worst-case scenario, unfavourable terms or pricing could [ ].[195] The results could be].[196]

153. NZBA submitted that concerns about service continuity, pricing transparency and long-term sustainability of CIT services will persist absent collective negotiations.[197] It submitted that the Proposed Arrangement is intended to rebalance negotiations and promote fair and sustainable pricing, without compromising service quality or efficiency.[198]

154. The Participants expect that the Proposed Arrangement would result in an independent, fair and transparent pricing mechanism, which would reduce disputes, improve accountability and lead to sustainable pricing of CIT services.[199] A collectively negotiated pricing mechanism, expected to be based on principles used in regulation,[200] would allow Armourguard a fair return while minimising scope for monopoly rents and preserving access to cash especially for New Zealanders who rely on cash.[201] An independent third party would determine actual pricing to ensure neutrality.[202]

155. The Applicant submitted that there is unlikely to be any loss of allocative efficiency since Armourguard retains significant market power, and prices are unlikely to end up below competitive levels due to any collective bargaining.[203]

Interested parties' submissions

156. Armourguard submitted that the banks have resisted higher pricing despite the need for a sustainable industry model or their obligations to comply with BS-11, which is intended to ensure viability of critical suppliers to the banks.[204] Armourguard further

193 Ibid.
194 [ ]
195 Ibid.
196 Ibid.
197 Application at [7.3].
198 Ibid, at [8.26(b)].
199 Ibid, at [8.19], [ ] and [7.4].
200 See [ ].
201 Application at [8.16], [8.21], [8.23] and [8.24].
202 Ibid, at [8.21].
203 Ibid, at [8.26(b)].
204 Armourguard interim submission on Application (22 September 2025) at [5] of cover letter from Matthews Law; RBNZ, "BS-11 Outsourcing Policy" (September 2022) at https://www.rbnz.govt.nz/-

submitted that the banks are seeking to obtain enduring monopsony (buyer) power against a much smaller supplier rather than delivering public benefit.[205] Armourguard also submitted that the Application appears directed at constraining or delaying implementation of sustainable, market-based pricing for essential cash-handling services.[206] Armourguard states that its model, reviewed and assessed by NZIER, is designed to be sustainable and consistent with best regulatory outcomes akin to Part 4 of the Act.[207] Armourguard submitted that the termination and renegotiation of agreements and the references to significant percentage price increases must be viewed in the context of those agreements being "in several cases, uneconomic" where continuation on those terms were not viable, and the steps it took reflect commercial negotiations in a distressed cost environment, not the exercise of unconstrained market power.[208]

157. Armourguard also submitted that its new pricing model already achieves the public benefits sought by the Applicant by supplying uniform national contract terms and a utility-like regulated pricing regime that includes the IAF.[209] According to Armourguard, the IAF, which is subject to periodic review and reset, ensures that Armourguard does not earn excess returns and that pricing remains aligned with efficient, benchmark-based cost recovery.[210]

158. In addition, Armourguard submitted that the Application causes harm and contributes to the very problem the banks say they hope to address (ie, system sustainability), adding that there would be no such concerns if the banks accepted Armourguard's price terms.[211]

159. Armourguard also submitted that there is no evidence that any price impacts from authorisation would result in a public benefit.[212] Instead, Armourguard submitted that any change in price terms would merely be a wealth transfer and would not result in any public benefits.[213] Conversely, it submitted that any reduction in prices charged to banks because of collective bargaining would be reallocated to, and therefore adversely impact, non-bank customers.[214]

160. Further, it submitted that ordinary bilateral commercial processes are functioning efficiently, producing the same or greater public benefits than those claimed by the

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/media/project/sites/rbnz/files/regulation-and-supervision/banks/banking-supervision-handbook/bs11-sept-2022.pdf.

205 Armourguard interim submission on Application (22 September 2025) at [5] of cover letter from Matthews Law.

206 [ ]

207 Armourguard interim submission on Application (22 September 2025) at [6] of cover letter from Matthews Law.

208 Armourguard submission on Draft Determination (14 April 2026) at 80.

209 Armourguard interim submission on Application (22 September 2025) at [6] of cover letter from Matthews Law.

210 [ ]

211 Armourguard interim submission on Application (22 September 2025) at [7] of main submission.

212 Ibid, at [24] of main submission.

213 Ibid.

214 Ibid, at [24] and [42(b)] of main submission.

Applicant, without the distortions or coordination risks of collective negotiations.[215] Armourguard expected to finalise contracts with [ ] by late November 2025 and with [ ] before the March 2026 [ ] (although as discussed above this did not fully eventuate). [216] Armourguard also noted that banks were not compelled to contract with it.[217]

Parties' submissions on the Draft Determination

161. In its response to the Draft Determination, Armourguard submitted that the Commission's assessment did not address the interaction between step-in rights and collective bargaining, which it argued increases the likelihood of sub-economic pricing outcomes.[218] It considered this is particularly relevant for wholesale CIT services which are characterised by high fixed and sunk costs.[219] Armourguard further submitted that banks have bargaining power as well as realistic actual or potential alternatives including through sponsored entry.[220] It also argued that our assessment ignored the commercial and legal or regulatory pressures it would face to negotiate if authorisation were granted.[221] Notwithstanding this submission, Armourguard also stated that all parties could walk away from negotiations and that there is a real prospect that it would be unwilling to engage in any extensive collective bargaining process.[222]

162. Armourguard also submitted that because the sector is characterised by high fixed and sunk costs, the risk of displacement at contract renewal constitutes a material commercial constraint. [223] It further argued that the Draft Determination did not engage with the implications of collective negotiation on successive contract renewals given the bid-market dynamics of CIT services.[224] Armourguard considered that competitive harm or benefit is most accurately assessed by reference to effects at the bidding stage, with particular consideration given to how the consolidation of demand within the collective may affect competition in upstream CIT market(s).[225]

163. According to Armourguard, banks have independent commercial incentives to reduce cash usage, and those incentives are distinct from and not eliminated by their prudential obligations.[226] Armourguard submitted that any resulting consumer benefits should be given limited weight unless supported by further analysis.

164. Armourguard also submitted that there is, "no evidential basis to conclude that current pricing is inefficient or counterfactual would be 'more competitive'", or that

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215 [ ]

216 Ibid at 3.

217 Ibid.

218 Armourguard submission on Draft Determination (14 April 2026) at [5.20]-[5.37].

219 Ibid, at [5.30].

220 Ibid, at [5.44]-[5.47].

221 Ibid, at [5.58].

222 Ibid, at [5.59] and [7.16d].

223 Ibid, at [5.61]-[5.68].

224 Ibid, at [5.61]-[5.68] and [8.14]-[8.21].

225 Ibid, at [8.14]–-8.16].

226 Ibid, at [8.22]-[8.26].

the hypothesised collective pricing negotiation framework would be adopted or function as anticipated.[227] It considers that this is in part because the Commission has not reviewed the full IAF model nor applied regulatory principles applied under Part 4 or price-cost analysis.

165. In response to Armourguard's submissions on the Draft Determination, NZBA submitted that Armourguard has not presented any new evidence in its submission on the Draft Determination and that much of Armourguard's submission does not reflect current reality.[228] Further, NZBA submitted that the Commission must make a forward-looking assessment of current and future market dynamics based on available evidence.[229]

166. NZBA also submitted that Armourguard's submissions that collective negotiation could result in unsustainable pricing is not supported by either evidence of Armourguard's own conduct or economic theory.[230] NZBA notes that Armourguard acknowledged that it is not required to accept uneconomic or economically unsustainable demands including that it [ ].[231] NZBA submitted that any pricing framework that may be offered by the Participants would be constrained by Armourguard's commercial requirements and would otherwise be rejected by Armourguard as it is not obliged to accept uneconomic terms.[232]

167. NZBA submitted that Armourguard is not at risk of being forced to accept sub-economic outcomes as it retains a monopoly position in aggregated wholesale CIT services, can refuse uneconomic terms, with its existing bilateral contracts as an alternative.[233] Further, NZBA submitted that the Participants have strong incentives to ensure Armourguard continues operating as it is the only wholesale CIT provider, [ ].[234] NZBA also submitted that Armourguard's direct participation in the negotiations prevents many of its speculative detriments from eventuating.[235]

168. NZBA submitted that correction of information asymmetry and mistrust through collective negotiation, resulting in more efficient contracts is a real resource improvement, not a wealth transfer, and prices closer to efficient and cost-reflective levels reflect a welfare gain through reduced deadweight loss.[236]

169. NZBA also submitted that Armourguard's submission that step-in rights combined with collective bargaining exert downward pressure on pricing lacks merit. It argued that this is evidenced by the pre-existing step-in rights which are only triggered as a

227 Ibid, at [8.27].
228 NZBA cross-submission on Draft Determination (22 April 2026) at [4]-[5].
229 Ibid, at [6].
230 Ibid, at [7].
231 Ibid, at [8].
232 Ibid, at [9]-[10].
233 Ibid, at [11].
234 Ibid, at [19].
235 Ibid, at [11].
236 Ibid, at [17].

temporary measure in emergency situations "that no party wants to see eventuate."[237]

Our assessment

170. The Participants intend to collectively bargain with Armourguard on several issues including the prices of a range of CIT services. We consider, in line with the framework outlined in **Appendix A**, that Armourguard likely had more bargaining power relative to each individual party that has already concluded contracts and will likely have greater relative bargaining power with any customer who either is in the process of negotiating with Armourguard or returns to negotiate if the new entry operating model proves unviable in the counterfactual. This is due to the following factors:

    170.1 Some of the banks require a wholesale CIT provider in order to continue providing cash access and comply with their banking obligations. Unless and until entry under the new entry operating model is successful, the Participants would not have access to a viable alternative offering capable of replacing Armourguard's wholesale CIT services.[238] As discussed further below, while some customers have opted to disengage from Armourguard, the medium- to long-term viability of any alternatives remains uncertain.

    170.2 On the other hand, the loss of customers affects Armourguard's revenues, and this can be expected to weaken its bargaining position. Armourguard, having secured some contracts, can hold out for more favourable terms than accept lower or unstainable prices especially if entry under the new entry operating model proves unviable.

    170.3 However, Armourguard may not be aware of the maximum prices customers are willing to pay before they switch to alternative sources, even if imperfect, eg sponsoring entry or the new entry operating model. This likely places an upper limit on the prices that Armourguard can successfully extract from those customers who are inclined to switch. We discuss below the evidence we gathered on how bilateral negotiations have turned out to date.

171. Our approach to assessing the price effects of collective bargaining comprises three parts, outlined below.

    171.1 We first consider whether it is likely that prices in the counterfactual may not be consistent with those in a workably competitive market (see paragraphs [173] – [177] below);

    171.2 We also consider whether the outcomes observed in the counterfactual are likely less efficient, which successful collective negotiations would likely address; and

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237 Ibid, at [33]-[36].

238 Ibid, at [6(b)].

171.3 We then consider whether lower collectively negotiated prices in the factual are likely to produce public benefits, rather than being wealth transfers from Armourguard to the Participants (see paragraphs [178]–[187]). This includes an assessment of whether it is likely to lead to unsustainably low prices in this case, ie, prices that would not allow Armourguard to operate efficiently and generate a return on investment see paragraphs [187]–[203]).

172. Our overall conclusion is that successful collective bargaining is likely to lead to lower prices that produce a small public benefit that does not simply represent a wealth transfer from Armourguard to the Participants. We do not consider the Proposed Arrangement would likely lead to unsustainably low prices that would not allow Armourguard to operate efficiently.

Collective negotiation over prices

173. We understand that Armourguard said that the IAF is a utility-style pricing model which it imposed on itself in an attempt to "self-regulate".[239] However, the purpose of this authorisation is not to assess whether Armourguard's pricing model (comprising both the IAF and service fees) is consistent with what would occur under a regulatory approach. Rather, the Commission's role is to compare the pricing scenario with authorisation to the scenario without, and to assess whether there is likely any change in efficiency between these scenarios.

174. Our review of NZIER's report and other evidence gathered suggests there likely is scope, in the counterfactual, for Armourguard's pricing to result in prices and profitability above those in a workably competitive market, and therefore in inefficient outcomes. The issues highlighted below do not reflect an exhaustive discussion of the limitations in Armourguard's methodology and the NZIER Report, including the relevant approach and lack of transparency including on the underlying assumptions and conclusions.

174.1 We consider that Armourguard, as the only wholesale CIT provider, likely had substantial market power[240] it could exercise at the time of negotiating long-term contracts with customers such as [ ]. For example, [

].[241] The banks that have currently opted to [ ] may face the same situation if the new entry operating model is [ ] Armourguard. We address the [ ] of sustained entry in paragraphs [190] – [197] below. Armourguard also likely has different commercial incentives compared to consumer-owned EDBs (the comparator group in the NZIER Report) which

239 Armourguard interim submission on Application (22 September 2025) at [8] of main submission.

240 Contrary to NZIER's position.

241 [

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have different governance structures and are expected to act in the interests of consumers.

174.2 We consider that it is inappropriate that the NZIER Report focused primarily on the IAF, without considering Armourguard's forward-looking revenue from service fees. Such an approach likely understates Armourguard's revenues and profitability if costs do not rise by the same extent. The approach[242] did not incorporate increases in Armourguard's service fees, a second key source of revenue available to Armourguard from providing its CIT services to its entire customer base, both bank and non-bank. There are overlaps in personnel and assets Armourguard uses to serve its entire customer base. The NZIER Report concluded, by adding the IAF to the 2024 financial year revenues,[243] that Armourguard would earn an EBITDA of approximately 24%.[244] We note that Armourguard's estimated EBITDA for its 2026 financial year was [ ]%.[245] Further, the NZIER Report did not assess whether the underlying costs were efficient.

174.3 The NZIER Report's justification of Armourguard's pricing and profitability based on the EBITDA of EDBs as a benchmark is inappropriate as it likely understates Armourguard's true profitability and may allow it to make profits that are not consistent with a workably competitive market. There are significant differences between EDBs and Armourguard in terms of cost structure. For example, EDBs likely require higher EBITDA levels than Armourguard because they are more capital intensive, meaning they have greater depreciation. Armourguard's forecast depreciation for 2026 is less than [ ]% of revenues[246] while those for EDBs and other regulated entities are substantially higher. Notably, over [ ]% of Armourguard's operating costs[247] and those covered by the IAF are predominantly [ ].[248] Using EBITDA comparisons, the NZIER Report concluded that Armourguard would earn lower profit than

242 Based on Armourguard's 2024 revenues and simply adding the IAF of $30.4 million charged to banks over and above service fees.

243 2024 financial year revenues did not include forward-looking changes in service fees implemented by Armourguard as part of the new contract negotiations for 2025 onwards. The IAF applied from 2025 onwards.

244 NZIER Report at [1.4].

245 [ ]

246 Ibid. [ ]

247 We note that Armourguard submitted that it is resizing its footprint and cost base due to the loss of some bank customers. This suggests that Armourguard can, to some extent, adjust its costs in the short-to-medium term in response to changes in demand and volumes. We also note that a significant proportion of the costs are arguably not sunk costs. [ ]

248 [ ]

EDBs.[249] However, Armourguard's EBIT[250] (after accounting for depreciation) of 22%[251] is higher than the NZIER Report's estimate of the simple average EBIT of 15% (or 17% revenue-weighted average) for EDBs. Most notably, Armourguard had forecast that its EBIT for 2026 would be [ ]%,[252] which is significantly higher than the averages the NZIER Report reflects for EDBs.

174.4 We also consider justifying Armourguard's pricing approach based on cross-sector benchmarking of return on investment (**ROI**) likely inappropriate as the cost of capital varies by sector and firm depending on asset risk and capital structure. The appropriate measure should be Armourguard's cost of capital or the cost of capital of other CIT firms if benchmarking, not the raw ROI of EDBs. The NZIER Report also does not appear to have examined if Armourguard's beta or debt/equity mix is comparable to EDBs.

175. We consider that pricing is one of the major contributors to the failure of Armourguard and some of the banks to reach bilateral agreements to date, and the potential for contractual disputes leading to the following consequences:

175.1 Bilateral negotiations between Armourguard and some of its customers (at least [ ]) broke down triggering disengagement from Armourguard and those customers opting to pursue alternatives that are currently uncertain. [ ].[253] [ ][254] [ ].[255] [ ]. [ ].[256]

175.2 The outcome of bilateral negotiations (ie, the status quo, which we consider would continue in the counterfactual) is fragmented demand and potential risks associated with contractual and commercial uncertainty for Armourguard and the Participants. While Armourguard submitted that the observed outcomes of bilateral negotiations[257] reflect efficient negotiations and the operation of workable competition in a structurally declining ("sunset") industry,[258] it also asserted that the resulting loss of customers is

249 NZIER Report at [1.4].

250 We consider that there may still limitations associated with using EBIT comparisons as opposed to Armourguard's cost of capital or that of comparable firms in the same industry.

251 We estimate this as NZIER's EBITDA estimate for Armourguard of $21m less depreciation of $1.7m divided by revenue of $87.6m (2024 revenue of $57.2m plus IAF of $30.4m). See NZIER Report at [1.4] (page 2) for 2024 IAF inclusive EBITDA figure and A.4 (page 16) for depreciation figure.

252 [ ]

253 [ ]

254 [ ]

255 [ ]

256 [ ] [ ]

257 With some banks signing contracts with Armourguard while others seeking to set up alternative arrangements and disengaging from Armourguard.

258 Armourguard submission on Draft Determination (14 April 2026) at [4.11]-[4.12].

leading to smaller and potentially less efficient scale that may affect future pricing.[259] Armourguard submitted that this materially [

].[260]

Armourguard submitted that it is now resizing its footprint and cost base, and adjusting its service levels and investment plans.[261]

175.3 Notably, Armourguard submitted that it still considers the wholesale CIT market to support only one national player.[262] Armourguard appears to consider the entry of the new entry operating model creates costs, systematic risks and inefficiency, "producing outcomes that are economically inefficient and inconsistent with workably competitive market conditions (given the market structure of wholesale CIT services)".[263]

175.4 RBNZ is [

].[264]

176. In general, we consider that a successful collectively negotiated pricing mechanism developed via collective bargaining would likely be more transparent through reducing the information asymmetry, particularly on costs and pricing. Successful collective negotiation on price terms may be more likely if Armourguard and the Participants mutually agreed to an independent third party that could verify Armourguard's costs, ensuring they reflect efficient costs necessary to provide CIT services; and develop a more transparent and competitive pricing mechanism that allows Armourguard to make efficient investments and earn a competitive return. Whether this occurs would need to be negotiated between Armourguard and the Participants were we to grant authorisation.

177. It is also unclear whether and to what extent Armourguard will engage or consider engaging in collective negotiation if final authorisation is granted, in light of its submission that there is a "real possibility" it would feel "commercially compelled" to engage in a collective process, but also a "real prospect" that it would be unwilling to engage in any extensive collective process.[265] It is also unclear whether collective negotiation would resolve any inefficiencies that may already be part of Armourguard's contracts with [ ].

<u>Improved volume of CIT services, service levels and access to cash</u>

259 Ibid, at [7.12].
260 [ ]
261 Armourguard submission on Draft Determination (14 April 2026) at [7.10].
262 Ibid, at [7.5a].
263 Armourguard cross-submission on Draft Determination (22 April 2026) at [3.1], [3.5], [7.3] and [7.4].
264 For example, Interview with [ ].
265 Armourguard submission on Draft Determination (14 April 2026) at [7.16d] and [9.2a].

178. In this section, we consider whether lower collectively negotiated prices are likely to produce public benefits through greater volumes of services or service levels or access to cash compared to the counterfactual.

179. Successful collective bargaining can improve allocative efficiency through lower, more competitive prices that increase service volumes, service levels or access to cash compared to that provided under bilaterally negotiated contracts. This could reduce or eliminate inefficiencies that arise from bilaterally negotiated contracts. If demand elasticity is greater, lower prices from successful collective negotiations could produce larger allocative efficiency improvements. The need for and benefit achieved from collective negotiations may, however, be diminished where customers have a credible outside option they can use to extract more competitive prices in bilateral negotiations. We discuss the potential impact of entry in paragraphs [191] to [197] below.

180. In the ordinary functioning of markets, customers can legitimately respond to a supplier's higher prices by reducing demand. Through this mechanism, customers can discipline the behaviour of a supplier who faces the risk of losing revenue and profits. We consider that traditional position to be less true, particularly in current CIT markets.[266]

181. Instead, the evidence we have suggests that bank demand for CIT services is [ ].[267] Armourguard submitted that demand elasticity from retailers and independent ATM owners is [ ].[268] We also note that some of Armourguard's contract clauses [ ] are likely to reduce demand elasticity or reinforce demand inelasticity.[269]

182. We consider that [ ] means that lower collectively negotiated prices may not produce a very substantial benefit through large increases in volumes of CIT services or access to cash. We note that despite submitting that bank demand for CIT services is [ ], Armourguard also submitted that banks have the ability and incentive to influence and reduce cash volumes including through reduced servicing frequency, consolidations of locations and changes to customer access.[270] Armourguard submitted that banks' incentives to reduce cash usage are separate from, and not eliminated by prudential requirements, and they exist irrespective of the Proposed Arrangement.[271]

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266 In this context, this may apply to both retail and wholesale CIT since Armourguard has contracts with some customers by which it provides both retail and wholesale services.

267 [ ] [ ] [ ]

268 [ ]

269 [ ]

270 Armourguard submission on the Draft Determination (14 April 2026) at [8.24] and at 57, 61, 87–89.

271 Ibid, at [8.24].

183. We consider that if banks have the ability and incentives as submitted by Armourguard, higher prices in the counterfactual relative to the factual would likely accelerate any such incentives to reduce cash usage. For example, customers could respond to higher counterfactual prices by [ ][272] and [

].[273] Armourguard submitted that these outcomes could result from failure to implement a sustainable pricing framework.[274] This may be more relevant in the context where cash usage is already in decline[275] and may increase average per unit costs and in turn place upward pressure on Armourguard's future prices.[276]

184. As such, we consider that lower collectively negotiated prices in the factual would likely reduce the risk of customers adjusting their use of CIT services which might otherwise occur in the counterfactual.

185. Our view is therefore that successful collective negotiation would likely result in an improvement in allocative efficiency, but we consider this is not likely to be in the form of a substantial increase in the volume of CIT services or access to cash. Instead, we consider that collective negotiation might mitigate demand fragmentation and the resulting less efficient scale as well as limited reductions that may occur in the counterfactual by all Participants (if they benefit from a collectively negotiated pricing mechanism) or only those who have not yet, but could, conclude agreements with Armourguard.

186. We consider the potential impact of higher or lower CIT costs on end-users of cash to be uncertain, whether in terms of volume of cash usage or costs associated with usage. Armourguard submitted that end-consumer use of cash is influenced by a range of factors broader than marginal changes in the pricing of CIT services.[277] It is uncertain whether high CIT costs would be passed on to final consumers and, if so, when and to what extent. Participants submit that they [ ][278] or [ ][279] or [ ].[280] We, however, consider there is a

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272 [ ] [ ]

273 [ ] [ ], noting that [ ].

274 [ ]

275 Armourguard submission on the Draft Determination (14 April 2026) referring to the various places where Armourguard refers to declining cash usage.

276 Ibid, at [7.12].

277 [ ]

278 [ ]

279 [ ]

280 [ ] [ ] [ ] [ ]

reasonable chance that, in the medium-to-long term, Armourguard's customers would likely pass-on some portion, or all, of any higher CIT costs to their end customers, even though the precise mechanisms by which they would do so and the relevant timeframes are unclear. We also do not know what impact that would have on end customers' use of cash (ie, whether this would be a wealth transfer or would result in inefficiencies). We do not place any weight on this specific potential impact because of the high level of uncertainty.

Whether collective negotiation leads to inefficiently low prices for CIT services

187. In this section, we consider whether lower collectively negotiated prices are likely to result in Armourguard supplying inefficiently low levels of CIT services [ ] such that [ ]. This would be detrimental to the public if it occurred.

188. Collective bargaining on purchase prices could cause public detriments if it leads to low prices that result in inefficiently low levels of CIT services or exit, thereby affecting public access to cash.[281] Prices below competitive levels could also reduce long-term supplier incentives to invest and innovate.[282] This would be likely to arise if the Proposed Arrangement creates strong collective bargaining power that allows the collective to extract prices that are too low to operate efficiently.[283]

189. We do not consider it likely that collective negotiation would result in Armourguard being forced to set prices at levels that are insufficient to sustain efficient operation relative to the counterfactual, for the reasons discussed below. This is view is reached notwithstanding our consideration of Armourguard's submissions on banks' bargaining power; the potential interaction between step-in rights and collective bargaining; potential impact of collective bargaining in successive contract negotiations given bid market dynamics; and the commercial, legal or regulatory pressure it submitted it would face if authorisation is granted.

190. As we explain in **Appendix A**, the strength of the collective's bargaining position depends on a range of factors at the time of negotiation. These include the outside options available to the collective, the level of tolerance and potential impact of delays in reaching agreement, and the payoffs the collective can derive from walking away from the negotiations.

191. We have considered the availability of alternatives for the banks given that CIT providers typically compete for multi-year contracts. Successful entry, [ ], could be an outside option that strengthens the bargaining power of customers, allowing the collective to negotiate lower prices or allowing

281 Gunnar Niels, Helen Jenkins and James Kavanagh *Economics for Competition Lawyers* (1st edition) (Oxford University Press, 2011) at 166-167 and King, S. P. (2013). Collective bargaining by business: Economic and legal implications. University of New South Wales Law Journal, 36(1), 107-138, at 130.

282 Gunnar Niels, Helen Jenkins and James Kavanagh *Economics for Competition Lawyers* (1st edition) (Oxford University Press, 2011), at 167.

283 Ibid, at 166-167.

switching.[284] When firms compete for a multi-year contract, the effects of competition (such as on prices and service levels) or its absence (such as less competitive prices) at the time of negotiation would persist for the duration of the agreement.

192. Our view is that the ability of entry to be an effective outside option depends on its credibility at the time of negotiations, particularly where customers may get tied to long-term contracts [ ]. This situation is likely reinforced by the absence of clauses that allow customers to easily exit the contracts once signed. We understand [ ] under Armourguard's new contracts.[285]

193. We note that [ ] have elected to pursue an outside option built around [ ] rather than sign on to Armourguard's terms which they consider unfavourable.[286] This suggests the outside option could be successfully pursued by customers.

194. While we recognise that some banks may have historically sponsored or supported entry, we consider the success and sustainability of the entry of the new entry operating model to be uncertain. This is because it largely depends on [ ] obtaining access to the RBNZ's Secure Zone, a key uncertainty that may not have been present in previous instances of sponsored entry. RBNZ submitted that [ ] may not gain access without further investment and/or changes to their operational processes, and that security or 'fit and proper' concerns could be insurmountable.[287] The timelines over which the RBNZ may grant access are also uncertain; it has said that processing an application would likely take "significantly longer" than the timeline envisaged by parties.[288] RBNZ subsequently [ ] the new entry operating model.[289]

195. We note that [ ]. These include [ ],[290] [ ][291] and [ ].[292] Further, we understand that [

284 Ibid, at 168 and King, S. P. (2013). Collective bargaining by business: Economic and legal implications. University of New South Wales Law Journal, 36(1), 107-138 at 118.
285 See, for example, [ ].
286 See, for example, [ ].
287 [ ]
288 [ ]
289 [ ]
290 [ ]
291 [ ] See [ ] and [ ].
292 [ ]

].[293] We are uncertain about the extent to which [ ] if access to the RBNZ's Secure Zone is delayed or not granted. This is particularly important if lack of access to the Secure Zone [ ].

196. We also consider customers' ability to leverage any actual or potential outside option to extract prices below competitive levels from Armourguard may be limited if there is a mismatch between the time they need to secure contracts and the availability of alternative supply. For example, timing constraints meant that [ ] could not rely on the new entry operating model, [ ].[294] It does not appear the prospect of the new entry operating model significantly altered the balance of bargaining power between Armourguard and [ ], even though [ ], and there was a chance [ ]. As we have continued to assess the Application, and the prospect of the new entry operating model being successfully established has increased, it appears Armourguard has so far [ ] and has not been forced to accept prices that are insufficient to sustain its operations.

197. We anticipate that successful entry by the new entry operating model would, however, likely enhance the bargaining position of the customers who already have bilateral agreements with Armourguard at the time of renewal of those contracts. This is consistent with Armourguard's submission that CIT providers compete for the market at the time of contract renewal.[295] Customers who try to reduce volumes during the contract period (eg, by shifting services from Armourguard to an entrant) may end up [ ].[296] This likely reduces customers' ability to use any successful entry as a source of bargaining strength during the contract period. The constraint from entry could thus likely be effective after the authorisation period for customers with ten-year contracts. For any party that concludes a contract shorter than ten years [ ], the new entry operating model would potentially be an outside option from the end of that period.

198. For collective negotiations to be successful, we are of the view that it would likely be incumbent on the Participants to offer Armourguard prices that would generate profit and allow a reasonable return on investment. Failing to do so would likely lead to an impasse, with the bilaterally agreed contracts being the default positions for [

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293 [ ]
Interview with [ ].

294 See for example, [ ] and [ ].

295 [ ]

296 [ ]

]. We consider the same would apply to customers who cannot rely on alternatives (eg, potential new entry or self-supply).

199. We also consider that, with each additional bilateral contract Armourguard secures,[297] its tolerance for delays in collective negotiations increases while Participants without agreements will face increasing pressure to secure supply or otherwise walk away. If Participants cannot successfully walk away (eg, because the new entry operating model cannot be sustained), this is likely to place Armourguard in a stronger bargaining position.

200. The Participants submitted that a mutually agreed pricing mechanism would allow Armourguard to earn a reasonable return on investment. We expect any collectively negotiated pricing mechanism would ultimately need to:

200.1 be agreed between Armourguard and the Participants;

200.2 ensure that Armourguard does not operate below cost; and

200.3 ensure Armourguard makes the necessary investments required to efficiently provide services and earn a reasonable return on investment.

201. Armourguard submitted that the Draft Determination did not consider the potential interaction between step-in rights and collective bargaining which it considers could result in sub-economic pricing outcomes. Armourguard also submitted that it would be under commercial and legal or regulatory pressure to collectively negotiate. However, Armourguard has not provided supporting evidence to substantiate these submissions including on the mechanisms through which such outcomes would be realised. We address the step-in rights point separately later in this determination.

202. Further, there is no legal or regulatory obligation for Armourguard to accept unsustainable prices, and in fact it submitted elsewhere that collective negotiations "would be privately run, and all parties could "walk away".[298] Armourguard also submitted that it was not obliged to accept demands it considered uneconomic or commercially unsustainable.[299]

203. We do not consider Armourguard's submissions on the impact of collective negotiations on contract renewal for a successive period to be sufficiently substantiated. As set out above at paragraphs [39] – [40], the authorised conduct would be limited to collective negotiations with Armourguard (not any other provider) for the authorised period and does not apply to contracts that extend beyond this period. Further, if there is an established viable alternative that banks can turn to at that point, any CIT provider will in any event be vulnerable to the same win-or-lose dynamic, with or without authorisation. If, in the counterfactual,

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297 We do not have a strong reason to believe that authorising collective negotiations would pause bilateral negotiations, as the customers whose contracts are terminating must have secured CIT supply beyond their current contracts or that the authorisation would suspend current contracts unless mutually agreed with Armourguard.

298 Armourguard submission on the Draft Determination (14 April 2026) at [5.59].

299 Ibid, at [7.3c] and [7.7].

Armourguard's customers are tied into contracts they are unhappy with, there is already a likelihood that they would not renew contracts with Armourguard at that point.

Conclusion

204. We consider that the Proposed Arrangement is likely to result in some improved allocative efficiencies through lower collectively negotiated pricing relative to the counterfactual. However, we consider that collective negotiation is not likely to result in substantial expansion in CIT service volumes or access to cash. Higher prices in the counterfactual may well frustrate the public objective of ensuring greater access to cash, while lower collectively negotiated prices in the factual are likely to facilitate this public objective through lowered cost of providing access to cash and lowered risk of customers [ ].[300]

205. We also do not consider the pricing framework envisaged by the Participants would likely force Armourguard to set prices that are too low to operate efficiently. This is especially if the pricing mechanism is designed by an independent third party which Armourguard mutually agrees to. We also consider that, if there is no agreement to an alternative pricing mechanism, the fallback position would likely be the counterfactual scenario.

206. Accordingly, our view is that there are likely net public benefits from changes to CIT prices that would result from successful collective bargaining. Although we cannot quantify these, we consider that they may be relatively low in terms of volume effects. We also consider that there may still be such public benefits in a world where the new entry operating model successfully enters, although those benefits would be smaller if there is a credible outside option that some customers can rely on at some point in the future during the authorisation period.

Effect on contractual terms (Non-Price Effects)

Applicant and Participants' submissions

207. NZBA submitted that the Proposed Arrangement will help rebalance the commercial relationship between Armourguard and the Participants and that, [

].[301]

208. Participants submit that during bilateral negotiations:

208.1 Armourguard has sought to include [

[300] We note that RBNZ is currently consulting stakeholders, including banks, on ways to ensure greater access to cash.

[301] Application at [ ].

].[302] These terms have been considered by some to represent [ ];[303] and

208.2 they have encountered material service performance issues [ ] and are concerned about further reductions in service levels.[304] These concerns are heightened by [ ].[305]

209. NZBA submitted, agreeing with the Draft Determination, that the current information asymmetry limits Participants' ability to monitor Armourguard's actions, such as being able to determine whether high prices reflect inefficiencies, which can lead to deadweight loss. It submitted that Armourguard's belief that the contractual terms are commercially justified does not negate the Draft Determination's finding that the Proposed Arrangement is likely to produce more efficient outcomes than the counterfactual. NZBA also agreed with the Draft Determination in differentiating between wealth transfers and genuine inefficiencies in our assessment.[306]

Interested parties' submissions

210. Armourguard submitted that, if final authorisation were granted, [ ],[307] which is likely to affect its level of service, due to the long lead times for procuring certain capital assets.

211. Armourguard submitted that the Commission had not provided sufficient evidence on why there would be or has been a shift of risk onto Participants, and that the Commission has not accounted for context or tested many points with Armourguard.[308] Further, Armourguard submitted that the Commission failed to:

211.1 consider that the current allocation of risks is reflective of both previous under-recovery of costs, the nature of a high fixed-cost capital intensive business, Armourguard's commercial restraints, declining customer demand, and the ability of customers to control volume and service requirements; and

302 [ ] and [ ]

303 [ ]

304 [ ]

305 [ ]

306 NZBA cross-submission on Draft Determination (22 April 2026) at [20–22].

307 [ ]

308 Armourguard submission on Draft Determination (14 April 2026) at 92 and 96.

211.2 account for the trade-off between stringency and costs in our concerns regarding service level agreements.

212. Armourguard further submitted that:

212.1 its allocation of risk reflects standard commercial practice, and that our assessment needs to consider not whether risk allocation affects distribution, but whether it supports sustainable and efficient service provision;[309]

212.2 the force majeure provisions as currently drafted are necessary to maintain viability of what has been described as essential services, as these baseline network costs continue to be incurred regardless of service interruption. It submitted that these costs are unavoidable and that the Commission's assessment of non-price terms had overlooked that the IAF does not recover all fixed and risk-adjusted costs;[310]

212.3 the Commission has not addressed the likelihood that coordinated buyer conduct would reintroduce asymmetric risk allocation, especially at the end of the proposed time period;[311]

212.4 the Commission's assessment of service level agreements is inaccurate as previous agreements are not an appropriate benchmark for comparison, and that no evidence is provided of actual service degradation, relying on contractual changes rather than observed outcomes;[312] and

212.5 adjustments to service levels and termination thresholds reflect a rebalancing toward commercially viable terms consistent with operational requirements and industry norms;[313] and

212.6 termination rights, as currently drafted, are commercially justified, and highly sensitive termination triggers would create instability and operational risk.[314]

Our assessment

213. The sections below consider whether the Proposed Arrangement is likely to produce public benefits or detriments through non-price effects relating to contract terms.

214. Our assessment below considers whether collective negotiations would likely produce public benefits by resolving or avoiding inefficiencies relating to non-price terms of the contracts between the Participants and Armourguard, as a result of the increase in bargaining power of the collective. This is a forward-looking assessment

309 Armourguard submission on Draft Determination (14 April 2026) at 95.
310 Ibid, at 92-100.
311 Ibid, at 95-96 and 100.
312 Ibid, at 98.
313 Ibid.
314 Ibid.

of the difference between the factual and counterfactual. Accordingly, we do not consider past inefficiencies which are not present in contracts that would be enforced in the factual or counterfactual.

215. As explained in **Appendix A**, we consider there to be information asymmetry present in bilateral negotiations (see paragraphs [340] to [351]), which can lead to market failures that are detrimental to welfare, including by creating scope for moral hazard.

216. We continue to consider that bilaterally negotiated agreements in the counterfactual are likely to contain terms which [ ]. As Armourguard faces limited competitive constraint, it [ ]. We remain of the view that collective negotiations would likely produce more balanced contract terms than bilateral negotiations. As NZBA has submitted, we consider that the appropriate analysis is whether the Proposed Arrangement is likely to produce more efficient outcomes than the counterfactual, and the fact that terms are commercially justified does not negate the finding.[315]

217. As explained above, more than [ ] of Armourguard's operating costs are [ ] and, it appears, are costs Armourguard can to some extent resize and adjust in less than a year in response to changes in demand. We are hence unconvinced by Armourguard's submissions that its claimed high fixed cost-structure justifies the risk allocation reflected in non-price terms in bilaterally negotiated agreements in the counterfactual.

218. We consider that traditional position where customers are able to discipline the behaviour of a supplier to be less true in current CIT markets. Evidence shows that Armourguard has been able to include contractual terms that are likely to lead to productive inefficiencies in its bilateral contracts with [ ], and we consider that Armourguard is likely to continue introducing such terms in bilateral contracts in the counterfactual. These terms (in both present and future bilateral contracts) may be avoided at least to some extent, by collective bargaining in the factual, avoiding also the associated productive inefficiencies.

    218.1 Insulating itself from the risks of [ ] through clauses that give Armourguard [ ].[316] For example,

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315 NZBA cross-submission on Draft Determination (22 April 2026) at [22].

316 See [ ], [ ] and [ ].

218.1.1 [ ] contract includes clauses allowing Armourguard to unilaterally adjust the volume-based service fee in certain circumstances relating to [ ].[317]

218.1.2 This, [ ],[318] can have the effect of insulating Armourguard excessively against the risk that [ ].

219. We consider that, in the counterfactual, service quality could deteriorate, corresponding to [ ], and consistent with [ ] experience of material service performance issues [ ].[319] Armourguard also has made changes to bilateral agreements that likely have the cumulative effect of [ ], including:

219.1 [ ];[320]

219.2 Eroding a Participant's right to [ ]. By way of illustration:

219.2.1 [ ].[321]

219.2.2 [

317 See [ ]. The specific circumstances are where: [ ].

318 Interview with [ ].

319 [.]

320 Compare [ ] with [ ], and also [ ] with [ ].

321 [.]

].[322]

219.3 Armourguard has also reduced [

].[323]

220. Together, these changes reduce the Participants' ability to use contract termination rights as a form of discipline for poor or worsening service quality.

221. The potential inefficiencies stemming from such contract clauses are likely to be avoided with the increased bargaining power of the collective in the factual. In the counterfactual, these potential inefficiencies are likely to be exacerbated by the information asymmetry that limits Participants' ability to effectively monitor Armourguard's actions and prevent the consequences thereof. For example, in the counterfactual, Participants likely cannot know if higher prices charged to them in fee reviews, caused by [ ], are resulting from worsened service quality or otherwise (eg, strong competition in retail CIT or other CIT markets); and they also cannot know if Armourguard has taken sufficient precautions in respect of preventing material breaches.

222. We consider that collective bargaining under the authorisation is likely to reduce these inefficiencies by introducing more efficient and balanced contract terms that better allocate risk between Armourguard and its customers.

223. We do not consider that the Participants' bargaining power in the factual would become so strong to result in shifting excessive, inefficient levels of risk onto Armourguard. While we acknowledge that [ ],[324] we do not consider the same effect would be likely in the factual. We do not consider that banks have an incentive to shift inefficient levels of risk onto Armourguard, as doing so would compound the existing fragility within the CIT sector and is contrary to the Proposed Arrangement's broader objective of preserving the viability, reliability and efficiency of CIT services on fair and sustainable terms.[325]

Conclusion – Effect on contractual terms (non-price effects)

224. We consider that there is likely to be a low public benefit (that does not simply represent a neutral wealth transfer) arising from collective negotiation of non-price contract terms in the factual compared to the counterfactual.

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322 [ ]

323 Compare, for example, [

].

324 As per an internal review of [ ] pre-merger agreement.

325 Application, at [1.7]-[1.8].

224.1 In particular, we consider there are likely to be allocative efficiency gains from reduced information asymmetry and more efficient and balanced contractual terms.

224.2 We consider that these benefits would still arise in a world where there is successful entry from the new entry operating model, although these would be smaller (reflecting the more limited *Arrangement-specific* effects).

Information sharing and coordination

225. Collective bargaining could enable or facilitate anti-competitive coordination between firms competing in functionally separate markets to the one where collective negotiation occurs.[326] Information sharing in the factual could make coordination and tacit collusion between the Participants in other markets easier leading to allocative inefficiencies in those markets.[327] Detriments are more likely to occur if collective negotiations materially facilitate such coordination.[328] This, to some extent, depends on the nature of information shared between the firms as part of the Proposed Arrangement.

Submissions

226. Armourguard submitted that there is a risk that coordination effects resulting from collective bargaining become irreversible and risk extending beyond CIT into broader financial markets once sensitive information is shared among the banks in particular, given the range of Participants involved, and the scope of issues proposed to be negotiated on.[329] It submitted that the Commission ought to take into account the limited state of competition between the major four banks and the general environment conducive to accommodating behaviour in assessing this risk.[330]

227. Armourguard also submitted that banks do have the ability and incentive to influence demand for CIT services through their decisions regarding cash distribution; and that coordination in procurement of CIT services in the context of declining use of cash and a push for cost reduction creates a mechanism for coordinated outcomes to be reached.[331] It also stated it did not consider the proposed conditions would be effective in dealing with these risks.

228. NZBA agreed with the Commission's position in the Draft Determination that there is a potential small detriment from information-sharing enabling coordination in other markets and that this was a low-chance but high-impact risk.[332] Its position was that the state of competition in broader banking markets was not relevant to this matter;

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326 King, S. P. (2013). Collective bargaining by business: Economic and legal implications. University of New South Wales Law Journal, 36(1), 107-138 at 123.

327 Ibid.

328 Ibid, at 124.

329 Armourguard interim submission on Application (22 September 2025) at 7.

330 Armourguard submission on Draft Determination (14 April 2026) at [5.14]-[5.19] and 101, citing Commerce Commission, Personal Banking Services Final Competition Report – Executive Summary (20 August 2024) at 3-5.

331 Armourguard submission on Draft Determination (14 April 2026) at 36-37, 100-103.

332 NZBA cross-submission on Draft Determination (22 April 2026) at [38]-[41].

that the acquisition of CIT services is not a source of material competitive tension between the banks;[333] and that there would be little likely effect on competition more broadly from granting Authorisation. It submitted that any coordination risk was entirely controlled by the conditions the Commission proposed to impose.

Our assessment

229. We consider that the acquisition of CIT services seems not to be a source of material competitive differentiation between the banks. We also consider that the risk of detriments arising from coordination (and any resulting loss of competition) between the Participants in other markets, such as downstream banking markets is likely to be relatively low. We acknowledge references to the Commission's conclusions about the state of competition in personal banking markets in our Market Study in 2024 in Armourguard's submissions;[334] but the appropriate assessment is the effect that *the Authorisation* will have. Our view is that the Proposed Arrangement would likely not materially change the way the Participants would compete in other banking markets in the factual compared to the counterfactual.

230. However, we consider there is some residual risk of information-sharing between the Participants that could result in some increased risk of coordination (explicit or tacit) in respect of other markets in which the Participants supply or acquire services in competition with one another. We consider this risk to be relatively low, in particular given the tight scope of the Authorisation as described at paragraphs [39]–[40] above, but that were it to occur it would be relatively high impact given the nature of the Participants. In that respect, we expressly acknowledge Armourguard's submission about the potential for coordinated outcomes in other markets. However, we nonetheless consider that this risk can be reduced substantially, if not entirely, through proposed conditions on the authorisation that manage information flows between Participants, outlined below at [307]. We assess parties' submissions on conditions in that section.

231. Accordingly, we consider the detriments from the risk of information sharing leading to coordination, with the information sharing conditions in place, are likely to subsequently be low and may indeed be neutral.

Improved operational efficiency

Applicant and Participants' submissions

232. NZBA submitted that collaboration would enable the customers to identify operational efficiencies by streamlining processes, reducing duplication, and using resources more effectively.[335] This is expected to support long-term sustainability of CIT services through reduction in costs, improvements in logistics, and ensure continuity of service.[336]

333 See also Application at [8.26(d)].
334 See Armourguard submission on Draft Determination (14 April 2026) at [5.14]-[5.19].
335 Application at [8.9].
336 Ibid, at [8.13].

233. Collective negotiation is expected to enable pooling of resources and alignment of expectations, which unlocks a range of synergies including cost rationalisation across the network through standardised commercial and operational terms.[337]

233.1 Employing measures like universal coin bins, integrated safes, and simplified discrepancy processes, standardisation of coin order formats, direct-to-depot models and same-day value arrangements is expected to enhance operational efficiencies.[338]

233.2 One Participant submitted that it estimates the potential savings could be material, as there would be savings in mileage, vehicle and staff costs, which it considers to be among Armourguard's greatest costs.[339]

233.3 Some Participants also submit that collaboration could allow them to coordinate cashing routes that align geographically or operationally reducing duplication and improving overall service delivery.[340]

234. The Participants and NZBA submit that they do not consider improved operational efficiencies could be achieved without authorisation, at least in part because they state:

234.1 Armourguard lacks a customer-specific and all-of-system perspective needed to secure those efficiencies.[341] NZBA submitted that collective negotiations would enable an "all of system" identification of efficiencies achievable through customer synergies, without impacting service quality.[342]

234.2 Armourguard lacks incentive to proactively identify and achieve operational efficiencies or to pass on efficiency gains since it faces neither competitive nor contractual pressure. Participants state that current contracts do not require cost transparency or incentivise service-level improvements.[343] Some Participants have also identified several service issues under their existing agreements as operational inefficiencies by Armourguard and claim that some of these issues took significant time to resolve under their existing contracts.[344]

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337 Ibid, at [7.4].

338 Ibid.

339 [ ]

340 [ ] [ ]

341 [ ]

342 Ibid.

343 [ ] [ ] also expresses similar sentiments about lack of transparency and [ ] (see [ ]).

344 For example, [ ] submitted that the identified issues include [

234.3 Some Participants also submitted that Armourguard would not likely be able to achieve efficiency improvements in the counterfactual,[345] and even if it did, any efficiency gains Armourguard identifies for a single Participant bilaterally would be offset by the need to maintain separate processes, routes and resources for other Participants.[346]

235. NZBA submitted that, in the counterfactual, each Participant and Armourguard would be faced with costs[347] and delays in concluding bilateral contracts, and a loss of the opportunity for systemic operational efficiencies.[348] This, according to the NZBA, would undermine access to cash and the resilience of the national payment infrastructure.[349]

236. In its cross-submission on Armourguard's submission, NZBA agreed with our conclusion stating that there is likely to be a genuine productive efficiency gain through operational efficiency improvements from authorisation.[350] NZBA also submitted that bilateral negotiations are unlikely to achieve operational efficiencies due to coordination failure, which collective bargaining can resolve.[351]

Interested parties' submissions

237. Without authorisation Armourguard expects to continue to negotiate efficiencies bilaterally and that customers would have clear incentives to adopt measures that reduce total cash handling costs and could benefit when the IAF is reviewed.[352] Armourguard expects to progress with [

].[353] However, success depends on customer support, systems compatibility and operational readiness.[354]

238. Armourguard submitted that efficiencies associated with [

]. [

]

345 [ ] explains that this is because of customer interdependencies on the IAF and that bilateral contract negotiations at different times limit scope for Armourguard to achieve coordination of services in particular areas. See [ ].

346 [ ]

347 For example, [ ] noted that some of Armourguard's actions, eg, reductions in transfer limits, may in fact increase total costs for itself and other customers as Armourguard would have to undertake more vehicle runs especially during peak periods. See [ ].

348 Application at [7.3].

349 Ibid, at [7.4].

350 NZBA cross-submission on Draft Determination (22 April 2026) at [23]-[24].

351 Ibid, at [24]-[25].

352 [ ]

353 Ibid at [9] and [9.2].

354 Ibid at [9.3].

] could, in aggregate, be modest to moderate relative to the overall cost base.[355] Such efficiencies are subject to material uncertainty.[356] Further, Armourguard submitted that [

] in the counterfactual.[357]

239. However, Armourguard also submitted that it has also experienced some challenges in achieving operational efficiency improvements through bilateral negotiations including:[358]

239.1 [

];

239.2 [

];

239.3 [

]; and

239.4 [ ].

240. Armourguard also submitted that in the factual there is a real risk that collective negotiation could slow or complicate achievement of efficiencies because:[359]

240.1 what should be customer-specific operational changes could become multi-party bargaining issues;

240.2 collective negotiation would be used to coordinate resistance to efficiency changes especially where gains and costs are uneven across the banks; and

240.3 price reductions become the focus of negotiations instead of operational improvements at a bilateral level.

241. In its submission on the Draft Determination, Armourguard submitted that it is not clear the claimed operational efficiencies exist, let alone whether they are material.[360] It also submitted that the claimed efficiencies are not quantified or evidenced, and the challenge to achieving the efficiencies bilaterally has been lack of customer support, not absence of a coordination mechanism.[361] Armourguard also submitted that banks retain strong incentives to minimise their own costs and optimise their own networks meaning that collective alignment is unlikely to

355 Ibid.
356 Ibid.
357 Ibid.
358 Ibid.
359 Ibid, at [9.1].
360 Armourguard submission on Draft Determination (14 April 2026) at 38 and 102-103.
361 Ibid.

overcome individual incentives.[362] Armourguard submitted that this efficiency benefit should be afforded limited weight in the absence of mechanisms, supporting evidence and a clear explanation of necessity.[363]

Our assessment

242. Collective bargaining can improve productive efficiency by allowing better use of existing capacity or by creating or increasing economies of scale or scope, such as by combining the volume of services across customers and therefore lowering costs of providing services.[364]

243. We have not quantified the potential benefit of improved operational efficiencies, because data on the potential cost savings in the factual is not available. The Participants submitted that they do not possess such information until they are able to collectively identify and negotiate the changes to their CIT service needs.[365] As such, we are uncertain about the size of potential operational efficiencies that the Proposed Arrangement could produce.

244. We consider, however, that the Proposed Arrangement would likely enhance productive efficiency by enabling coordination and rationalisation of service needs across customers who collectively negotiate with Armourguard. Allowing the Participants to engage with one another could facilitate alignment of CIT service needs across the customers in ways that resolve the challenges Armourguard has experienced and is likely to experience in the counterfactual, ie, it will be more likely to overcome individual incentives.[366] Sharing information on service needs and delivery increases scope for mutual identification and agreement on operational changes that could be made to improve efficiency across customers.[367] This would likely result in more efficient use of existing CIT capacity and reduced operational costs for Armourguard.

245. Evidence we have received to date shows that bilateral negotiations may not be able to achieve some operational efficiency improvements because of lack of mutual coordination required to overcome individual incentives. As outlined above, the Participants submit that Armourguard is unlikely to achieve some operational efficiency improvements on its own; this appears consistent with submissions from Armourguard that [ ]. We consider that

362 Ibid.

363 Ibid.

364 Authorisation Guidelines at [80].

365 [ ] [ ] [ ]

366 King, S. P. (2013). Collective bargaining by business: Economic and legal implications. University of New South Wales Law Journal, 36(1), 107-138 at 119.

367 [ ] [ ] [ ] [ ] King, S. P. (2013). Collective bargaining by business: Economic and legal implications. University of New South Wales Law Journal, 36(1), 107-138 at 116.

Armourguard's submissions on its efforts and challenges in trying to bilaterally achieve cross-customer, network-wide operational efficiency enhancements confirms that there is scope for improvements in such efficiencies.

246. Ordinarily, we would expect a supplier to have the unilateral incentive to pursue operational efficiencies since this could enhance its profitability. However, we consider that the incentive is higher when there is external pressure to do so. For example, these incentives are higher when the supplier is unable to pass operational inefficiencies onto customers through higher prices because customers:

246.1 can partially or fully switch to competitors easily within a short period leading to loss of revenue and profits for the supplier. This forces the supplier to operate efficiently and to pass on any efficiencies to customers sooner;

246.2 have greater transparency into operating costs and pricing, which reduces information asymmetry and enables better monitoring of (in)efficiencies;

246.3 have contracts with mechanisms that pressure the supplier to continuously seek efficiencies and pass those on to customers. This, in turn, also incentivises the customers to make changes or investments that improve operational efficiencies for the supplier; and/or

246.4 have a regulatory backstop that scrutinises the supplier's costs and there are regulatory rules that incentivise efficiencies (which does not apply to Armourguard).

247. In conjunction with other aspects of Armourguard's contracts, information asymmetry may weaken or reduce Armourguard's incentives to seek to improve operational efficiencies in the counterfactual, especially if Armourguard [ ]. Some of the contract clauses may allow Armourguard to adjust prices for a range of reasons but to varying degrees depending on individual contracts.[368] Armourguard may also be able to unilaterally raise prices through various mechanisms built into its contracts.[369] The contracts signed by [ ]. These customers are unlikely to be able to discipline Armourguard by reducing volumes or switching to a competitor. For some other customers, as discussed above, attempts to reduce volumes could result in adjustments to prices.[370]

248. While Armourguard submitted that any efficiency gains would be passed on to customers during the IAF review [ ],[371] we note that such reviews provide no guarantee that prices would be reduced.

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368 [ ]

369 Interview with [ ]. [ ]

370 [ ]

371 [ ] For example, [ ].

249. We also note that the failure of bilateral negotiations with some customers risks causing demand fragmentation which could result in Armourguard operating less efficiently. For example, Armourguard submitted that the cumulative loss of customers materially reduces network density and volume scale.[372] This reduces asset utilisation, presents challenges in recovery of per-unit fixed costs and weakens Armourguard's financial performance unless offset by replacement volumes or material downsizing of infrastructure.[373] This situation could be avoided with successful collective negotiation. However, given the developments that have been triggered by the failure of bilateral negotiations,[374] it is unclear to what extent collective negotiation would be effective in fully avoiding or resolving the situation.

250. We do not consider the Participants to have strong incentives for the Proposed Arrangement to produce operational inefficiencies which would, in turn, likely result in higher cash handling costs (through higher prices). We also understand from Armourguard that the banks have consistently increased pressure on Armourguard to find efficiencies or restructure services.[375] As such, we are of the view that the incentives to minimise operational inefficiencies would be stronger especially at a time when the Participants are seeking to negotiate lower prices for CIT services.

251. Accordingly, we remain of the view that collective bargaining is likely to lead to productive efficiency improvements and therefore public benefits by increasing the likelihood of operational efficiencies being achieved between Armourguard and the Participants. We cannot quantify what these benefits are likely to be, and they may well be limited by the extent to which rationalisation across customers can be done without negatively affecting service levels or quality.

252. We also consider that there are likely to be public benefits in the scenario where entry by the new entry operating model is successful, although these could well be smaller (as with greater competitive constraint over time Armourguard is more likely to seek to achieve these efficiencies unilaterally, therefore reducing the *Authorisation-specific* benefits).

No clear impact on investment

Armourguard's submissions

253. In response to the Applicant's application for interim authorisation, Armourguard generally submitted that granting interim authorisation could cause a detriment not identified by the Applicant, namely deferrals of efficient investment by Armourguard.[376]

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372 [ ]

373 [ ]

374 As discussed elsewhere, some customers have opted to not continue with Armourguard, but they continue to support the Application. It is unclear whether (and to what degree) these customers would return to negotiations if authorisation were granted.

375 [ ]

376 For example, [

].

254. Similar to its submissions in respect of the Interim Determination, Armourguard maintains that granting final authorisation would increase uncertainty, leading to deferment of its investments. Armourguard submitted:[377]

254.1 Despite having entered into bilateral agreements with [

], Armourguard would need to reassess its planned investment if final authorisation were granted.

254.2 In that scenario, Armourguard would expect [

].

254.3 Armourguard submitted that, if final authorisation were granted, it may continue to [

].

255. In its submission on the Draft Determination, Armourguard submitted that the Interim Determination had provided it the ability to make some investments, but these had been lower than expected due to bank contracting decisions, and Armourguard will take further steps to reduce costs.[378] It submitted that any re-engagement would require new investment.[379]

256. Armourguard further submitted that the Draft Determination does not consider:

256.1 how the Proposed Arrangement may increase the likelihood of systematic price compression, which may reduce both the incentives and the ability to invest. Armourguard submitted that bilateral negotiations ensure there is not systematic wide pressure on pricing. Armourguard submitted that investment in CIT infrastructure is long-term and capital intensive, depending on predictability as it is a high-fixed cost business. It submitted that the Commission had not considered the increased risk of deferred investment;[380] and

256.2 how the Proposed Arrangement may increase uncertainty. It submitted that the Proposed Arrangement could lead to the possibility of coordinated renegotiation, undermining stability of long-term agreements.[381]

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377 [ ]

378 Armourguard submission on Draft Determination (14 April 2026) at [7.6] and 104.

379 Ibid, at 38.

380 Ibid, at 105-106.

381 Ibid, at 106.

257. Armourguard also cross-submitted in respect of RBNZ's submission, that the Commission has not taken into account RBNZ's views that:[382]

257.1 the relevant benefits we should assess include continuity of service, national coverage and resilience of critical infrastructure.

257.2 our assessment in the draft excludes assessment of dynamic-forward looking investment incentives, bargaining structures in a market of declining volumes and Armourguard's high fixed costs and sensitivity to pricing outcomes.

257.3 the Draft Determination does not consider the risks to system resilience raised by RBNZ, nor does it show evidential basis to demonstrate coordinated bargaining preserves investment incentives or infrastructure sustainability.

257.4 pricing pressure is not neutral, with sustained downward pressure affecting investment incentives asset maintenance and system resilience.

RBNZ's submissions

258. RBNZ submitted that the Commission should consider the potential impact of changes in bargaining dynamics on investment incentives as this could potentially influence longer-term expectations regarding returns, risk allocation and resilience investment.[383] It submitted that investment incentives in essential infrastructure markets are dynamic and forward-looking.[384]

Applicant's response to Armourguard's submissions

259. NZBA submitted that it recognises the need for Armourguard to earn a fair return on its investment.[385] However, NZBA does not consider the proposed IAF to be fair or transparent due to the lack of independent expert verification and the Participants' inability to negotiate individually with Armourguard.[386] NZBA states that the Proposed Arrangement would allow the Participants to work collectively with Armourguard to develop a pricing mechanism that provides Armourguard with a fair long-term return whilst minimising monopoly rents to ensure cash accessibility.[387]

260. In its response to Armourguard's submission on the Draft Determination, NZBA submitted that it considers the neutral finding as well-supported.[388] It also submitted that Armourguard will likely continue making essential investments given existing contracts, with uncertainties around future investment unlikely to be resolved in the counterfactual.[389] NZBA considers Armourguard's submissions on reducing

382 Armourguard cross-submission on Draft Determination (22 April 2026) at 4-5.
383 RBNZ submission on Draft Determination (14 April 2026) at 6.
384 Ibid.
385 Application at [8.21].
386 NZBA Cross-Submission Dated 23 October 2025 at [7].
387 Application at [8.21].
388 NZBA cross-submission on Draft Determination (22 April 2026) at [30].
389 Ibid, at [29-30].

investment and charging higher prices if it needs to redeploy its infrastructure as veiled threats indicating its market power and ability to act in its own self-interest.[390]

261. NZBA also cited Armourguard's submission indicating its reduced investment as proof of these uncertainties existing in the counterfactual. NZBA submitted that Armourguard has inflated the risk of price compression, given both the Participants submission that they believe a collectively negotiated mechanism would support Armourguard's investment, and that Armourguard itself would be an active participant in collective bargaining.[391]

Our assessment

262. In the Draft Determination, we considered that the Proposed Arrangement—given that it lessens competition—may also create dynamic inefficiencies.[392] We considered this may arise in the upstream market if buyer power allows a customer(s) to extract large discounts leading to low prices which could damage the long-term incentives of suppliers to invest and innovate, and could potentially lead to the exit of the supplier relative to the counterfactual.[393] We considered that detriments could also arise if the arrangement causes delays in investment or innovation.

263. An arrangement that results in successful conclusion of an agreement may also provide increased certainty in the medium to long-term, leading to dynamic efficiencies; while increased uncertainty has been linked to decreased investment.[394] As such, benefits or detriments could arise if we consider the counterfactual to be less or more certain than the factual.

264. Based on the evidence we have gathered to date, we still consider that Armourguard is likely to continue making essential investments in both the factual and counterfactual, given it is already bound by multiple executed bilateral agreements with customers such that, in order to satisfy those commitments, it will need to make sufficient investment to do so.

265. The submissions on investment are linked to pricing and uncertainty. At paragraphs [187] to [203] above, we concluded that we considered it was not likely the Proposed Arrangement would result in low prices that would be insufficient for Armourguard to invest and operate efficiently. We also considered the nature of Armourguard's costs, of which the largest proportion of its costs was [ ]. The other costs informing the IAF relate to plant and vehicles (eg, depreciation and maintenance),

390 Ibid.
391 Ibid.
392 Draft Determination at [235]. Authorisation Guidelines at [60].
393 Gunnar Niels, Helen Jenkins and James Kavanagh *Economics for Competition Lawyers* (1st edition) (Oxford University Press, 2011), 167.
394 Atanas Kolev, Tobey Randall, 2024, *The effect of uncertainty on investment: Evidence from EU survey data* retrieved from https://www.eib.org/attachments/lucalli/20240131_economics_working_paper_2024_02_en.pdf

occupancy and facilities (eg, rent, utilities), IT and security systems and corporate and functional overheads.[395]

266. We consider that our conclusions on the Draft Determination are still accurate. Below, we assess whether authorisation will lead to increased uncertainty on investment.

267. We consider that granting authorisation could cause some delay to Armourguard's non-essential investment plan. However, the Commission is not satisfied that any deferred investment can be attributed solely to the authorisation.

267.1 In the Interim Determination, the Commission considered that declining Interim Authorisation would reduce uncertainty and allow Armourguard to make necessary investments.[396] Following that decision, around [ ] has been secured, covering [ ].[397] This is [ ] Armourguard's initial estimate before that decision of [ ] in [ ].[398]

267.2 Armourguard submitted that [ ]. This change has affected both the timing and scope of its forward investment plan. For example, its initial estimate of approximately [ ] for a [ ]. Armourguard stated that this investment is [ ].[399]

267.3 Armourguard further submitted that any additional discretionary investment – beyond what is already committed and minimum ongoing capital expenditure – would depend on [ ].[400]

267.4 In response to the Draft Determination, Armourguard submitted that its investment has been and will be reduced due to bank contracting decisions, and that it is continuing to downsize.[401] To the extent that Armourguard has

395 [ ]
396 Interim Determination, at [55]–[56].
397 [ ]
398 [ ]
399 [ ]
400 [ ]
401 Armourguard submission on Draft Determination (14 April 2026) at 38.

already made decisions about deferring investment, those decisions are not specific to the authorisation and therefore do not constitute detriments. Similarly to the extent that Armourguard has downsized, and in both the factual and counterfactual then needs to invest in order to serve its customers, we expect such investment to be priced into the relevant contracts. This is likewise not an authorisation-specific effect.

267.5 We consider there will be contractual uncertainty in both the factual and counterfactual. In the factual, this includes uncertainty around pricing and other contractual terms as well as [ ]. We note that there would be similar uncertainty in the counterfactual as to bilateral pricing and terms, however, as well as prospects that [ ].[402] Similarly, for those parties without current contracts, the potential entry of the new entry operating model raises uncertainty in both the factual and the counterfactual.

267.6 However, we do consider that the Proposed Arrangement could reduce uncertainty in the medium to long term, as with whatever contract is in place, there would be certainty on prices and quantity for Armourguard. Given [ ] risk, amongst others, in the counterfactual, we do not consider uncertainty would reduce, hence the authorisation could lead to a small benefit regarding reduced uncertainty. This reduction is affected by the length of any contract negotiated; a longer contract will lead to a greater reduction in uncertainty than a shorter one, due to the greater period in which uncertainty is reduced.

268. In light of the above, we consider that almost all of these uncertainties about Armourguard's future investment plan are not authorisation-specific as they likely also exist in the counterfactual (eg, from failure to reach mutually acceptable agreements through bilateral negotiations). We do find however that there may be a small reduction in uncertainty from the authorisation in comparison to the counterfactual. Our view is that any potential detriment from deferred investment by Armourguard is likely to be limited to non-essential investment in the short-term and, given the many other uncertainties that will still remain in the market, is likely to be negligible in comparison to that which would have occurred in the counterfactual.

269. Further, given [ ], the Commission considers that these uncertainties are unlikely to be fully resolved through bilateral negotiations, even if authorisation were not granted. For instance, we consider that some level of contractual uncertainty will remain [ ].

[402] NZBA cross-submission on Draft Determination (22 April 2026) at [28]. We discuss this matter further below in the 'Transaction costs' section.

270. However, putting aside Armourguard's specific investments, in the round we consider that authorisation may reduce the extent of over-investment by providers of CIT services generally, taking into account the potential entry of the new entry operating model. In particular, we consider that granting authorisation would likely reduce the likelihood of inefficient duplication of investment by both Armourguard and the firms operating the new entry operating model, ultimately resulting in slightly more efficient levels of investment across all CIT providers.

271. In light of our view that any authorisation-specific deferred investment by Armourguard would be negligible, and authorisation would reduce uncertainty by a small margin and may therefore result in slightly more efficient levels of investment, we consider that granting authorisation is likely to be neutral in respect of investment by CIT providers as a whole, although there may be small benefits.

Transaction costs

Applicant and Participants' submissions

272. NZBA submitted collective bargaining will allow the parties to pool resources, share expertise and avoid duplicative bilateral negotiations, reducing transaction costs for the Participants and Armourguard.[403] The Participants largely support this position:

272.1 [ ] submitted that collective negotiations would allow the Participants to pool resources and costs, reducing costs per Participant, despite not being able to estimate the associated transaction costs and savings.[404]

272.2 [ ] considered that the authorisation would reduce time and costs through the elimination of significant duplication that would occur due to bilateral negotiations.[405]

272.3 [ ] also expects that the authorisation will lead to lower transaction costs for all parties but has not been able to calculate its own expected savings.[406]

272.4 [ ] also expects that external legal fees in the factual would be higher than what it had currently spent, but these would be shared amongst Participants, so there was potential for future collective negotiation costs to be significantly smaller.[407] [ ] also believes that the authorisation would streamline the negotiating process, leading to reduced costs and time for Armourguard and the Participants.[408]

273. However, the Participants have so far already incurred some internal staff and external advisory costs (legal and economic experts) in bilateral negotiations with Armourguard. For example, while [ ] has not been able to quantify internal costs,

403 Application at [8.17]-[8.18].
404 [ ]
405 [ ]
406 [ ]
407 [ ]
408 [ ]

it had, by January 2026, incurred external legal costs amounting to [ ].[409] [ ] submitted its costs have been largely internal, although it has incurred external legal costs amounting to [ ].[410]

274. In response to Armourguard's submission regarding sunk bilateral negotiation costs,[411] NZBA submitted that those costs should be treated as neutral, as they have been incurred as a direct consequence of the interim authorisation application being declined and cannot be recovered regardless of whether final authorisation is granted. Furthermore, NZBA submitted that there is a real prospect of [ ], which would be avoided if authorisation were granted. It considers [ ] would dwarf any increase in transaction costs resulting from collective bargaining in the factual.[412]

Interested parties' submissions

275. Armourguard argued that any lower transaction costs in this matter are not to be considered public benefits under the Commerce Act.[413] It believed bilateral negotiations are the only efficient path.[414]

276. Armourguard further submitted that the Commission should not treat transaction costs as neutral (as done in the Draft Determination), given the lack of certainty around what might happen in both the factual and counterfactual. Rather, it submitted that collective bargaining would result in a net detriment in terms of transaction costs, as it would impose unavoidable additional costs, including establishment, governance, advisory, and coordination costs, sunk bilateral negotiation costs, and costs comparable to those incurred in Part 4 pricing processes.[415]

Our assessment

277. An arrangement like collective bargaining can improve productive efficiency by reducing transaction costs, particularly through avoiding costly separate bilateral negotiations.[416] While we recognise this, the lack of evidence together with developments that have continued to take place while we have considered this Application makes it difficult to assess and determine the extent to which the Proposed Arrangement would likely affect transaction costs.

278. We consider that, in the factual, there would be transaction costs incurred that would not be incurred in the counterfactual, relating to collective negotiations. The Participants have not been able to provide us with estimates of these such costs,

409 [ ]
410 [ ]
411 Armourguard submission on Draft Determination (14 April 2026) at 108.
412 NZBA cross-submission on Draft Determination (22 April 2026) at [28].
413 [ ]
414 Armourguard cross-submission on NZBA Cross-Submission Dated 23 October 2025 (26 October 2025).
415 Armourguard submission on Draft Determination (14 April 2026) at 107-108.
416 Authorisation Guidelines at [80] and King, S. P. (2013). Collective bargaining by business: Economic and legal implications. University of New South Wales Law Journal, 36(1), 107-138 at 113-115.

including those likely to be incurred through the setting up of the collective and engaging relevant external advisors. We have been unable to obtain visibility on these costs beyond the figures provided to date on costs already incurred. Accordingly, we do not quantify these costs.

279. Unlike many traditional collective bargaining cases where collective bargaining avoids individual bilateral bargaining costs, in this case a number of the Participants have already either concluded bilateral agreements with Armourguard or opted to pursue the new entry operating model after having gone through a phase of bilateral negotiations. This means that some, and possibly all, of the Participants have already incurred transaction costs in one way or another. Such transaction costs are sunk, cannot now be saved through collective negotiation, and are therefore neither benefits nor detriments.

280. We do consider that there are some, potentially small, transaction cost savings in the factual from avoided bilateral negotiations. We consider there are two forms of transaction cost savings collective negotiations may produce:

280.1 First, transaction cost savings in respect of those Participants who have not yet concluded any contracts with Armourguard and/or the Participants who, in the counterfactual, may still have bilateral negotiations with Armourguard to come. In particular, while some Participants have opted to pursue the new entry operating model and have initiated disengagement from Armourguard, there is still significant uncertainty about whether this will be successful.[417] In the event of failure to successfully establish the new entry operating model, those Participants may return to negotiate with Armourguard, which would then lead to transaction costs in bilateral negotiations in the counterfactual that could be reduced via collective bargaining in the factual. However, there is a degree of uncertainty about this, and we also cannot quantify what these costs would be.

280.2 Second, to the extent that there are any renegotiations of contracts during the period, there will likely be transaction cost savings compared to the counterfactual. This may be due to the expiry of existing contracts during the period (for example, at the end of [

]); or due to the expiry and potential rollover of any collectively bargained agreement during the period. The existence of a collective agreement in these circumstances could avoid bilateral bargaining costs.

[417] Following our discussion above, we consider that the costs incurred in setting up and operationalising the alternative operating model are likely to be incurred in both the factual and counterfactual, and that its chances of success are independent of the authorisation (ie, are the same in the factual and counterfactual). Accordingly, we do not consider any of those costs in this section.

281. There is also a further significant uncertainty relating to another category of costs that might be incurred in the factual and counterfactual: [
].

281.1 We consider that, in the counterfactual, as NZBA has submitted, [

]. There would be potentially significant costs involved with [

].

281.2 However, we also consider that there is some chance of [ ] in the factual. This is because [

]. There would therefore be costs involved with [ ] that would likely be similar to those in the counterfactual.

281.3 However, we consider the expected cost of [ ] in the counterfactual is likely to be lower than in the factual for two key reasons:

281.3.1 First, we consider the likelihood of [ ] occurring at all to be lower in the factual. [

]. On the other hand, in the counterfactual, [

]. We consider that [

]. We also consider that this may be even more the case in the situation where the new entry operating model succeeds, because [

].

281.3.2 Second, we consider the costs likely to be incurred [ ], if it occurs, to likely be lower in the factual. For effectively the same reasons as set out above, we consider [

], meaning fewer costs would be incurred.

281.4 Accordingly, while we cannot quantify the costs set out above, we consider they would likely be greater in the counterfactual than in the factual.

282. In summary, we consider there would be transaction costs incurred in the factual relating to collective bargaining, and some avoided transaction costs relating to bilateral negotiations (particularly in the scenario where the new entry operating model is unsuccessful and where parties would otherwise need to renegotiate). There is also likely to be lower costs relating to [ ] in the factual than in the counterfactual. Taking the above in context and mindful of our inability to quantify, we consider that the increased collective bargaining costs in the factual likely balance out any avoided transaction costs and increased [ ] costs in the counterfactual. Accordingly, we treat this factor as neutral in our weighing of benefits and detriments.

Step-in rights

Applicant's and Participants' submissions

283. NZBA states that [

].[418] NZBA claims that [

]. [419]

284. NZBA also submitted that [

].[420]

285. In response to Armourguard's submission that authorisation is not required to achieve any benefits from step-in rights due to existing arrangements, NZBA acknowledges an existing degree of co-operation but submitted that there are sufficient issues with the existing bilateral rights meaning that uncoordinated exercise of these rights by one customer would negatively affect other customers.[421]

418 Application at [ ].
419 [ ]
420 Application at [ ].
421 NZBA cross-submission on Draft Determination (22 April 2026) at [31]-[37].

NZBA submitted that there are real benefits in the coordinated negotiation and subsequent exercise (if needed) of these rights during a crisis scenario, which cannot be achieved without authorisation.

Interested parties' submissions

286. Armourguard is concerned that the coordination and potential coordinated exercise of the step-in rights provide an incentive for the banks to continue to pressure it financially, so that banks can step in to take over the business following its collapse.[422]

286.1 On the other hand, NZBA submitted in response that there is no evidential basis that banks are trying to collapse Armourguard. NZBA explains that step-in rights are designed for 'emergency situations only' and it grants banks the ability to step in and operate the infrastructure whilst a more permanent solution can be found.[423]

286.2 The contractual terms in the most recent agreements executed between Armourguard and [ ] appear to support NZBA's position. For example, under [

].[424] These contractual obligations do not support the suggestion that the banks seek to collapse or own Armourguard. We also note with reference to the discussion above that Armourguard will not be forced to agree to any collectively bargained terms. As such, we do not address this point further.

287. Armourguard also submitted that not only are there existing bilaterally negotiated step-in rights, but also [

] and therefore authorisation is not required to achieve any benefits.[425] Armourguard accepts step-in rights as a prudential safeguard of last resort essential to a resilient system; but submitted that what is proposed goes beyond that intended function, including by (among other things):

287.1 creating a moral hazard: reducing the commercial consequences to Participants of under-investment by Armourguard in, and any subsequent degradation of, its infrastructure;

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422 Armourguard interim submission on Application (22 September 2025) at [40]. Armourguard cross-submission on NZBA Cross-Submission Dated 23 October 2025 (26 October 2025) at 2.

423 NZBA cross-submission on Armourguard interim submission (1 October 2025) at 5. NZBA cross-submission on Draft Determination (22 April 2026) at [34]–[36].

424 See [ ].

425 Armourguard submission on Draft Determination (14 April 2026) at [5.20]–[5.37], [9.4], 48–49 and 110–111.

287.2 further weakening any constraint on Participants to avoid subeconomic pricing affecting Armourguard's viability, putting downward pressure on Armourguard's returns while externalising these risks; and

287.3 reinforcing the buyer power Armourguard submitted will be created by the authorisation.

288. RBNZ also supported parties' collective bargaining on step-in rights but considered these aspects could be decoupled from the issue of CIT fees.[426]

Our assessment

289. The importance of coordinating how step-in rights would operate in a crisis is underscored by the existence of [

].

290. We note that, as both NZBA and Armourguard have identified, [
] show that the simple existence of these rights in bilateral agreements between Armourguard and its customers, and these rights being exercised to some degree collectively, is not dependent on the authorisation and would occur in the counterfactual. It is only the further benefits from collective alignment and coordination on the negotiation and exercise of step-in rights that can amount to a benefit from the Authorisation.

291. In our view, collectively negotiating over the content of contractual step-in rights could generate benefits in respect of all Participants contracting with Armourguard, including both bank and non-bank customers:

291.1 We note that, in the most recent agreements with Armourguard, individual contractual step-in rights were included in agreements with [
],[427] and not in agreements with [
]. This is consistent with the approach taken before the merger.

291.2 Similarly, there are some differences between the bilaterally negotiated step-in rights in different parties' agreements with Armourguard. For example, [

][428] whereas [

426 RBNZ submission on SOPI (10 October 2025) at 6.

427 [
]

428 [ ]

].[429]

291.3 We note Armourguard's submission on the potential downstream effects of coordinated negotiation of step-in rights. However, it is not clear the extent to which the outcomes Armourguard describes could eventuate given the Participants have not yet commenced the collective bargaining process (that is, the shape of any step-in rights has not yet been decided) and any collectively bargained outcome would also require Armourguard's agreement.

291.4 Accordingly, we consider there is at least some scope for the content of the step-in rights currently in bilaterally negotiated agreements to be collectively negotiated and aligned between Participants under the Authorisation, and in turn there could be efficiency gains from this.

292. We also consider that collectively negotiating over the exercise of contractual step-in rights could generate benefits in respect of all Participants (both bank and non-bank):

292.1 While [ ] and [ ], we consider the effectiveness of these rights could be improved with further coordination across the Participant group. This is because the uncoordinated exercise of individual step-in rights by one bank could have an impact on other banks (or non-bank customers) whose CIT service needs could be negatively affected.

292.2 Step-in rights are only relevant in circumstances where there is a crisis that threatens the availability or provision of CIT services. Without coordination among the parties, individual action by each bank that has step-in rights, acting according to its own incentives, carries the risk of escalating the crisis for other Participants. As such, we consider effective coordination of step-in rights could generate a public benefit by ensuring better management of crisis situations and minimising the risk of escalation.

292.3 There could also be benefits in respect of non-bank customers such as NCR Atleos. Although these customers do not have regulatory cash-supply obligations, NCR Atleos currently operates ATMs for Kiwibank[430] and the stability of cash supply is critical to its business and customers. We therefore consider that collective negotiations likely provide value by enabling these parties to discuss the necessity of step-in rights and how they should collaborate in relation to the operation of the step-in rights should they be triggered.

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429 [ ]

430 NCR Atleos, "NCR to Run Kiwibank's ATM Fleet as Part of Allpoint Network" (17 August 2023) at https://www.ncratleos.com/news/ncr-to-run-kiwibanks-atm-fleet-as-part-of-allpoint-network

292.4 We acknowledge Armourguard's submission with reference to [ ] that some degree of alignment on exercise of step-in rights is likely possible without authorisation. However, we also note NZBA's submission that there are limitations to the extent of alignment that can be achieved without authorisation. We further note that [ ]. Accordingly, in line with NZBA's view, we do see the potential for public benefits from collective coordination on the exercise of these rights compared with the counterfactual, which could only be achieved with authorisation.

293. Accordingly, we consider there could be public benefits from collective negotiation over the content and subsequent exercise of step-in rights. The magnitude of this benefit is uncertain, however, as it relates to the potential size of disruption avoided in case of crises by having more coordinated step-in rights than would be the case in the counterfactual (ie, over and above [ ]). It is not possible for us to quantify this. We consider that given the low chance of crises occurring but the critical importance of continued access to cash for all Participants that have contracts (whether negotiated bilaterally or collectively) with Armourguard, and their customers, in such a situation, there is a clear, if small, benefit from this.

294. The level of success of the entry of the new entry operating model also affects the magnitude of these benefits.

294.1 [

]

294.2 On the other hand, step-in rights also provide some benefit to Armourguard. In the scenario described immediately above, in the absence of collectively negotiated, more well-functioning step-in rights, customers could be more likely to [ ]. The existence of such step-in rights, to some extent, could better help preserve Armourguard's business and its relationships with its customers in a crisis situation.

295. We are therefore of the view that the collectively negotiated step-in rights generate some public benefit, although, as described above, the magnitude of that benefit is uncertain. We consider that successful new entry of the new entry operating model may have some (albeit very small) impact on the magnitude of this benefit, but it would not be sufficient to turn the benefit into a detriment.

Balancing of Benefits and Detriments

296. On the basis of the evidence, our view is that the benefits of granting the authorisation would outweigh the detriments of doing so, and accordingly we grant the authorisation.

297. However, as discussed above, the benefits we have identified in this case are not possible for us to quantify; and our best estimate is that they are small. Coming to the view that benefits outweigh detriments in this case has required a qualitative weighting of the relevant benefits and detriments. Further, the operation of the uncertainty in this case regarding the entry of the new entry operating model also affects the net benefits – in our view, the net benefits would be lower, although still positive, in the world with successful entry from the new entry operating model.

298. We summarise our position on benefits and detriments in **Table 1**:

Table 1: Summary of benefits/detriments relative to counterfactual

Benefit/detriment category (type of efficiency)	**Value in world without successful entry**	**Value in world with successful entry *(by comparison)***
Price/volume effects (allocative)	Small benefit	*Smaller benefit, but still positive*
Non-price contract terms (allocative)	Small benefit from alignment on non-price terms	*Smaller benefit from alignment on non-price terms, but still positive*
Coordination (productive)	Potential small detriment from coordination, imposition of conditions reduces detriment (possibly neutral)	*No material difference*
Operational efficiencies (productive)	Small benefit	*Smaller benefit, but still positive*
Investment (dynamic)	Potentially small benefit or detriment for Armourguard's investment, but unlikely to be Authorisation-specific. Potential small benefit more broadly. Treating as neutral to small benefit.	*No material difference*
Transaction costs (productive)	Treating as neutral	*Treating as neutral. If there is a benefit, it is smaller.*
Step-in rights (allocative)	Small benefit	*Smaller benefit, but still positive*

Conditions

299. We must not grant authorisation if we are not satisfied that the public benefits from a proposed arrangement are likely to outweigh the detriments from the arrangement.[431] However, it is open to the Commission to grant authorisation subject to conditions if the conditions are not inconsistent with the Act.[432]

300. We may impose conditions that remove or lessen detriments arising from an agreement, or conditions that create or enhance benefits.[433] In imposing behavioural conditions, we will have regard to:[434]

    300.1 how well they achieve their objectives, while minimising the risk of unintended negative consequences;

    300.2 the likely cost of monitoring and enforcement; and

    300.3 the likely compliance costs for the firms involved.

Submissions on conditions

301. In the Application, NZBA suggested it would be open to any or all of the following conditions being imposed on any authorisation:[435]

    301.1 reporting obligations: to the Commission and/or RBNZ on a range of matters;

    301.2 pre-implementation disclosure: a notification to the Commission and RBNZ before implementing any collectively agreed framework;

    301.3 legal oversight: all meetings and discussions to be overseen by an external competition law adviser; and

    301.4 designated forums: all authorised conduct to take place in designated forums only.

302. Before the Interim Determination, we consulted with interested parties, including on whether a condition could be imposed requiring information be passed through and held by a neutral party (potentially the NZBA). At that time NZBA's position was that

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431 Relevant to this determination, under sections 61(6) and (8) of the Act.

432 Section 61(2) of the Act. We note that our Authorisation Guidelines state that we will impose conditions "where we consider the conditions or undertakings will enable the agreement, unilateral conduct or merger to pass the public benefit test" (at [29]). As we stated in *Genesis Energy Ltd* [2025] NZCC 22 at fn 4, that is not a complete statement of the Commission's powers, as explained in previous decisions. See *Re New Zealand Kiwifruit Exporters Assoc Inc* (1989) NZBLC (Com) 104,485 at [6.3]-[6.4] and OMV New Zealand Ltd, Shell Exploration New Zealand Ltd, Shell (Petroleum Mining) Co Ltd and Todd (Petroleum Mining Co) Ltd (Commerce Commission Decision 505, 1 September 2003) at [530]-[534].

433 Authorisation Guidelines at [32].

434 Ibid, at [34].

435 Application at [5.8].

such a condition [
].[436] However, subsequent to the Interim Determination, NZBA submitted that:[437]

302.1 [

]; and

302.2 [

].

303. In our Draft Determination, we proposed granting authorisation subject to two conditions controlling information-sharing. Subsequent to our Draft Determination:

303.1 Armourguard submitted that the Commission's faith in the conditions proposed in our Draft Determination was "optimistic", and it noted its concern that monitoring and enforcing information-sharing conditions to control coordination risk is difficult, especially without active oversight.[438] Its view was that we had not demonstrated the capability and effectiveness of the proposed conditions in controlling the relevant detriment. Armourguard also noted that the proposed conditions did not include any control over the scope of the Proposed Arrangements, including requiring the involvement of an independent third party and the development of an independent pricing mechanism, and that cost reductions be passed on.

303.2 NZBA supported the conditions proposed in our Draft Determination to control the coordination risk we identified.[439]

303.3 RBNZ submitted that it supported conditions to manage coordination and information sharing risk; but encouraged the Commission to consider whether the conditions could support visibility of cash system outcomes material to the public interest, to ensure the Arrangement takes account of stakeholder interest and does not weaken CIT infrastructure over time.[440]

436 [ ]
437 [ ]
438 Armourguard submission on Draft Determination (14 April 2026) at 36-37, 72, 82-83, 89-90, 101-103.
439 NZBA cross-submission on Draft Determination (22 April 2026) at [38]-[41].
440 RBNZ submission on Draft Determination (14 April 2026) at 5-6.

Our assessment of conditions

304. As discussed above, we consider there is some risk of anticompetitive harm (and therefore public detriment) arising from potential coordination via information sharing as part of collective bargaining. However, as also mentioned above, we consider these risks could be effectively managed through imposition of conditions that limit the types of information that can be shared between Participants and the ways in which it can be shared. We consider that with the conditions below imposed, the risk of such detriment arising would significantly reduce such that we can treat this closer to a neutral factor in our overall weighing of benefits and detriments. We consider imposing these conditions to be particularly important due to our inability to quantify the benefits and detriments in this case, because these conditions allow us to be more satisfied that there are no relevant factors that likely amount to detriments and therefore the Proposed Arrangement will result in a net public benefit.

305. We acknowledge Armourguard's submission on the proposed conditions in our Draft Determination. We consider the scope of the Authorisation we are granting to be sufficiently clear (including by reference to the discussion at paragraphs [39]–[40]) such that the broader conditions it suggests are not necessary. We also consider that the conditions we are imposing are sufficiently tailored, allowing for the appropriate level of external and Commission oversight to deter coordinated conduct while imposing a proportionate cost on both the Commission and the Participants.

306. We acknowledge RBNZ's submission that we could broaden our conditions to safeguard broader interests. As set out above, the nexus between granting this authorisation and those broader interests, for example in the stability of the cash system, is not clear. We do not consider it possible to impose a condition of that type with a material link to one of the benefits or detriments in this matter. We note that we retain the ability to share information and documents received in exercising our powers under the Commerce Act with RBNZ where we consider doing so would assist the RBNZ in the performance or exercise of its legislative functions, and we can impose confidentiality conditions on that information.[441]

307. Accordingly, we grant authorisation subject to the following conditions:

    307.1 **Condition 1 – Legal oversight:** All meetings and discussions in relation to the Authorised Conduct will be overseen by an external legal adviser with expertise in competition law, the identity of whom will be made known to the Commission. Minutes of those minutes and discussions must be taken and must be made available to the Commission on request.

    307.2 **Condition 2 – Information sharing:** To the extent that Participants consider it necessary to share confidential information in order to undertake the Authorised Conduct, that information must only be shared with a neutral third party (who may be the competition law advisor in Condition 1, or another person, the identity of whom will be made known to the

[441] Commerce Act 1986, ss 99AA-99AB.

Commission). The neutral third party must only share with Participants aggregated versions of the confidential information it receives from Participants, solely for the purpose of collective bargaining with Armourguard under this Authorisation. Participants also must only use such information for the purpose of collective bargaining with Armourguard under this Authorisation. A register of the confidential information received from, and shared with, Participants must be kept and made available to the Commission on request.

Period of authorisation

Summary

308. The Commission can grant authorisation for such period as it considers fit.[442]

309. Having regard to submissions made by parties and given our overall assessment of the likely benefits and detriments, on balance we consider it appropriate to authorise the Arrangement for 11 years as requested by NZBA.

NZBA's submissions on duration

310. NZBA submitted that authorisation for the Proposed Arrangement should be granted for a period of 11 years (one year for bargaining and a 10-year agreement term) to provide the requisite certainty for Armourguard's investment planning as well as Participant planning.[443] It also submitted that a 10-year agreement would allow Armourguard a reasonable period over which to recover necessary capital investment to maintain and enhance the sustainability of CIT services. It noted that a period of 11 years would also allow for any further collective negotiations, for example if changed circumstances require changed terms. It further noted that if a term shorter than 10 years proved to be mutually beneficial during negotiations, this could still be agreed.[444]

Other submissions on duration

311. Although it opposed the authorisation, Armourguard submitted that a 10-year contract term is:[445]

> …the only commercially and operationally viable basis for recovering the substantial fixed investment necessary to maintain a robust national CiT infrastructure. It aligns with the amortisation period of costly, long-life assets—vaults, depots, armoured fleet, BCP redundancies, and technology systems—that underpin continuity of cash distribution. Any shorter term would either require substantially higher pricing or recreate the under-investment and fragility that BS-11 expressly seeks to prevent.

312. However, Armourguard later submitted that the 10-year requested term was excessive, and that any authorisation granted should not extend beyond the point

442 Section 61(2) of the Act.
443 Application at [5.6]-[5.7].
444 NZBA cross-submission on Armourguard interim submission (1 October 2025) at 4.
445 Armourguard cross-submission on NZBA Cross-Submission Dated 23 October 2025 (26 October 2025) at 2.

that the relevant contracts are executed.[446] It stated that authorisation should only be granted for the minimum period reasonably necessary to conclude negotiations, and that ongoing performance of executed bilateral agreements does not require continuing coordinated conduct between the Participants.

313. RBNZ submitted that the proposed 10-year duration of a collectively bargained agreement is inappropriate for rapidly evolving payment systems where annual pricing reviews would better serve essential infrastructure requiring ongoing public interest assessment.[447]

314. Authentic submitted that a shorter duration, for example three to five years with a formal review after three years, would be more appropriate, in light of the modest and unquantified public benefits, uncertainty around market developments, and potential emergence of a new operating model.[448]

Our assessment of duration

315. In this case, we accept that in granting authorisation it would be appropriate to do so for a term that takes into account both:

315.1 the length of time that the Participants will likely require to conduct collective negotiations; and

315.2 in light of Armourguard's approach to the term of its service agreements, the likely term of any collectively negotiated agreement.

316. We note our conclusion in *Tegel* that where there are net benefits to collective bargaining, any authorisation should cover the time taken to enter and to give effect to any collective agreement; and that we should consider the likely duration of such collective agreement.[449]

317. Here, we consider 11 years (roughly one year for negotiation plus a 10-year agreement term) is an appropriate duration for this authorisation. We consider this to be appropriate because:

317.1 NZBA submitted that a year was an appropriate period for the collective bargaining to occur, and we have not received evidence suggesting otherwise;

317.2 At the time the Application was made, Armourguard was seeking to enter service agreements covering a 10-year period. Armourguard submitted it was seeking agreements covering such a period; and we understand some Participants and other parties have signed agreements covering such a period;

446 Armourguard cross-submission on Draft Determination (22 April 2026) at 50-51.
447 RBNZ submission on SOPI (10 October 2025) at 5.
448 Authentic New Zealand submission on Draft Determination (11 April 2026) at 3.
449 *New Zealand Tegel Growers Association Incorporated* [2022] NZCC 30 at [287].

317.3 Despite Armourguard's submission, some Participants have subsequently been offered and/or signed service agreements with Armourguard covering a shorter period (for example, [ ]). We consider it appropriate that those Participants should also be able to avail themselves of any extant (or yet to be reached) collectively bargained agreement at the end of their existing agreements with Armourguard;

317.4 We note both RBNZ and Authentic submitted that 10-year agreements risked entrenching a market structure, possibly to the detriment of new entries and competition. We note, however, that granting authorisation for such a term does not in itself require that:

317.4.1 any collectively bargained agreement last for 10 years; and/or

317.4.2 any price or non-price terms reached under any collectively bargained agreement not be reviewable during the life of the agreement.

317.5 Instead, such matters would be left to the Participants and Armourguard to determine during negotiations;

317.6 If a collectively bargained agreement of shorter than 10 years is reached, then we consider there is likely value in allowing the Participants to reach a subsequent collective agreement for the remainder of that period. We note our comments above about what Participants may and may not do during the term of the Authorisation including that:

317.6.1 any subsequent agreement may not extend beyond the 10-year authorised period; and

317.6.2 the Participants may only engage in further collective bargaining in respect of agreements covering that period (ie, they may not use the authorisation to prepare for any agreement intended to take effect after the period ends);[450]

317.7 We also note Authentic's submission that we should authorise for a shorter period of three to five years to avoid entrenching a market structure. However, having considered the evidence from Participants and Armourguard about the need for certainty and investment and in light of the discussion elsewhere in this Determination, we consider three to five years is likely too short a period of time for the parties to reach meaningful collectively bargained agreements; and

317.8 Finally, we note Armourguard's submission that the authorisation should only cover the initial negotiation period. However, the Participants have requested authorisation to both enter into and give effect to the relevant

450 See also [40] above.

arrangements. To the extent those arrangements contain cartel provisions or lessen competition, we consider it is appropriate for the authorisation to cover both the negotiation and term of the relevant agreements.

Determination

318. Subject to the conditions specified above, the Commission's decision is to grant authorisation for the Proposed Arrangement under sections 58(1), (2), (6B), and (6D) of the Act for a period of 11 years.

319. Accordingly, the Commission's determination is to authorise the Proposed Arrangement with conditions until 14 May 2037.

Dated this 14th day of May 2026

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Dr John Small
Chair

Appendix A: The economic framework, bargaining and information asymmetry

320. In this Appendix, we set out details of the economic framework we have applied in assessing some of the benefits and detriments in this case, including summarising submissions on our framework as we set it out in our Draft Determination.

Armourguard's submissions

321. In response to our Draft Determination, Armourguard submitted that our approach to bargaining dynamics implicitly treats it as an unavoidable trading partner and the recent bilateral negotiations reflect an imbalance in bargaining power.[451] Armourguard stated that historical evidence shows banks are not structurally captive customers without realistic alternatives, and are able and willing to sponsor entry where it aligns with their commercial interests.[452] Banks can, according to Armourguard, shape market structure, fragment demand or withdraw altogether, while CIT providers face sunk infrastructure, regulatory obligations and asymmetric exit risk.[453] It submitted that our bargaining framework does not factor, or at least sufficiently, in the dynamics posed by actual and potential entry.[454]

322. Armourguard submitted that observed bilateral negotiation outcomes are consistent with workable competition in a "sunset" industry in which sophisticated customers' choices differ according to varied preferences, incentives and alternatives.[455]

323. Armourguard also submitted that our analysis in the Draft Determination relied on generalised theoretical models of bargaining dynamics without sufficient regard to case-specific context (eg, the scale, financial capacity and commercial sophistication of the banks).[456]

324. Further, Armourguard submitted that our analysis in the Draft Determination did not assess the impact of the interaction between collective bargaining and step-in rights. It submitted that this interaction increases the likelihood of sub-economic outcomes, shift risk asymmetrically to itself and undermines the incentives for efficient long-term investment, particularly in wholesale CIT services.[457]

325. Armourguard also submitted that our analysis in the Draft Determination is silent on bid-market dynamics (competition for the contract), and the implications of collective bargaining at contract renewal stage, ie, on successive tenders.[458] According to Armourguard, the Draft Determination did not contemplate and assess

451 Armourguard submission on Draft Determination (14 April 2026) at [4.1].
452 Ibid, at [4.2]-[4.3]. Armourguard submitted that these alternatives are not theoretical at [5.44]-[5.46].
453 Ibid, at [4.3].
454 Ibid, at [5.47].
455 Ibid, at [4.11]-[4.12].
456 Ibid, at [5.11].
457 Ibid, at [5.29]-[5.30].
458 Ibid, at [5.61]-[5.66].

the likelihood that collective bargaining would entrench a monopsony dynamic or the inherent risks that a CIT operator faces at that stage.[459]

326. On information asymmetry and transparency, Armourguard submitted that it has been transparent with its customers; but it has not provided its full, detailed IAF model to the banks because it contains highly sensitive cost information that would materially increase competition law and commercial risks.[460] We understand Armourguard told one Participant that the complexity of allocating fixed costs also makes it infeasible to provide detailed cost and margin breakdowns for each rate card line.[461]

327. Armourguard submitted that the fact it did not provide a bottom-up line by line cost analyses requires context, such as that aggregate cost recovery/buckets do reflect the economic reality. Armourguard submitted that the Draft Determination does not provide sufficient evidence that Armourguard has market power, and that the use of aggregate cost-based pricing is consistent with utility-style model.[462]

328. Armourguard also submitted that the Draft Determination does not provide sufficient evidence of, or specify any specific error, overstatement of cost, reflect excessive prices or overpayment within our assessment.[463]

329. Armourguard submitted that reference to customer concerns regarding overpaying and requests for line-item cost visibility requires additional context. It argued that customers desire for transparency and lower prices is not unusual, that cost-to-serve plus margin visibility is not reasonable in a high fixed cost business. Armourguard submitted that the focus should be on reasonable return and recovery of total costs, not individual concerns, on pricing. Armourguard also submitted that we need to consider under-pricing and that banks challenging pricing, seeking alternatives and disengaging indicates bargaining power.[464]

330. Armourguard also submitted that [

].[465]

331. Armourguard further submitted that our treatment of Armourguard's costs is incomplete and risks characterising the purpose of that analysis incorrectly. It clarified NZIER's role was not to review individual costs, but to assess the economic model of the IAF, and whether it produced a reasonable return. Armourguard submitted that the fact that NZIER took the cost base as an input does not diminish

459 Ibid, at [5.67].
460 [ ]
461 See, for example, [ ].
462 Armourguard submission on Draft Determination (14 April 2026) at 71.
463 Ibid, at 72.
464 Ibid.
465 Ibid, at 73.

the relevance of its conclusions, and that our assessment should not be determined by the fact NZIER did not independently review each individual cost, but whether it is consistent with sustainable cost recovery.[466]

332. Armourguard was of the view that the approach to the view that mistrust and information asymmetry may result in "inefficient" contracts is not sufficiently defined, evidenced or linked to the statutory assessment.[467]

333. Armourguard also submitted that the Draft Determination does not clearly explain how collective bargaining would reduce information asymmetry, particularly where the Participants retain incentives to withhold or strategically use information.[468]

334. Armourguard submitted that it would face uncertainty as to the number, frequency and structure of any collective process, including the granularity at which its costs and operations would be examined.[469]

NZBA and the Participants' Submissions

335. The Participants, on the other hand, submit that there is lack of transparency on Armourguard's costs and pricing approach.[470] The Participants express concern that they lack visibility into Armourguard's costs, and, in particular, that they cannot verify Armourguard's costs or that those costs are efficient.[471] Regardless, some of the Participants [

].[472] [

]. NZIER did not verify Armourguard's costs before endorsing the IAF (in its report, NZIER appears to take the costs as given).[473]

336. In its cross-submission, NZBA submitted that the possibility of information asymmetry leading to inefficient contracts is a market failure and correction through collective negotiation is a real resource improvement, not a wealth transfer.[474] NZBA further submitted that prices closer to efficient, cost-reflective levels reflect a welfare gain through reduced deadweight loss.[475]

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466 Ibid, at 71.
467 Ibid, at 70.
468 Ibid.
469 Ibid, at [ ].
470 See for example, Application at [ ]. [
] [
] [
]
471 See, for example, [ ].
472 See [ ].
473 NZIER Report, above n 14.
474 NZBA cross-submission on Draft Determination (22 April 2026) at [17].
475 Ibid.

Our Assessment

337. The outcome of bargaining, bilateral or collective, partly depends on the balance of bargaining power[476] between the negotiating parties. The relative bargaining power of the negotiating parties and the division of surplus depends on several factors, including:[477]

337.1 the quality of each party's outside options – key to bargaining strength;

337.2 the bargaining costs and losses each party incurs by delaying agreement;

337.3 the payoffs either party derives from walking away from negotiations;

337.4 the costs suffered by making small concessions to the other party; and

337.5 the extent of information asymmetry, for example on costs or value.

338. Outcomes from bargaining, bilateral or collective, can be efficient/more efficient (beneficial to the public) or inefficient/less efficient (detrimental to the public). Inefficient/less efficient outcomes can arise if bargaining terms tend strongly towards the position of the party with greater bargaining strength while more efficient outcomes tend to arise if the parties move towards maximising their joint surplus.[478] In the authorisation context, a collective bargaining arrangement produces a public benefit (or detriment) if the outcome is more (or less) efficient than the situation without the arrangement.

339. Several factors can contribute to inefficient/less efficient outcomes of bargaining between buyers and sellers, including:[479]

339.1 information asymmetry[480] and incomplete contracts;

339.2 challenges with contracting important aspects of business relationships;

339.3 purchase (supply) of inefficiently low volumes because prices are too high (too low); and

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476 Bargaining power is a key concept referring to the ability of buyer(s) or seller(s) in a negotiation to influence the outcome of bargaining in their favour (eg, .extracting lower or higher prices).

477 Baker, J. B., Farrell, J., & Shapiro, C. (2008). Merger to monopoly to serve a single buyer: Comment. *Antitrust Law Journal*, *75*(2), 637-646. http://www.jstor.org/stable/27897589 and O'Brien, D. P. (2014). The welfare effects of third-degree price discrimination in intermediate good markets: the case of bargaining. *The RAND Journal of Economics*, *45*(1), 92-115. http://www.jstor.org/stable/43186448)

478 Baker, J. B., Farrell, J., & Shapiro, C. (2008). Merger to monopoly to serve a single buyer: Comment. *Antitrust Law Journal*, *75*(2), 157.

479 Ibid., at 638-640.

480 Information asymmetry is present in any bargaining situation or transaction where at least one party has information that other parties lack. It affects each party's behaviour during bargaining, and consequently, the outcomes of bargaining due to the uncertainty regarding the other party's knowledge. Higher levels of information asymmetry are generally associated with detriments because it gives rise to issues relating to moral hazard and adverse selection which can lead to market failure.

339.4 breakdown in negotiations or conclusion of inefficient contracts that lead to commercial disputes, litigation, etc.

340. The section below provides our current assessment of whether there is information asymmetry that could lead to inefficient outcomes from bilateral negotiations, and whether collective negotiation could resolve these.

Information asymmetry and potential for inefficiencies in the counterfactual

341. Collective negotiation can enhance allocative efficiency by addressing market failures such as information asymmetry.[481] Collective negotiation also can enhance verifiability of information and how it is used to design contract terms, thereby improving outcomes.[482]

342. Issues around information asymmetry and its potential impact on inefficiencies could apply to price and non-price (eg, level of actual investments) aspects of negotiations between Armourguard and the Participants despite the discussion below referring to price-related aspects. For example, reduced information asymmetry could improve operational efficiencies. As such, our discussion below relating to information asymmetry should be considered holistically in the context of how bilateral negotiations have played and the rest of our assessment of whether collective negotiations would likely resolve potential inefficiencies.

343. Our assessment of the evidence concluded that there were some information asymmetries and a degree of mistrust between Armourguard and the banks, which we considered would potentially result in less efficient outcomes. We considered inefficiencies could result in a market failure through inefficient contracts or contribute to failed negotiations resulting in less efficient outcomes.

344. Inefficient contracts create potential for disputes [ ]. For example, we note that there is [ ].[483] Failed negotiations can result in demand fragmentation, potentially less efficient scale which may lead to higher future prices. Armourguard also appears to suggest that the banks turning to the new entry operating model may be [ ] entry which is occurring due to failure to successfully conclude bilateral negotiations.[484]

345. We considered Armourguard's approach to pricing including the level of transparency on costs and prices; changes to the level of investment in vehicles and whether Armourguard would adjust prices; we also considered information we had

481 Authorisation Guidelines at [78].

482 King, S. P. (2013). Collective bargaining by business: Economic and legal implications. University of New South Wales Law Journal, 36(1), 107-138 at 116.

483 [ ]

484 Armourguard cross-submission on Draft Determination (22 April 2026) at [2.16], [3.1], [3.5], [7.3] and [7.4].

on Armourguard's leases which provided insight into the prospect that some of its costs may be efficient/inefficient. This is something at least one customer had been concerned about in the bilateral negotiations which eventually failed. We restate our observations below.

346. We considered NZIER's rationale and justification for the IAF and concluded it likely has limitations explained in paragraph [174].

347. We understand that Armourguard did not [ ] but focused instead on [ ].[485] Armourguard explained to one Participant that [ ].[486]

348. Armourguard's customers are also concerned about the risk of overpaying for services and at least one Participant has unsuccessfully requested greater visibility on the cost-to-serve plus margin at the line-item level.[487]

349. Armourguard initially estimated that it needed [ ] to provide services but appears to have revised this to [ ].[488] It also has managed to [ ]. However, Armourguard [ ] and cited several reasons.[489] [

]

350. After reviewing evidence in relation to at least two leases, we identified that it was likely that the lease from a related company had a rental that was substantially higher than market rates. This could be indicative of costs and the resulting IAF being inefficiently high. Specifically, [ ]:

350.1 [ ].

485 See, for example, [ ]
486 Ibid.
487 Ibid.
488 [ ]
489 [ ]

350.2 [

] [490] [

]

350.3 The potentially elevated costs faced by Armourguard as a result appear to be passed on to its customers through higher prices. [

].[491] This raises questions about Armourguard's assertion that the IAF is "designed to recover the *efficient*, *minimum* fixed costs"[492] of maintaining a resilient CIT infrastructure, at least in light of [ ].

351. We note Armourguard's explanation of why it considers our views on [ ] to be incorrect, but it provides no evidence of the higher costs it is incurring that would justify [ ] or the precise differences between [ ] to justify such a [ ].

352. We consider that collective negotiations incorporating agreement on examination and verification of costs likely helps to reduce information asymmetry and mistrust. Such verification does not necessarily need to be too granular. For example, a third party that Armourguard and the collective mutually agree on could review [ ] to establish if [ ]. This does not appear to be something bilateral negotiations has managed to achieve.

353. Resolving information asymmetry and mistrust would likely help to reduce contractual uncertainty and potentially improve contracting outcomes in relation to either all the Participants or only those that have not yet concluded contracts with Armourguard. This would likely provide more stability if mutually beneficial collective negotiations are successful.

490 [ ]

491 See, for example, [ ].

492 [ ].