

Public (and only) version

***COMMERCE COMMISSION DRAFT DETERMINATION ON
NZBA APPLICATION FOR
ANTI-COMPETITIVE CONDUCT AUTHORISATION
ARMOURGUARD LOGISTICS LIMITED
CROSS-SUBMISSION ON SUBMISSIONS***

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1. INTRODUCTION

- 1.1 Armourguard Logistics Limited (**Armourguard**) thanks the Commission for the opportunity to provide this cross-submission on:
- the Reserve Bank of New Zealand (**RBNZ**) submission dated 14 April 2026;¹
 - the Authentic New Zealand (**Authentic**) submission dated 10 April 2026;² and
 - the decision by the New Zealand Banking Association (**NZBA**) not to submit.
- (Together, the **submissions**).
- 1.2 The submissions materially advance the evidential record. They raise issues requiring further consideration in the Commission's final determination, including:
- investment incentives, risk, and system resilience;
 - the proper characterisation of bargaining dynamics;
 - matters of credibility;
 - the role and limits of confidentiality; and
 - the appropriate framing of the factual and counterfactual.
- 1.3 Properly understood, the submissions are inconsistent with the Draft Determination (**Draft**).³ Read together, they expose an analytical error in the applicants' arguments (which in turn undermines the basis for the conclusions in the Draft):
- the RBNZ identifies system-level risks arising from pricing-led coordination; while
 - Authentic describes an "alternative model" that is materially dependent on bank-owned infrastructure and bank-enabled arrangements.
- 1.4 Authentic's submission (and past bank sponsorship of entry) reinforce the competitive constraint of actual/potential entry, and that banks "have options" (unlike Armourguard).
- 1.5 We submit that this confirms both that such actual/potential competitors constrain bilateral negotiations but equally demonstrates that coordinated bargaining is not justified. Further, that the harms of such coordination are understated. (Authentic's suggestion of a shorter term indicates that, despite its sponsored entry, it too has concerns about a monopsony with options.)
- 1.6 This is, we submit, also confirmed by the RBNZ's independent submission.
- 1.7 We recommend that the Commission develop its analysis of these factors in the final determination. When it does so, we submit that the Commission cannot be satisfied that the application meets the statutory test.

¹ [Reserve-Bank-of-New-Zealand-Submission-on-Draft-Determination-14-April-2026.pdf](#)

² [Authentic-New-Zealand-Submission-on-Draft-Determination-10-April-2026.pdf](#)

³ [NZBA-CIT-Authorisation-Draft-Determination-24-March-2026.pdf](#)

2. INVESTMENT INCENTIVES, RISK, AND RESILIENCE

2.1 The Commission has the benefit of a submission from an independent prudential regulator with direct responsibility for financial system stability. As the RBNZ notes, its *“interest is therefore distinct from, and complementary to, the Commission’s competition law assessment”*. But not (we note) the public benefit analysis.

2.2 The RBNZ’s views should be afforded appropriate (ie significant) weight. Unlike the applicants, it is not a commercial party and does not advance a self-interested position. In the same way that the RBNZ and courts defer the Commission’s competition expertise, we submit that it is correct and proper for the Commission to do the same when considering an expert independent regulator’s views on relevant public benefits, and that the courts would expect this.

2.3 The RBNZ identifies core objectives of:

- financial system stability; and
- reliable, efficient, and inclusive cash and payments systems.

These are directly relevant public benefits.

2.4 The RBNZ expressly cautions that:

- efficiency-driven outcomes may be insufficient to ensure system resilience; and
- coordination focused on price may undermine long-term investment incentives.

Those are not peripheral observations. They go to the central premise of the Draft.

2.5 The implication is clear. The Commission’s framework which focuses on transactional efficiency and bargaining outcome is incomplete. The relevant public benefits include:

- continuity of service;
- national coverage; and
- resilience of critical infrastructure.

2.6 The Draft does not demonstrate that coordinated bargaining supports these outcomes. Nor does it reconcile the RBNZ’s concerns with its conclusion that coordination produces net public benefit.

2.7 The RBNZ further emphasises that:

- investment incentives are dynamic and forward-looking; and
- bargaining structures can influence long-term expectations of return, risk allocation, and resilience investment.

That analysis is not reflected in the Draft.

2.8 In a market characterised by:

- declining volumes; and

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- high fixed infrastructure costs,
the sustainability of the system is highly sensitive to pricing and investment signals.
- 2.9 The submissions highlight the fact there is no evidential basis to conclude that Armourguard's pricing framework is inefficient or unsustainable. Nor a basis to conclude that coordination would improve outcomes.
- 2.10 Where the prudential regulator identifies risks to system resilience arising from pricing outcomes, those risks should be directly addressed in the Commission's assessment. The Draft does not currently do so. Nor does it show an evidential basis to demonstrate that coordinated bargaining:
- preserves investment incentives;
 - supports infrastructure sustainability; or
 - mitigates the risks identified by the RBNZ.
- 2.11 Instead, it proceeds on the basis that coordination may improve outcomes without reconciling that conclusion with the factors highlighted in the RBNZ's analysis. We submit that this is a material omission. The sector is characterised by:
- high fixed costs;
 - declining volumes; and
 - sensitivity to pricing outcomes.
- 2.12 In such a market, pricing pressure is not neutral. Sustained downward pressure directly affects:
- investment incentives;
 - asset maintenance; and
 - system resilience.
- 2.13 The Draft does not reconcile these characteristics with its conclusion that increased purchaser coordination is unlikely to generate material detriment. (As previously submitted, it would be highly flawed to suggest that either Armourguard agrees with a perfect, costless and risk-free negotiation process or it does not.)
- 2.14 That inconsistency undermines the reliability of the Draft's conclusions. Relatedly the Draft's analysis does not seem to fully address the tension between one efficient provider (which would generally be consistent with the public benefit test) and contestability.
- 2.15 This is corroborated by the RBNZ observation that:
- ... investment incentives in essential infrastructure markets are dynamic and forward-looking. Even where immediate investment deferral appears unlikely, changes in bargaining dynamics may influence longer-term expectations regarding returns, risk allocation, and discretionary resilience investment

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- 2.16 In summary, we appreciate that the applicants' approach may lead to a view that inefficient entry may occur under the factual and counterfactual, but as the submissions confirm:
- such an approach neglects to consider the enhanced market power of a bank collective, and the dynamic effects (including the increased uncertainty, costs, and risks of a bargaining cartel with options both bilaterally and collectively);
 - it also reinforces our earlier submission that bank actions (and inactions) are not consistent with the premises on which the application was made (particularly sustainability, resilience, and incentives to invest).
- 2.17 The stated objectives could have been achieved in other ways, which (if sincere) could have formed counterfactuals. The fact that the Commission has not considered alternative options (counterfactuals) to address the stated public benefits suggest that the application was motivated by a wealth transfer (which the RBNZ confirms is not risk-free). The Commission should address these incentives in light of the submissions (for clarity, including the non-submission).
- 2.18 The submissions reinforce that the primary effect of the proposed arrangement is to shift value between commercial parties. Such redistribution does not constitute a public benefit under the Act.

3. ADJUSTMENT TO THE BARGAINING MODEL ANALYSIS

- 3.1 Authentic's submission further confirms that banks can and do sponsor entry even when it is inefficient and creates systematic risk. We discuss this further in Section 7 of this cross-submission.
- 3.2 Authentic's model is sufficient to demonstrate that the applicants have alternatives and can exert bargaining discipline in bilateral negotiations. However, its dependence on bank-enabled inputs means it does not provide the type of independent, market-based constraint that would mitigate the risks associated with coordinated purchaser conduct.
- 3.3 Its model:
- operates within bank-controlled environments;
 - relies on bank-owned infrastructure; and
 - depends on subcontracted service delivery.
- 3.4 That is not independent entry in a workably effective market, nor does it reflect efficiencies (rather, it is the reverse). It is a model dependent on the infrastructure, access, and coordinated support of the applicants seeking authorisation.
- 3.5 Put more simply, the applicants cannot in one breath say they do not have options and in the other demonstrate that they can (and historically do) sponsor entry even where it would otherwise be uneconomic and inefficient. (And is inconsistent with stated objectives of authorisation.)
- 3.6 This model reflects a form of constrained or purchaser-enabled competition, which may exert some discipline on bilateral negotiations, but does not operate as a fully independent competitive constraint in the sense assumed by the Draft.
- 3.7 We submit that this both shows far greater bargaining power than posited in the Draft and shows that in such circumstances collective bargaining is both not necessary and has harms (public detriments) which are not addressed (or at least not sufficiently) in the Draft.
- 3.8 Relevantly, RBNZ noted:

The New Zealand CiT market was recently consolidated on viability grounds, reflecting long-standing financial pressures in the sector associated with declining cash usage and high fixed infrastructure costs. In that context, RBNZ's central concern is not short-term pricing outcomes, but whether institutional and contractual arrangements support ongoing investment, service continuity, and resilience across the cash distribution network.

... negotiations driven primarily by price outcomes may be insufficient to deliver system-wide resiliency and outcomes aligned with cash-system stewardship objectives...

... efficiency gains alone may not fully reflect the public interest considerations associated with essential cash infrastructure and its resilience.

4. INTERACTION BETWEEN THE RBNZ AND AUTHENTIC SUBMISSIONS

4.1 When read together, the submissions highlight a fundamental inconsistency.

4.2 The RBNZ identifies risks of:

- underinvestment; and
- erosion of system resilience arising from pricing pressure.

4.3 Authentic describes a model that:

- depends on bank-owned infrastructure; and
- relies on coordinated support.

4.4 Taken together, these positions indicate that:

- banks have both the ability and incentive to influence supply conditions; and
- “alternative” models may arise through sponsorship and / or coordination rather than independent competition.

4.5 We urge the Commission to consider the RBNZ’s submission which goes directly to matters of the broader public benefit. The RBNZ highlights second-order impacts on cash markets, and the risks of an authorisation leading to the same adverse impacts as previously, both of which are consistent with our previous submission.

4.6 RBNZ highlights that:

...authorisation may have **adverse second-order consequences for the sustainability of the cash system** that may not be easily captured if a competition-efficiency lens alone is adopted.

The New Zealand CiT market was recently consolidated on viability grounds, reflecting long-standing financial pressures in the sector associated with declining cash usage and high fixed infrastructure costs. In that context, RBNZ’s central concern is not short-term pricing outcomes, but **whether institutional and contractual arrangements support ongoing investment, service continuity, and resilience across the cash distribution network.**

Collective bargaining **may** generate some **small** transactional **efficiencies**. However, negotiations driven primarily by price outcomes may be insufficient

...

efficiency gains alone may not fully reflect the public interest considerations associated with essential cash infrastructure and its resilience.

4.7 This evidence from the independent industry expert highlights (among other things) the wider context, which was not addressed in the Draft, which instead started its industry / background discussion with the merger then “*Armourguard’s actions*” inadvertently seeming to start with (implied) criticism of Armourguard (which may have coloured the interpretation of negotiations); also later appearing to adopt applicants’ arguments as fact (without enquiring further), while having insufficient regard to the context highlighted by RBNZ (our experiences also contextualise our approach to negotiations).

5. CREDIBILITY

- 5.1 The decision by the applicants not to submit on the Draft is both unusual and significant to the Commission's consideration.
- 5.2 It raises legitimate questions as to the weight that should be placed on the applicants' positions.
- 5.3 It highlights the asymmetry in the process, including:
- the extent of engagement available to applicants; and
 - the costs and risks imposed on Armourguard.
- 5.4 This is consistent with the broader pattern of limited direct engagement with Armourguard on the stated objectives of the application.
- 5.5 The Commission should take these factors into account when assessing:
- credibility of the applicants' arguments;
 - incentives; and
 - the reliability of the asserted benefits.
- 5.6 The absence of any cross-submission from the applicants - despite the Draft relying heavily on its assertions - materially weakens the evidential foundation for authorisation.
- 5.7 The Commission is left without tested support for the claimed benefits

6. CONFIDENTIALITY AND TRANSPARENCY

- 6.1 The Draft places weight on coordination benefits (including step-in rights), yet those arrangements are not new and have historically existed without authorisation.
- 6.2 Nothing in the submissions contradicts our views.
- 6.3 Assertions of confidentiality should be approached with caution. There is a clear public interest in transparency where:
- system-critical infrastructure is involved; and
 - coordination between major market participants is proposed.
- 6.4 Accepting interested parties' views on confidentiality when confidentiality may not be justified can inadvertently impact how things are perceived; it also deprives third parties (including other submitters) of the ability to comment.
- 6.5 [REDACTED] are directly relevant to the assessment of bargaining dynamics and should not be shielded from scrutiny.
- 6.6 Transparency is necessary to maintain confidence in the Commission's process and decision-making.
- 6.7 Arguably it is even clearer when submitting parties do not have the benefit of that information, and the concerned party chooses not to submit in a process it is responsible for.
- 6.8 The persistence of [REDACTED] by certain participants further emphasises that the issue before the Commission is a contested commercial negotiation, not a demonstrated competition failure. Authorisation risks legitimising attempts to revisit or unwind concluded agreements, with potential implications for system stability.

7. FACTUAL AND COUNTERFACTUAL ANALYSIS

- 7.1 The submissions reinforce the need for careful assessment of counterfactual/s.
- 7.2 In particular, the assessment of the factual over the term, and at the end of the term when competition for the contracts occurs.
- 7.3 The Authentic submission highlights that banks are willing to sponsor new entry, even when it is inefficient and creates systematic risk. The RBNZ highlights those risks.
- 7.4 In that sense actual / threatened entry goes beyond workably competitive outcomes and is “supra” competitive in the sense of creating costs, risks and inefficiency. Put differently, it would be producing outcomes that are economically inefficient and inconsistent with workably competitive market conditions (given the market structure of wholesale CIT services).
- 7.5 That *existing* supra-competitive outcome would in fact be exacerbated by permitting a 10–11-year monopsony. This must be factored into the factual and counterfactual comparison.
- 7.6 In the submissions:
- the RBNZ identifies risks arising from pricing-driven coordination; and
 - Authentic describes a model dependent on purchaser support and infrastructure.
- 7.7 Taken together, the submissions indicate that:
- the relevant “constraint” is purchaser-enabled rather than usual market-driven conduct; and
 - the Draft risks overstating benefits and understating the detriments of coordinated buyer power.
- 7.8 In those circumstances, there is a real risk of public detriment, including:
- underinvestment;
 - loss of resilience; and
 - distortion of market dynamics.
- 7.9 The submissions do not establish that coordinated bargaining is necessary to achieve the outcomes identified by the Commission.
- 7.10 The RBNZ does not advocate coordinated bargaining as the mechanism to achieve resilience outcomes. Its submission focuses on system resilience, investment incentives, and supervisory expectations.
- 7.11 Authentic’s submission similarly does not establish that coordination is required to enable entry or competition. It describes a model already being pursued through bilateral and purchaser-enabled arrangements.
- 7.12 The Draft itself recognises that:

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- benefits are small
- volume effects are limited
- pass-through is uncertain.

7.13 The submissions do not strengthen that position. They further undermine it.

8. CONCLUSION

8.1 The submissions do not support the granting of authorisation.

8.2 They instead demonstrate that the Draft relies on a mischaracterisation of:

- competition;
- constraint; and
- the likely effects of coordinated conduct.

8.3 The submissions highlight this and the need for (further) consideration of (or reconsideration of):

- **Costs and risks of authorisation.**
- **Counterfactual/s**, including the imbalance in power between a cartel / monopsony and potentially any number of bidders at the end of terms. The RBNZ submission highlights that the Commission cannot simply assume that market conduct is the same for factors that are present in the factual and the counterfactual. Authorisation injects greater uncertainty, risk, and imbalance (in addition to the other matters raised in our submission on the draft). The duration concerns are supported by Authentic's submission.
- **Net benefits:** The need to address the risks identified by the RBNZ (including underinvestment in critical infrastructure, loss of system resilience; and distortion of market structure through coordinated purchaser conduct) versus the Draft's identification of benefits that are unquantified, uncertain; and likely to be small and are not readily reversible.
- **Risk and asymmetry of risk:** The fact that the balance of risk associated with the proposed arrangement is asymmetric between the parties. But further the costs and risks associated with authorisation exceed any likely net benefits (which we maintain are if anything almost exclusively private benefits, ie wealth transfers, but with asymmetric risk, as highlighted by the RBNZ's submission).
- **Motives:** The non-submission supports our view that the application and related attendances have been commercial strategies. The applicants' arguments need far greater scrutiny.
- **Evidential threshold:** This is not met – the theoretical benefits need to be (re) evaluated against the evidence provided in the submissions, going to real world conduct and risks, and be evidence-based, reaching the necessary level of likelihood.

8.4 Considering the submissions, the Draft's preliminary findings (ie that benefits are unquantified, uncertain, and likely small) are not neutral, nor sustainable. The evidence now more clearly weighs against authorisation and prevents the Commission from being affirmatively satisfied that the statutory test under section 61 has been met.