



Date: 26 October 2025

Commerce Commission | Te Komihana Tauhokohoko

Attention: [REDACTED]

Cc: [REDACTED]

44 The Terrace

Wellington 6140, New Zealand

Re: NZBA Authorisation – Response to NZBA Cross Submission on RBNZ  
Submission  
Reference: CCNZ-IMANAGE.FID461700

Dear [REDACTED]

We refer to your email of 24 October 2025 providing us a redacted copy of the New Zealand Bankers Association (NZBA) cross submission of the RBNZ submission.

ALL agrees with the RBNZ that the overarching objective must be to preserve a reliable and resilient cash system in the public interest. However, the NZBA's cross-submission misrepresents both the causes of fragility and the regulatory responsibilities of its own members. **The NZBA's narrative reverses *cause and effect*: the present fragility in New Zealand's cash-in-transit (CiT) market stems from a decade of below-cost pricing, discounts, and rebate demands from the major banks—contrary to their prudential responsibility under BS-11 to maintain the viability of critical suppliers.**

### Executive Summary

Key points:

- **The banks' actions directly caused the fragility they now cite as justification for collective bargaining.**
- **Collective bargaining is neither necessary nor pro-consumer. ALL has already offered transparent, utility-style pricing with independent benchmarking.**
- **The proposed 10-year term is essential to recover the capital investment required to ensure resilience.**
- **NZIER's role is mischaracterised. It independently verified structure and peer-group reasonableness, not a statutory audit.**
- **The NZBA's position is internally inconsistent and self-serving, seeking to convert coordinated buyer power into a sanctioned cartel.**



## 1. Prudential Failures and Market Fragility

The record clearly demonstrates that the principal cause of instability has been a decade of below-cost pricing, contractually required discounts, and rebate demands imposed by the major banks—conduct that contravenes their Prudential Requirements (BS-11). These obligations require banks to ensure the continued viability of critical service providers. Instead, the banks knowingly required ACM, ALL and its predecessors to absorb continuing losses while maintaining essential nationwide services. Had the banks honoured either the letter or spirit of their own regulatory requirements, ACM would likely still remain in the CiT market today.

In forcing their critical supplier to operate below cost for a sustained period, the banks have failed the BS-11 continuity test itself—outsourcing on terms that jeopardise ongoing service viability.

The banks now seek authorisation to engage in collective bargaining to preserve the same conditions that pushed ACM to exit the market. They have made no effort to demonstrate that collective bargaining would benefit consumers or strengthen resilience. Authorisation would merely institutionalise coordinated buyer power against the sole remaining national provider of an essential public function, contradicting the Commerce Act's competition objectives and the prudential framework.

It is difficult to reconcile the banks' decade-long breach of their own prudential duties—and their eleventh-hour application to the Commission—with any claim that they should now be granted the benefit of the doubt as to their intent or motives. This is particularly so given their stated intention to exercise contractual step-in rights under separate agreements should ALL become financially insolvent—an outcome that any further delay in achieving sustainable pricing would only make more likely.

## 2. Current Market Structure and Negotiation Dynamics

The NZBA's description of ALL as an 'unregulated monopoly' ignores the substantial countervailing power of the Tier-1 banks, which collectively represent the vast majority of national CiT demand. Their coordinated conduct has historically dictated price levels and contract terms. **The claim that ALL is unwilling to negotiate is incorrect: ALL has consistently negotiated in good faith, offering transparent and uniform cost frameworks. Even while interim authorisation remains pending, ALL continues to engage in discussions with the banks and the Commission, offering reasonable compromises where possible without jeopardising long-term resilience or consumer outcomes.**

The criticism of the proposed 10-year term is misplaced. The 10-year duration is 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.



### 3. Utility-Style Pricing and Independent Verification

ALL's pricing framework is transparent and utility-style, combining an Infrastructure Access Fee (IAF) to recover fixed costs with a volumetric rate card that preserves efficiency incentives. NZIER's independent review confirmed that this structure reflects efficient cost-recovery principles and yields returns materially below benchmark utility margins. **NZIER was engaged to assess methodology and benchmarking—not to conduct a statutory audit.** The Commission already holds NZIER's full model and is well positioned to test its assumptions independently, without requiring collective bargaining.

The claim that the IAF represents a 'transfer to New York owners' is inaccurate and misleading. ALL is locally governed and has reinvested heavily in New Zealand following the ACM acquisition, including facility upgrades, fleet renewal, and network consolidation. Returns under the framework are modest and fully reinvested to ensure resilience and service continuity. **Unlike the banks—who have distributed multi-billion-dollar dividends to offshore shareholders—ALL has not earned a profit in many years and has not paid a dividend in almost a decade.**

### 4. Claimed Efficiencies and Collective Bargaining

The NZBA's claim that collective bargaining is necessary to deliver efficiency or innovation is self-contradictory. Authorising the five largest banks to negotiate collectively would standardise input terms, reduce competition, and entrench the inefficiencies they attribute to ALL. **Collective bargaining by dominant buyers is inherently anticompetitive when it suppresses supplier returns below sustainable levels.**

The assertion that collective bargaining is required to 'force' efficiencies is inconsistent with the banks' own behaviour. **ALL has repeatedly sought contractual flexibility to adjust service schedules and operational requirements to capture route and cost efficiencies. Each time—including in the most recent contract iterations in the past weeks—**

**That practice exemplifies rent extraction, not efficiency.** By contractually preventing ALL from consolidating routes and depots, the banks have increased system costs and reduced redundancy—outcomes directly contrary to the RBNZ's resilience mandate.

**The true foreclosure risk arises not from ALL's contractual terms but from the buyer-cartel structure the NZBA now seeks to legitimise.**

### 5. Claimed Public-Interest Benefits of Authorisation

The NZBA argues that authorisation is required to protect public access to cash and national resilience. **Yet if access to cash were truly a priority for the banks, they would not have spent the past decade systematically closing bank branches and ATM cash points across New Zealand in pursuit of profits.** In reality, authorisation would only prolong below-cost pricing and further weaken resilience by eroding the



ability of the sole national provider to reinvest in critical infrastructure. The RBNZ's submission confirms that CiT services have been loss-making for years and that investor willingness to absorb further losses is limited.

Reduced cash access particularly impacts rural and vulnerable communities and undermines emergency preparedness during telecom or payment-network outages—key public-interest considerations under the Commission's framework.

The claim that denial of authorisation would be interpreted as endorsement of ALL's conduct is misplaced. A decision to decline authorisation simply preserves the ordinary competition-law baseline, enabling the Commission to address any genuine concerns through established channels while maintaining bilateral negotiation and supplier viability.

## **6. Regulation and the Improper Use of Authorisation**

The NZBA contends that formal regulation under Part 4 is infeasible on timing grounds and therefore that temporary collective bargaining is justified. This reasoning is flawed. The impracticality of regulation does not legitimise a private buyer cartel. Authorisation cannot be used to manufacture a regulatory outcome by private agreement among competitors—that is the antithesis of the Commission's Part 4 mandate. ALL's proposed framework already incorporates third-party review, transparency, and periodic reset mechanisms analogous to regulated utilities, offering a practical and immediate alternative. Ordinary bilateral negotiation remains the lawful and efficient path.

## **7. Constructive Path Forward**

1. ALL continues to engage constructively with all parties to conclude bilateral agreements that deliver a sustainable and transparent framework for CiT services, including:  
A two-part fee structure combining an Infrastructure Access Fee (IAF) with volumetric rate-card pricing;
2. Annual or periodic resets reflecting CPI and other cost drivers;
3. Independent benchmarking against peer utility margins;
4. Flexibility to modify service schedules and routes to capture operational efficiencies;
5. A 10-year contractual duration necessary to recover investment and support system resilience; and
6. Robust KPI, BCP, and termination rights where there is a Material contractual breach or material service levels are not achieved.

## **8. Request of the Commission**

ALL respectfully submits that the Commission should:

- Decline the authorisation request for collective bargaining, which would entrench coordinated buyer power and further destabilise the CiT market;



- Encourage bilateral adoption of transparent, utility-style pricing framework consistent with prudential standards; and
- Reserve the option for targeted regulatory guidance if necessary to ensure continued national access to cash and supplier viability.

ALL remains committed to open engagement with both the Commission and the RBNZ to ensure that the pricing and contractual framework continues to support a resilient national cash system consistent with public-interest objectives.

We trust this letter addresses the inaccurate points raised by the NZBA [REDACTED]

Yours sincerely,

[REDACTED]

**Shane O'Halloran**

Chief Executive Officer

Armourguard Logistics Limited (ALL)

E: [REDACTED]