

Draft Determination

This is a Draft Determination under the Commerce Act 1986 in the matter of an application for authorisation of a restrictive trade practice. The application is made by:

New Zealand Banking Association

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 draft decision is to grant authorisation as it is satisfied that the Proposed Arrangement requested will, in all the circumstances, result or likely result in such a benefit to the public that the conduct should be permitted.

Date of Draft Determination:

24 March 2026

Note: This is a Draft Determination issued for the purpose of advancing the Commerce Commission's decision on this matter. The conclusions reached in this Draft Determination are preliminary and take into account only the information provided to the Commission to date.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
INTRODUCTION	5
DRAFT DETERMINATION	5
NEXT STEPS.....	5
ASSESSMENT PROCEDURE.....	6
BACKGROUND	6
NZBA AND THE PARTICIPANTS	6
ARMOURGUARD AND CIT SERVICES	7
INDUSTRY BACKGROUND AND DEVELOPMENTS	8
ARMOURGUARD'S ACTIONS POST-MERGER.....	8
FACTUAL SITUATION WHEN THE APPLICATION WAS FILED.....	10
INTERIM AUTHORISATION DETERMINATION.....	11
DEVELOPMENTS FOLLOWING THE INTERIM DETERMINATION	11
POSSIBLE NEW ENTRY OPERATING MODEL	12
PROPOSED ARRANGEMENT.....	14
HOW WE ASSESS AUTHORISATIONS	15
STATUTORY FRAMEWORK	15
JURISDICTIONAL THRESHOLD.....	16
PUBLIC BENEFIT TEST	17
CONDITIONS AND TIME PERIOD OF AUTHORISATION.....	18
RELEVANT MARKETS	19
OUR ASSESSMENT OF JURISDICTION	20
SECTIONS 58(1) AND (2)	20
SECTIONS 58(6B) AND (6D)	21
WITH AND WITHOUT THE PROPOSED ARRANGEMENT	22
UNAFFECTED SITUATIONS.....	23
POSSIBILITY OF NEW ENTRY AND INTERACTION WITH THE FACTUAL AND COUNTERFACTUAL.....	23
THE SCENARIO WITH THE PROPOSED ARRANGEMENT (THE FACTUAL).....	24
THE SCENARIO WITHOUT THE PROPOSED ARRANGEMENT (THE COUNTERFACTUAL).....	30
SUMMARY OF FACTUAL AND COUNTERFACTUAL	33
OUR ASSESSMENT OF BENEFITS AND DETRIMENTS	33
POTENTIAL BENEFITS AND DETRIMENTS	34
THE ECONOMIC FRAMEWORK, BARGAINING AND INFORMATION ASYMMETRY	36
COLLECTIVELY NEGOTIATED PRICING MECHANISM: PRICE AND VOLUME EFFECTS.....	41
EFFECT ON CONTRACTUAL TERMS (NON-PRICE EFFECTS).....	50
INFORMATION SHARING AND COORDINATION.....	55
IMPROVED OPERATIONAL EFFICIENCY	56
NO CLEAR IMPACT ON ARMOURGUARD INVESTMENT	62
TRANSACTION COSTS	64
STEP-IN RIGHTS	67
BALANCING OF BENEFITS AND DETRIMENTS.....	70
PROPOSED CONDITIONS	71
NZBA'S SUBMISSIONS ON CONDITIONS.....	71
OUR ASSESSMENT OF CONDITIONS	72
PROPOSED PERIOD OF AUTHORISATION.....	73
SUMMARY	73
NZBA'S SUBMISSIONS ON DURATION.....	73
OTHER SUBMISSIONS ON DURATION	73
OUR ASSESSMENT OF DURATION	74

DRAFT DETERMINATION75
NEXT STEPS IN OUR INVESTIGATION.....75
 MAKING A SUBMISSION..... 75

Executive Summary

- X1. The Commerce Commission (**Commission**) received an application for authorisation of a restrictive trade practice on 11 September 2025. The Application was from the New Zealand Banking Association, 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. However, we now propose to grant authorisation with conditions for the relevant conduct. Having had more time to consider the application, including receiving further information from Participants, Armourguard, and others, we now provisionally consider that the public benefits of the Proposed Arrangement would outweigh any 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 Armourguard's investment that would amount to a detriment; and that there would be little likely impact on transaction costs (likely amounting to neither a benefit nor a detriment). Although there could be some detriment relating to coordination between the Participants, we propose to impose information-sharing conditions to limit this.
- X5. Accordingly, we propose to grant authorisation with conditions for the Proposed Arrangement for the 11-year period requested. We now seek submissions on this Draft Determination, following the process set out below, to enable us to reach a final view.

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 submits that the Proposed Arrangement will help restore balance in the provision of CIT services; eliminate bargaining inefficiencies; and ensure that CIT services continue to operate sustainably, with incentives to innovate and invest in a quality service.³ It submits 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 [38]-[39] 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

Draft Determination

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

Next steps

7. The Commission now seeks written submissions on the draft determination. Submissions should be received by the Commission by close of business on 10 April 2026. The process for making a submission is discussed at paragraphs [278] to [282].

¹ 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) (the **Application**).

² ANZ, ASB, BNZ, Kiwibank and Westpac. We note that the Participants in the Proposed Arrangement, defined below, are a larger group that was finalised after the Application was submitted.

³ Application at [6.1], [6.3(c)].

⁴ Application at [6.1]; [].

⁵ New Zealand Banking Association – Interim Authorisation [2025] NZCC 23.

Assessment procedure

8. In making this draft determination the Commission reviewed submissions, correspondence, and other information, including:
 - 8.1 the Application;
 - 8.2 submissions, including those responding to our Statement of Preliminary Issues (**SOPI**);
 - 8.3 interviews with interested parties;
 - 8.4 responses to our voluntary requests for information; and
 - 8.5 responses to our notices to supply documents under section 98(1)(b) of the Act.
9. The Commission remains open to receiving further information to assist it to make a final determination.

Background

NZBA and the Participants

10. 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.⁶ 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.
11. 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.
 - 11.1 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**).
 - 11.2 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.⁷

⁶ NZBA's member banks are ANZ Bank New Zealand Limited; ASB Bank Limited; Bank of China (NZ) Limited; Bank of New Zealand; China Construction Bank; Citibank, N.A.; The Co-operative Bank Limited; Heartland Bank Limited; The Hongkong and Shanghai Banking Corporation Limited; Industrial and Commercial Bank of China (New Zealand) Limited; JPMorgan Chase Bank, N.A.; Kiwibank Limited; Kookmin Bank; Rabobank New Zealand Limited; SBS Bank; TSB Bank Limited; and Westpac New Zealand Limited. There are also five affiliate members. See: <https://nzba.org.nz/about-us/>.

⁷ NZBA's amended lists of Participants dated 8 December, 17 December 2025 and 9 March 2026.

Armourguard and CIT services

12. Armourguard became New Zealand’s primary provider of CIT services, and its only provider of wholesale CIT services, after acquiring its sole competitor ACM New Zealand Ltd in 2025.⁸ Armourguard has operated in New Zealand for more than 80 years.
13. Armourguard provides a variety of CIT services to banks, retailers, and other customers dealing with cash. Those services are:⁹
 - 13.1 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.
 - 13.2 Retail CIT services, which involve transportation of cash between CIT centres and consumers, merchants, independent ATM operators and mobile money providers.
 - 13.3 ATM maintenance/management services, which involve loading, clearing and maintaining ATMs nationwide.
 - 13.4 Guarding services which, for the purpose of this authorisation, are those related to provision of the CIT and ATM maintenance/management services listed above.
14. 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.¹⁰ 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.
15. In contrast to wholesale CIT services, Armourguard faces some 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 Security (**AS**), who

⁸ The Commission granted clearance to this acquisition on 7 October 2024: *Evergreen NZ Holdings and ACM Holdings (NZ) Ltd* [2024] NZCC 23.

⁹ Application at [1.3]–[1.4].

¹⁰ []; interview with [].
[]

recently entered the NZ market, provides cash reconciliation and processing services.¹¹

16. Banks (and large retailers) account for more than 50% of Armourguard’s consolidated revenue.¹² 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 the retail side).

Industry Background and Developments

Armourguard’s actions post-merger

17. Prior to the merger, Armourguard charged for services [].¹³ Armourguard claims that the prices it charged for wholesale CIT services prior to the merger were below cost and that these loss-making prices were due to the banks exercising their buyer power.¹⁴
18. Soon after it became the sole supplier of wholesale CIT services following its acquisition of ACM Holdings (NZ) Ltd, Armourguard sought to re-negotiate its major customer agreements. In April-June 2025, Armourguard met with four banks to discuss proposed new contract terms.¹⁵ It offered similarly structured agreements to each bank, including a new pricing scheme.¹⁶ In addition to a new pricing structure, Armourguard also proposed a 10-year exclusive contract term in the new agreements,¹⁷ as it considered that length of time necessary to recover the capital investment required to ensure resilience.¹⁸
19. That new pricing scheme included a new fixed cost Infrastructure Access Fee (**IAF**) and a new service fee/rate card. According to Armourguard, the IAF represents a fixed,¹⁹ non-transactional fee intended to recoup minimally required national fixed overhead costs,²⁰ and the volumetric service fee/rate-card pricing [].²¹ Armourguard acknowledges that

¹¹ Interviews with [] and []; and [].

¹² NZIER report presented to Armourguard (31 March 2025) (**NZIER Report**) at [1.4]; [].

¹³ For example, [].

¹⁴ Armourguard interim submission on Application (22 September 2025), p 9.

¹⁵ Ibid, p 13.

¹⁶ Ibid, p 8, at [46(b)].

¹⁷ NZBA cross-submission on RBNZ cross-submission (23 October 2025) at [5].

¹⁸ Armourguard cross-submission on NZBA submission (26 October 2025), p 1.

¹⁹ Armourguard cross-submission on NZBA submission (26 October 2025), p 3.

²⁰ Armourguard interim submission on Application (22 September 2025), p 8 at [46(b)].

²¹ Armourguard cross-submission on NZBA submission (26 October 2025) at [3] and [7]; [].

[].²²

20. Armourguard’s IAF is proposed to be \$30 million per year,²³ allocated across [].²⁴ It will not apply to non-bank customers.²⁵

21. Armourguard considers the IAF a utility-style pricing model which it imposed on itself in an attempt to “self-regulate”.²⁶ It engaged the New Zealand Institute of Economic Research (**NZIER**) to review its proposed pricing mechanism,²⁷ [].²⁸

22. NZBA has questioned the validity of the IAF, noting it is allocated on the basis of [].²⁹ NZBA considers that this approach [].³⁰ NZBA considers that Armourguard’s proposed new agreements were offered on [].³¹

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

23.1 [],³²

23.2 [],³³

²² [].

²³ NZIER Report at [1.4].

²⁴ []. We understand that these banks are [].
[]

²⁵ Armourguard interim submission on Application (22 September 2025), p 4, at [8].

²⁶ Ibid.

²⁷ Ibid, p 3, at [4].

²⁸ Application at [].

²⁹ Ibid.

³⁰ Ibid.

³¹ Ibid, at [9.6 (a) (iii)].

³² [].

³³

[].

23.3 []³⁴
[]³⁵ and

23.4 []³⁶

Factual situation when the Application was filed

24. When NZBA filed its application on 11 September 2025,
[]³⁷

24.1 []³⁸
[]³⁹

24.2 []⁴⁰

25. At the time of the Application, [] banks’ agreements with Armourguard faced
the following expiry deadlines:
[]⁴¹

26. Each bank’s agreement with Armourguard
[]⁴²

27. At the time the Application was filed, at least [] were also parties to a
step-in rights agreement with Armourguard.⁴³ 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.⁴⁴ [] agreed to a

³⁴ []

³⁵ Ibid.

³⁶ []

³⁷ Application, at [].

³⁸ []

³⁹ Ibid, [] See also [].

⁴⁰ Application, at [].

⁴¹ Application at []; [].

⁴² See, for example, [], [].

⁴³ []

⁴⁴ Ibid.

process by which step-in rights would be exercised. [] also had step in arrangements with ACM before it was acquired by Armourguard.⁴⁵

Interim authorisation determination

28. 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:⁴⁶

28.1 collectively negotiate individual service contract extensions and the possible terms of such extensions

[];

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

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

28.4 facilitate discussions and exchange of information to the extent reasonably necessary to support the above,

(together, the **Interim Conduct**).

29. The Commission declined the application for interim authorisation on 12 November 2025:⁴⁷

29.1 At that time, the Commission considered there would likely be small benefits in granting interim authorisation, but the majority of 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

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

(collectively, the **Interim Determination**).

Developments following the Interim Determination

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

⁴⁵ []; interview with [].

⁴⁶ Application at [9.2].

⁴⁷ *New Zealand Banking Association – Interim Authorisation [2025] NZCC 23.*

30.1 [] signed a new [] agreement on [] with Armourguard.⁴⁸
[]⁴⁹

30.2 [] are disengaging, have disengaged, or will be disengaging from Armourguard⁵⁰ and [] (see paragraphs [32]-[34] below).

30.3 [] has signed a new agreement with Armourguard in early 2026.⁵¹

30.4 [] has signed a new [] agreement with Armourguard in early 2026, which []⁵²

30.5 [] is in the process of negotiating with Armourguard to finalise a new contract.⁵³ []

31. Despite these developments, each of the Participants have said they remain interested in joining the collective bargaining should the Commission grant authorisation.⁵⁴

Possible new entry operating model

32. 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 []⁵⁵

33. [] has told the Commission []⁵⁶ Moreover, [] explained that the

48 []

49 Ibid.

50

[]
]; [] []

51 []

52 [] []

53 []

54 Email from Russell McVeagh to Commerce Commission (6 March 2026).

55 []

[]

56 Commerce Commission meeting with []

new operating model contemplates disaggregation of services and is, therefore, not a complete like-for-like substitute for the current Armourguard model.⁵⁷ []⁵⁸

34. At this stage, the success and timeline of establishing this new 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.⁵⁹ [], and RBNZ is considering these applications.⁶⁰

35. However, RBNZ has told the Commission that:⁶¹

35.1 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;

35.2 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 they are able to meet RBNZ’s quality and authentication sorting standards for RBNZ to purchase cash back from them;

35.3 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;

35.4 security or ‘fit and proper’ issues could prevent applicants from ever obtaining Secure Zone access;

35.5 []; and

35.6 these access requests are not likely to be processed in the timeframe that industry requires.

36. We understand that RBNZ recently [],⁶² although we understand that [] and the relevant parties are continuing

⁵⁷ []

⁵⁸ []

⁵⁹ []

⁶⁰ []; Interview with []; and Interview with [].

⁶¹ Emails from RBNZ to Commerce Commission (18 February 2026 and 6 March 2026).

⁶² [].

their efforts to set up the new entry operating model.

37. For the purposes of our Draft Determination, we have factored in the likelihood of a 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.

Proposed Arrangement

38. NZBA seeks authorisation for two or more Participants to:⁶³
- 38.1 collectively bargain for CIT services provided by Armourguard;
 - 38.2 engage in discussions and exchange information to support that collective bargaining;
 - 38.3 enter into a collective agreement and/or separate agreements based on a common contractual framework; and
 - 38.4 give effect to any such provisions collectively negotiated
(together, the **Proposed Arrangement**).
39. Such collective negotiation is likely to include (but not be limited to):⁶⁴
- 39.1 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;
 - 39.2 “step-in rights”, which relate to the circumstances under which a Participant or Participants have the right to “step-in” and 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;
 - 39.3 operational sustainability and efficiency opportunities that can be implemented across services provided to each Participant which may include (but is not limited to):
 - 39.3.1 standardised commercial deposit products;
 - 39.3.2 pre-registration of collection values;
 - 39.3.3 standardisation of delivery and collection schedules;

⁶³ Application at [5.2].

⁶⁴ Ibid at [5.3]

- 39.3.4 standardisation of coin order values and format;
 - 39.3.5 use of integrated safes by retailers;
 - 39.3.6 a simplified discrepancy process; and
 - 39.3.7 standardised treatment of cassettes / bags on site;
 - 39.4 exploring the development of an alternative pricing mechanism to fairly contribute to the costs of the CIT infrastructure.
40. NZBA has requested authorisation for a period of 11 years to permit time to negotiate new service contracts, which contracts may need to cover a 10-year period.⁶⁵
41. 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 Commission does not propose to authorise 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.

How we assess authorisations

Statutory framework

42. 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 contracts, arrangements, understandings or covenants containing cartel provisions) of the Act.
43. The Commission undertakes a two-stage assessment when considering an authorisation application under section 58 of the Act.
- 43.1 We first confirm whether the Commission has jurisdiction to assess the application, including whether:
 - 43.1.1 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

⁶⁵ Application at [5.6].

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

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

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

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

44. The public benefit test is discussed in greater detail below at paragraphs [48]-[55].

Jurisdictional threshold

45. The Applicant has applied for authorisation under:⁶⁶

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

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

45.1.2 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

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

45.2.1 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

45.2.2 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.

46. 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.

⁶⁶ Application at [6.1].

47. 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.⁶⁷

Public benefit test

48. 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).⁶⁸
49. The Commission can authorise an arrangement if it is satisfied that a proposed arrangement will, in all the circumstances:
- 49.1 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;⁶⁹ and
 - 49.2 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.⁷⁰
50. 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.⁷¹ 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.⁷²
51. 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.
52. The benefits and detriments balanced in the public benefit test must arise from the proposed arrangements for which authorisation is sought.⁷³ To determine whether the benefits and detriments are specific to the proposed arrangements, we assess:
- 52.1 what is likely to occur in the future with the arrangement (the factual); and
 - 52.2 what is likely to occur in the future without the arrangement (the counterfactual).

⁶⁷ Section 61(9) of the Act.

⁶⁸ Sections 58(1) and (2), and sections 58(6B) and (6D) of the Act.

⁶⁹ Section 61(6) of the Act.

⁷⁰ Section 61(8) of the Act.

⁷¹ Authorisation Guidelines at [51].

⁷² Authorisation Guidelines at [7].

⁷³ Authorisation Guidelines at [43].

53. 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:
- 53.1 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;
 - 53.2 productive efficiency – whether the conduct would improve or worsen the cost of production processes; and
 - 53.3 dynamic efficiency – whether the conduct would assist or hinder efficient innovation in products or processes.
54. The Courts have recognised that efficiencies are not the only benefits and detriments relevant to the Commission’s assessment.⁷⁴ 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.⁷⁵
55. 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.⁷⁶

Conditions and time period of authorisation

56. We can authorise agreements subject to conditions and for a period we consider appropriate.⁷⁷
57. If we decide to impose conditions on an authorisation, these must be consistent with the Act.⁷⁸ 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.⁷⁹
58. When considering whether to impose behavioural conditions, we are mindful they can carry costs. In assessing potential conditions, we have regard to:⁸⁰
- 58.1 how well they achieve their objectives, while minimising the risk of unintended negative consequences;
 - 58.2 the likely cost of monitoring and enforcement; and

⁷⁴ *NZME Ltd v Commerce Commission* [2018] NZCA 389 at [80]-[81].

⁷⁵ Authorisation Guidelines at [42].

⁷⁶ Authorisation Guidelines at [49].

⁷⁷ Section 61(2) of the Act.

⁷⁸ *Ibid*

⁷⁹ Authorisation Guidelines at [32].

⁸⁰ Authorisation Guidelines at [34].

58.3 the likely compliance costs for the firms involved.

Relevant Markets

59. 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.⁸¹
60. The Applicant has not defined or offered a view on relevant markets, but submits that the scope of the proposed conduct includes:⁸²
- 60.1 wholesale CIT services;
 - 60.2 retail CIT services;
 - 60.3 ATM maintenance; and
 - 60.4 guarding services where ancillary to the other services.
61. We note that the Applicant submits that the “Arrangement may have the effect, or likely effect of substantially lessening competition in a market for the acquisition of CIT services”.⁸³
62. 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 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.
63. 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.⁸⁴
64. In the Commission’s *Evergreen* merger decision, we defined separate national markets for wholesale CIT services, retail CIT services, and ATM maintenance services.⁸⁵ 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.
65. 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.

⁸¹ Section 3(1A) of the Act.

⁸² Application at [1.4].

⁸³ *Ibid* at [5.11].

⁸⁴ As set out in more detail in Commerce Commission, *Mergers and Acquisitions Guidelines* (May 2022) at [3.15]—[3.24].

⁸⁵ *Evergreen NZ Holdings and ACM New Zealand Limited* [2024] NZCC 23 at [26].

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).⁸⁶ 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.⁸⁷ 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).

66. 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.
67. 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)

68. 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:
- 68.1 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.⁸⁸ Armourguard's recent negotiations and executed service agreements with customers showed different contemplated terms for different users.⁸⁹
- 68.2 Second, collective bargaining via the Proposed Arrangement is likely to change the Participants' bargaining power as purchasers of CIT services.

⁸⁶

[
]

⁸⁷ Which, as discussed above, practically appears to require access to the RBNZ Secure Zone.

[
]

⁸⁸ Application at [5.11].

⁸⁹ For example, see

[
].

To the extent that there are increases to the Participants' relative bargaining power, there could be a lessening of competition.⁹⁰

Sections 58(6B) and (6D)

69. 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:
- 69.1 any arrangement is likely to be an agreement that contains provisions that:
- 69.1.1 fix, control or maintain the price at which Participants acquire CIT services from Armourguard;⁹¹ and/or
- 69.1.2 restrict the acquisition of certain CIT related goods or services as Participants intend to standardise various CIT elements;⁹² and
- 69.2 but for the Proposed Arrangement, Armourguard's services are supplied to the Participants in competition with each other.
70. 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

71. Armourguard raised concerns about the validity of the Application and our jurisdiction, including that the Application:⁹³
- 71.1 is overly broad, especially due to its proposed period of 11 years;
- 71.2 appears to cover conduct beyond relevant jurisdiction; and
- 71.3 is not supported with evidence.
72. It is the applicant who chooses for what authorisation is sought.⁹⁴ 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

⁹⁰ *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).

⁹¹ Application at [5.9], relating to section 30A(2) of the Act.

⁹² Application at [5.10], relating to section 30A(3)(d) of the Act.

⁹³ Armourguard's interim submission on Application (22 September 2025), at [2].

⁹⁴ *New Zealand Tegel Growers Association Incorporated* [2022] NZCC 30 at [55].

satisfying the Commission that the expected public benefits from the arrangement would outweigh any detriments.⁹⁵

73. Further, authorisations for a period of approximately 10 years are not unusual. 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

74. As noted above, to determine whether the benefits and detriments identified by an applicant are specific to the Proposed Arrangement, we assess:
- 74.1 what is likely to occur in the future with the Proposed Arrangement (the factual); and
 - 74.2 what is likely to occur in the future without the Proposed Arrangement (the counterfactual).
75. This analysis also allows us to determine both the existence and magnitude of potential benefits and detriments in order to assess whether there are public benefits.
76. 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.
77. 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.
78. The Commission must consider all “likely” factual and counterfactual scenarios to identify all likely benefits and detriments relevant to its authorisation assessment.⁹⁶
79. 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.⁹⁷ It must be more than a mere possibility but it need not be more likely than not.⁹⁸ The Courts have observed that, inherently, the factual and counterfactual are “necessarily incapable of accurate assessment”.⁹⁹ As such, there is no legal burden or evidential standard of proof for the Commission to be satisfied that the factual or

⁹⁵ *NZME Ltd v Commerce Commission* [2018] 3 NZLR 715 (CA) at [86(b)].

⁹⁶ Authorisation Guidelines at [44] and [45].

⁹⁷ *NZME Ltd v Commerce Commission* at [86(a)], citing *Port Nelson v Commerce Commission* [1996] 3 NZLR 554 (CA) at 562-563.

⁹⁸ *Ibid.*

⁹⁹ *NZME Ltd v Commerce Commission* at [85], citing *Woolworths Ltd v Commerce Commission* (2008) 8 NZBLC 102,128 at [113].

counterfactual scenarios and the benefits and detriments arising from them are likely.¹⁰⁰ For the Commission to be satisfied, it simply needs to have made up its mind on all of the material before it.¹⁰¹

Unaffected Situations

80. 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.
81. Based on evidence received to date, we consider the following scenarios are both likely to occur in both, and have immaterial differences between, the factual and counterfactual:
- 81.1 Banks will continue to offer cash to consumers and to purchase CIT services to meet their banking and prudential obligations;
 - 81.2 Armourguard will continue to provide CIT services to its customers under existing (including newly-executed) agreement terms; and
 - 81.3 Participants without current CIT contracts will likely continue to negotiate with Armourguard for the purchase of future CIT services.
82. 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 rights¹⁰² and [].

Possibility of new entry and interaction with the factual and counterfactual

83. As discussed above, there currently are efforts to set up a new entry operating model, [].¹⁰³ 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 Draft Determination, [].

¹⁰⁰ *NZME Ltd v Commerce Commission* at [86(c)], citing *Z v Dental Complaints Assessment Committee* [2008] NZSC 55 at [96] per Elias CJ and [96] per Blanchard, Tipping and McGrath JJ.

¹⁰¹ *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.

¹⁰² Contractual rights which grant banks the ability to take over the running of CIT services in particular circumstances: see 'Step-in Rights' section below.

¹⁰³ Letter from [] (9 January 2026)); email from [] to Commerce Commission (3 March 2026).

84. 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.¹⁰⁴
85. 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 a new entry operating model and their engagement with RBNZ,¹⁰⁵ and evidence from RBNZ about its views of the prospect of new entry.¹⁰⁶ Ultimately, the prospects of such entry occurring to an extent sufficient to offer competitive constraint to Armourguard is dependent on that entrant securing sufficient access to the RBNZ's Secure Zone to provide wholesale CIT services.
86. Based on the evidence before us, we currently 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.
87. 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 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 [260] below.

The Scenario with the Proposed Arrangement (the factual)

88. 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.

NZBA's submissions

89. At the time of its application, NZBA submitted that a future that involves collective bargaining would support the economic viability of Armourguard's CIT

¹⁰⁴ Interim Determination, at [25.5].

¹⁰⁵ See, eg, Commerce Commission phone call with []; interview with []; interview with [].

¹⁰⁶ Interview with RBNZ (5 February 2026); emails from RBNZ to Commerce Commission (18 February 2026 and 6 March 2026).

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 states, create a more sustainable cash system.¹⁰⁷

Interested parties' submissions

90. Armourguard submits that a future including 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.¹⁰⁸ Armourguard further submits 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,
[
].¹⁰⁹
91. RBNZ submitted that it had 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.¹¹⁰ It also raised concerns about whether, in light of the banks' requirements under the RBNZ's Outsourcing Policy BS-11 (**BS-11**),¹¹¹ the Proposed Arrangement could put effective outsourcing arrangements for cash services at risk by increasing the fragility of the critical service provider.

Our assessment of the likely factual

92. In considering the appropriate factual in this case, we have considered the potential options available to each Participant were we to grant authorisation.
93. Our provisional view is that, with the Proposed Arrangement, Participants will have the ability to collectively negotiate, as well as to continue to undertake bilateral negotiations and take any other appropriate action to secure sustainable CIT services. We consider there are broadly three classes of Participants, and their key options in the factual are as follows:
- 93.1 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

¹⁰⁷ Application at [1.13].

¹⁰⁸ See Armourguard interim submission on Application (22 September 2025); Armourguard cross submission on NZBA cross submission (26 October 2025).

¹⁰⁹ [
]

¹¹⁰ RBNZ submission on SOPI (10 October 2025).

¹¹¹ Reserve Bank of New Zealand *BS-11 Outsourcing Policy* (September 2022): <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/banks/banking-supervision-handbook/bs11-sept-2022.pdf>

successfully set up for future negotiations or other needs (subject to the terms of their agreements with Armourguard);

93.2 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 a new entry operating model and would likely use that model if it were successful, or could join the collective, or could negotiate bilaterally with Armourguard, if entry is unsuccessful; and

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

94. In previous collective bargaining authorisations, we have considered whether or not the counterparty would collectively negotiate.¹¹² Prior to the Interim Determination, Armourguard told the Commission that it would continue to negotiate bilaterally with banks, and [].¹¹³ 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.

95. 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.

[]

96. [] signed a [] agreement with Armourguard before we received the Application and is receiving services under that agreement. However, we understand that [].¹¹⁴ Further, the agreement []

[].¹¹⁵ We consider there is some prospect that [] could [] and could be somewhat more likely to do so were we to grant authorisation (we discuss this point again in the counterfactual section). We consider [] would therefore still seek to join the collective in the factual; and [] has told us it would seek to do so.¹¹⁶

¹¹² For example, *New Zealand Tegel Growers Association Incorporated* [2022] NZCC 30 at [62]-[79].

¹¹³ [].

¹¹⁴ Armourguard’s submission on Application (22 September 2025), p 14 at second bullet point; []

¹¹⁵ [].

¹¹⁶ Email from Russell McVeagh to Commerce Commission (6 March 2026).

97. Since interim authorisation was declined, [] has signed a [] agreement with Armourguard.¹¹⁷ [],¹¹⁸ [].¹¹⁹ Armourguard accommodated []. The [] agreement reached, however, is []% more expensive per annum than [].¹²⁰ Armourguard also both [] and, []].¹²¹ We consider this suggests Armourguard was exercising a degree of market power during these negotiations. 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 [].¹²²
98. As mentioned above, [] and [], suggesting some possibility of []. This outcome would potentially be costly and disruptive. We consider this outcome could be slightly more likely in the factual than in the counterfactual, because if collective bargaining secures better terms for the Participant group []. We discuss this further in the ‘Transaction Costs’ section below.
99. Since interim authorisation was declined, [] also has signed a new agreement with Armourguard.¹²³ We understand that this agreement [].¹²⁴ 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 entrant, were new entry successful – however, we have been unable to test

¹¹⁷ [] and [].

¹¹⁸ [].

¹¹⁹ [].

¹²⁰ []

¹²¹ Telephone call with []; []

¹²² []

¹²² Telephone call with []; []

¹²³ Email from Russell McVeagh (on behalf of []) to Commerce Commission (3 March 2026).

¹²⁴ []

the likelihood of this as the potential of entry is currently not known to [].

100. Since interim authorisation was declined, [] has also signed a new agreement with Armourguard.¹²⁵ Armourguard told the Commission that [] had signed a [] commitment which [].¹²⁶

[]

101. [] are disengaging or have disengaged from Armourguard. At the time of writing, [] operating under disengagement protocols which allow them []. [] disengagement period has already commenced. [] has very recently [].¹²⁷

102. 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. [] submits that [].¹²⁸ We consider that [] will likely [].

103. If access to the RBNZ's Secure Zone is approved and new entry 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 [].¹²⁹

104. 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-

¹²⁵ [].

¹²⁶ Ibid.

¹²⁷ []

¹²⁸ For cash provisioning services which are typically reliant on Reserve Bank vault access, [] temporary support arrangements involve:

[]. We understand [] has [] to date. See []

¹²⁹ [] told us it would seek to [] in the first instance but would seek other options if this were not successful.

negotiated collective agreement). We consider that, in such case, []].
130

105. [] told the Commission that, as it could not reach agreement on terms with Armourguard, it has entered into a disengagement period under its current agreement, which lasted until [].¹³¹ It plans to []. We are also aware that [].
¹³² We consider that if new entry is successful, [] would likely use that new entry for all of its CIT needs, in particular because [].¹³³ However, if that new entry 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).

106. [] has also told the Commission that it intends to [] and has notified []. []'s existing agreement is 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.

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

Remaining Participants

108. 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 new entry successful, they may seek to use the new entry operating model.

130 []

131 []

132 []].

133 []

The Scenario Without the Proposed Arrangement (the Counterfactual)

109. 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.

NZBA's submissions

110. NZBA submitted that absent the Proposed Arrangement, the status quo would persist but with increasing instability and risk.¹³⁴ 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 the 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”.¹³⁵

Interested parties' submissions

111. 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).¹³⁶ 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.”¹³⁷ 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.¹³⁸
112. 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 structure.¹³⁹ 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,

¹³⁴ Application at Section 7.

¹³⁵ NZBA cross-submission on Armourguard interim submission (1 October 2025) at [5].

¹³⁶ Armourguard interim submission on Application (22 September 2025).

¹³⁷ Armourguard cross-submission on NZBA submission (26 October 2025).

¹³⁸ []; Armourguard cross-submission on NZBA submission (26 October 2025).

¹³⁹ RBNZ submission on SOPI (10 October 2025), p 4.

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.¹⁴⁰

Our assessment

113. As stated above, the possibility of successful entry by an alternative 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.
114. In considering the appropriate counterfactual in this case, we have considered the potential options available to each Participant were we not to grant authorisation.
115. Our provisional 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:
- 115.1 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;
- 115.2 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
- 115.3 those parties who have not yet negotiated new contracts with Armourguard ([]) would likely continue to negotiate bilaterally with Armourguard but could use the new operating model were it successfully set up.
116. We consider Armourguard is likely to continue to negotiate bilaterally with Participants if authorisation is not granted. We note that Armourguard has [] during negotiations to date.¹⁴¹ We consider it will 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).

¹⁴⁰ Ibid, at p 5.

¹⁴¹ See [] and [].

117. 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 [96]-[108].

[_____]

118. These Participants have executed agreements. We consider that, were we not to grant authorisation, they will 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 [].¹⁴² While [] agreement is expressly [] and does not require [], we consider that it could have difficulties [].¹⁴³ While [] may be unaffected by [], we do not consider this likely, at least in the short to medium-term.

[_____]

119. 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 with these Participants as [], including seeking to impose the IAF and demonstrating limited openness to party-specific terms.¹⁴⁴

Remaining Participants

¹⁴²

[

].

¹⁴³

[

]

¹⁴⁴

For example, although Armourguard [

].

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

Summary of factual and counterfactual

121. Ultimately, the core difference between the factual and counterfactual is that we do, or do not, grant authorisation for the Proposed Arrangement. In the factual, the Participants will 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 would be necessary in the counterfactual.
122. 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

123. 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.¹⁴⁵ In making this assessment, the Commission considers the evidence before it, and that evidence's relative weight.
124. 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.¹⁴⁶
125. 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 and the courts cannot be compelled to perform quantitative analysis of qualitative variables.”¹⁴⁷
126. The Commission's approach is to quantify benefits and detriments to the extent practicable.¹⁴⁸ Regarding the weight that can be given to qualitative factors, the

¹⁴⁵ Sections 61(6) and (8) of the Act; Authorisation Guidelines at [18.2].

¹⁴⁶ *Godfrey Hirst NZ Ltd v Commerce Commission* [2016] NZCA 560 (CA) at [24] and [31].

¹⁴⁷ *Godfrey Hirst NZ Ltd v Commerce Commission* [2016] NZCA 560 (CA) at [36].

¹⁴⁸ *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].

Court of Appeal said in *Godfrey Hirst* that “[q]ualitative factors can be given independent and, where appropriate, decisive weight.”¹⁴⁹

127. Benefits can arise if a market experiences gains in allocative, productive, or dynamic efficiency:
- 127.1 Allocative efficiency is gained when efficient prices result in more-preferred alternatives for consumers or the purchase of larger quantities by consumers.
 - 127.2 Productive efficiency is improved when resources are more effectively employed in production, manifesting in lower fixed or unit costs.
 - 127.3 Dynamic efficiency is gained when parties’ incentive or ability to innovate/invest is increased.
128. On the other hand, detriments can arise if a market experiences loss in allocative, productive or dynamic efficiency:
- 128.1 Allocative efficiency is lost when inefficient (higher) prices result in less-preferred alternatives for consumers or to the purchase of smaller quantities by consumers.
 - 128.2 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.
 - 128.3 Dynamic efficiency is lost when the incentive or the ability to efficiently innovate/invest is reduced.
129. 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.¹⁵⁰ In this case, no party has proposed to depart from the total welfare approach and the Commission does not propose to do so of its own motion given that it does not appear that it would affect our decision to grant authorisation.

Potential Benefits and Detriments

130. NZBA submits that a range of benefits are possible from the Proposed Arrangement. It groups these potential benefits into three broad categories:¹⁵¹

Ravensdown Corporation Ltd v Commerce Commission High Court, Wellington API68/96 (16 December 1996) at [47] to [48].

¹⁴⁹ *Godfrey Hirst NZ Ltd v Commerce Commission* [2016] NZCA 560 (CA) at [38].

¹⁵⁰ *NZME Ltd v Commerce Commission* [2018] 3 NZLR 715 (CA) at [75]; and see Authorisation Guidelines at [85].

¹⁵¹ Application at [8.1]-[8.24].

- 130.1 system resiliency and long-term stability;
 - 130.2 pricing transparency and fairness; and
 - 130.3 operational efficiencies.
131. NZBA submits there are no possible detriments.¹⁵²
132. On the other hand, Armourguard submits 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.¹⁵³
133. Armourguard submits that there are a range of possible detriments, including:¹⁵⁴
- 133.1 the incurring of additional costs;
 - 133.2 creation of risk and uncertainty, including by jeopardising existing commercial contracts and Armourguard’s ability to contract with other customers;
 - 133.3 weakening Armourguard financially to the point of distress as a result of the banks collectively delaying or suppressing prices;
 - 133.4 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;
 - 133.5 the delay and deferring of non-essential investments,¹⁵⁵ which in turn, may reduce the quality of services, due to the long lead times for procuring certain capital assets;¹⁵⁶
 - 133.6 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;¹⁵⁷
 - 133.7 the risk of tacit collusion once sensitive information is shared among the banks and coordination effects become irreversible; and
 - 133.8 the risk of systemic harm by entrenching buyer power, thereby increasing bank collective dominance.

¹⁵² Application at [8.25]-[8.27].

¹⁵³ Armourguard interim submission on Application (22 September 2025), at [6].

¹⁵⁴ Armourguard interim submission on Application (22 September 2025), at [20], [36], [40]-[42], [56], [64], [70].

¹⁵⁵ []

¹⁵⁶ Interview with [].

¹⁵⁷ Ibid.

134. 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.
135. We first outline the economic framework we consider appropriate for assessing potential public benefits and detriments, particularly of collectively negotiating price and non-price aspects of the contracts between Armourguard and the Participants. In this context, we also assess the potential for bargaining inefficiencies caused by information asymmetries in the counterfactual and whether collective negotiation could help reduce or eliminate these.

The economic framework, bargaining and information asymmetry

136. 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.
137. The outcome of bargaining, bilateral or collective, partly depends on the balance of bargaining power¹⁵⁸ between the negotiating parties. The relative bargaining power of the negotiating parties and the division of surplus depends on several factors, including:¹⁵⁹
- 137.1 the quality of each party’s outside options – key to bargaining strength;
 - 137.2 the bargaining costs and losses each party incurs by delaying agreement;
 - 137.3 the payoffs either party derives from walking away from negotiations;
 - 137.4 the costs suffered by making small concessions to the other party; and
 - 137.5 the extent of information asymmetry, for example on costs or value.
138. 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

¹⁵⁸ 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).

¹⁵⁹ 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>

surplus.¹⁶⁰ 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.

139. Several factors can contribute to inefficient/less efficient outcomes of bargaining between buyers and sellers, including:¹⁶¹
- 139.1 information asymmetry¹⁶² and incomplete contracts;
 - 139.2 challenges with contracting important aspects of business relationships;
 - 139.3 purchase (supply) of inefficiently low volumes because prices are too high (too low); and
 - 139.4 breakdown in negotiations or conclusion of inefficient contracts that lead to commercial disputes, litigation, etc.
140. 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

141. Collective negotiation may enhance allocative efficiency by addressing market failures such as information asymmetry.¹⁶³ Collective negotiation also can enhance verifiability of information and how it is used to design contract terms, thereby improving outcomes.¹⁶⁴
142. Evidence we have received shows there is a degree of mistrust and information asymmetry between Armourguard and the Participants, which could result in a market failure through inefficient contracts. Inefficient contracts create potential for disputes []. For example, we note that there is [].¹⁶⁵

¹⁶⁰ Baker, J. B., Farrell, J., & Shapiro, C. (2008). Merger to monopoly to serve a single buyer: Comment. *Antitrust Law Journal*, 75(2), 159.

¹⁶¹ *Ibid.*, at [638], [639] and [640].

¹⁶² 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.

¹⁶³ Authorisation Guidelines at [78].

¹⁶⁴ 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].

¹⁶⁵ []

147. 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.¹⁷⁴

148. Armourguard initially estimated that it needed [] to provide services but appears to have revised this to [].¹⁷⁵ It also has managed to []. However, Armourguard [] and cites several reasons.¹⁷⁶
[]

149. Some evidence suggests that Armourguard’s costs and the resulting IAF could be inefficiently high. For example, []:

149.1 []

149.2 []
[]¹⁷⁷
[]

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

].¹⁷⁸ This raises questions about Armourguard’s claim

¹⁷⁴ See, for example, [].

¹⁷⁵ [].

¹⁷⁶ [] and [].

¹⁷⁷ []

¹⁷⁸ See, for example, [].

that the IAF is “designed to recover the *efficient, minimum* fixed costs”¹⁷⁹ of maintaining a resilient CIT infrastructure, at least in light of [].

150. We have not reviewed Armourguard’s full GL-level IAF model and any model(s) used to set service fees for the purposes of assessing the Application.¹⁸⁰ We have also not applied the methodologies used for regulated entities to test if Armourguard’s approach is truly consistent with the principles and approach we use for regulated entities as suggested by Armourguard and NZIER.

151. Our review of the NZIER Report also identifies potential issues with Armourguard’s (and NZIER’s) methodology, lack of transparency including on underlying assumptions, and potential that resulting prices and margins could be above competitive levels.

151.1 The comparator group used to justify the IAF may be inappropriate for several reasons including that Armourguard may have substantial market power¹⁸¹ it could exercise at the time of negotiating long-term contracts with the banks.

151.2 There likely are substantial differences between Armourguard and ‘consumer owned’ electricity distribution businesses in terms of cost structure and governance structures meaning they may not have the same incentives.

151.3 We note that experts¹⁸² commissioned by some of the Participants to review the NZIER Report have identified potential issues with the approach and justifications of the IAF.¹⁸³

152. []¹⁸⁴
[]¹⁸⁵
[]¹⁸⁶
[]¹⁸⁷ We understand that

179 [].

180 Identified in [].

181 Contrary to NZIER’s position.

182 [], and [].

183 []; [].

184 For example, [].

185 []

186 []

187 []

[].¹⁸⁸

153. The situation arising from bilateral negotiations (ie, the *status quo ante*, which we consider would continue in the counterfactual) appears to be resulting in fragmented demand and potential risks associated with contractual and commercial uncertainty for Armourguard and Participants. Armourguard submits that

[].¹⁸⁹ This, in turn,

[].¹⁹⁰

[].

154. Closer examination and verification of costs may be important in instances where there is information asymmetry on costs driving prices (IAF and service fees). As such, we consider that a successful collectively negotiated outcome could reduce the degree of information asymmetry and mistrust between Armourguard and the Participants, thereby helping 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. This could provide more stability if mutually beneficial collective negotiations are successful. On the other hand, we are currently uncertain about the potential to reduce or eliminate any inefficiencies that may already be incorporated into contracts already concluded between Armourguard and each of [].

155. If no collective agreement is reached between Armourguard and the Participants, we consider the fallback position would likely be the counterfactual scenario.

156. In the next section, we consider whether the Proposed Arrangement is likely to lead to price-related public benefits or detriments.

Collectively negotiated pricing mechanism: price and volume effects

Applicant and Participant submissions

157. NZBA submits that, without collective negotiations, Armourguard has disproportionate leverage in negotiations that would allow it to impose terms and extract monopoly rents.¹⁹¹ The Applicant submits that the Participants currently lack meaningful bargaining power in negotiating with Armourguard.¹⁹² For example:

¹⁸⁸ []

¹⁸⁹ [].

¹⁹⁰ []

¹⁹¹ Application at [7.2].

¹⁹² Application at [7.2(a)].

- 157.1 Armourguard gave
[]
].¹⁹³
- 157.2 [] signed a [] agreement at a [],¹⁹⁴ which it
says [].¹⁹⁵
- 157.3 Armourguard suddenly []¹⁹⁶ and then
[].¹⁹⁷
158. The Applicant submits that
[]
].¹⁹⁸ That is, it submits there is a relationship between prices
and volumes of CIT services demanded. It also submits that there is increased risk of
[].¹⁹⁹
159. [] submits that [] and [] could
[].²⁰⁰ In a worst-case scenario, unfavourable terms
or pricing could [].²⁰¹
The results could be [].²⁰²
160. NZBA submits that concerns about service continuity, pricing transparency and long-
term sustainability of CIT services will persist absent collective negotiations.²⁰³ It
submits that the Proposed Arrangement is intended to rebalance negotiations and
promote fair and sustainable pricing, without compromising service quality or
efficiency.²⁰⁴
161. The Participants expect that the Proposed Arrangement will result in an
independent, fair and transparent pricing mechanism, which would reduce disputes,
improve accountability and lead to sustainable pricing of CIT services.²⁰⁵ A
collectively negotiated pricing mechanism, expected to be based on principles used

¹⁹³ Application at [7.2(b)(ii)] and []].

¹⁹⁴ []

¹⁹⁵ []

¹⁹⁶ Application at []].

¹⁹⁷ Application at []].

¹⁹⁸ Ibid.

¹⁹⁹ Ibid.

²⁰⁰ []

²⁰¹ Ibid.

²⁰² Ibid.

²⁰³ Application at [7.3].

²⁰⁴ Application at [8.26(b)].

²⁰⁵ Application at [8.19], [] and [7.4].

in regulation,²⁰⁶ 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.²⁰⁷ An independent third party would determine actual pricing to ensure neutrality.²⁰⁸

162. The Applicant submits 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.²⁰⁹

Interested parties' submissions

163. Armourguard submits 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.²¹⁰ Armourguard further submits that the banks are seeking to obtain enduring monopsony (buyer) power against a much smaller supplier rather than delivering public benefit.²¹¹ Armourguard also submits that the Application appears directed at constraining or delaying implementation of sustainable, market-based pricing for essential cash-handling services.²¹² 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.²¹³
164. Armourguard further submits that its new pricing model already achieves the public benefits claimed by the applicants through uniform national contract terms and a utility-like regulated pricing regime that includes the IAF.²¹⁴ According to Armourguard, the IAF, which is subject to periodic review and reset, ensures that it does not earn excess returns and that pricing remains aligned with efficient, benchmark-based cost recovery.²¹⁵
165. In addition, Armourguard submits that the Application causes harm, and creates the specific problem that the banks say they are seeking to address (ie, sustainability challenges) and there would be no such concerns if the banks accepted its price terms.²¹⁶

²⁰⁶ See
[

]

²⁰⁷ Application at [8.16], [8.21], [8.23] and [8.24].

²⁰⁸ Application at [8.21].

²⁰⁹ Application at [8.26(b)].

²¹⁰ Armourguard interim submission on Application (22 September 2025) at [5] of cover letter from Matthews Law; RBNZ BS-11 Outsourcing Policy (September 2022): <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/banks/banking-supervision-handbook/bs11-sept-2022.pdf>.

²¹¹ Ibid.

²¹² [

]

²¹³ Armourguard interim submission (22 September 2025) at [6] of cover letter from Matthews Law.

²¹⁴ Ibid.

²¹⁵ [

]

²¹⁶ Armourguard interim submission on Application (22 September 2025) at [7] of main submission.

166. Armourguard also submits that there is no evidence that any price impacts from authorisation would result in a public benefit.²¹⁷ Instead, Armourguard submits that any change in price terms would merely be a wealth transfer and would not result in any public benefits.²¹⁸ Conversely, it submits that any reduction in prices charged to banks because of collective bargaining would be reallocated to, and therefore adversely impact, non-bank customers.²¹⁹
167. As such, Armourguard opposes authorisation. It submits that ordinary bilateral commercial processes are functioning efficiently, producing the same or greater public benefits than those claimed by the Applicants, without the distortions or coordination risks of collective negotiations.²²⁰ 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). Armourguard also noted that banks were not compelled to contract with it.²²¹

Our assessment

168. The Participants intend to collectively bargain with Armourguard on several issues including the prices of a range of CIT services.
169. We consider, in line with the framework mentioned above, that Armourguard currently holds significantly more bargaining power than each individual party in the counterfactual. This is due to the following factors:
- 169.1 Until/unless entry from the new operating model is successful, the Participants do not have access to a quality offering that could replace Armourguard's wholesale CIT services, whereas Armourguard may be able to offset losses through other customers.
- 169.2 Armourguard, having secured some contracts, can afford to delay or walk away from any agreement in the short term to minimal loss to itself. In contrast, some of the banks in particular must have a wholesale CIT provider providing services to continue to provide access to cash and comply with their banking obligations. Hence Armourguard, can (and has done so) run out the clock on banks in negotiations.
- 169.3 Armourguard can take advantage of the information advantages it has to potentially charge higher prices and increase its profits overall. However, it 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/expansion or a new entry operating model.
170. In general, we consider that a successful collectively negotiated pricing mechanism developed via collective bargaining could improve transparency by reducing the

²¹⁷ Ibid at [24] of main submission.

²¹⁸ Ibid at pp 5, 8.

²¹⁹ Ibid at pp 5, 7.

²²⁰ []

²²¹ Ibid at p 3.

information asymmetry prevalent in bilateral negotiations, particularly on costs and pricing. Such a pricing mechanism could potentially lead to more competitive prices.

171. In particular, successful collective negotiation may be more likely if Armourguard and the Participants mutually agreed to an independent third party that could:

171.1 verify Armourguard's costs, ensuring they reflect efficient costs necessary to provide CIT services; and

171.2 develop a more transparent and competitive pricing mechanism that allows Armourguard to make efficient investments and earn a competitive return.

172. At the time of Interim Authorisation, Armourguard submitted that [].²²² However, it is unclear whether this remains the case and to what extent Armourguard will engage or consider engaging in collective negotiation if final authorisation is granted. It is currently also unclear whether collective negotiation would resolve any inefficiencies that may already be part of Armourguard's contracts with [].

173. To determine if a successful collectively negotiated pricing mechanism is likely to produce price-related public benefits or detriments compared to bilateral negotiations, we consider below whether the Proposed Arrangement is likely to result in:

173.1 greater volumes of services or service levels or access to cash compared to the counterfactual because prices of CIT services would be lower and more competitive (ie, reduced prices leading to public benefits); and/or

173.2 Armourguard supplying inefficiently low levels of CIT services [] because prices are set too low, such that []. This could be detrimental to the public if it occurred.

Improved volume of CIT services, service levels and access to cash

174. 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

²²² []

prices in bilateral negotiations. We discuss the potential impact of entry in paragraphs [181] to [188] below.

175. The evidence we have suggests that bank demand for CIT services is []²²³. Armourguard submits that demand elasticity from retailers and independent ATM owners is []²²⁴. We also note that some of Armourguard’s contract clauses [] could likely reduce demand elasticity or reinforce demand inelasticity.²²⁵
176. We currently 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. However, more competitive collectively negotiated prices may help reduce the risk of customers adjusting their use of CIT services which might otherwise occur in the counterfactual. For example, customers could respond to higher counterfactual prices by []²²⁶ and []²²⁷. According to Armourguard, these outcomes could result from failure to implement a sustainable pricing framework.²²⁸
177. As such, our current view is that successful collective negotiation could result in an improvement in allocative efficiency, but we consider this may not 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 limited reductions that could occur in the counterfactual by all Participants (if they benefit from a collectively negotiated pricing mechanism) or only those who currently have not concluded agreements with Armourguard.
178. We currently 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 submits that end-consumer use of cash is influenced by a range of factors broader than marginal changes in the pricing of CIT services.²²⁹ It is currently uncertain whether high CIT costs would be passed on to final consumers and, if so, when and to what extent. Participants submit that they

²²³ []; []; and []].

²²⁴ [].

²²⁵ [].]

²²⁶ [] and [].

²²⁷ [] and [] and [], noting that [].

²²⁸ [].]

²²⁹ [].

[]²³⁰ or []²³¹ or []²³². We, however, consider there is a 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 currently 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 currently do not place any weight on this potential impact because of the high level of uncertainty.

Whether prices for CIT services could end up below competitive levels

179. Collective bargaining on purchase prices could cause public detriments if it distorts prices to below competitive levels, leading to inefficiently low levels of CIT services or exit, thereby affecting public access to cash.²³³ Prices below competitive levels could also reduce long-term supplier incentives to invest and innovate.²³⁴ 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.²³⁵
180. We currently do not consider it likely that collective negotiation would result in Armourguard being forced to charge prices that are too low for it to operate efficiently, for the reasons discussed below.
181. As we explained above, 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.
182. Successful entry, [], could be an outside option that strengthens the bargaining power of customers, allowing the collective to negotiate lower prices.²³⁶

²³⁰ []

²³¹ []

²³² Submissions from []; []; and [].

²³³ 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].

²³⁴ Gunnar Niels, Helen Jenkins and James Kavanagh *Economics for Competition Lawyers* (1st edition) (Oxford University Press, 2011), at [167].

²³⁵ *Ibid.*, at [166] – [167].

²³⁶ Gunnar Niels, Helen Jenkins and James Kavanagh *Economics for Competition Lawyers* (1st edition) (Oxford University Press, 2011), 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].

183. At present, 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 may be reinforced by the absence of clauses that allow customers to easily exit the contracts once signed. We understand [] under Armourguard’s new contracts.²³⁷
184. We note that [] have elected to pursue an outside option built around [] rather than sign on to Armourguard’s terms which they consider unfavourable.²³⁸ This suggests the outside option could be pursued by customers.
185. As discussed above, we consider the success and credibility of the entry of the new entry operating model to currently be uncertain, because it largely depends on [] obtaining access to the RBNZ’s Secure Zone. RBNZ submits 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.²³⁹ 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.²⁴⁰ RBNZ subsequently [], creating more uncertainty on the viability of the new operating model.²⁴¹
186. We note that []. These include [],²⁴² []²⁴³ and [].²⁴⁴ Further, we understand that [].²⁴⁵ We are currently uncertain about the extent to which [] if access to the RBNZ’s Secure Zone is delayed or not granted.
187. We 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

²³⁷ See for example, [].

²³⁸ See, for example, [].

²³⁹ []

²⁴⁰ Ibid.

²⁴¹ Email from Russell McVeagh to Commission (19 March 2026).

²⁴² [].

²⁴³ []: see Email from Russell McVeagh to Commerce Commission (23 February 2026) and [].

²⁴⁴ [].

²⁴⁵ Email from Russell McVeagh to Commerce Commission (23 February 2026); and Interview with [].

alternative supply. For example, timing constraints meant that [] could not rely on the new model,

[].²⁴⁶ It does not appear the prospect of a new entry 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 a new entry operating model being successfully established has increased, it appears Armourguard has so far [].

188. We anticipate that successful entry by a 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. Customers who try to reduce volumes during the contract period (eg, by shifting services from Armourguard to an entrant) may end up [].²⁴⁷ 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 10-year contracts. For [] and any other party that concludes a contract shorter than 10 years [], the new model would potentially be an outside option from the end of that period.
189. For collective negotiations to be successful, we are currently 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 []. We consider the same could apply to customers who cannot rely on alternatives eg potential new entry or self-supply.
190. We also consider that with each additional bilateral contract Armourguard secures,²⁴⁸ 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 are not able to walk away, this can be expected to place Armourguard in a stronger bargaining position.
191. The Participants submit that a mutually agreed pricing mechanism would allow Armourguard to earn a reasonable return on investment. As such, we expect any collectively negotiated pricing mechanism would ultimately need to:

²⁴⁶ See for example, [] and [].

²⁴⁷ [].

²⁴⁸ There is no 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.

- 191.1 be agreed between Armourguard and the Participants;
- 191.2 ensure that Armourguard does not operate below cost; and
- 191.3 ensure Armourguard makes the necessary investments required to efficiently provide services and earn a reasonable return on investment.

Conclusion

192. We currently consider that the Proposed Arrangement could result in some improved allocative efficiencies through more competitive pricing. However, we are currently of the view that collective negotiation would not likely result in substantial expansion in CIT service volume or access to cash. Higher prices in the counterfactual could frustrate the public objective of ensuring greater access to cash, while more competitive collectively negotiated prices in the factual could facilitate this public objective through lowered cost of providing access to cash and lowered risk of customers [].²⁴⁹
193. At this point, we also do not consider the pricing framework envisaged by the Participants would force Armourguard to charge prices that are too low to operate efficiently, especially if it allows for recovery of costs and a reasonable return. This is especially if the pricing mechanism is designed by an independent third party and 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.
194. Accordingly, our current 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

195. NZBA submits that the Proposed Arrangement will help rebalance the commercial relationship between Armourguard and the Participants and that, without competitive pressure, Armourguard has limited incentive to innovate; invest in robust security, risk management, and technology; or respond effectively to service challenges on its own.²⁵⁰
196. Participants submit that during bilateral negotiations to date:

²⁴⁹ We note that RBNZ is currently consulting stakeholders, including banks, on ways to ensure greater access to cash.

²⁵⁰ Application at [].

196.1 Armourguard has sought to include terms that would not ordinarily be expected in contracts of these types, including terms considered to be []²⁵¹ These terms have been considered by some to represent [],²⁵² and

196.2 they have encountered material service performance issues [] and are concerned about further reductions in service levels.²⁵³ These concerns are heightened by []²⁵⁴

Interested parties' submissions

197. Armourguard submits that, if final authorisation were granted, []²⁵⁵ which is likely to affect its level of service, due to the long lead times for procuring certain capital assets.

Our assessment

198. The sections below consider whether the Proposed Arrangement is likely to produce public benefits or detriments through non-price effects relating to contract terms and anti-competitive coordination linked to information sharing.

More efficient and balanced contract terms

199. As explained above, information asymmetry in negotiations can lead to market failures that are detrimental to welfare, including by creating scope for issues relating to moral hazard. We outlined above why we consider there to be information asymmetry present in bilateral negotiations (see paragraphs [141] to [154]).

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

251 [] and []

252 []

253 []

254 []

255 [].

201. We consider that bilaterally negotiated agreements in the counterfactual are likely to contain terms which []. As Armourguard faces limited competitive constraint, it [].

202. 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.²⁵⁶ Evidence shows that Armourguard has and, in the counterfactual, likely will continue seeking to include the terms discussed below in bilaterally negotiated agreements. These terms appear, both individually and collectively, to allocate risks to its customers that may be more appropriately managed by Armourguard.

202.1 Insulating itself from the risks of [] through clauses that give Armourguard [].²⁵⁷ For example,

202.1.1 [] contract includes clauses allowing Armourguard to unilaterally adjust the volume-based service fee in certain circumstances relating to [].²⁵⁸

202.1.2 This, [],²⁵⁹ can have the effect of insulating Armourguard excessively against the risk that [].

202.2 Operational risks, including the risk of []. For example, we understand Armourguard [].²⁶⁰ The resulting need for

²⁵⁶ 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.

²⁵⁷ See [], [] and [].

²⁵⁸ See []. The specific circumstances are where: [].

²⁵⁹ Interview with [].

²⁶⁰ [].

[] likely increases
CIT costs for Participants.²⁶¹

202.3 Risks from external events, by including provisions that:

202.3.1 allow Armourguard to
[]
],²⁶²

202.3.2 require
[]
].²⁶³ Taken together with
[]
].²⁶⁴

202.3.3 Together, these provisions provide Armourguard with a degree of insulation against external events. While these are external events outside of Armourguard’s control, we consider that the allocation of, and compensation for these risks through collectively negotiated CIT pricing and terms could lead to more efficient outcomes, rather than simply transferring risk from Armourguard to customers, as unilaterally determined by Armourguard.

202.4 While some elements of these clauses may reflect mere wealth transfers, there is also the prospect of inefficient processes or misallocation of risk leading to loss of productive efficiency in the counterfactual, something that successful collective negotiations could avoid.

203. We consider that, in the counterfactual, service quality could deteriorate, corresponding to []. Armourguard also has made changes to bilateral agreements that likely have the cumulative effect of [], including:

²⁶¹ Ibid.
²⁶² See [] and [].
²⁶³ []
²⁶⁴ Ibid, at []

203.1 [];²⁶⁵

203.2 Eroding a Participant’s right to []. By way of illustration:

203.2.1 []²⁶⁶

203.2.2 []²⁶⁷

203.3 Armourguard has also reduced []²⁶⁸

204. 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.

205. We consider that the authorisation, if successfully utilised, may reduce these inefficiencies by introducing more efficient and balanced contract terms that better allocate risk between Armourguard and its customers.

²⁶⁵ Compare [], and also [].

²⁶⁶ []

²⁶⁷ []

²⁶⁸ Compare, for example, [].

206. 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 [],²⁶⁹ we do not consider the same effect would be likely in the factual.

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

207. We consider that there is likely to be a low public benefit arising from collective negotiation of non-price contract terms in the factual compared to the counterfactual.
- 207.1 In particular, we consider there are likely to be allocative efficiency gains from reduced information asymmetry and more efficient and balanced contractual terms.
- 207.2 We consider that these benefits would still arise in a world where there is successful entry from a new operating model, although these would be smaller (reflecting the more limited *Arrangement-specific* effects).

Information sharing and coordination

208. Collective bargaining could enable or facilitate anti-competitive coordination between firms competing in functionally separate markets to the one where collective negotiation occurs.²⁷⁰ 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.²⁷¹ Detriments are more likely to occur if collective negotiations materially facilitate such coordination.²⁷² This, to some extent, depends on the nature of information shared between the firms as part of the Proposed Arrangement.
209. Armourguard also submits 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.²⁷³
210. We currently consider that acquisition of CIT services seems not to be a source of material competitive differentiation between the banks.²⁷⁴ We 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. Our view is also currently that the Proposed Arrangement

²⁶⁹ See, eg, [].

²⁷⁰ 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].

²⁷¹ *Ibid.*

²⁷² *Ibid.*, at [124].

²⁷³ Armourguard interim submission on Application (22 September 2025) at pg 7.

²⁷⁴ Application at [8.26(d)].

would likely not materially change the way the Participants would compete in the factual compared to the counterfactual.

211. However, 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, but that were it to occur it would be relatively high impact given the nature of the Participants. However, we 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 [266].
212. 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

213. NZBA submits that collaboration would enable the customers to identify operational efficiencies by streamlining processes, reducing duplication, and using resources more effectively.²⁷⁵ This is expected to support long-term sustainability of CIT services through reduction in costs, improvements in logistics, and ensure continuity of service.²⁷⁶
214. 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.²⁷⁷
- 214.1 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.²⁷⁸
- 214.2 [] submits that it estimates the potential savings could be material, as there would be savings in mileage, vehicle and staff costs, which are Armourguard's greatest costs.²⁷⁹
- 214.3 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.²⁸⁰

²⁷⁵ Application at [8.9].

²⁷⁶ Application at [8.13].

²⁷⁷ Application at [7.4].

²⁷⁸ Application at [7.4].

²⁷⁹ []

²⁸⁰ [] and []

215. The Participants and NZBA submit that they do not consider improved operational efficiencies claimed could be achieved without authorisation, because:

215.1 NZBA submits that Armourguard would not have both a customer-specific and all-of-system perspective necessary to do so.²⁸¹ Nevertheless, according to NZBA, collective negotiations enable an “all of system” identification of efficiencies which can be achieved through synergies across customers without impacting service quality.²⁸²

215.2 Some Participants submit that, under current contract terms, Armourguard has no incentive to achieve operational efficiencies or to pass on any efficiency gains, as it is neither under competitive pressure nor contractual pressure to proactively identify and implement efficiency improvements, and there is no contractual mechanism requiring cost transparency or service-level improvements.²⁸³ Some Participants have 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.²⁸⁴

215.3 Some Participants also submit that Armourguard would not likely be able to achieve efficiency improvements in the counterfactual,²⁸⁵ 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.²⁸⁶

216. NZBA submits that, in the counterfactual, each Participant and Armourguard would be faced with costs²⁸⁷ and delays in concluding bilateral contracts, and a loss of the opportunity for systemic operational efficiencies.²⁸⁸ This, according to the NZBA,

²⁸¹ []

²⁸² []

²⁸³ [] also expresses similar sentiments about lack of transparency and absence of contractual mechanisms incentivising continuous improvements (see []).

²⁸⁴ For example, [] submits that the identified issues include

[]
[]

²⁸⁵ [] explains that this because there are interdependencies between customers on the IAF and bilateral contract negotiations at different times limit scope for Armourguard to achieve coordination of services in particular areas. See []

²⁸⁶ []

²⁸⁷ 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 []).

²⁸⁸ Application at [7.3].

would undermine access to cash and the resilience of the national payment infrastructure.²⁸⁹

Interested parties' submissions

217. 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.²⁹⁰

Armourguard expects to progress with []²⁹¹ However, success depends on customer support, systems compatibility and operational readiness.²⁹²

218. Armourguard submits that efficiencies associated with [] could, in aggregate, be modest to moderate relative to the overall cost base.²⁹³ Such efficiencies are subject to material uncertainty.²⁹⁴ Further, Armourguard submits that [] in the counterfactual.²⁹⁵

219. However, Armourguard submits that it has also experienced some challenges in achieving operational efficiency improvements through bilateral negotiations including:²⁹⁶

219.1 [];

219.2 [];

219.3 []; and

219.4 [].

²⁸⁹ Application at [7.4].

²⁹⁰ [].

²⁹¹ [].

²⁹² [].

²⁹³ []

²⁹⁴ []

²⁹⁵ []

²⁹⁶ []

220. Armourguard also submits that in the factual there is a real risk that collective negotiation could slow or complicate achievement of efficiencies because:²⁹⁷
- 220.1 what should be customer-specific operational changes could become multi-party bargaining issues;
 - 220.2 collective negotiation would be used to coordinate resistance to efficiency changes especially where gains and costs are uneven across the banks; and
 - 220.3 price reductions become the focus of negotiations instead of operational improvements at a bilateral level.

Our assessment

221. 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.²⁹⁸
222. 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 submit that they do not possess such information until they are able to collectively identify and negotiate the changes to their CIT service needs.²⁹⁹ As such, we are currently uncertain about the size of potential operational efficiencies that the Proposed Arrangement could produce.
223. We consider, however, that the Proposed Arrangement could 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.³⁰⁰ 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.³⁰¹ This could result in more efficient use of existing CIT capacity and reduced operational costs for Armourguard.

²⁹⁷ [redacted].

²⁹⁸ Authorisation Guidelines at [80].

²⁹⁹ [redacted]; [redacted]; [redacted].

³⁰⁰ 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].

³⁰¹ [redacted]; [redacted]; [redacted]]; [redacted]; [redacted]]; 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 [116].

224. 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 [].
225. 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:
- 225.1 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;
 - 225.2 have greater transparency into operating costs and pricing, which reduces information asymmetry and enables better monitoring of (in)efficiencies;
 - 225.3 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
 - 225.4 have a regulatory backstop that scrutinises the supplier's costs and there are regulatory rules that incentivise efficiencies (which does not apply to Armourguard).
226. 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.³⁰² Armourguard may also be able to unilaterally raise prices through various mechanisms built into its contracts.³⁰³ 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.³⁰⁴

³⁰² [].

³⁰³ Interview with [] and [].

³⁰⁴ []

227. While Armourguard submits that any efficiency gains would be passed on to customers during the IAF review [],³⁰⁵ we note that such reviews provide no guarantee that prices would be reduced.
228. 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 submits that the cumulative loss of customers materially reduces network density and volume scale.³⁰⁶ 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.³⁰⁷ This situation could be avoided with successful collective negotiation. However, given the developments that have been triggered by the failure of bilateral negotiations,³⁰⁸ it is unclear to what extent collective negotiation would be effective in fully avoiding or resolving the situation.
229. We currently 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.³⁰⁹ As such, we are currently 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.
230. Accordingly, our conclusion is 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.
231. We also consider that there would 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 *Arrangement-specific* benefits).

³⁰⁵ For example, [].

³⁰⁶ [].

³⁰⁷ []

³⁰⁸ As discussed elsewhere, some customers have opted to not continue with Armourguard, but they continue to support the Application. It is currently unclear whether these customers would return to negotiations.

³⁰⁹ [].

No clear impact on Armourguard investment

Armourguard's submissions

232. In response to the Applicant's application for interim authorisation, Armourguard submitted that granting interim authorisation could cause a detriment not identified by the Applicant, being deferrals of efficient investment by Armourguard.³¹⁰
233. 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:³¹¹
- 233.1 Despite having entered into bilateral agreements with [], Armourguard would need to reassess its planned investment if final authorisation were granted.
- 233.2 In that scenario, Armourguard would expect [].
- 233.3 Armourguard submits that, if final authorisation were granted, it may continue to [].

Applicant's response to Armourguard's submissions

234. NZBA submits that it recognises the need for Armourguard to earn a fair return on its investment.³¹² 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.³¹³ 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.³¹⁴

Our assessment

235. An arrangement that lessens competition may also create dynamic inefficiencies.³¹⁵ This may arise in the upstream market if buyer power allows a customer(s) to extract large discounts leading to prices below competitive levels, which could damage the

³¹⁰ For example, [].

³¹¹ [].

³¹² Application at [8.21].

³¹³ NZBA cross submission on RBNZ submission on SOPI (23 October 2025) at [7].

³¹⁴ Application at [8.21].

³¹⁵ Authorisation Guidelines at [60].

long-term incentives of suppliers to invest and innovate, and could potentially lead to the exit of the supplier.³¹⁶ Detriments can also arise if an arrangement causes delays in investment or innovation.

236. Based on the evidence we have gathered to date, we 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.

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

237.1 In the Interim Determination, the Commission considered that declining Interim Authorisation would reduce uncertainty and allow Armourguard to make the investment necessary to provide services as it claimed.³¹⁷

237.2 Following that decision, around [] has been secured, covering [].³¹⁸ This is [] Armourguard's initial estimate before that decision of [] in [].³¹⁹

237.3 Armourguard submits 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 states that this investment is [].³²⁰

237.4 Armourguard further submits that any additional discretionary investment – beyond what is already committed and minimum ongoing capital expenditure – would depend on []

³¹⁶ Gunnar Niels, Helen Jenkins and James Kavanagh *Economics for Competition Lawyers* (1st edition) (Oxford University Press, 2011) [167].

³¹⁷ Interim Determination, at [55]–[56].

³¹⁸ []].

³¹⁹ []].

³²⁰ []].

].³²¹

237.5 In light of the above, we consider that these uncertainties about Armourguard's future investment plan are not authorisation-specific and could also exist in the counterfactual (eg, from failure to reach mutually acceptable agreements through bilateral negotiations).

238. Our view is that any potential detriment from deferred investment by Armourguard is likely to be limited to non-essential investment. Accordingly, it is not clear to us the extent to which this amounts to a public detriment for the purposes of the authorisation test. 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 []. Accordingly, we do not currently consider that this can be characterised as a public detriment arising from the authorisation and, even if it could be, any such detriment would likely be small.

Transaction costs

Applicant and Participants' submissions

239. NZBA submits collective bargaining will allow the parties to pool resources, share expertise and avoid duplicative bilateral negotiations, reducing transaction costs for the Participants and Armourguard.³²² The Participants largely support this position:
- 239.1 [] 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.³²³
- 239.2 [] considered that the authorisation would reduce time and costs through the elimination of significant duplication that would occur due to bilateral negotiations.³²⁴
- 239.3 [] 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.³²⁵
- 239.4 [] also expects that external legal fees in the factual would be higher than what they had currently spent, but these would be shared amongst Participants, so there was potential for future collective negotiation costs

³²¹ [].

³²² Application at [8.17]–[8.18].

³²³ [].

³²⁴ []

³²⁵ []

to be significantly smaller.³²⁶ [] also believes that the authorisation would streamline the negotiating process, leading to reduced costs and time for Armourguard and the Participants.³²⁷

240. 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, it had, by January 2026, incurred external legal costs amounting to [].³²⁸ [] submitted its costs have been largely internal, although it has incurred external legal costs amounting to [].³²⁹

Interested parties' submissions

241. Armourguard argues that the lower transaction costs are not to be considered public benefits under the Commerce Act.³³⁰ It believes bilateral negotiations are the only efficient path.³³¹

Our assessment

242. An arrangement like collective bargaining can improve productive efficiency by reducing transaction costs.³³² 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.
243. The Participants have not been able to provide us with estimates of the costs that are likely to be incurred with collective negotiation, including those incurred through the setting up of the collective, engaging relevant external advisors, or of the potential savings in comparison to the counterfactual. We have been unable to obtain visibility on these costs further than the figures provided to date on costs already incurred.
244. A number of the Participants have also either concluded bilateral agreements with Armourguard or decided to try and use alternative sources 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 cannot now be saved through collective negotiation.
245. We consider that any transaction cost savings collective negotiations may produce apply more clearly to those Participants who have not yet concluded any contracts with Armourguard and/or may still have bilateral or collective negotiations with

³²⁶ []

³²⁷ []

³²⁸ []

³²⁹ []

³³⁰ []

³³¹ []

³³² 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].

Armourguard to come. While some Participants have opted to pursue an alternative model and have initiated disengagement from Armourguard, there is still significant uncertainty about whether this will be successful.³³³ Failure to successfully establish the alternative model might lead to those Participants returning to negotiate with Armourguard, which would lead to transaction costs in bilateral negotiations that could be saved via collective bargaining.

246. However, there is significant uncertainty around what might happen in both the factual and counterfactual making it difficult to ascertain with confidence whether there would likely be a benefit from a reduction in transaction costs.
- 246.1 For example, while the possibility exists, we currently do not know whether the banks who have opted for the new entry operating model would return to collective negotiations with Armourguard (either if that model's entry is unsuccessful, or for other reasons).
- 246.2 Another uncertainty relates to whether granting authorisation could lead to *increased* transaction costs. We think this would most likely be the case if []. This may well involve the potential [].
- 246.3 As discussed above, we consider this to be somewhat more likely in the factual than in the counterfactual, because the conclusion of a successful collective agreement [] would increase those Participants' incentive to [].
- 246.4 If granting the authorisation makes [] more likely, then while there would be some transaction cost saving for those Participants via collective negotiation rather than bilateral negotiations, those costs would not be as likely to be incurred *at all* in the counterfactual (and therefore those costs could amount to a detriment).
- 246.5 This issue is also affected by the success of entry of the new entry operating model. We consider that if entry is successful, there is a chance that transaction costs would be reduced with authorisation (compared to the scenario if entry is unsuccessful), because [], we also consider [] means

³³³ 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).

[
].

247. Accordingly, it is possible that collective bargaining could lead to a reduction in transaction costs, and if so, we consider this would be more likely in a world where the potential new entry operating model is unsuccessful. However, it is also possible that there would be transaction costs incurred in the world with the authorisation that would not be incurred in the world without the authorisation, in particular where Participants [] (although we think those costs would be lower in the world where the potential new entry operating model is successful).

248. As such, we are currently of the view that we do not have sufficient evidence to have the confidence to place much weight on this claimed benefit, nor sufficient evidence to have confidence it could not become a detriment.

Step-in rights

Applicant and Participants' submissions

249. NZBA states that
[

[].³³⁴ NZBA claims that []³³⁵

250. NZBA also submits that
[

].³³⁶

Interested parties' submissions

251. 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

³³⁴ Application at [].

³³⁵ [].

³³⁶ Application at [].

financially, so that banks can step in to take over the business following its collapse.³³⁷

251.1 On the other hand, NZBA submits 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.³³⁸

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

].³³⁹ These contractual obligations do not support the suggestion that the banks seek to collapse or own Armourguard and as such we do not address this point further.

252. RBNZ also supports parties’ collective bargaining on step-in rights but considers these aspects could be decoupled from the issue of CIT fees.³⁴⁰

Our assessment

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

254. We note that [] show that the simple existence of these rights being exercised to some degree collectively is not dependent on the authorisation. It is only the further benefits from alignment and coordination on the exercise of step-in rights that can amount to a benefit from the Authorisation.

255. In our view, collectively negotiating over contractual step-in rights could generate benefits for all customers contracting with Armourguard, including both bank and non-bank customers:

255.1 We note that, in the most recent agreements with Armourguard, individual contractual step-in rights were included in agreements with

³³⁷ Armourguard interim submission on Application (22 September 2025) at [40]; Armourguard cross submission on NZBA cross submission (26 October 2025), p 2.

³³⁸ NZBA cross submission on Armourguard interim submission (1 October 2025), p 5.

³³⁹ See [].

³⁴⁰ RBNZ’s submission on SOPI (10 October 2025), p 6.

[]³⁴¹, and not in agreements with []. This is consistent with the approach taken before the merger.

255.2 While [], the effectiveness of these rights could be reduced without coordination with the other parties contracting with Armourguard. This is because the uncoordinated exercise of [] could have an impact on other banks (or non-bank customers) whose CIT service needs could be negatively affected.

255.3 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, [], 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 crises situations and minimising the risk of escalation.

255.4 Non-bank customers such as NCR Atleos may also see a benefit. Although they do not have regulatory cash-supply obligations, NCR Atleos currently operates ATMs for Kiwibank³⁴² and the stability of cash supply is critical to its business. We therefore consider that collective negotiations 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.

256. The magnitude of this benefit is uncertain, however, as it relates to the potential size of disruption avoided in case of crises by having well-functioning step-in rights.

256.1 []

]

256.2 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

³⁴¹ []

³⁴² 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>

[]. The existence of such step-in rights, [], to some extent, could better help preserve Armourguard's business and its relationships with its customers.

257. We are therefore of the view that the collective contractual 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 a 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

258. On the basis of the available evidence, our preliminary view is that the benefits of granting the authorisation would outweigh the detriments of doing so, and accordingly we propose to grant the authorisation.
259. 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 provisional 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 operating model.
260. 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 (<i>by comparison</i>)
Price/volume effects (allocative)	Small benefit	<i>Smaller benefit, but still positive</i>
Non-price contract terms (allocative)	Small benefit from alignment on non-price terms	<i>Smaller benefit from alignment on non-price terms, but still positive</i>
Coordination (productive)	Potential small detriment from coordination controlled by condition	<i>No material difference</i>
Operational efficiencies (productive)	Small benefit	<i>Smaller benefit, but still positive</i>
Investment (dynamic)	Potentially small detriment, but unlikely to be Authorisation-specific: treating as neutral	<i>No material difference</i>

Benefit/detriment category (type of efficiency)	Value in world without successful entry	Value in world with successful entry (<i>by comparison</i>)
Transaction costs (productive)	Cannot determine whether there is benefit or detriment: treating as neutral	<i>Cannot determine whether there is benefit or detriment. If there is a benefit, it is smaller. Treating as neutral</i>
Step-in rights (allocative)	Small benefit	<i>Smaller benefit, but still positive</i>

Proposed Conditions

261. 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.³⁴³ However, it is open to the Commission to grant authorisation subject to conditions if the conditions are not inconsistent with the Act.³⁴⁴
262. We may impose conditions that remove or lessen the detriments arising from an agreement, or conditions that create or enhance the benefits.³⁴⁵ In imposing behavioural conditions we will have regard to:³⁴⁶
- 262.1 how well they achieve their objectives, while minimising the risk of unintended negative consequences;
 - 262.2 the likely cost of monitoring and enforcement; and
 - 262.3 the likely compliance costs for the firms involved.

NZBA's submissions on conditions

263. In the Application, NZBA suggested it would be open to any or all of the following conditions being imposed on any authorisation:³⁴⁷
- 263.1 reporting obligations: to the Commission and/or RBNZ on a range of matters;

³⁴³ Relevant to this draft determination, under sections 61(6) and (8) of the Act.

³⁴⁴ 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].

³⁴⁵ Authorisation Guidelines at [32].

³⁴⁶ Authorisation Guidelines at [34].

³⁴⁷ Application at [5.8].

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

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

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

264. 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 such a condition [].³⁴⁸

265. However, subsequent to the Interim Determination, NZBA submitted that:³⁴⁹

265.1 []
; and]

265.2 []
].

Our assessment of conditions

266. 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. Accordingly, we propose granting authorisation subject to the following conditions:

266.1 **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

³⁴⁸ []

³⁴⁹ []

to the Commission. Minutes of those minutes and discussions must be taken and must be made available to the Commission on request.

- 266.2 **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 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. Participants also must only use such information for the purpose of collective bargaining with Armourguard. A register of the confidential information received from, and shared with, Participants must be kept and made available to the Commission on request.

Proposed Period of Authorisation

Summary

267. The Commission can grant authorisation for such period as it considers fit.³⁵⁰
268. 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 Arrangements for 11 years as requested by NZBA.

NZBA's submissions on duration

269. NZBA submitted that authorisation for the 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.³⁵¹ 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.³⁵²

Other submissions on duration

270. Although it opposed the authorisation, Armourguard submitted that a 10-year contract term is:³⁵³

...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

³⁵⁰ Section 61(2) of the Act.

³⁵¹ Application at [5.6]-[5.7].

³⁵² NZBA cross submission on Armourguard interim submission (1 October 2025), p 4.

³⁵³ Armourguard cross submission on NZBA cross submission (26 October 2025), p 2.

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.

271. 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.³⁵⁴

Our assessment of duration

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

- 272.1 the length of time that the Participants will likely require to conduct collective negotiations; and
- 272.2 in light of Armourguard’s approach to the term of its service agreements, the likely term of any collectively negotiated agreement.

273. 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.³⁵⁵

274. Here, although we have not received material evidence on this point, we consider 11 years (roughly one year for negotiation and a 10-year agreement term) is an appropriate duration for this authorisation. We consider this to be appropriate because:

- 274.1 NZBA submitted that a year was an appropriate period for the collective bargaining to occur; and we have not received evidence suggesting this period would be inappropriate;
- 274.2 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;
- 274.3 If a collectively bargained agreement of a shorter term than 10 years is reached, we consider there is likely value in allowing the parties to reach a subsequent collective agreement for the remainder of that period;
- 274.4 Although, despite Armourguard’s submission, some Participants have subsequently been offered and/or signed service agreements with

³⁵⁴ RBNZ submission on SOPI (10 October 2025), p 5.

³⁵⁵ *New Zealand Tegel Growers Association Incorporated* [2022] NZCC 30 at [287].

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;

274.5 We note RBNZ's submission that a 10-year agreement term would be too long, but note that Armourguard initially sought 10-year service agreements. We also note that granting authorisation for such a term does not in itself require that:

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

274.5.2 any pricing terms reached under any collectively bargained agreement not be reviewable during the life of the agreement.

274.6 Instead, such matters would be left to the Participants and Armourguard to determine during negotiations.

Draft Determination

275. The Commission's Draft Determination is to grant authorisation as it is provisionally satisfied that the Proposed Arrangements will, in all the circumstances result, or be likely to result, in a benefit to the public which will outweigh any lessening in competition that might arise.
276. Accordingly, the Commission's Draft Determination is to authorise the Proposed Arrangements with conditions until _____ 2037.³⁵⁶

Next steps in our investigation

277. The statutory deadline for the Commission to make a decision on whether or not to grant authorisation to the Proposed Arrangement was 25 March 2026. However, this date has been extended to 15 May 2026 with the agreement of the Applicant.

Making a submission

278. If you wish to make a submission on the Draft Determination, please send it to us at registrar@comcom.govt.nz with the reference 'NZBA CIT Authorisation' in the subject line of your email, or by mail to The Registrar, PO Box 2351, Wellington 6140. Please do so by close of business on 10 April 2026.
279. If you would like to make a submission but face difficulties in doing so within this timeframe, please ensure that you register your interest with us at registrar@comcom.govt.nz so that we can work with you to accommodate your needs where possible.
280. Please clearly identify any confidential information contained in your submission and provide both a confidential and a public version. We will be publishing the public

³⁵⁶ This date would be 11 years from the date of the Commission's final decision on this matter.

versions of all submissions on the Commission's website. If you make a submission and we do not acknowledge receipt of that submission within two working days, you should resubmit your submission.

281. All parties will have the opportunity to cross-submit on the public versions of submissions received from other parties by close of business on 17 April 2026.
282. All information we receive is subject to the Official Information Act 1982 (**OIA**), under which there is a principle of availability. We recognise, however, that there may be good reason to withhold certain information contained in a submission under the OIA, for example in circumstances where disclosure would be likely to unreasonably prejudice the commercial position of the supplier or subject of the information. If your submission contains information which you consider there is good reason to withhold under the OIA, please identify specifically the information which you consider should be withheld and explain the reasons for that position (preferably with reference to the criteria for withholding information under the OIA).

Dated this 24th day of March 2026

Dr John Small
Chair