

By Email

Ref: ISBN978-1-991414-2
NZBA CIT Authorisation

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20 October 2025

The Registrar
Commerce Commission
Wellington

To whom it may concern

RE: NEW ZEALAND BANKING ASSOCIATION – APPLICATION SEEKING AUTHORISATION FOR COLLECTIVE BARGAINING OVER CASH-IN-TRANSIT SERVICES

We write to you in reference to the above subject which has come to our attention through an email received from yourselves dated 22 September 2025.

The Warehouse Limited has considered the application made by the New Zealand Banking Association (NZBA) with a view to how we use some of the covered services, that is the Retail Cash-in-Transit (CIT) services as well as considering the overarching Wholesale CIT services through which the Retail CIT services are enabled. Having considered this, we provide our feedback on the application as per the below in response to the sought submissions in section 53 to 55 of your letter.

Summary of overarching issues

Overarchingly, there is a fundamental issue with having only one supplier in the market that is contracted to collect cash from the RBNZ and provide this to banks. Although we do not directly receive cash from RBNZ, we are the recipient of this arrangement through our banking partners, and therefore note concerns with there being only one operator in the market with the contracts and the ability to access cash from the RBNZ for banking customers for the whole New Zealand market who require and wish to use cash. This monopoly effectively eliminates any other services in the market who may not have a large bank contract from actually being able to access cash from RBNZ to supply into the marketplace to other users of cash.

As this is the case, this also constrains the retail CIT sector since no other provider can access the cash without a bank contract, so both these key services in the NZ market are effectively locked up with a monopoly provider. Other services may be able to deliver and collect cash, but with no access through a banking partner to the RBNZ cash, they are limited to just this part of the market.

The effect on the market is that no other service provider of Retail CIT services will be able to expand their offering without being able to access Wholesale CIT through a banking partner, thereby meaning there is unlikely to be any meaningful competition in the NZ market now or in the future.

Responses to specific submission questions

53.1 - Improve sustainability of CIT services, reduce costs, improve logistics, continuity of service

We believe that there will be benefits in this arrangement, depending upon length of service agreed upon for a sustainability angle. We also believe that, as part of these negotiations, the main parties will be looking to reduce overall costs and improve both logistics and services as part of the negotiated outcomes.

53.2 - Enhancement to the cash system financial inclusion and resilience re vulnerable communities

We are currently unclear whether this arrangement would provide enhancements to inclusion and resilience, including for vulnerable communities. Our understanding of the current market and how this played out during recent disasters is that other parties were sub-contracted by the monopoly supplier to ensure vulnerable communities were serviced. We would presume this would be an option in future, however this would not appear to be an enhancement and, if a sub-contractor was unable to effect the service there may be a detrimental effect to having a monopoly provider if they are unwilling or unable to supply or find a sub-contractor who can supply where it is most needed at a time it is most needed.

53.3 – Reduced cash transaction costs and improved negotiation outcomes for CIT service customers

It is unclear if this arrangement will provide reduced costs, however we believe this would be the aim while being fair to all parties involved to ensure continuity of service, i.e. a price should not be negotiated that is so low that it would be unsustainable to continue to provide that service.

We would expect the intention is to negotiate fair rates for the services provided and these would then flow through to other CIT customers who access cash and other relevant services through the participant banks.

53.4 - Facilitate development of independent pricing mechanism that promotes transparency, consistency and fairness of the CIT services

As per above response, we believe the intention is to negotiate fair rates for services across those who participate in the arrangement.

53.5 – extent to which arrangement will ensure pricing and service outcomes are fair and transparent process which reflects domestic needs and priorities, avoiding extraction of monopoly rents by an overseas company

As per the above responses, the intention would be to negotiate fair rates for services, which would avoid excessive increases in rates for these services by having negotiated and agreed increases, thereby avoiding high and unfair rate increases by an overseas company holding a monopoly in the market.

53.6 – extent to which the arrangement will affect the incentives of the participants and/or Armourguard to invest and innovate in relevant CIT services

As a monopoly supplier in the market, we believe the incentive to ‘innovate and improve’ the services is low, since no other supplier is currently able to compete in the same space. Other suppliers do not have large bank clients or an RBNZ contract and this limits their ability to compete and therefore drive innovation and improvement through competition.

It is a moot point as to whether this arrangement will create an incentive for improvement and innovation with the incumbent. There may be some due to their main clients, banks, actively insisting on improvements and innovation in their space, however this may not drive improvement or innovation in other areas such as Retail CIT.

53.7 – extent to which the arrangement will give rise to a detrimental exercise of buyer power that may negatively affect provision of wholesale and retail CIT services

There is already detriment in this space, with the incumbent being the only service provider with access to cash from RBNZ for wholesale CIT services and with all the major NZ active banks having contracts with

this provider. With no other providers able to service this space, and the main banks looking to cement an agreement under this arrangement with the incumbent, this does provide them with some buyer power over other users of retail and wholesale CIT services outside of the arrangement.

If the arrangement goes ahead, those who do not participate will remain at the mercy of the monopoly provider with limited ability to negotiate good and fair rates should the monopoly provider simply wish to increase the prices for those who did not participate in the arrangement. By default this provides participants in the arrangement 'buyer power' over other parties who do not participate.

53.8 – extent to which the arrangement will affect the quality and long-term security of cash-related services available in NZ

As noted previously, although this arrangement may secure the services for a lengthy period, i.e. the proposed 10 years, the effect of limiting the ability of any competition in the market to compete in this space is a very likely negative effect on the quality and long-term security of CIT services in NZ. A market is more resilient when there is competition, and this arrangement is very likely to limit this with its lengthy tenure which ties in all the major bank participants.

53.9 – extent to which arrangement will affect competition in any relevant market, effect on relative market power of Participants, compared to those not participating

As per the above response, the effect of this arrangement is very likely to affect competition, stifling any ability for other suppliers to step into his space and compete, due to all the major NZ banks participating in this arrangement. Significant market power is held by the incumbent provider as well as the main participants when compared to those who do not participate. Arguably this market power already exists in a significant way, and this arrangement will simply further cement this.

53.10 – extent to which the arrangement may lead to foreclosure of competitors in any relevant market including retail CIT services

We are unsure on this point, however with competitors unable to access Wholesale CIT arrangements directly, and even less so after this arrangement is cemented, there is a high possibility that suppliers of some of the retail CIT services may not be able to remain viable, however that will likely depend on their ability to maintain and absorb price increases themselves from the monopoly provider as part of their business model to then ensure they can continue to provide retail CIT and other similar services to their clients.

53.11 – extent to which the arrangement is likely to give rise to an increased risk of coordination more broadly

We don't believe this would give rise to an increased risk of coordination more broadly.

53.12 – extent to which the arrangement affects transfers of wealth between groups of interest within NZ and overseas groups

Ultimately all participants in this arrangement are overseas groups, where most of the wealth is already transferred to these overseas groups. This arrangement would not change or affect that.

53.13 – extent to which the arrange will affect relative bargaining power, and any associated effects from that

This arrangement is proposed to provide positive bargaining power with a monopoly provider in the market, which should bring benefits to the users of the services and any others that they then provide services to.

53.14 – extent to which arrangement will affect the downstream demand in any relevant market

We do not believe this arrangement will affect the downstream demand in any relevant market.

53.15 – for each relevant market, whether there are any potential benefits and detriments that we should take into consideration when assessing the arrangement

We believe there will be benefits to this arrangement in fairly negotiated rates for those who participate, and a significant length of agreement will provide some stability and surety on those services being provided. It is likely there will also be efficiencies and cost saving outcomes as part of this arrangement.

The detriments are likely to be the limiting of other suppliers in this space being able to expand their services and become a genuine competitor to the monopoly provider, for a significant period (i.e. the length of contract). This may lead to even less competition in other areas of CIT services as business models with no ability to expand or grow being unsustainable long-term.

54 – are there other potential ‘likely’ counterfactuals

We believe the counterfactuals noted in your letter at numbers 46 and 47 are fair and cover the potential counterfactuals with one exception, which is ‘competition’ in the market. In making this arrangement with all the main banks participating there will be no opportunity for other suppliers to step into at least part of this space if they wish to. Although this applies currently as all the large NZ banks hold contracts with Armourguard, cementing this arrangement will make that a long-term certainty and limit any possibility of a significant competitor being attracted to the market.

55 – benefits and detriments of the arrangement against any other potential counterfactuals that may be likely

Refer to conclusion.

Conclusion

There are benefits and also potential detriments to this arrangement. Currently most of the detriments already exist due to the concentration with the monopoly provider of wholesale CIT and bank contracts residing with them, as covered in our above responses.

We largely agree with the sentiments of the benefits and detriments of the arrangement as outlined at number 52 in your letter.

As a large retailer who relies on being able to access CIT services to ensure provision of cash across our business nationwide, we have indicated to NZBA that we would like to participate in the negotiations should this arrangement be approved. However, we may not sign up to this arrangement and we remain open to other options should they become available in the market that may meet our business needs.

Please let me know if you require anything further from us in relation to this matter at present.

Yours sincerely

The Warehouse Limited



Amber Disley
Compliance Manager