



INDEPENDENT CONSUMER AND  
COMPETITION COMMISSION

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*Office of the Commissioner/CEO*

21<sup>st</sup> April 2011

Mr. Tim Glenn  
Partner  
Blake Dawson  
4<sup>th</sup> Floor, Mogoru Moto Building  
Champion Parade  
PO Box 850  
**PORT MORESBY**  
National Capital District

Dear Mr Glenn,

**RE: G4S International Holdings (G4S) – Notice of Application for Clearance of Business Acquisition**

We acknowledge receipt of an application for Clearance for the proposed acquisition of assets and shares in "The Corps (PNG) Limited" by G4S including the prescribed application fee of K20, 000.00 of which a receipt is attached.

The Commission is required under the *Independent Consumer and Competition Commission Act 2002* (the Act) to register the application and make a determination within 20 days from the time the application is received on whether or not to grant the Clearance.

As you are aware, the Clearance process set out under section 76(2) is a public process which requires comments and submission by parties having an interest in the proposed acquisition. This process allows the Commission to publicly test the claims of G4S in regard to the proposed acquisition.

Pursuant to Section 81(5) of the Act, the Commission requests that G4S advise if there is any specific commercially sensitive information contained in its Clearance application, it wish to claim confidentiality pursuant to section 131.

The Commission is please to advice that your client's application has been registered in our public register and the Commission is required to make a determination on or by 9<sup>th</sup> of May 2011.

However, given the fact that Easter Public Holiday begins from Friday and ends on Monday, the Commission wishes to request if the determination date can be extended to 13<sup>th</sup> of May 2011 to accommodate the Easter Public Holiday (Friday – Monday).

Thank you for your understanding and we look forward to hearing from you at the earliest opportunity.

For queries, please liaise with Mr. Fidelis Golu or Bob Lowi from our Competitive Markets and Fair Trade Division.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'B. Manoka', written over a dotted line.

**Dr. Billy Manoka, PhD**  
Commissioner & CEO



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***Office of the Commissioner/CEO***

27<sup>th</sup> April 2011

Mr. Tim Glenn  
Blake Dawson Lawyers  
Level 4  
PO Box 850  
Mogoru Moto Building  
Champion Parade  
Port Moresby

Dear Mr. Glenn,

**RE: G4S Clearance Application – Further Information Required**

Further to my letter dated 21<sup>st</sup> April 2011 requesting for four (4) days extension on the determination date of the above application, upon assessing the application, the Commission wish to inform you that your client, G4S Secure Solutions (PNG) Limited, needs to provide further/additional information so that the Commission could facilitate the clearance procedure and process set out under the Section 69 of the ICCC Act.

Please refer to **Attachment A** which highlights the additional information needed by the Commission for further assessment.

Do not hesitate to contact Mr. Fidelis Golu or Mr. Bob Lowi on 325 2144 should you need further clarification.

Yours Sincerely,

**Dr. BILLY MANOKA, PhD  
Commissioner & CEO**

**Further information required to be furnished to the Commission**

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1. Top 20 major clients of each of G4S and The Corps and the type of services rendered to each clients.
2. Audited Annual Statutory Accounts of G4S in 2010.
3. The Applicant submitted that the entities combined market share will be 26% or lower which we noted is on the basis if employed guards. The Commission is interested to know the estimated market shares of the next 6 competitors.
4. Is the competition for tenders for security services provided on an 'individual type of service required or on a 'bundle of services' requirement by customers?
5. The Commission notes that the buyer - G4S - provides services such as manned guarding, supply and installation of security systems, cash in transit, and secure monitoring and responsive services. While the seller, The Corps provides manned guarding, cash in transit, and secure monitoring and response services. Should the market be segmented into the different types of services offered or should it be considered as just 'security services'?
6. The Commission is also interested to know how many security firms in Papua New Guinea provide supply and installation of security systems, cash in transit, and secure monitoring and responsive services.
7. The Applicant submitted that the private security market in PNG is very competitive, with around five larger participants and a larger number of small to medium sized firms operating throughout PNG. The Applicant stated that the other major private security companies are - Guard Dog, Security Plus, Executive Security Services, Pacific Corp Security services and Armsec.
8. The Applicant submitted that the barriers to entry into the market are low.
  - a. What barriers to entry does a new entrant face? What barriers to expansion does an existing competitor face?
  - b. Do the economies of scale, scope and large networks disadvantage small competitors?
  - c. What barriers to entry or expansion exist in terms of:
    - i. Access to inputs?
    - ii. Sunk costs?

- iii. Regulatory requirements and processes?
- iv. Access to customers?

9. The Applicant submitted that there is a significant countervailing power of consumers, which can switch easily between suppliers of private security services. Larger customers can also credibly switch to providing security services in-house or “sponsoring” new entrants. We note concerns raised by some major buyers of security services in PNG that although there are many PNG security companies, none have been able to meet their tendering needs. How then, can these major customers have countervailing power and ability to switch from one security service provider to another to meet their service requirements and needs?
10. The Commission is interested to know under what circumstances did the customers exercise countervailing power? And which major corporate customers have “sponsored” new entrants?
11. The Applicant submitted that there are availability of “substitute” private security services from competing firms. The Commission understands that a vast number of security firms provide ‘static guard’ or ‘armed guarding’ type security services. Is there any substitute for the provision of ‘other types’ of security services such as cash-handling by any other firms operating within Papua New Guinea?
12. The Applicant submitted that there will be no removal of a vigorous and effective competitor; or significant vertical issues. The Commission is interested to know who are the vigorous competitor against G4S and The Corps, and why?
13. Would competition in the various submarkets below within the Security Industry be enhanced, stifled or completely reduced by this acquisition?
  - a. Market for the supply of Static and Armed Guarding security services
  - b. Market for the supply of Armed Mobile security services
  - c. Market for the supply of Electronic Security System Installation and Monitoring
  - d. Market for the supply of Dog Handling, and Training security services
  - e. Market for the supply of Cash-In-Transit and Vault Storage security services
  - f. Market for the supply of Close Personal Security and Escort services
14. The Commission notes the media release by G4S Company Secretary dated 18 April 2011 which stated that “[t]he acquisition of The Corp will support our corporate strategy of evolving into a world-leading solutions provider by equipping us with an accredited Control Room. It will also enhance our ability to grow our cash solution business and

*secure some first-class personnel.*” In noting this comment, the Commission is interested to know, what is the rationale for the acquisition? If clearance is not granted, whether the Parties will continue to provide their wide ranging security services independently and in competition to each other? What are the characteristics of cash-solution business and which clients are major buyers of this service?

15. Table below shows the proportion of income generated by The Corps comes from its services provided for the year ended 31 March 2010. Manned Guards (60%); Armed Services (16%); and Air Operations (8%). The other 16% is generated from its services such as Dog Handling, Alarm Installation and Monitoring, Technical Services, Radio Monitoring, GPS Installation and Tracking, and others. The information shows that Guard manning generates a significant proportion of the revenue of The Corps, which could arguably similar to other firms. The Commission would be interested to know whether some highly specialized services are provided by the parties that are not provided by other firms in the whole of PNG.

Service	Income Sources	
	Kina	% of Tot
<i>Manned Guarding</i>	10,893,730	60%
<i>Armed Services</i>	2,967,777	16%
<i>Air Operations</i>	1,521,420	8%
Total Sales Revenue	<b>18,215,568</b>	<b>84%</b>

16. What are the barriers to entry in terms of:
- regulation;
  - sunk costs;
  - access to inputs;
  - access to customers.



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PO Box 850  
**PORT MORESBY**

Dear Mr. Glenn,

**RE: ICCC DETERMINATION OF G4S INTERNATIONAL HOLDINGS LIMITED  
CLEARANCE APPLICATION**

I refer to the above subject matter and wish to advise that the Commission has made a determination pursuant to *Section 81(3) of the Independent Consumer & Competition Commission Act 2002 ("Act")*, declining to give a clearance for your client's (G4S's) proposed acquisition of all the issued shares in The Corps (PNG) Limited.

As per the stated provision of the Act, the Commission is not satisfied that the proposed acquisition will not have, and will not be likely to have, the effect of substantially lessening competition in the market.

Please find enclosed the signed Determination which sets out in full the Commission's assessment and reasons for declining the clearance.

A copy of this letter together with the Commission's Determination will be placed on the Commission's public register as required under the Act.

I take this opportunity to thank Blake Dawson and G4S for your cooperation.

Yours sincerely,

**ASSOC. PROF. BILLY MANOKA, (PhD)**  
*Commissioner & CEO*

*"Friend to Businesses, Friend to Consumers"*

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