



The Supply of CIT Security Equipment in a Centralised and Globalised Market

In January 2010 FD Johnson Industries Ltd (Johnsons), the world's largest Cash-in-Transit (CIT) systems manufacturer, launched their latest vehicle product -- the C2:10 modular cash vehicle. This CIT logistics solution is designed to meet the expected challenges imposed by a CIT market serviced and dominated by an increasingly smaller number of globally managed and territory focused businesses, operating with significant resources and influence.

Although the C2:10 CIT body carries the famous Johnsons styling, this project is different to anything previously manufactured by Johnsons or others. It has been designed from the outset to permit the buyer to specify its operational configuration through the selection of standard pre-defined options. The body and cab solution interfaces with multiple chassis and because of its robust construction, it will outlast a number of them. It is therefore designed to be re-usable; this approach provides best value through the reduction of short term vehicle replacement costs.

The C2:10 will provide variable levels of security -- achieved through the layering of standard components such as anti-hostage doors, airlocks, Global Positioning System (GPS), controlled locker systems, etc. This solution can be configured to meet diverse operational requirements dictated by the market in which it operates, whilst being sufficiently standard to benefit from volume production. Significantly, the level of armour required to meet the local threat can also be selected from an options list.

In future, CIT vehicles will be designed to meet operational requirements specified by businesses that operate across wide regions and threat environments. There is a growth in this type of flexible procurement approach as smaller CIT operators are rebranded and influenced through mergers, acquisitions and strategic alliances.

Wherever possible, the larger CIT corporations strive to achieve a set of standard operating procedures to maximise procurement and training efficiencies whilst driving operating overheads down. Standardisation also brings with it the possibility of working in partnership with the leading automotive manufacturers, creating cross border procurement agreements with the option to specify vehicle body solutions to be provided by the original equipment manufacturer either on or off line. Furthermore, the development of cross border procurement agreements facilitates the provision of post procurement service, maintenance and warranty: something extremely valuable to a mission critical business.

The days of custom built vehicles manufactured to suit local markets are predicted to decline because globalisation inevitably means the absorption of local CIT providers operating under their own global brands. A problem common to all CIT regions is the major threat present when cash is carried across the pavement between the vehicle and the delivery point. New technologies have been employed to try and reduce this risk. Smoke and Dye cases and latterly Dye only cases provide the means to render the money useless if stolen in some countries within Europe and the Middle East.

Businesses operating globally are beginning to align their solutions to achieve a common operating model. However, significant investments into various technological solutions in the past must still be accommodated. In this vehicle iteration, Johnsons have produced a flexible response to the challenges presented by multiple cross pavements systems adopting the basic technique to protect the money on the vehicle as well as the vehicle and crew, whilst allowing time for the emergence of a common system.

There is an argument in parts of Europe that the prime methodology should be to pre-pack dye cases at the cash centre for the complete delivery cycle, and made safe from fidelity through the introduction of a policy of one type of case per customer. This system is based on a soft skin and less expensive vehicle. But as each case is expensive and the supporting rack system even more so, this methodology merely replaces armoured vehicles with a large number of expensive dye cases and rack system. Consequently, there is neither financial benefit nor a reduction in security and safety for the guards.

A solution that works well in all markets is to provide vehicles with suitable composite armour and low-cost intelligent (access or GPS location controlled) lockers that support cassettes being carried by a few cross pavement cases. In this situation the common system approach permits standardisation, driving down component and associated supply chain costs.



Impact of global businesses on regional regulations

The expansion of global service provider brands has encouraged National and Regional authorities to impose increased levels of security which may often include the requirement for data and reports to monitor service delivery and collect criminal intelligence. These improved standards are developed for many reasons but predominantly:

- a) To provide control and regulation over large entities operating as security businesses which are often controlled by non domiciles; and
- b) Because of their large resource and asset base, global businesses are capable of meeting improved and rigorous standards.

In markets such as the United Arab Emirates, the size and standard of CIT operators have increased over a relatively short period. In line with this expansion the regulatory authorities' expectations have also gone up, compliancy is ensured and managed through a licensing system.

The development of the CIT market in many economies is regarded by the national governments as being an integral part of the national infrastructure and great interest is taken in its development. As the strength of the operators grows with the developing market, the central authorities' involvement also grows. Challenges are posed to the operators to deliver increasingly higher levels of security, to provide intelligence gathering through the introduction of CCTV, to implement shared communication links as well as increased infrastructural stability and better working conditions and training for guards. On the downside, there is a reduced opportunity for the emergence of smaller and more entrepreneurial business due to a higher market entry level requirements and increases in the cost of the service to users.

In view of these developments, the challenges faced by suppliers of physical security products and of vehicles in particular are to leverage greater vehicle build volumes whilst providing:

- a) Improved specifications and security at a reduced cost to the operator;
- b) Confidence through the procurement of components from global brands;
- c) Longer warranties supported by excellent service back-up;
- d) Flexible system configuration that meets the challenges provided by regional threats, including easy integration with communication systems and the desired level of body armouring;
- e) End2End products which integrate cash centre and cross pavement systems selected by the client; and.
- f) In some cases, turn-key contracts and asset finance deals.

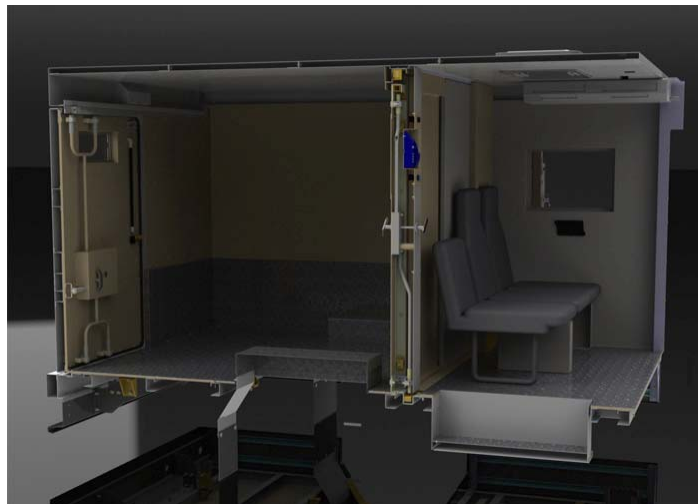
Without the support of the chassis manufacturers, the idea of creating integrated CIT vehicle solutions would not be deliverable. Fortunately the automotive industry also recognises the need to produce products globally, enabling them to meet increasing demands for improved products.

As emerging markets' infrastructures develop, consumer expectations with regard to product performance and quality also grow. This inevitably reduces the gap between product feature sets and performances typical of vehicles sold in the developed markets and those provided in the emerging markets. Another



significant pressure on original equipment manufacturers is to provide products that meet ever increasing environmental standards. However, this has to be delivered concurrently with infrastructural changes to ensure that fuel and service level standards meet the demands of sophisticated engine management systems.

Nevertheless, the gaps are closing and are leading to improved choices of homologated van chassis suitable for CIT manufacture outside of Europe. Very soon we will see chassis manufactured close to the point of conversion in developing markets. In the case of the C2:10, Johnsons are already building on Chinese procured and manufactured chassis from Ford, Iveco and Mercedes joint ventures. When homologated for markets outside of China, these chassis will become acceptable to customers in Europe, Middle East and Africa without double handling chassis manufactured in Europe.



China: A market we expect to adopt a standard definition for CIT Vehicles

In 2012, China -- the world's largest CIT market -- will take another step towards relaxing state ownership of CIT businesses. Similar steps have been taken in other areas of the Chinese economy but none as ground breaking as this.

In China, CIT is currently supported by the significant use of armed guards provided by local police who partner commercial businesses with local authorities and banks. When the legislation changes in 2012, the police will be restricted from operating in this way and it is anticipated that the private sector business replacing them will not be permitted to carry or use weapons in the defence of the load.

In a country which is expected to see over 40,000 CIT vehicles in use, supporting approximately 1000 cash centres, removing the associated guns from circulation has real merit. Although we are unsure of the operating procedures likely to be imposed, it is unlikely that there is a place for guns

Global CIT businesses will compete for a share of this brave new world. They are well placed to provide the significant investment required underpinning the flow of cash and valuables in what will soon be the world's largest economy. So, for the first time, China cash logistics will become the responsibility of commercial enterprises operating without the full time support of the police but in partnership with Chinese state and privately owned banks.

The 'no gun' model is not new. UK's CIT businesses, for example, have always operated without armed support since the industry was founded. Traditional means to protect cash and valuables in transit operators have relied on the armoured and physical defence of a vehicle, its crew and contents. The introduction of electronic based control and personnel recognition systems to the vehicle have enabled increased operational control and protection to the extent that the number of successful of raids on CIT vehicles has been very few over the past 10 to 12 years. In the UK, the bandit has to defeat the vehicle and not the guard; systems are "intelligent" which recognise friend from foe whilst providing high levels of protection against both internal fidelity and external banditry.

In regions where weapons are an operational requirement, it is expected that they will be used to enhance rather than replace intelligent systems specified as standard

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