

Shared Services (SS)

Commercial benchmarking analysis

Conducted by Company X

Consulting Cloud Preview

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1.0 Introduction

This report follows acceptance of a proposal by SS to engage Company X to conduct a high level independent commercial benchmarking review of charging for services provided by SS to four of the Victorian State Government departments.

This short review was undertaken over a period of 10 days. In order to maintain total independence and objectivity, at no time was any existing SS costing information made available to Company X.

The purpose of the benchmarking is to compare the total price of the SS services currently being provided against the price of services of similar complexity and volume if they were delivered by an outside supplier in comparable circumstances.

Given the short timeframe for the assignment it was not possible to break the pricing down for each of the customers supported by SS.

All prices quoted throughout this document exclude GST.

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2.0 Management Summary

After a short analysis of the services currently being provided by SS our findings are that the estimated price ranges for an outside vendor to deliver comparable services to the SLAs defined in this document and excluding the exceptions outlined below (further details on the exceptions can be found in section 4.1.2 of this document) is as follows:

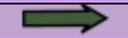
Total Contract Value (TCV) (indicative). This is based on a hypothetical fixed price contract over a 4 year period.

High end of range	\$ 92.5m
Low end of range	\$ 71.4m
Likely indicative price (before BAFO)	\$ 84.1m

All transition costs except Service Desk transition have been excluded.

Given a typical scenario of a competitive tender, the likely indicative price could be reduced by a factor of 10% to around \$ 75.6m. This would however depend heavily on the willingness of the vendor to strongly negotiate the deal, the contractual requirements (we have assumed that normal commercial and contract terms would apply) and the findings from any due diligence process.

Likely negotiated price after best and final offer (BAFO)

Estimated TCV for a 4 year fixed price contract = \$ 75.6m	
Estimated annual price	
Year 1 = \$ 19.7m [#]	
Year 2 = \$ 19.2m*	
Year 3 = \$ 18.7m*	
Year 4 = \$ 18.0m*	
Estimated monthly price range \$ 1.63m	 \$ 1.50m

[#] All transition costs have been excluded.

* Reducing charges reflect efficiency gains being passed on to the customer – 3% per annum after the first year

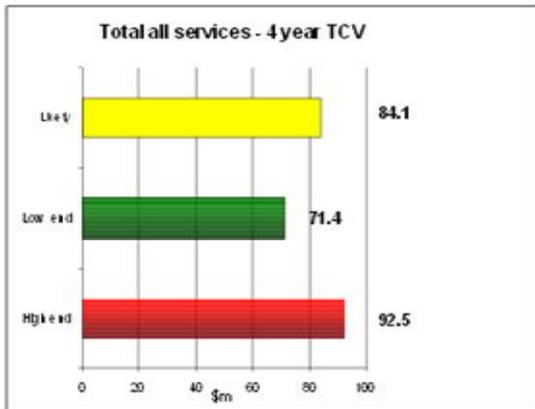
Exceptions (not included in the Company X price calculations)

- Project based time and materials work performed outside the “base contract”.
- Hardware costs, including depreciation and hardware maintenance.
- Telecommunications costs, except for those related to Service Desk calls.
- Software license costs including monitoring tools.
- Desktop training.
- Disaster Recovery. The execution of DRPs is included, but the development of additional plans is excluded.
- All transition costs have been excluded.

Figure 1 (page 4) outlines a more detailed breakdown of the pricing.

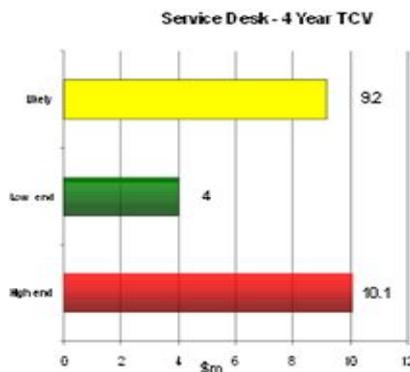
For the sake of simplicity all subsequent detailed pricing information is based on pre-BAFO pricing.

A full description of how this pricing was established can be found in the subsequent sections of this document.



Likely pricing for a 4 year fixed price Managed Service contract covering all aspects of the Services Portfolio but excluding the exceptions outlined in section 4.1 of this document is approximately:

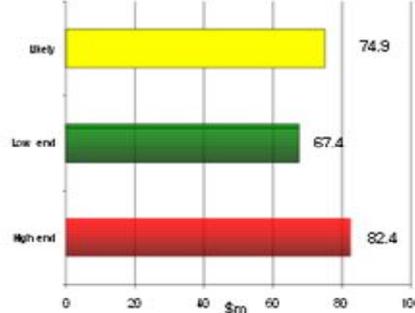
\$ 84.1m
(excluding GST)



Likely pricing for a 4 year fixed price Service Desk contract is approximately:

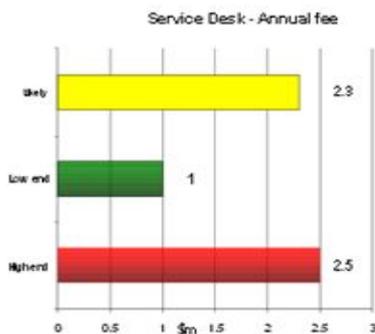
\$ 9.2m
(excluding GST)

Workplace support, Collaboration, Platform Services excl Transition 4 year TCV



Likely pricing for a 4 year fixed price for all Workplace support, Collaboration and Platform Services excluding Service Desk and the exceptions outlined in section 4.1 of this document is:

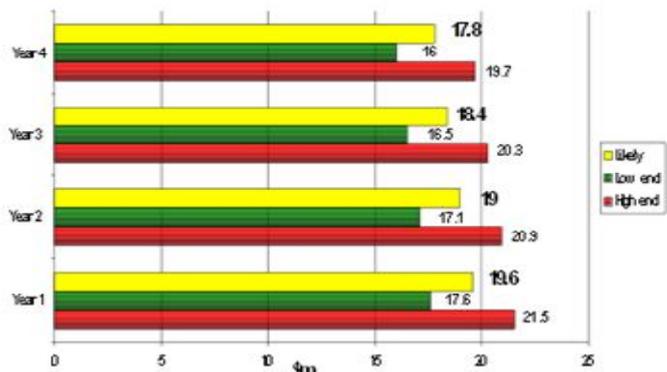
\$ 74.9m
(excluding GST)



Likely annual pricing for a 4 year fixed price Service Desk Service contract is approximately:

\$ 2.3m
(excluding GST)

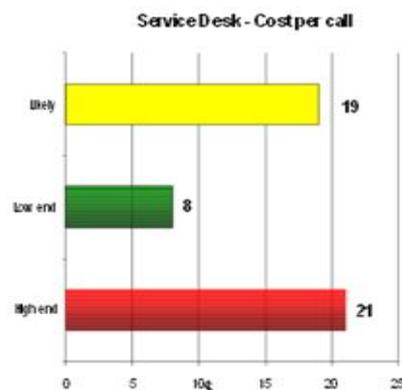
Workplace support, Collaboration, Platform Services per annum



Likely pricing per annum for a 4 year fixed price for all Workplace support, Collaboration and Platform Services excluding Service Desk and the exceptions outlined in section 4.1 of this document is:

Year 1 = \$ 19.6m
Year 2 = \$ 19.0m
Year 3 = \$ 18.4m
Year 4 = \$ 17.8m

(excluding GST)



Likely per call price a 4 year fixed price Service Desk is approximately:

\$ 19 per call

Figure 1 –Detailed pricing breakdown