

# Aurizon

## Network UT6 Information and Communications Technology (ICT) Expenditure

10-Year Outlook Report – Submission version

(FINAL V2.0)

30<sup>th</sup> June 2025

Ashish Das  
Partner, MinterEllison Consulting  
Ashish.Das@minterellison.com

Ana-Maria Wilson  
Benchmarking Lead Partner, MinterEllison Consulting  
Ana-Maria.Wilson@minterellison.com



# Contents .

01	Introduction
02	Understanding the Information and Communications Technology (ICT) Environment
03	Cost Allocation Review
04	Benchmark Insights
05	Market Trends Review
06	Combined UT6 10-year Outlook
07	Appendices

# 01

## Introduction



# Table of Contents (1/2)

01	Introduction	<ul style="list-style-type: none"><li>I. Table of Contents</li><li>II. Executive Summary</li><li>III. Report Delivery Scope</li><li>IV. Alignment of ICT Expenditure Benchmarking and 10-year Outlook for UT6 Submission</li><li>V. Key Scenarios for Modelling</li><li>VI. UT6 Submission - endorsement and approvals framework</li></ul>
02	Understanding the Information and Communications Technology (ICT) Environment	<ul style="list-style-type: none"><li>I. Aurizon Network ICT Funding Overview</li><li>II. Operational ICT Expenditure Summary – FY23-24</li><li>III. Operational ICT Expenditure – FY23-24 by Cost Pool, Benchmark Category and Source</li><li>IV. Benchmark Categorisation</li><li>V. Key Volumes</li></ul>
03	Cost Allocation Review	<ul style="list-style-type: none"><li>I. Cost Allocation Summary</li><li>II. Cost Allocation Methodology Review</li><li>III. Cost Allocation Methodology – Users vs FTEs (UT5)</li><li>IV. Cost Allocation Methodology – Modified Consumption Model</li><li>V. Cost Allocation Methodology Options &amp; Recommendations</li></ul>
04	Benchmark Insights	<ul style="list-style-type: none"><li>I. Benchmark Peer Group &amp; Modelling Approach</li><li>II. Benchmark Results – IT Key Metrics</li><li>III. Benchmark Results - Spend Ratios</li><li>IV. Benchmark Summary Results - \$ Spend by Tower</li></ul>

## Table of Contents (2/2)

05	Market Trends Review	<ul style="list-style-type: none"><li>I. Scenario Modelling Approach</li><li>II. Current Market Landscape &amp; Forecast Impact on ICT in Railway Industry</li><li>III. Scenario Modelling – Key Assumptions</li><li>IV. Projected Costs for ICT Key Scenarios</li><li>V. Recommendation for UT6 submission</li></ul>
06	Combined UT6 10-year Outlook	<ul style="list-style-type: none"><li>I. Aligning Benchmark Outputs with UT6 requirements</li><li>II. 10-Year Outlook – Opex Allowance (Excl. Scenarios)</li><li>III. 5-Year Budget vs 10-Year Outlook (Excl. Scenarios)</li><li>IV. 10-Year Outlook – Opex Allowance (Incl. Scenarios)</li></ul>
07	Appendices	<ul style="list-style-type: none"><li>I. Aurizon ICT Financial Data Flow and Stream Methodology Overview</li><li>II. Key Assumptions</li><li>III. What is Technology Business Management (TBM)?</li><li>IV. TBM Taxonomy (Example)</li><li>V. Key program business case review</li><li>VI. Cost Allocation Methodology Rating Definitions</li></ul>

# Executive Summary

This Aurizon UT6 10-Year Outlook & Scenario Modelling report provides a comprehensive analysis of the projected ICT<sup>1</sup> operational expenditures and strategic initiatives for the next decade. The report is structured to align with Aurizon's regulatory requirements and strategic goals, ensuring a robust financial outlook.

## 01. Background

Aurizon is preparing for its 2025 UT6 submission, aiming to review corporate cost allocation, benchmark Network ICT<sup>1</sup> costs, and deliver a robust 10-Year Outlook.

To support this, Aurizon engaged MinterEllison Consulting (MEC) to lead the UT6 10-year Outlook, leveraging MEC's expertise in ICT benchmarking and strategic advisory. The objective is to ensure Aurizon receives independent, data-driven insights and fit-for-purpose recommendations.

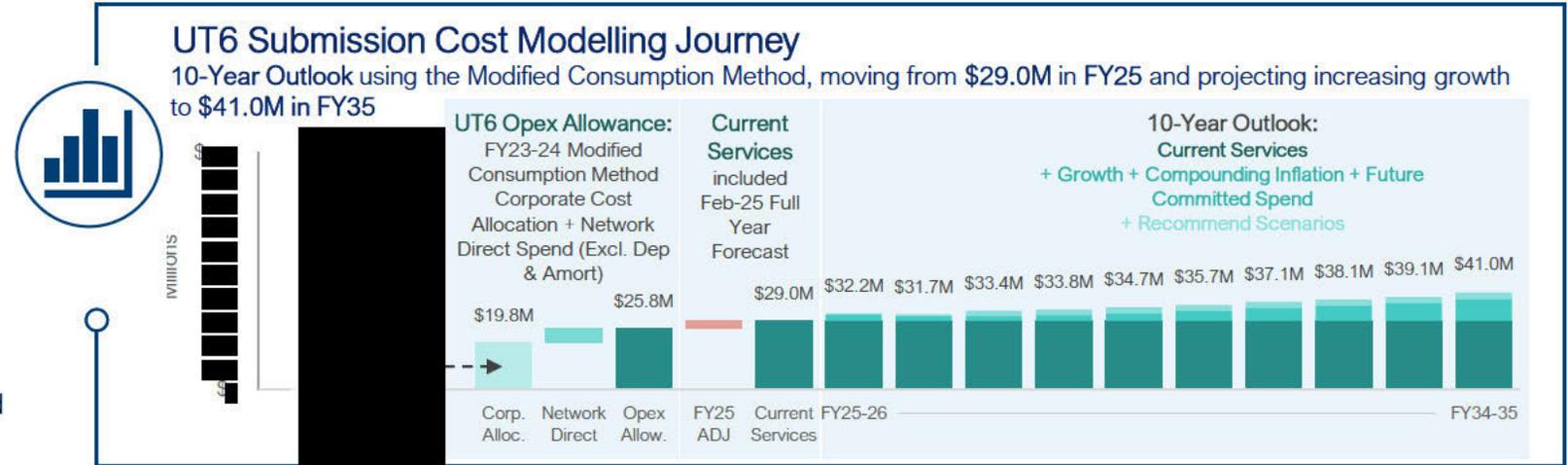
## 02. Current Context

Aurizon is seeking expert advice to benchmark ICT<sup>1</sup> costs and develop robust forecasting scenarios aligned with UT6 requirements.

This report outlines MEC's methodology across current service costs, consumption growth, price trends, and future committed and anticipated spend. The approach incorporates current state analysis, stakeholder engagement, and scenario modelling to support a well-evidenced and robust UT6 submission.

## 03. UT6 Submission Recommendations

- Adopt the Modified Consumption Method to calculate ICT<sup>1</sup> Operational Expenditure for UT6.
- Include Identity Management and OT 3.5 as bundled scenarios in the 10-Year Outlook.
- Defer AI-Enabled Automation until a clear adoption strategy is developed.



### Key Insights

- The Modified Consumption Method reflects a more robust cost base, with results slightly above the market median and well within the benchmark range. (refer to page 27 for key benefits and considerations for using a refined cost allocation method)
- The increasing growth from \$29.0M in FY25 to \$41.0M in FY 35, comprises of 4 main drivers: (1) Volume Growth and Inflight Projects \$1.0M; (2) Compounding Inflation \$7.4M; (3) Committed Spend \$0.9M; and (4) Recommended Scenarios \$2.7M, being a ~3.5% CAGR

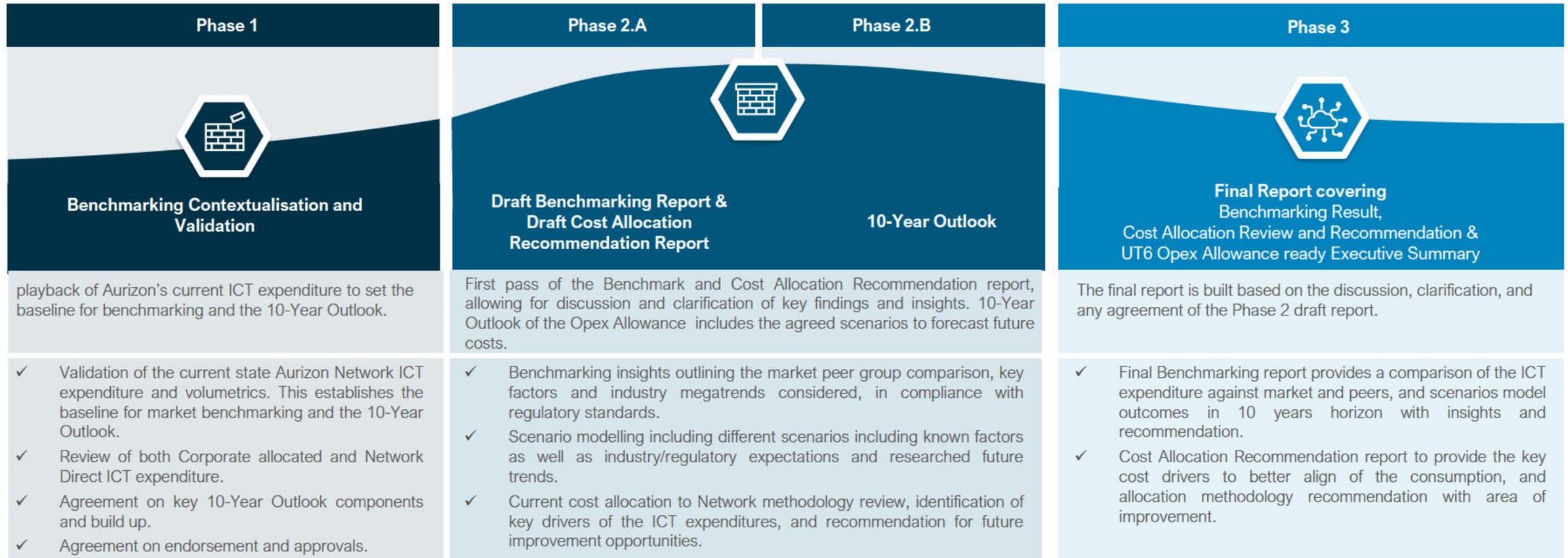
### Scenario Modelling:

- Recommend bundling Identity Management & OT 3.5 to reduce duplication, improve security, and ensure compliance.
- AI-Enabled Automation requires a strategically aligned plan before adoption and is excluded from the UT6 submission at this stage.

6 **Note 1** - Information and Communications Technology, abbreviated as ICT, covers all technical means used to handle information and aid communication. This includes both computer and network hardware, as well as the various services and software associated with them.

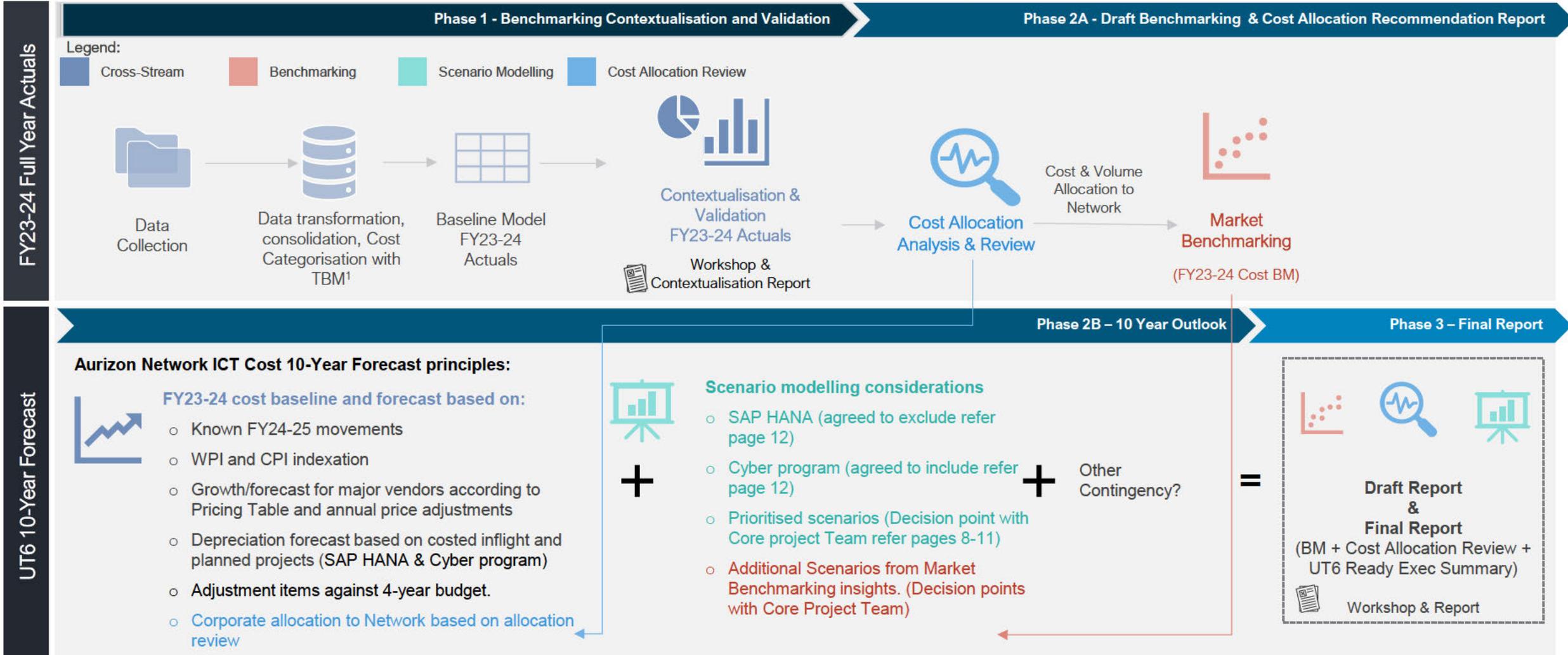
# Report Delivery Scope

Our approach delivers clear insights of market trends, cost drivers, and the impact of projected volumes on ICT expenditures. We follow a three-phase process to ensure structured delivery. We collect and contextualise the data, conduct market research, select and normalise the market peer group, then model and analyse the benchmarking results. The benchmarking insights and the corporate cost allocation review will complement the 10-Year Outlook. We work collaboratively with Aurizon to address any gaps identified and ensure the outputs align with Aurizon expectations. The process concludes with a comprehensive report (Phase 3) which covers the 10-Year Outlook for the UT6 Opex Allowance, supported by; the benchmarked costs against the market, cost allocation recommendations and the underlying assumptions and modelling parameters.



# Alignment of ICT Expenditure Benchmarking and 10 Year Outlook for UT6 Submission

Overview of how the FY24 Benchmark, Cost Allocation Review and scenario modelling will roll into the full 10-year UT6 submission.



## Key Scenarios for Modelling– Opex Allowance (1/3)

The future outlook for ICT is challenging given the rapid pace of change. This list of key scenarios provides all those identified for consideration by MEC; using market insights internal roadmaps, interviews, etc. These were then jointly agreed with key Aurizon stakeholders to include or exclude in the scenario modelling activity and ultimately the UT6 submission.

Key Scenario	Scenario Context	Approach to Modelling	Probability of Impact <sup>1</sup>	Level of Impact - Costs <sup>1</sup>	Include as scenario?
<b>Cyber Security Maturity Level Uplift</b>	Nozomi Networks (or similar) deployed for threat monitoring amidst a cloud-driven surge in data and internet demand will strengthen cybersecurity, reduce risks and ensure compliance but requires ongoing investment in tools, training, and audits. Costs include security software, assessments, and regulatory measures.	MEC will conduct a gap analysis, compare frameworks, and use financial benchmarks to estimate costs. The model will account for capital investments, recurring costs, and potential financial exposure.	 High	 Medium	✓ Include
<b>Identity Management</b>	The discontinuation (end of life) of Microsoft Identity Manager support requires investment in new identity solutions that provide over-arching secure access. Associated costs include software licensing, system integration, and training.	Evaluate alternative solutions, compare vendor pricing, and assess compliance risks. Financial modelling will estimate total cost of ownership, transition costs, and long-term support requirements.  Included as part of Cyber Transformation scenario modelling.	 High	 High	✓ Include
<b>Cloud Transition</b>	Transitioning applications to the cloud will enhance scalability, agility, and remote accessibility but requires initial investment in data migration, training, and reconfiguration. Costs include cloud service fees, security enhancements, and ongoing management. A selective transition strategy ensures alignment with organizational needs, while the shift from capital expenditure to operational expenditure enhances cost predictability but may require budget reallocation.	Evaluate these cost impacts, drawing on vendor pricing, case studies, industry benchmarks, and market trends, to assess the net transition from on-premises to cloud solutions.  Upon further review it was agreed that the net impact on the 10-year cost profile would be expected to deliver a cost neutral business case and hence was agreed to exclude.	 Medium	 Medium	✗ Exclude
<b>Data Analytics</b>	Rising cloud usage of Microsoft Fabric and PowerApps will initially raise subscription, migration, and integration expenses; however, the increase may be balanced out by long-term cost reductions due to decreased dependence on infrastructure, enhanced agility, and better security.	Evaluate cost impacts using Microsoft pricing models, case studies, and industry benchmarks. Modelling would estimate short-term investment requirements, long-term savings, and productivity gains, assuming gradual adoption.  It was agreed the net impact to costs would be minimal as the main improvement would be in productivity gains and it was agreed to exclude.	 Low	 Low	✗ Exclude

**Note 1** The Probability and Level of Impact is assessed across a High-Medium-Low range. Refer Appendix, page 54 for criteria.

## Key Scenarios for Modelling – Opex Allowance (2/3)

The future outlook for ICT is challenging given the rapid pace of change. This list of key scenarios provides all those identified for consideration by MEC; using market insights internal roadmaps, interviews, etc. These were then jointly agreed with key Aurizon stakeholders to include or exclude in the scenario modelling activity and ultimately the UT6 submission.

Key Scenario	Scenario Context	Approach to Modelling	Probability of Impact <sup>1</sup>	Level of Impact - Costs <sup>1</sup>	Include as scenario?
<b>AI Enabled Automation</b>	Adopting AI solutions is expected to enhance efficiency, reduce human error, and lower operational costs, but additional costs in ongoing maintenance of AI solutions. Associated expenses include infrastructure, software, training, maintenance, and support.	MEC will assess cost impacts by analysing industry benchmarks, vendor pricing, and case studies. Financial modelling will estimate implementation costs, efficiency gains, and long-term return on investment, assuming AI adoption in key business areas. This is still in its adoption infancy and will have a high variability.	 High	 Medium	✓ Include
<b>Dynamic Demand</b>	Implementing dynamic demand strategies is expected to improve cash flow management, cost savings, and supply chain resilience. Associated costs may include investment in demand forecasting tools, automation, and process adjustments.	Conduct market research and use industry benchmarks to estimate cost impacts and potential efficiency gains, assuming dynamic demand adoption in the long term. It was agreed to include a high-level review of what this cost profile may look like from market research, rather than modelling a full scenario.	 High	 Low	✓ Include, high level cost profile only
<b>Enhanced Procurement Planning</b>	Implementing enhanced procurement planning is expected to improve decision-making based on purchasing patterns and supplier performance. Associated costs include investments in forecasting tools, data analytics, and process optimisation.	Research industry benchmarks, analyse case studies, and assess software costs to estimate potential financial impacts and efficiency gains, assuming long-term adoption. It was agreed the net impact to costs would be minimal as the key improvements would be across operational efficiency and improved decision making rather than cost.	 High	 Low	✗ Exclude
<b>Regulatory Technology</b>	Adopting regulatory technology (RegTech) is expected to enhance compliance efficiency and reduce administrative costs. Associated expenses include software implementation, system integration, staff training, and ongoing maintenance.	Analyse industry benchmarks and case studies to estimate cost savings, efficiency gains, and risk reduction, assuming long-term adoption. Agreed to exclude, if there is substantive regulatory burden, Aurizon may have the option to request further funding allowance.	 High	 Medium	✗ Exclude

## Key Scenarios for Modelling – Opex Allowance (3/3)

The future outlook for ICT is challenging given the rapid pace of change. This list of key scenarios provides all those identified for consideration by MEC; using market insights internal roadmaps, interviews, etc. These were then jointly agreed with key Aurizon stakeholders to include or exclude in the scenario modelling activity and ultimately the UT6 submission.

Key Scenario	Scenario Context	Approach to Modelling	Probability of Impact <sup>1</sup>	Level of Impact - Costs <sup>1</sup>	Include as scenario?
<b>Sustainable Procurement</b>	Shifting to sustainable procurement is expected to strengthen supplier resilience and regulatory compliance while enhancing brand reputation. Associated costs include sourcing adjustments, supplier evaluations, and potential investment in technology.	Use external benchmarks to estimate financial trade-offs, long-term savings, and regulatory cost impacts, assuming sustainable procurement adoption in the long term.  It was agreed the net impact to costs would be minimal.	 Medium	 Low	✘ Exclude
<b>Data Centre Segregation (In-flight project)</b>	Enhanced network isolation from Aurizon operations will improve security and operational independence. Associated expenses include hardware upgrades, network reconfiguration, and regulatory compliance.	Estimate the total cost of ownership using industry benchmarks, vendor pricing, and case studies. It was agreed the net impact to costs would be minimal and key cost elements are included as part of the in-flight project considerations.	 High	 Low	✘ Exclude

## Key Scenarios for Modelling – Network specific

The additional scenarios identified below, would be additional Network specific projects thereby being funded/approved through either the Regulatory Asset Base or via the Maintenance and Renewal Strategy Budget and hence not part of the UT6 submission.

Nevertheless, the Aurizon core team indicated that further modelling should be considered reflecting the substantive impact it may have on the customers and the broader organisation, not just Network.

Key Scenario	Scenario Context	Approach to Modelling	Probability of Impact	Level of Impact - Costs	Include as scenario?
<b>Drawbridge Project</b>	Enhance network security by isolating network segments to prevent potential breaches from spreading across the entire network. Essentially, if a part of the network is compromised, the drawbridge mechanism can be activated to isolate the affected segment, ensuring that the rest of the network remains secure. Upfront costs includes hardware upgrade, software licenses and implementation costs.	Evaluate long-term financial benefits and compliance advantages, compare Network security solutions along with vendor capabilities, and conduct market analysis using industry benchmarks and trends to shape up what the project may look like at a high-level financially. Financial modelling will account for the upfront costs, on-going operational expenses and potential savings from improved Network performance.	 Medium	 Medium	✓ Include
<b>Operation Technology Network 3.5</b>	Introduce an additional security layer between level 3 and 5 will provide better security for Network to improve the security posture. Associated costs include software, hardware, training, and continuous monitoring costs.	Assess the current size of the Network security market and its projected growth, along with the key trends driving the market, and segment the market based on industry criteria. The financial model will include the on-going costs of software and hardware, projected growth of network security market and industry-specific segmentation criteria to forecast the financial impact the additional security layer.	 Medium	 Medium	✓ Include

## Key Scenarios for Modelling – Alternate scenarios for large Programs

To ensure the full consideration of the most recent thinking and likely scenarios from MEC’s review of all key large program documentation, a further analysis was performed to confirm whether further work had to be done for modelling additional scenarios for Aurizon’s two large key programs: Cyber Transformation and ERP replacement. Further detail is available in the Appendix.

Key Scenario	Scenario Context	Approach to Modelling	Existing model confidence	Probability of Impact	Level of Impact - Costs	Include as additional scenario?
<b>Cyber Transformation</b>	Enhance Aurizon's cyber security posture by addressing key vulnerabilities and improving resilience against cyber threats.	MEC to review the latest detailed program forecast from the Project Management Office (PMO). Review and validate the assumptions, costs, and timelines in the latest program forecast before building out the 10-Year forecast. Focus will be on modelling out the BAU stabilisation costs post FY26, when the program is complete. This may involve reassessing the risk scenarios, new operating model assumption and incorporating updated information from key stakeholders.	 High	 High	 High	✓ Include
<b>ERP replacement</b>	Enhance the Aurizon’s digital infrastructure by implementing new solutions for time and attendance, payroll, HR, expense management, procurement, and core financial systems. The guiding principle of the program is risk mitigation	MEC to use the information directly as an input to the 10-year forecast with further validation the assumptions to ensure there is no significant variance. Additionally, reach out to key stakeholders who oversaw the preparation of the financial model, for insights and clarifications on the assumptions and estimates.  Note – post Aurizon’ market approach for SI services, it is recommended that modelling be further update in Jun’25 to align with current sourcing program timing.	 Medium	 Medium	 Low	✗ Exclude

## UT6 Submission - endorsement and approvals framework

To ensure the final UT6 submission has the appropriate endorsement and validation, key representatives were consulted across the stakeholder group to confirm key volumetrics and assumptions.

Stakeholder Group	Contextualisation (Cost Baseline)	Volumetrics (Baseline & Growth)	Market Trend & Scenario(s)	10-Year Outlook Assumptions
Engagement Leadership (Draft and Final Report)	✓	✓	✓	✓
Core Engagement Team	✓			✓
Technology SMEs		✓		
Data Analytics and Reporting team			✓	
ERP Key Representative(s)		✓		
Cyber Key Representative(s)			✓	

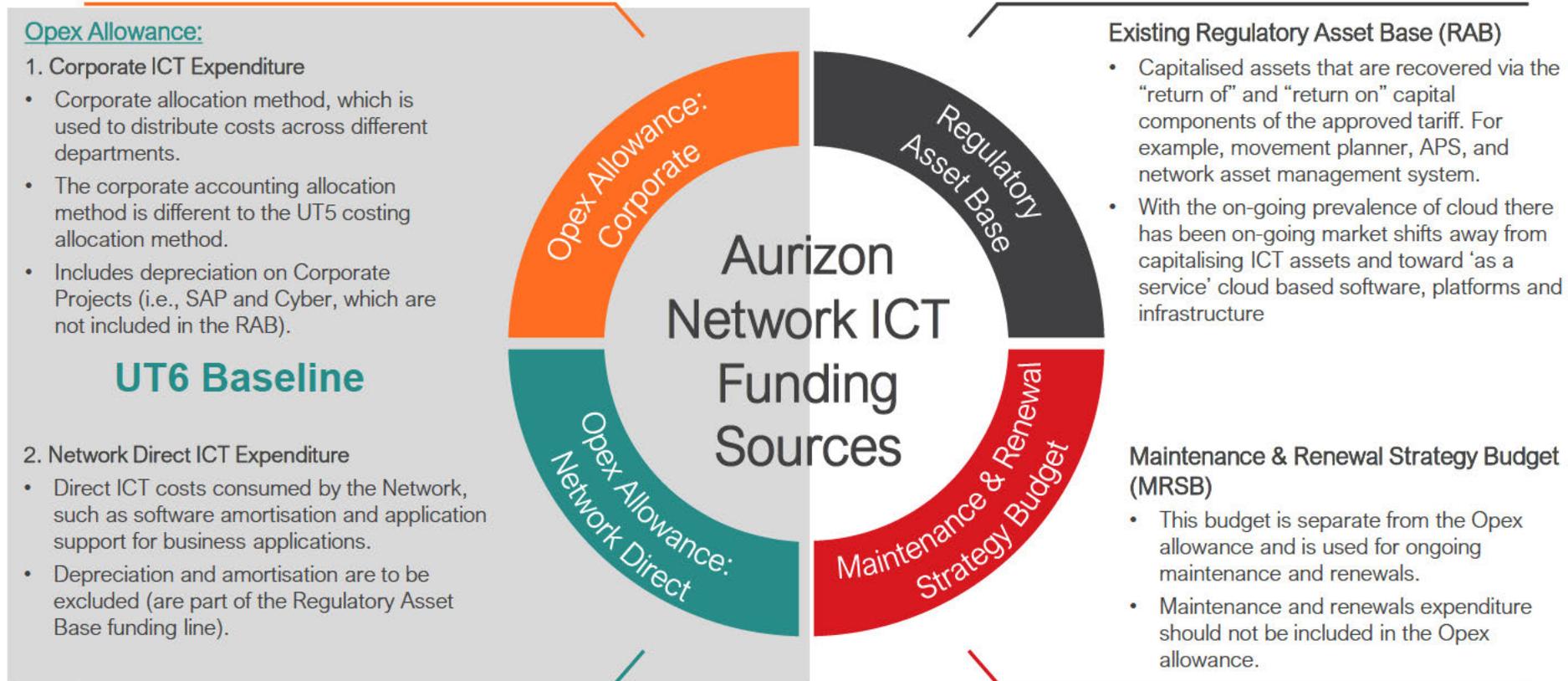
# 02

## Understanding the ICT Environment



# Aurizon Network ICT Funding Overview

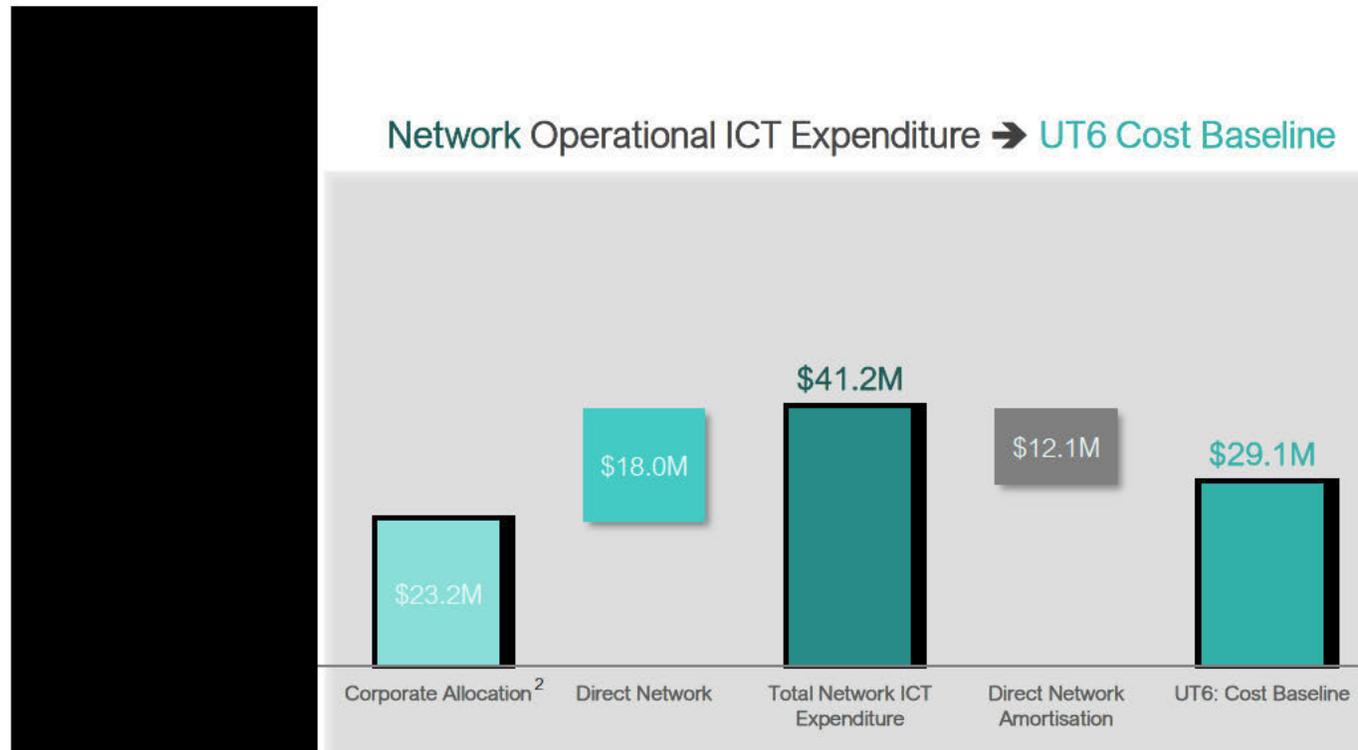
The Network ICT Funding overview diagram illustrates the Total ICT costs across three main funding sources: Operating Expenses (Opex) Allowance (Corporate Allocation & Network Direct), Maintenance and Renewals Strategy Budget and the Regulatory Asset Base. The below overview helps in understanding the distribution of Network ICT expenses. The UT6 Benchmark and 10-Year Outlook will only consider the Opex Allowance components, including a review of inflight and future projects that may impact the total Opex allowance.



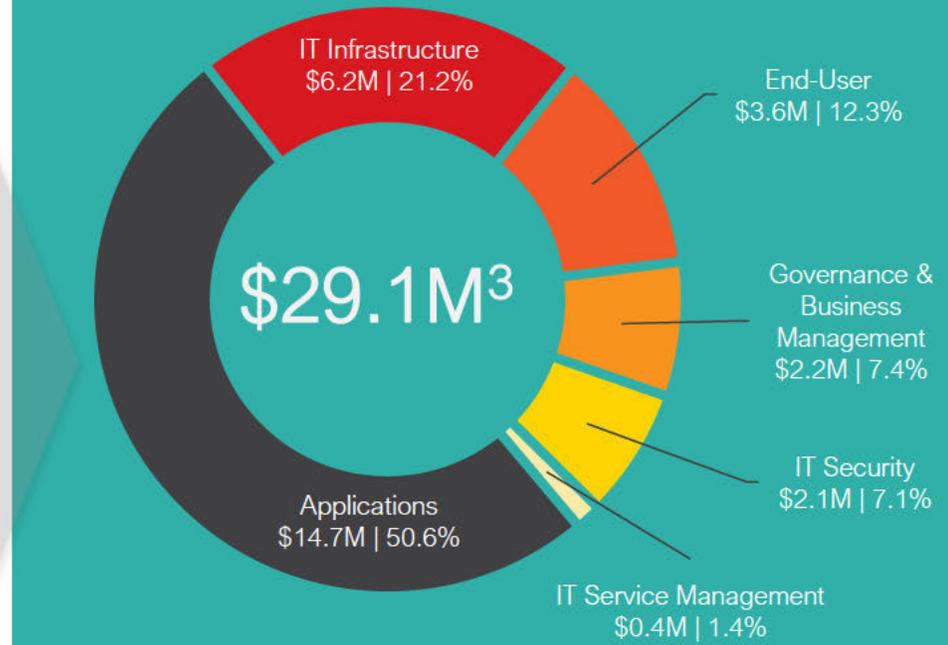
# Operational ICT Expenditure<sup>1</sup> Summary – FY23-24

The visuals below present the Network Operational ICT expenditure build-up. The left-hand chart illustrates the distribution from Corporate to Network and the direct costs associated with Network. The right-hand side chart further breaks down the total Network Operational ICT expenditure by IT function which will form the baseline for benchmarking purposes.

## Corporate + Network Operational ICT Expenditure



## Network UT6 Cost Baseline Breakdown by IT Function

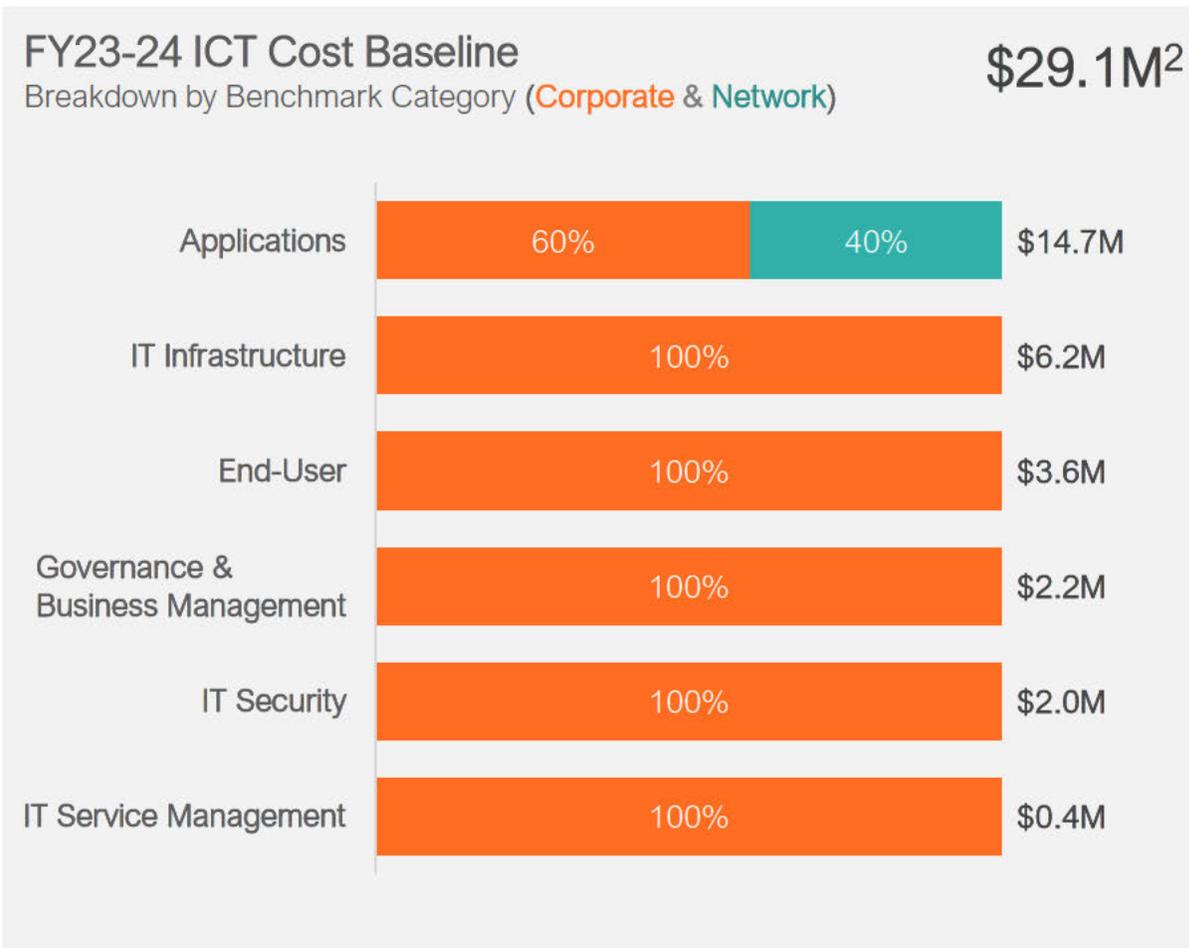
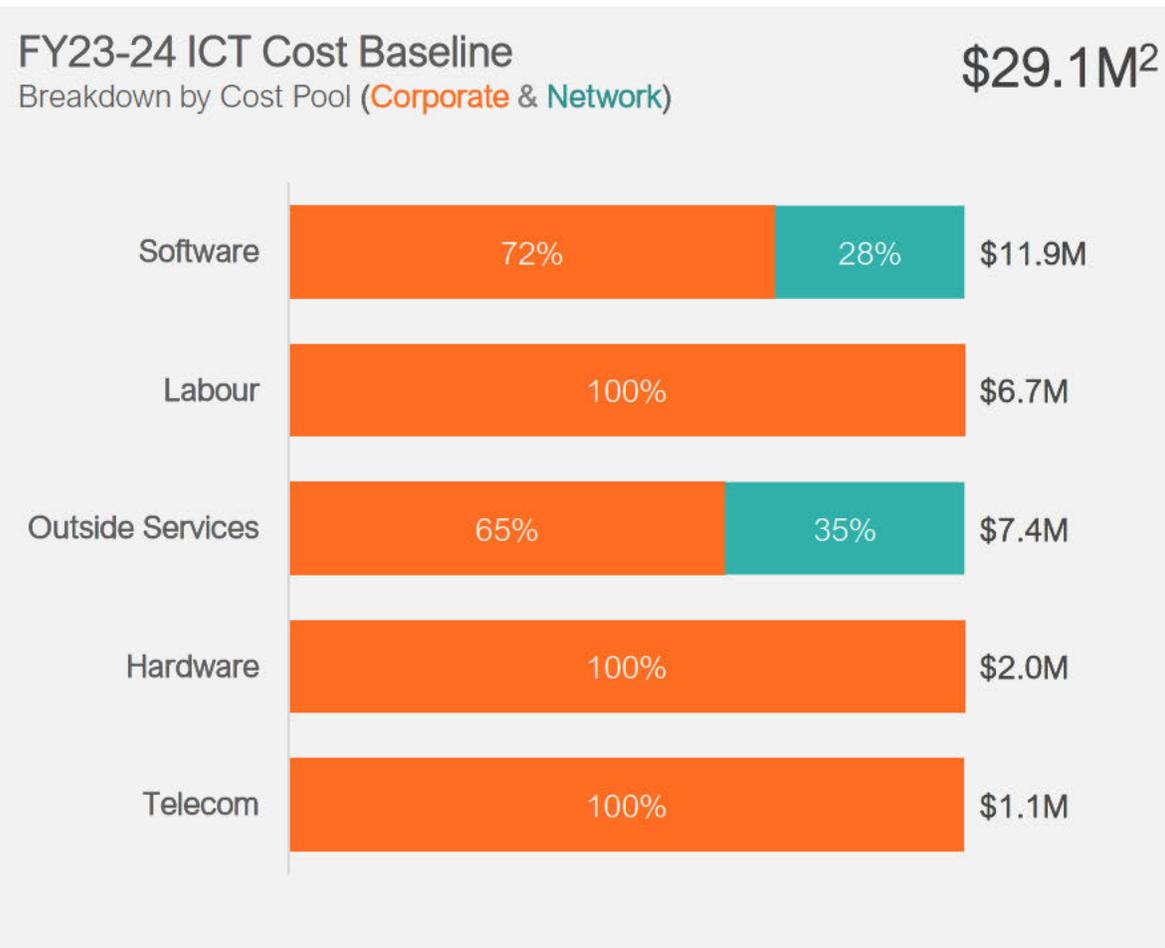


**Note:**

1. Only the operational ICT expenditure for Aurizon Corporate and Network are captured in this page.
2. Corporate Allocation uses the Aurizon Corporate method – please refer Appendix II for further details.
3. The UT6 submission, will not include the Direct Network Amortisation as that is recovered as part of the "return on" and "return of" ICT assets within the Regulatory Asset Base.

# Operational ICT Expenditure<sup>1</sup> – FY23-24 by Cost Pool, Benchmark Category and Source

For comparative purposes it is useful to view the total Network Operational Expenditure by the direct and corporate allocated portions.

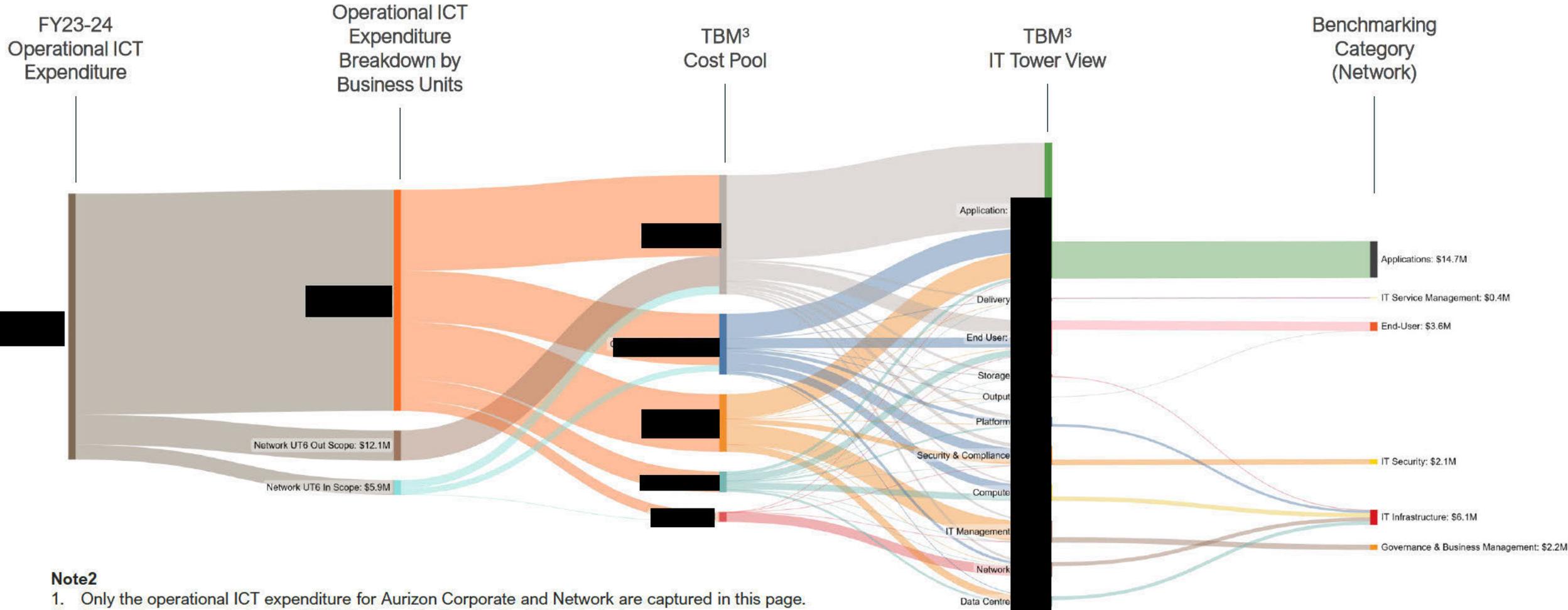


**Note**

1. Only the operational ICT expenditure for Aurizon Corporate and Network are captured in this page.
2. The UT6 submission will not include the Direct Network Amortisation of \$12.1m as that is recovered as part of the "return on" and "return of" ICT assets within the Regulatory Asset Base.

# Benchmark Categorisation

The diagram below provides the break-down of the Aurizon total ICT Expenditure for FY23-24 into Business Units, TBM<sup>3</sup> Cost Pool, IT Tower View, and ultimately the benchmarking category for Aurizon Network.



**Note2**

1. Only the operational ICT expenditure for Aurizon Corporate and Network are captured in this page.
2. Opex allowance excludes the \$12.1M of amortisation for the UT6 submission.
3. Technology Business Management (TBM) is an internationally accredited best practice framework used as a starting point for all cost modelling to provide a common language across ICT, the business and finance functions within an organisation, refer Appendix pages 49-50.

## Understanding the ICT Environment

### Key Volumes (1/2)

MEC will use the volumetrics collected from various source, such as invoices, the configuration management database (CMDB), utilisation and performance reports, screenshots of Aurizon's dashboard, etc., to conduct the benchmark and the scenario modelling. The table below captures the key volumetrics collected from Corporate and Network.

Description	Metrics	Data Source	Corporate	Network
Number of Total Supported Applications	Per Application	Report – 'Application Extract for UT6 20250123 – BU Ownership CP Update'	[REDACTED]	~45.5 <sup>1</sup>
Number of Database Instances	Per Instance	Invoice – 'Brennan IT Services - Service Charges Trends v1.0 Old Contract to End Dec 24'		~30.6 <sup>1</sup>
Number of Microsoft licenses	Per license	Report – 'Microsoft Office License Count and Headcount (PowerBI)'		1,350
Virtual Servers (including dev/test/prod/RD)	Per Server	Report – 'RABHosts'		~257.8 <sup>1</sup>
Physical Servers (including dev/test/prod/RD)	Per Server	Invoice – 'Brennan IT Services - Service Charges Trends v1.0 Old Contract to End Dec 24'		~34.5 <sup>1</sup>
Used NAS Storage	Per TB	Multiple Reports including:		~841.38 <sup>1</sup>
Used SAN Storage	Per TB	<ul style="list-style-type: none"> <li>'file_count_by_physical_size_nasprdclu011_128310_1737595136.csv',</li> <li>'file_count_by_physical_size_NASPRDCLU012_91259_1737595171.csv'</li> <li>'file_count_by_physical_size_nasprdclu021_190621_1737595154.csv'</li> <li>'array_capacity'</li> <li>'report_capacity_data'</li> </ul>		~47.57 <sup>1</sup>
Data Centre Racks	Per Rack	Invoice – 'NextDC Sample Invoice INV-125685' Invoice – 'Fujitsu DC Pricing'		~6 <sup>1</sup>
Number of Desktops	Per Device	Email – 'RE: IT Overview'		194 (excluding kiosk counts)
Number of VDI (excluding kiosk counts)	Per VDI			End-User: 34 Kiosks: 49

20 **Note 1** - The Network volume was determined using the derived percentages from the Modified Consumption allocation method, refer page 25 for further details.

## Understanding the ICT Environment

### Key Volumes (2/2)

MEC will use the volumetrics collected from various source, such as invoices, the configuration management database (CMDB), utilisation and performance reports, screenshots of Aurizon’s dashboard, etc., to conduct the benchmark and the scenario modelling. The table below captures the key volumetrics collected from Corporate and Network.

Description	Metrics	Data Source	Corporate	Network
Number of Smartphones (iPhone)	Per Device	Report – ‘Iphone-Ipads’	[REDACTED]	1,088
Number of Tablets (iPad)	Per Device			38
Number of Laptops	Per Device	Screenshot of Aurizon internal dashboard		1,001
Number of End Users	Per User	Report – ‘Headcount Dec24’		1,354
Switches, LAN and WiFi Devices	Per Device	Invoice – ‘Brennan IT Services - Service Charges Trends v1.0 Old Contract to End Dec 24’		~243 <sup>1</sup>
WAN Devices, Network Accelerators, Proxies, and Firewalls	Various			~43 <sup>1</sup>
Number of incidents	Per Ticket	Screenshot from email – ‘RE: Data Collection and Contact Names’		3,500
Number of requests	Per Ticket			3,100
Number of problems	Per Ticket			N/A
Number of employees	Per Employee	Report – ‘Headcount Dec24’		1,278
Total Full Time Employees (FTEs)	FTE		1,278	
Total Technology Full Time Employees (FTEs)	FTE		N/A	

21 **Note 1** - The Network volume was determined using the derived percentages from the Modified Consumption allocation method, refer page 25 for further details.

03

# Cost Allocation Review



# Cost Allocation Summary

To support delivery of the benchmark work, actual ICT usage (consumption) needs to be identified in order to compare to market. This volumetric information can also provide Aurizon an improved cost allocation methodology going forward. MEC undertook key volume and underpinning data review to build a cost driver model that fully aligns with consumption. Where we found specific data was not readily available, we reverted back to more generic drivers for those incomplete data sets. Our standard methodology for developing consumption-based cost allocation models is described below and shows the approach that was settled on for Aurizon.

## Building the Consumption Model

### 1. Collection of Consumption Data

- **Application List:** Identifying Network applications vs Shared applications.
- **IT Server Report:** Server usage for compute and storage by application
- **IT Database Report:** Database usage by application.
- **End user metric:** The number of end user devices and mobile devices.
- **IT Service Desk (ServiceNow) Reports:** Number of calls, incidents, and requests.
- **People Report:** FTE, head count, roles, and names.
- **Licensing Report:** Identifying the number of licenses by each business unit for each application. (This report is not available in Aurizon).

### 2. Identification of Network Consumption vs Total Aurizon Consumption

Conduct analysis and mapping to understand how Network's consumption can be reliably identified and measured by IT function:

- **IT Infrastructure:** Costing at application level.<sup>1</sup>
- **Application:** Costing at application level.<sup>1</sup>
- **End User:** Costing at cost pool level (software, hardware, labour, etc).
- **Governance & Business Mgmt:** Generic Driver
- **IT Security:** Generic Driver
- **IT Service Management:** Generic Driver

**Note 1** - Due to initial data gaps, network and application development and support costs could not be costed to the individual application level. Further exploration was conducted with key stakeholders and software licensing and support costs were allocated using the provided number of application users as a proxy for usage .

### 3. Use of Generic Driver if Direct Consumption Cannot be Identified

Acknowledging that most organisations would not have the complete data-set to conduct full consumption model mapping as outlined in Step 2, direct consumption is used wherever possible, and generic drivers are used where direct consumption cannot be reliably calculated.

### 4. Comparison of the Result Between Consumption Models and Other Methods

Comparisons are conducted across built up consumption models and other methods, to provide a sensible cost allocation methodology that is fit-for-purpose for the organisation, in this case what should be used for the UT6 submission.

## Modified Consumption Model used for Aurizon Network

1. **End User** (excluding Software) allocation using Desktop, Laptop and VDI volumes (*consumption based*)
2. **IT Infrastructure and Application** allocation using application level.
3. **Other IT Towers** allocation using *generic drivers*

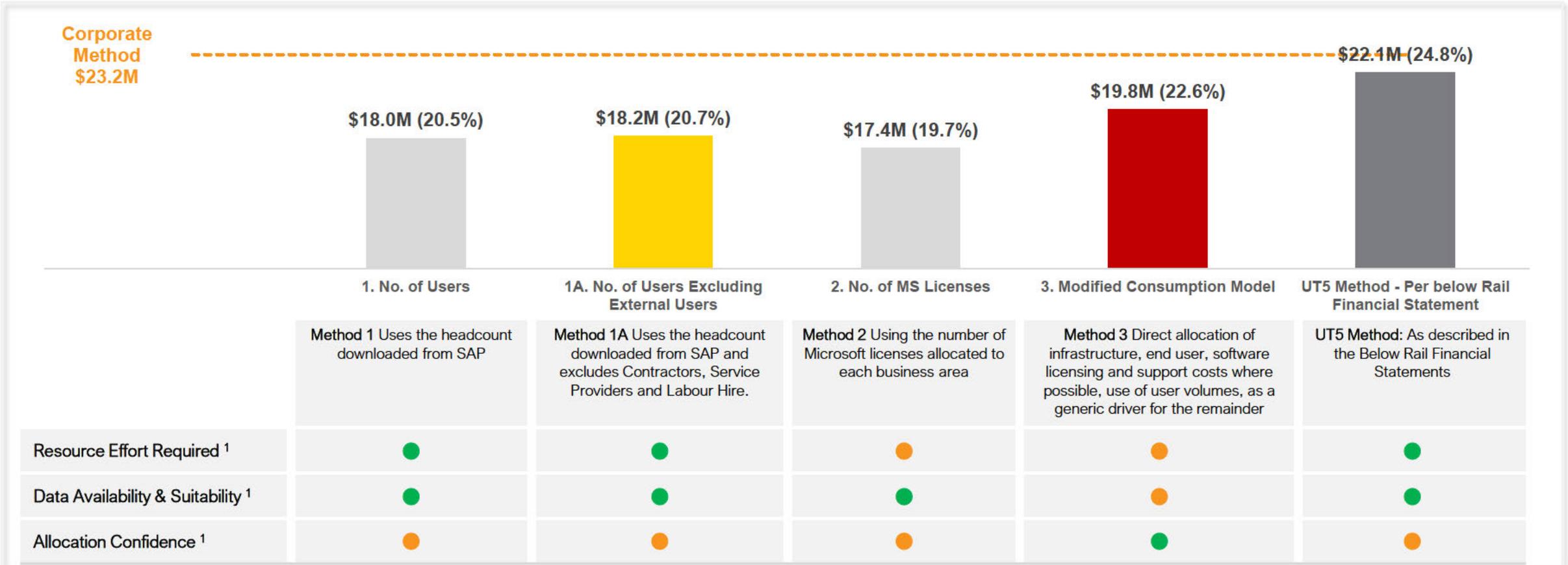
Network Applications	Shared Applications
Server Compute Costs	Server Compute Costs
Server Storage Costs	Server Storage Costs
Database Costs	Database Costs
Data Centre Costs	Data Centre Costs
Network Costs <sup>1</sup>	Network Costs <sup>1</sup>
App Development, Licensing & Support Costs <sup>1</sup>	App Development, Licensing & Support Costs <sup>1</sup>

Some remaining Shared application costs are allocated to Network using generic drivers<sup>1</sup>



## Cost Allocation Methodology Review

To provide a fit for purpose cost allocation recommendation, three different cost allocation methodologies were considered, against the previous **UT5 method** and the current internal **Corporate Method**. Method 3 (**Modified Consumption Model**) uses the most granular consumption data available, using key usage drivers for IT Infrastructure, Applications and End User costs. Method 1A (No. of Users Excluding External) provides a sensible representation of costs consumed, however uses a generic driver across all ICT towers, which may not be appropriate, particularly across applications and infrastructure as seen in section 04. It should be noted that the variances across all methods are within 5% (statistically insignificant).

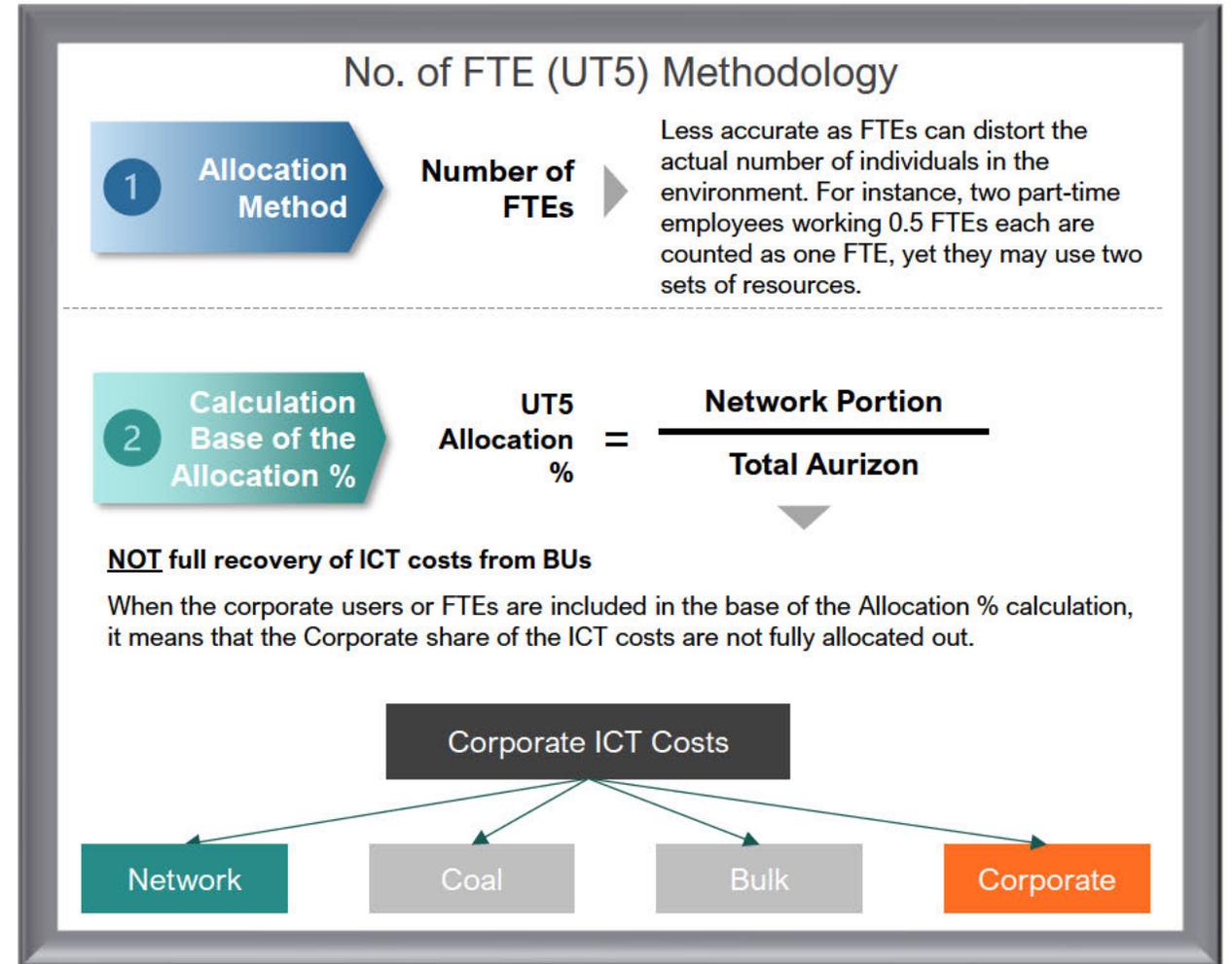
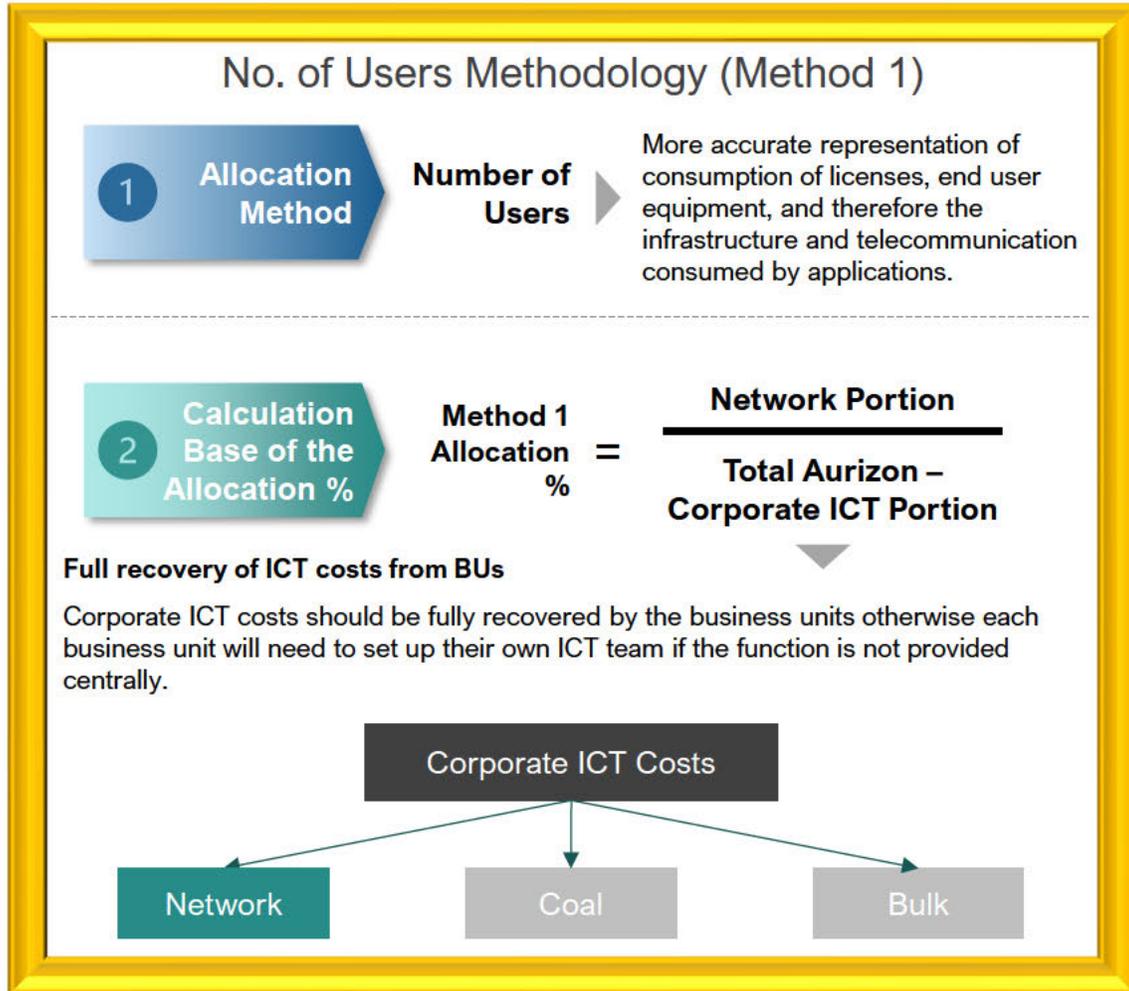


Note 1 - Refer to the appendix , page 54 for a detailed explanation of the rating criteria.

Note 2 - Further analysis with stakeholders enabled direct allocation of software licensing and support costs using application user volumes as a proxy.

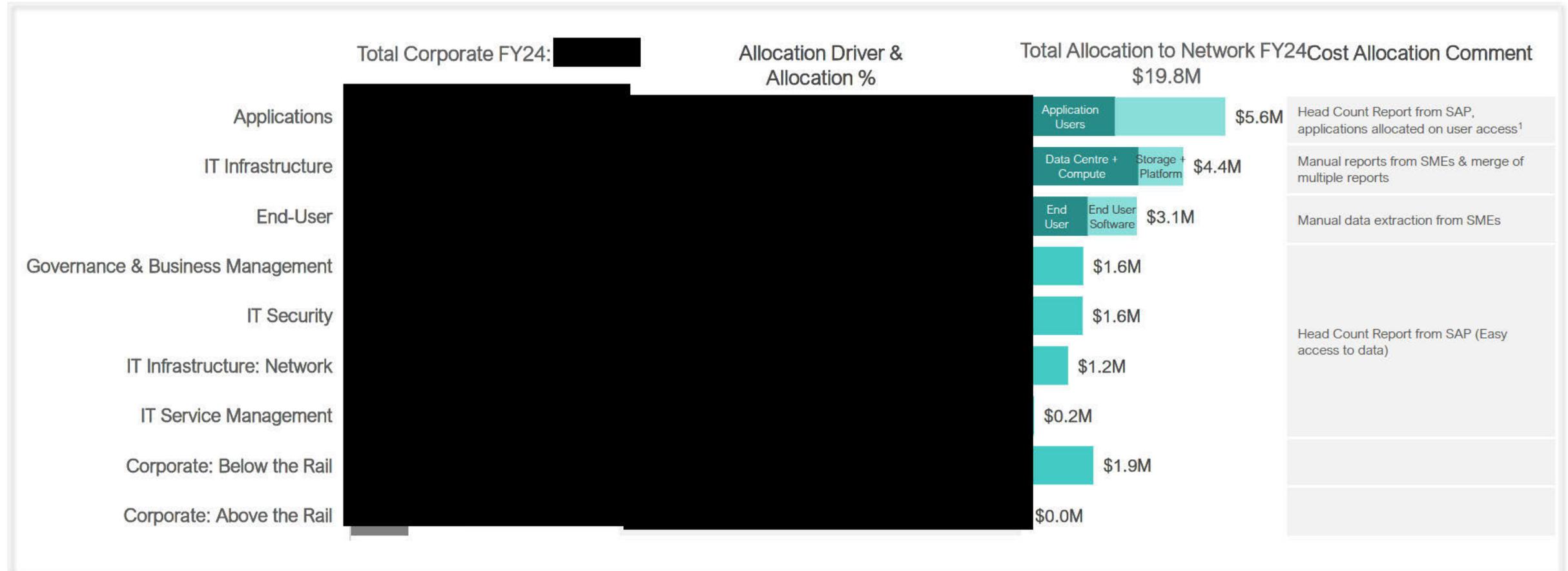
# Cost Allocation Methodology – Users vs FTEs (UT5)

The below section provides a comparison between the Number of Users Methodology (Method 1A to the number of FTEs Methodology (applied in UT5 submission) and highlights the differences between the two methods and the benefit of ensuring full recovery of ICT costs from business units.



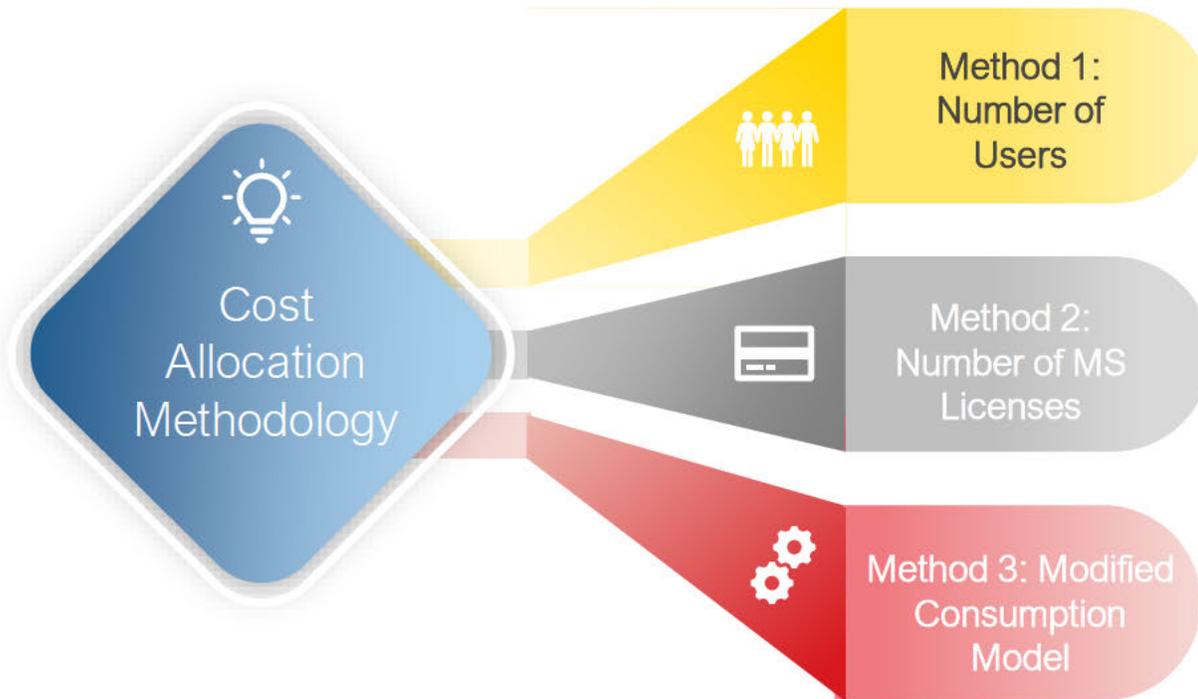
## Cost Allocation Methodology – Modified Consumption Model

Although more complex, the Modified Consumption Method ensures a consumptions-based allocation by IT function, as far as possible. Adopting actual usage (consumption) for IT Infrastructure and End-User Services results in a higher cost allocation percentage for Network, as compared to the user-based models. However, the data for hosting, service management and governance services is not readily available and at this stage cannot be tracked to consumption. Additional work was undertaken to further map corporate applications to usage, which has seen a slight reduction to the Application Tower allocation and a slightly increase to the Infrastructure tower. Implementing the Modified Consumption model will require set-up investment and handover.



# Cost Allocation Methodology Options & Recommendations

The below presents a summary of the benefits and considerations of the three methods that were explored. Out of the three methodologies, the Modified Consumption model will provide the greatest granularity and will allow Network IT to communicate IT usage costs accurately with the business. We note the Modified Consumption model will require set-up investment and maintenance to enable consistent and repeatable reporting.



## Key Benefits

**Low effort** required due to direct access to user data from the SAP system, which is generally reliable and well-maintained, indicating **high data availability and accessibility**. This method simplifies the allocation process and is straightforward to implement, assuming uniform ICT cost consumption across all users.

**Moderately effort-intensive method** that benefits from the typically **high accuracy and maturity** of licensing data. This method can closely align ICT cost allocations with software usage, thereby aligning a significant component of ICT expenses to consumption.

This method stands out for its potential **allocation confidence**, as it considers both direct and shared ICT resources, offering an actual consumption view. This method can provide a highly detailed allocation base, where the underlying data is of high quality and granular and maintained.

## Key Considerations

The **allocation confidence** is moderate with this method as it does not account for the variability in resource usage among users. This method provides less accurate cost recovery resulting in potential under/over recovery.

This method relies on data retrieval from the IT application team. In terms of allocation accuracy, it focuses predominantly on software licensing rather than the entire infrastructure usage.

**Additional resource effort** is required to gather, compile, and analyse detailed IT infrastructure reports, and mapping financial data to IT functions and towers. **Data availability and accessibility** to fully develop the application topology for cost allocation can be complex.

**Implementation and ongoing maintenance effort** will be needed to map costs by IT function in order to produce future reporting, as well as discipline to limit creation of new cost centres.

04

Benchmark  
Insights



# Benchmark Peer Group & Modelling Approach

To ensure a robust and meaningful benchmark comparison, we utilise a three-step methodology focusing on understanding Aurizon's environment, selecting comparable peer data, and normalising differences between organisations. By following this structured approach, we provide a **benchmarking analysis** that is as reflective of the Aurizon environment as possible, enabling informed decisions to be made with confidence.

## Building the Peer Group, Normalisation and Market Price

## Peer Group Statistics

### 1. Understand Client Environment

Through a detailed mapping process, we develop a comprehensive understanding of the client environment and the scope of benchmarking. This involves:

- **Mapping for Comparison:** Identifying how the internal taxonomy aligns with industry standards.
- **Operational Insights:** Gathering key operational details such as scale, complexity, scope, countries of operation, and industry specifics.

This foundational knowledge informs the initial mapping and refines the criteria for selecting appropriate peers.

### 2. Select Data from Similar Clients

We identify organisations within the peer group that share similar environmental and operational characteristics. Similarities Considered:

- **Scale:** Size and capacity of operations.
- **Complexity:** Technological and organisational intricacies.
- **Scope:** Range of services and functions.
- **Countries and Industry:** Geographical and sector alignment.
- **Date and Suppliers:** Timing of data and vendor specifics.
- **Supplier Differentiation:** We distinguish between 'tiers' within each supplier group to enhance accuracy.

By selecting data from organisations with similar environments, we ensure the peer group is highly relevant.

### 3. Normalisation of Peer Group Data

Acknowledging that no two organisations are identical, we normalise the reference group data to account for environmental differences:

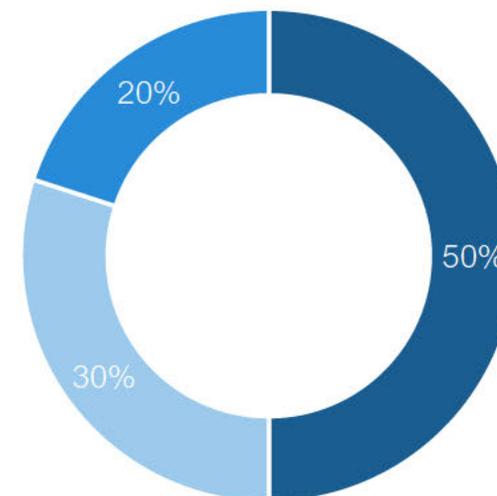
Normalisation Factors:

- **Hours of Operation:** Adjusting for operational timeframes.
- **Service Delivery Locations:** Accounting for geographic cost variations.
- **Exchange Rates:** Converting financial data for consistency.
- **Economic Measures:** Applying Inflation, Wage Price Index (WPI), or Consumer Price Index (CPI).
- **Industry Trends:** Considering higher labour costs or lower salaries in different regions.
- **Data Timing:** Aligning dates of labour rates, contracts, or data points.

This process ensures that comparisons are fair and reflective of real-world differences, enhancing the reliability of benchmarking results.

### Customer Industry

- Transportation
- Resources
- Utilities

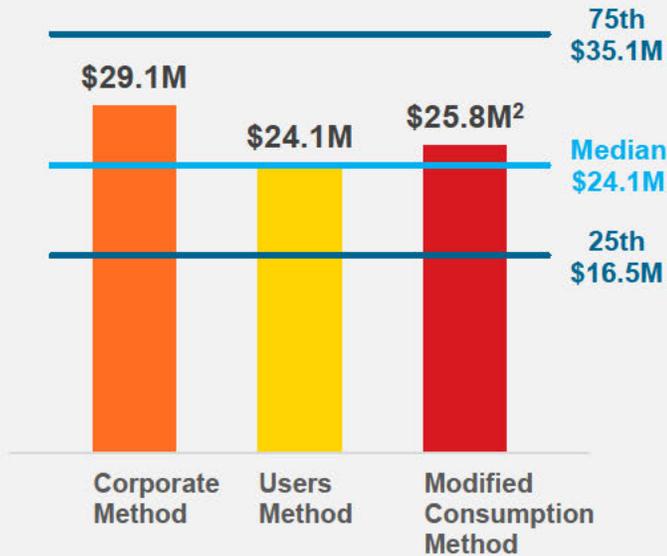


# Benchmark Results – IT Key Metrics

The benchmarking analysis focuses on three key IT Key Metrics: total ICT Operational Expenditure, ICT Operational expenditure per Employee, and ICT Operational Expenditure as a percentage of total operating expenditure. These benchmarks provide insights into ICT investment levels, cost positioning, and financial impact relative to industry peers. The benchmarks are shown as comparative against the three methods in place and being considered by Aurizon for allocation ICT costs<sup>1</sup>.

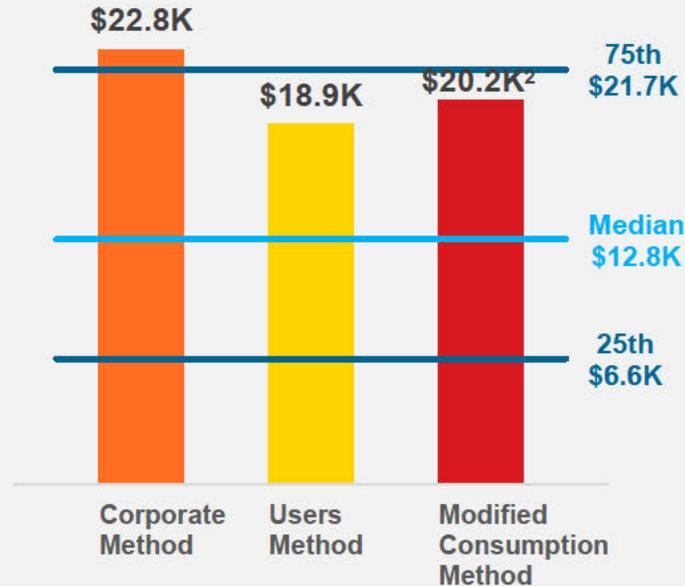
## ICT Operational Expenditure (\$' Million)

- The Users Method aligns well with the market median, where the Modified Consumption Method is slightly above median, indicating a balanced spend across the towers.
- A large cyber transformation program is likely a key contributor to this higher-than-median ICT expenditure, reflecting increased investment in cybersecurity capabilities by Aurizon.



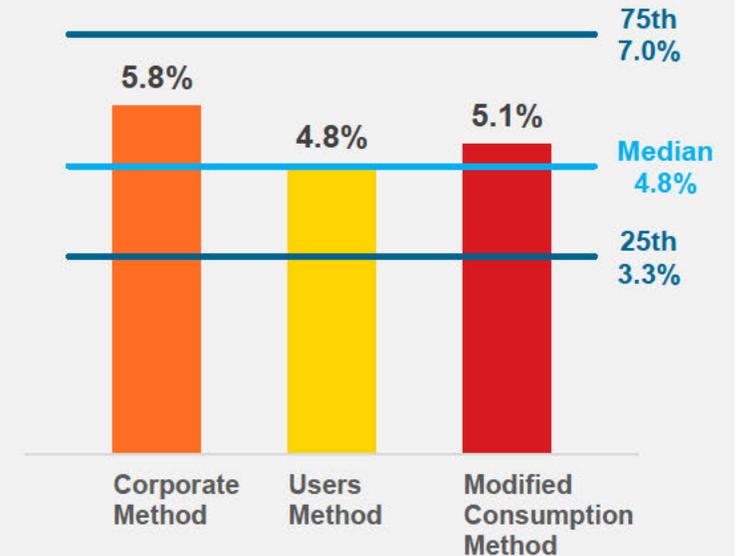
## ICT Operational Expenditure Per Employee (\$'000)

- Users and Modified Consumption Methods are slightly below the 75<sup>th</sup> percentile.
- Indicates elevated ICT costs per resource or a focus on technology-driven efficiency.



## ICT Operational Expenditure as a Percent of Operating Expenditure (%)

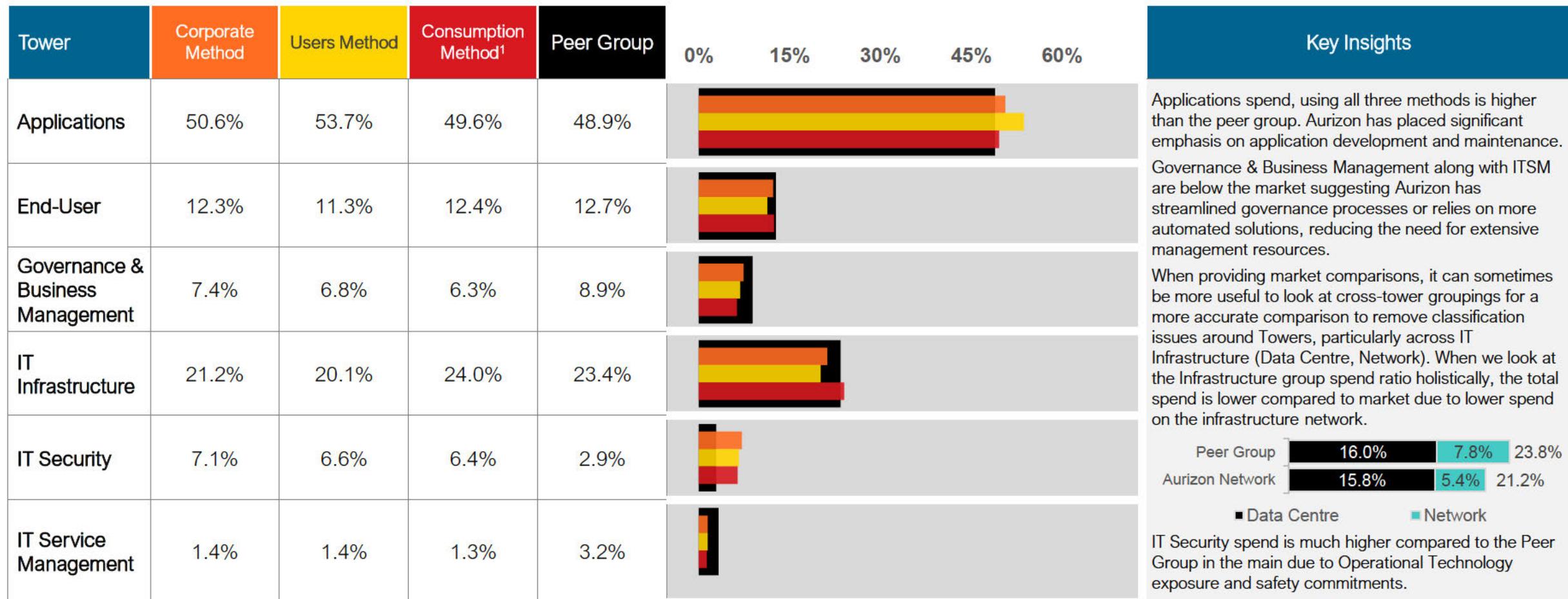
- The Users Method aligns well with the market median, where the Modified Consumption Method is slightly above median, suggesting strong ICT spend across the environment.
- The higher portion of ICT spend, compared to market is likely influenced by increased cybersecurity investments rather than inefficiencies.



Note 1 – Refer section 3 for full review of the Methods being considered.

## Benchmark Results – Spend Ratios

The below table shows the ratio of each Towers contribution as a percentage of overall ICT expenditure, across the three methods, as the comparison to market median (the spend ratio of the market peer group). Although the overall distribution broadly aligns to market, spend across key categories is misaligned, suggesting value in re-profiling spend across Application and Management towers in particular, to improve employee experience and ensure an agile and flexible ICT environment for the future.



31 **Note 1** – the Market Peer group used in this benchmark comparison is a composite of Transportation, Resources and Utilities organisations of a similar size and scope of operations as described on page 29.

# Benchmark Summary Results - \$ Spend by Tower

The below Tower spend comparison to market, drills further into specific areas for cost optimisation and guiding future strategic sourcing decisions. Aurizon Network is close to the upper range when it comes to Application and Security Tower spend.

Tower	Baseline			Peer Group		
	Corp. Method	Users Method	Consump Method <sup>1</sup>	25 <sup>th</sup>	Median	75 <sup>th</sup>
Applications	\$14.7 M	\$12.9 M	\$12.8 M	\$8.6 M	\$11.4 M	\$14.9 M
End-User	\$3.6 M	\$2.7 M	\$3.2 M	\$2.1 M	\$3.0 M	\$4.4 M
Governance & Business Management	\$2.2 M	\$1.6 M	\$1.6 M	\$1.7 M	\$2.4 M	\$3.5 M
IT Infrastructure	\$6.2 M	\$4.8 M	\$6.2 M	\$3.4 M	\$5.7 M	\$9.5 M
IT Security	\$2.1 M	\$1.6 M	\$1.6 M	\$0.3 M	\$0.7 M	\$1.6 M
IT Service Management	\$0.4 M	\$0.3 M	\$0.3 M	\$0.6 M	\$0.9 M	\$1.3 M
<b>Total</b>	<b>\$29.1 M</b>	<b>\$24.1 M</b>	<b>\$25.8 M</b>	<b>\$16.6 M</b>	<b>\$24.1 M</b>	<b>\$35.2 M</b>



### Key Insights

Total \$ spending on Applications is significantly higher compared to the peer group. From a cost pool view there is significant spend on software, with 75% spend for Aurizon, compared to 39% for peer group. A large portion of this comes from corporate amortisation and specific Below The Rail software costs.

#### Application Spend by Cost Pool

Cost Pool	Peer Group	Aurizon Network
Software	39%	56%
Labour	43%	12%
External Services	18%	32%

■ Software ■ Labour ■ External Services

High Security spend aligns with Aurizon undertaking a comprehensive Cyber Transformation program aimed at enhancing its cybersecurity posture by addressing key vulnerabilities and improving resilience against cyber threats, funded as part of opex in FY24-25.

# 05

## Market Trends Review



# Scenario Modelling Approach

The Scenario Modelling framework provides a structured method for assessing ICT investment scenarios by first understanding budget inclusions and exclusions. Stakeholder interviews and market research inform scenario development, ensuring alignment with business needs and financial constraints. Each scenario is then analysed and validated, offering a structured approach to evaluate cost impacts, risks, and strategic opportunities.

## Scenario Modelling Approach

## Scenarios covered in this section<sup>1</sup>

### 1. Understand the 4-Year Budget & Identify Scenarios

- **Engagement with Core Team:** Work closely with the core engagement team to determine what is included and excluded from the latest 4-year budget planning cycle.
- **Stakeholder Interviews:** Conduct interviews with key stakeholders to identify investment priorities, risks, and budget plan.

### 2. Market Research on Key Market Trends and Scenarios

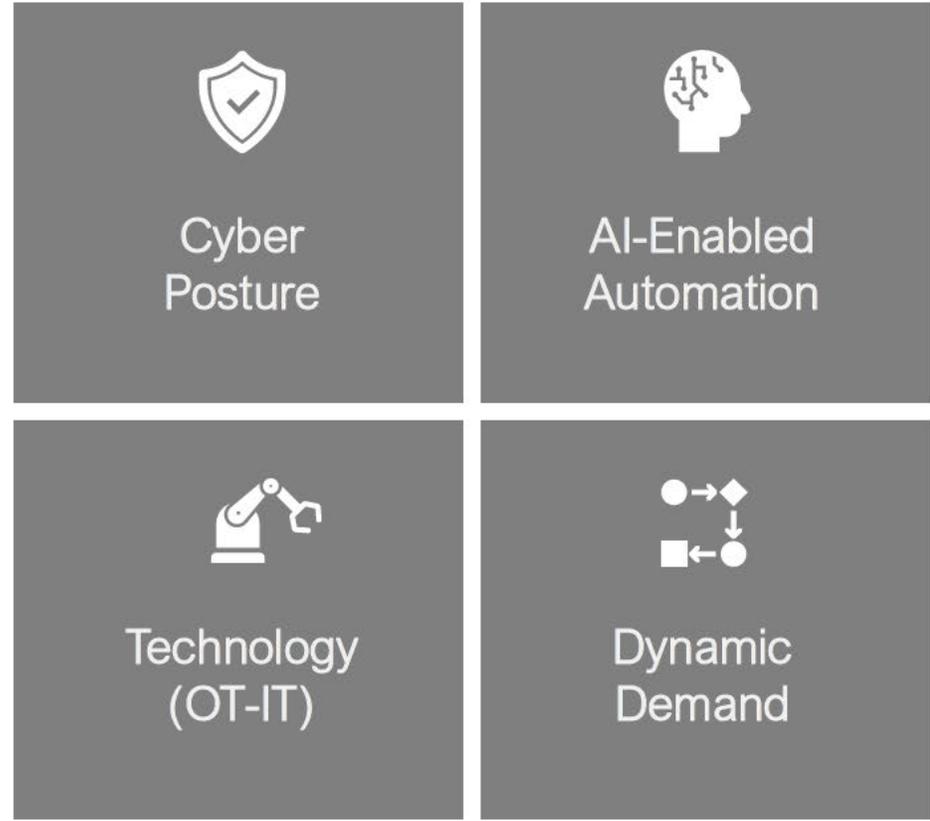
- **Market Research:** Conduct extensive research on key market trends and scenarios that are expected to impact the ICT landscape over the next 10 years.
- **Scenario Development:** Develop scenarios based on identified and agreed market trends, working with clients to explore various future possibilities and their impact on ICT costs.

### 3. Analysis & Modelling

- **Data Validation:** Validate the assumptions applied in the key scenarios modelling to ensure accuracy and reliability.
- **Scenario Modelling:** Apply the validated assumptions to the 10-Year Outlook model to evaluate the impact of different trends and scenarios on ICT costs.

### 4. Assumptions Endorsement and Model Refinement

- **Assumptions Endorsement:** Obtain endorsement of the assumptions used in the model from key stakeholders to ensure buy-in and support.
- **Model Refinement:** Adjust modelling parameters based on stakeholder feedback to ensure alignment with financial and strategic goals.



# Current Market Landscape & Forecast Impact on ICT in Railway Industry

Key megatrends are reshaping ICT in the railway industry, each at different lifecycle stages. Dynamic Demand drives flexible IT consumption, enabling AI-Enabled Automation to enhance efficiency. As automation matures, Cyber Posture strengthens security, while Technology (OT-IT) advances industrial integration. These trends shape IT investment priorities, influencing long-term planning and resource allocation. The below shows a horizon view of key investment considerations by Aurizon Network across the ICT landscape.



IT Functions	Dynamic Demand	AI-Enabled Automation	Cyber Posture	Technology (OT-IT)
<b>Applications</b>	Increased need for scalable, cloud-native apps with flexible licensing.	AI-driven applications (chatbots, automation)	Secure DevOps, AI-powered security testing	Integration of OT control apps with IT (e.g., SCADA, IoT apps)
<b>End-User</b>	AI-powered service desks, demand-driven IT support models.	AI-powered service desks & automation	Zero Trust access for end-users	Augmented Reality (AR) & Virtual Reality (VR) for OT worker training, enabling real-time diagnostics on railway assets.
<b>Governance &amp; Business Management</b>	Compliance frameworks adapting to real-time IT consumption trends.	AI-driven analytics for decision-making	Compliance frameworks (OT 3.5, NIST, ISO 27001)	IT-OT policy alignment, digital twins for predictive risk management
<b>IT Infrastructure</b>	Shift towards hybrid/multi-cloud, auto-scaling resources.	AI-based performance monitoring	Network segmentation, Secure Access Service Edge (SASE)	Edge computing for OT real-time processing
<b>IT Security</b>	AI-driven, adaptive security that responds to real-time usage patterns.	AI fraud detection, anomaly tracking	AI-driven threat detection, SOC automation	OT security (SCADA, IoT, network isolation)
<b>IT Service Management</b>	Adaptive ITSM models, flexible SLAs, self-healing IT services.	AI-driven ITSM automation (self-healing systems)	AI-powered cybersecurity incident response	IT-OT service integration for remote monitoring

## Scenario Modelling – Key Assumptions (1/2)

Across the key scenarios identified for modelling and ultimately inclusion in the UT6 10-Year Outlook Submission, the below describes key assumptions across financials, timeline and dependencies and underpins the defensibility of the scenario modelling work.

### Cyber Posture | Technology (OT-IT) – combined scenario

#### Cyber Security Maturity Level Uplift

This scenario focuses on enhancing cybersecurity maturity to align with ASD Essential Eight requirements. Key areas include threat detection, security monitoring, compliance, and incident response capabilities.

#### Identity Management

This scenario addresses Microsoft Identity Manager (MIM) coming to end-of-life, transitioning to a cloud-based IAM platform. The solution improves identity governance, access controls, and regulatory compliance across IT and OT environments.

#### Operation Technology Network 3.5

Introduces security segmentation between OT Levels 3 and 5, enhancing industrial control system (ICS) security. Ensures regulatory compliance, improves threat monitoring, and integrates with IT security functions.

### Key Assumptions

#### Financial:

- **Implementation cost:** 30% of IT security budget (spread across security tools, SOC expansion, and governance upgrades).
- **Ongoing cost:** 37% of IT security budget (staffing, monitoring, and continuous security improvement).
- **Cost efficiency** if bundled with OT 3.5 (SOC monitoring overlap) or Identity Management (security governance overlap).

#### Timeline:

- **Phase 1 (12 months):** Threat detection, compliance frameworks, monitoring tool deployment.
- **Phase 2 (12 months):** SOC enhancement, incident response automation, zero trust model implementation.
- **Ongoing (Post 24 months):** Compliance monitoring, continuous security enhancements.

#### Dependencies:

- Requires SOC expansion and integration with existing monitoring tools.
- Relies on internal security team upskilling to manage increased alerts.

#### Financial:

- **Implementation cost:** 25% of IT security budget for IAM platform licensing, integrations, and governance frameworks.
- **Ongoing cost:** 35% of IT security budget for continuous access monitoring, compliance, and user provisioning.
- **Efficiency gains** from bundling with Cyber Security Maturity Uplift (shared security governance) and OT 3.5 (IT-OT access control alignment).

#### Timeline:

- **Phase 1 (12 months):** IAM system procurement, identity governance framework development.
- **Phase 2 (12 months):** Migration from MIM to new IAM solution, access control policy enforcement.
- **Ongoing (Post 24 months):** Continuous governance, security audits, and privilege management.

#### Dependencies:

- Integration with SaaS applications (HR, Finance, ServiceNow, etc.).
- Requires security team oversight for role-based access governance.
- Aligns with compliance mandates (ISO 27001, ASD Essential Eight).

#### Financial:

- **Implementation cost** is estimated ~35% of IT security budget spread over procedural design, rollout, and COSC setup.
- **Ongoing cost** is estimated ~40% of IT security budget covering SOC monitoring, compliance, and continuous threat detection.
- **Bundling efficiency gain:** Cost reduction when implemented alongside Cyber Security Maturity Uplift or Identity Management due to overlapping security operations

#### Timeline:

- **Procedural Design Phase (6 months):** OT security governance & policy refinement; Technical design for segmentation and remote access; Vendor selection & procurement planning.
- **Rollout & CSOC setup (18 months):** Implementation of micro-segmentation (firewalls, zoning); Secure remote access for IT-OT operations; Integrate with CSOC.
- **Ongoing & Enhancements (Post 24 months):** Continuous monitoring & compliance alignment; Security automation, analytics improvements.

#### Dependencies:

- OT Team & Industrial Cybersecurity Collaboration; Integration with COSC for centralised threat detection; Regulatory compliance (Critical Infrastructure Act, ASD Essential 8).

## Scenario Modelling – Key Assumptions (2/2)

Across the key scenarios identified for modelling and ultimately inclusion in the UT6 10-Year Outlook Submission, the below describes key assumptions across financials, timeline and dependencies and underpins the defensibility of the scenario modelling work.

### AI-Enabled Automation

- This scenario assesses the financial impact of AI-driven automation across the entire ICT landscape over a 10-year period.
- AI-enabled automation is improving ITSM, cybersecurity, cloud, and infrastructure. ~55% of large organisations are adopting AI, with investment levels trending moderate to high. This scenario reflects a position between those levels.
- **Focus areas:** Cost savings, efficiency gains, and trend-based ICT expenditure forecasting.

### Dynamic Demand (High-Level cost profile only)

- This scenario evaluates the financial and operational impact of dynamic demand strategies in IT.
- Focuses on flexible IT capacity, real-time scaling, and pay-as-you-go models.
- Expected benefits include improved cost efficiency, better cash flow management, and supply chain resilience.
- Investment areas include cloud services, IT workforce agility, and on-demand infrastructure.

### Key Assumptions

#### Financial:

- **AI implementation:** ~22.3% of total ICT budget over 3 years (phased roll-out)
- **Ongoing AI costs:** ~17.2% of total ICT budget annually (AI licensing, model retraining, automation maintenance)
- **Projected cost reduction:** ~33.5% of total ICT OPEX over 10 years (% in Year 3, % in Year 4, % in Year 5, ~33.5% in Year 6 onward)
- **Break-even** in 7-8 years (due to AI-driven efficiency)

#### Timeline:

- **Year 1-3:** AI platform development & phased implementation in ITSM, Security, Infrastructure
- **Year 4+:** AI-driven automation stabilises, cost savings materialise
- **Year 5+:** Full AI-driven operations & scaled efficiency.

#### Dependencies:

- Cloud AI infrastructure (Compute & Storage capacity upgrades)
- AI model development & continuous optimisation
- Workforce reskilling to AI-based automation.

#### Financial:

- **Implementation Cost:** Estimated at ~16.8% of total ICT budget over 3 years for transitioning to dynamic demand strategies.
- **Ongoing Costs:** ~14.5% of total ICT budget annually for maintaining flexible infrastructure, demand forecasting tools, and automated scaling.
- **Projected Cost Reduction:** ~20.3% of total ICT OPEX over 10 years due to demand-based optimisations.
- **Break-even** in 8-9 years, aligning with operational efficiency gains and real-time resource allocation. Estimated **\$5M** net reduction ongoing in Year 10 onward

#### Timeline:

- **Year 1-2:** Adoption of cloud-based dynamic scaling, real-time monitoring, and demand forecasting tools.
- **Year 3-4:** Full integration of pay-as-you-go models, AI-driven automation for demand adjustments.
- **Year 5+:** Optimised cost savings from flexible demand-based IT infrastructure.

#### Dependencies:

- Cloud adoption strategy, hybrid or multi-cloud platforms for elastic computing.
- AI-driven demand forecasting and resource allocation tools.
- IT workforce reskilling and operational adjustments to manage demand-based infrastructure.

# Projected Costs for ICT Key Scenarios

Bringing together the scenario assumptions from the previous pages, the below presents the modelled costs of each and logically combined scenarios, assessing their financial impact over the 10-Year Outlook. Each scenario includes implementation costs (CAPEX in blue) and the run impact (OPEX in black), including the net of the ongoing expenses and potential savings, helping to optimise investment decisions.

	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	FY31-32	FY32-33	FY33-34	FY34-35	Commentary
01 Cyber Security Maturity Level Uplift											<p><b>Cyber Security Maturity Level Uplift:</b> Regulatory-driven necessity. Costs are ongoing due to security enhancements, monitoring, and compliance upkeep.</p> <p><b>Identity Management:</b> Transitioning from MIM to a cloud-based IAM is unavoidable due to end-of-life risks. The ongoing cost is predictable due to a SaaS subscription model, ensuring stable identity governance and compliance. <i>Excluding this from the 10-Year Outlook poses security risks.</i></p> <p><b>OT 3.5:</b> Critical security uplift for OT environments. Initial procedural design (6 months), followed by 18-month rollout and COSC setup, with an ongoing profile of cost for continuous monitoring, compliance and enhancement.</p> <p><i>*Bundling the Identity Management, Cyber Security Maturity Level Uplift, and/or OT 3.5 will optimises spend and some capabilities overlap.</i></p> <p><b>AI-Enabled Automation:</b> High upfront cost (~22.3% ICT budget over 3 years) but delivers ~33.5% long-term cost reduction. Break-even is expected ~9-10 years. Optimises ITSM, security, and cloud infrastructure. Inclusion strengthens cost-efficiency.</p>
02 Identity Management											
03 Operation Technology Network 3.5											
<b>Bundling Options:</b>											
04  +  (8% reduction)											
05  +  (6% reduction)											
06  +  (5% reduction)											
07  +  +  (15% reduction)											
08 AI-Enabled Automation											

38 **Note** – The above costs are the total costs across both Aurizon Network and Corporate. When the scenarios are included as part of the UT6 submission (refer page 42), the cost attributed to Network are a portion of the above

# Recommendation for UT6 submission

The section below outlines the recommended scenarios for UT6 submission, focusing on cost efficiency, security priorities, feasibility and ensuring a risk-based approach to transformation.

		Recommended Treatment for UT6 Submission
01	Cyber Security Maturity Level Uplift	✗ Exclude
02	Identity Management	✓ Include (Bundle)
03	Operation Technology Network 3.5	✓ Include (Bundle)
<b>Bundling Options:</b>		
04	 +  (8% reduction)	✗ Exclude
05	 +  (6% reduction)	✗ Exclude
06	 +  (5% reduction)	✓ Include
07	 +  +  (15% reduction)	✗ Exclude
08	AI-Enabled Automation	✗ Exclude

Recommendation
<p>It is acknowledged that the organisation, from a capacity perspective alone, cannot undertake all scenarios at the same time. A targeted investment approach ensures security upgrades and AI adoption align with financial and operational constraints, optimising value while maintaining stability. Taking that into account, the following insights are provided for consideration for UT6 submission.</p> <p><b>Identity Management &amp; OT 3.5 to be bundled</b>                      Identity Management is recommended because the transition to a cloud-based IAM is necessary due to the end-of-life risk of Microsoft Identity Manager (MIM). This upgrade ensures secure access control, compliance with regulatory requirements, and improved identity governance. At the same time, OT 3.5 is recommended as it strengthens security segmentation between OT Levels 3 and 5, reducing cyber threats in industrial systems and ensuring long-term operational resilience. Bundling Identity Management and OT 3.5 eliminates duplication, improves cost efficiency, and leverages shared implementation efforts, making it the preferred approach. Proceeding with this bundle will achieve cost savings, enhance security, and ensure regulatory alignment.</p> <p><b>AI-Enabled Automation</b>                      AI-Enabled Automation is recommended only with a well-defined strategic plan to ensure alignment with business priorities and transformation readiness. While AI offers long-term operational efficiencies and cost reductions, immediate adoption without a structured approach could overstretch financial and operational resources, particularly with ERP Replacement and Cyber Transformation programs ongoing.</p> <p>A comprehensive AI strategy should be developed before committing to adoption. This strategy should identify business-driven use cases, assess cost-benefit trade-offs, and determine scalable implementation pathways. Rather than implementing AI as a single large-scale initiative, the focus should be on incremental value-driven deployments that deliver measurable outcomes. AI should enhance efficiency, security, and IT optimisation while aligning with existing transformation efforts, ensuring that investment decisions are deliberate, structured, and sustainable.</p>

# 06

## Combined UT6 10-Year Summary



## Aligning Benchmark Outputs with UT6 requirements

A data driven approach has been built up to form a robust 10-Year UT6 OPEX view. Our methodology incorporates benchmarking, consumption trends, inflation modelling, review of committed spend and additional scenario-based planning, which is then viewed in totality and interrogated for appropriateness over the 10-year horizon. It represents the build up of all inputs gathered in the proceeding sections of this report.

### Key Parameter

### Aligning UT6 requirements

 <p><b>Current Service Cost FY24-FY25</b></p>		 <p>Appropriate baseline for future cost build – Section 4</p>
 <p><b>Current Service Consumption Growth</b></p>	<p><b>External Benchmark</b> - review of total IT costs consumed by Network, using the Corporate FTE allocation driver, compared to market benchmarks for current ICT services and apply robust volume and price growth factors to support the 10-year regulatory horizon</p>	 <p>Pattern identification and clarification of service demand, integrating inflight projects and forecasted expansion to refine ICT consumption projections – Section 6</p>
 <p><b>Current Service Price Growth</b></p>		 <p>Future price indexation using Treasury published rates across key ICT services: support, hardware, software – Section 6.</p>
 <p><b>Future Committed Spend</b></p>	<p><b>Future Committed Programs Review</b> - ERP business case and Cyber program cost assumption review and financial risk identification and modelling.</p>	 <p>Integration of ERP Replacement and Cyber Transformation investments, aligning future spend with approved ICT roadmap programs and regulatory compliance – Section 6</p>
 <p><b>Future Anticipated Spend – across ‘likely’ scenarios</b></p>	<p><b>Future Anticipated Megatrends Outlook and Scenarios</b> - Scenario based build-up of jointly agreed Future Megatrends and their impact on Aurizon’s funding profiles</p>	 <p>Incorporation of Identity Management and OT 3.5 investment scenarios, ensuring security, compliance, and operational resilience within the 10-year ICT funding strategy – Section 5</p>
 <p><b>Composite robust 10 year OPEX View</b></p>	<p><b>Composite View</b> – UT6 ready submission bringing together a single funding view across the agreed level of confidence.</p>	 <p>A UT6-ready submission, consolidating all cost elements, forecast assumptions, and scenario-based investments into a single funding profile, ensuring transparency and defensibility – Section 6</p>

## Combined UT6 10-Year Summary

# 10-Year Outlook – Opex Allowance (Excl. Scenarios)

The 10-Year Outlook below, presents the projected ICT cost trajectory, prior to inclusion of the scenario modelling recommendation. It begins with the Modified Consumption Model (\$25.8M) as the base, incorporating cost adjustments, growth factors, and committed investments to reflect evolving financial needs. This outlook provides a structured view of cost drivers, ensuring transparency in long-term financial planning.

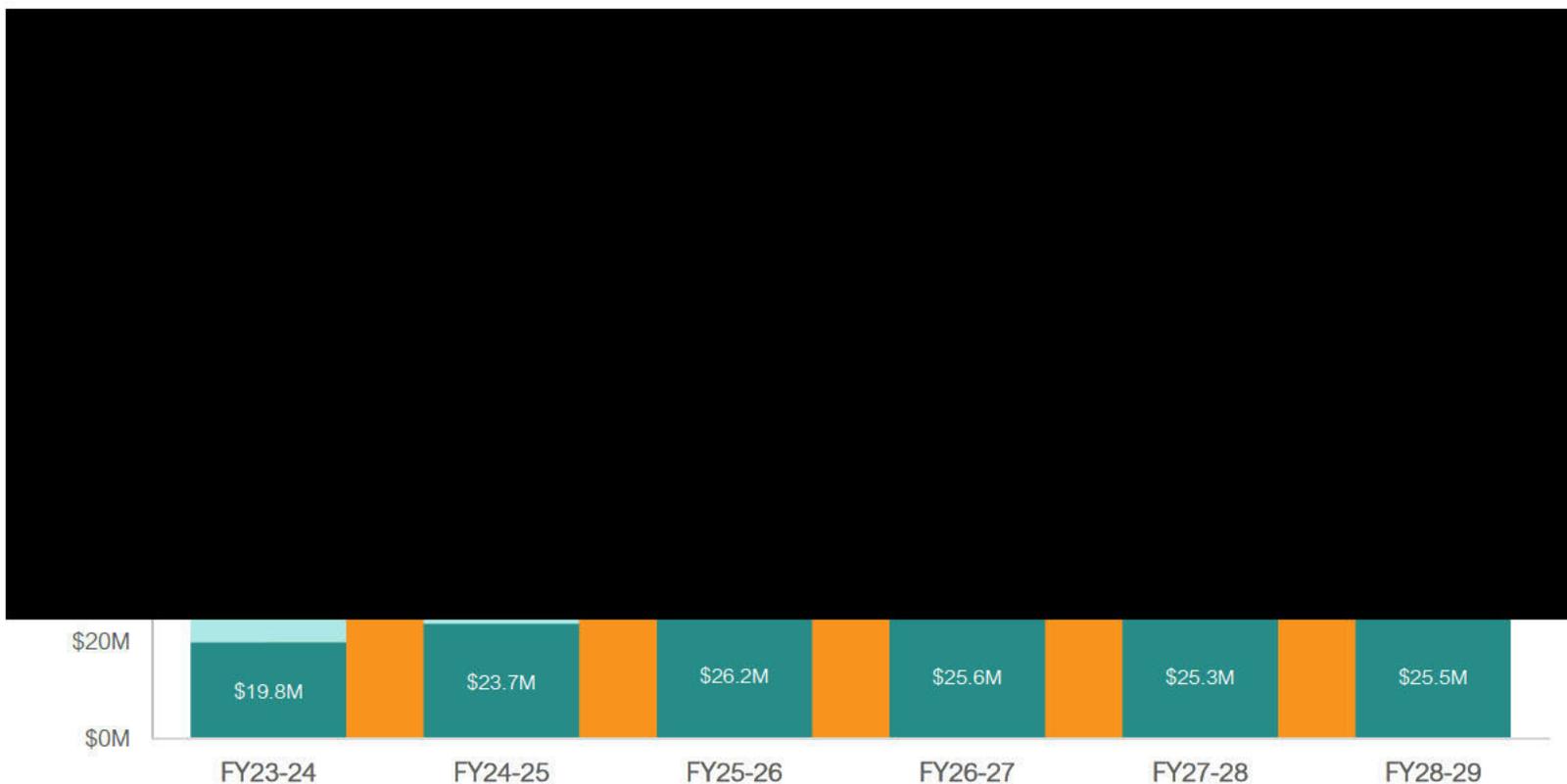
		FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	FY31-32	FY32-33	FY33-34	FY34-35	Commentary
	Modified Consumption Model (FY23-24)	\$25.8M	The 10-Year Outlook provides a structured cost view, ensuring alignment with growth, inflation, and strategic investments. It is built on a layered structure, starting with the Modified Consumption Model (\$25.8M) as the baseline.										
+	Alignment to Feb-25 Forecast	\$3.2M											
=	<b>Current Service Cost (FY24-25)</b>	<b>\$29.0M</b>	Beyond this, growth and inflight projects introduce further cost increases, while inflation accelerates in later years, reflecting vendor pricing trends. Future committed spend, focuses on ERP Replacement and Cyber Transformation, being strategic investments that drive modernisation and improve security posture. Refer Appendix for the full list of modelling Assumptions.										
	<u>Current Service Consumption and Price Growth</u>												
+	Growth & In-flight projects		\$1.1M	\$0.9M									
+	Inflation		\$0.4M	\$0.7M	\$1.5M	\$2.1M	\$2.9M	\$3.7M	\$4.6M	\$5.5M	\$6.5M	\$7.4M	

## 5-Year Budget vs 10-Year Outlook (Excl. Scenarios)

The 5-Year Budget vs. 10-Year Outlook comparison highlights the alignment between short-term budget planning and long-term forecasting before incorporating investment scenarios. While slight variances exist, both models follow a consistent trajectory, demonstrating that the 10-Year Outlook provides a reliable extension of the 5-Year Budget for future financial planning.

### Comparison between 5-Year Budget and 10-Year Outlook

■ 5-Year Budget
 ■ Network
 ■ Corporate Allocation - Other Bus



Note 1 – 5-Year Budget is as at 10<sup>th</sup> March 2025.

Note 2 – the Network charges used are sourced from the Modified Consumption model

#### Commentary

The comparison illustrates that the **5-Year Budget** and **10-Year Outlook** models are well-aligned, with only minor variances driven by pricing adjustments, inflation assumptions, and refinements in cost allocation.

- **The budget and outlook maintain a consistent cost trajectory**, reinforcing the reliability of the long-term forecasting approach.
- **Slight variations** arise from differences in growth assumptions, cost indexing, and refinements in service allocations, but these are within an expected range.
- **Network and corporate allocations remain stable**, ensuring a balanced and predictable financial outlook.

This alignment confirms that the 10-Year Outlook serves as a logical extension of the 5-Year Budget, providing a strong foundation for scenario modelling in subsequent analysis.

# 10-Year Outlook – Opex Allowance (Incl. Scenarios)

The 10-Year Outlook – Opex Allowance (Incl. Scenarios) builds on the previous outlook by incorporating the recommended investment scenarios. These additions reflect future anticipated spend for Identity Management and OT 3.5, aligning the cost trajectory with strategic security and operational priorities. The inclusion of these scenarios provides a more comprehensive view of total ICT investment needs over the decade.

	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	FY31-32	FY32-33	FY33-34	FY34-35
Total Opex Allowance (Excl. Scenarios)	\$29.0M	\$31.7M	\$31.3M	\$31.2M	\$31.5M	\$32.4M	\$33.2M	\$34.6M	\$35.5M	\$36.4M	\$38.3M
<b>Future Anticipated Spend – across 'likely' scenarios<sup>1</sup></b>											
+ Identity Management		\$1.3M	\$1.4M								
+ Operation Technology Network 3.5		\$0.4M	\$0.5M	\$2.2M	\$2.3M	\$2.4M	\$2.4M	\$2.5M	\$2.6M	\$2.7M	\$2.7M
Total Capex		\$1.3M	\$1.4M								
Total Opex Allowance (Incl. Scenarios)	\$29.0M	\$32.3M	\$31.7M	\$33.4M	\$33.8M	\$34.7M	\$35.7M	\$37.1M	\$38.1M	\$39.1M	\$41.0M

## Commentary

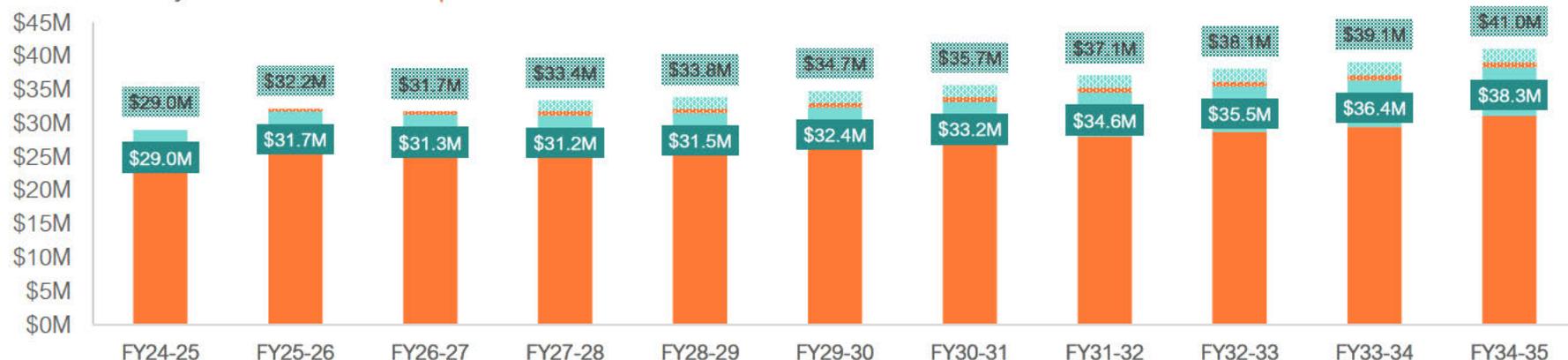
The Total Opex Allowance increases with the inclusion of Identity Management and OT 3.5, both identified as critical investments in the scenario modelling process. These initiatives address security enhancements, regulatory compliance, and operational efficiency, ensuring long-term resilience.

- Identity Management investment supports the transition to a cloud-based IAM, improving access control, governance, and risk management.
- OT 3.5 enhances network segmentation and cybersecurity in operational environments, mitigating risks in industrial control systems.

With these additions, Total Capex and Opex costs rise accordingly, stabilising in the later years as security and infrastructure investments scale. This outlook reinforces the need for cost optimisation strategies and phased implementation to balance financial sustainability with transformation objectives.

## Opex Allowance including Scenario Impact (Shaded)

Breakdown by Business Unit: Corporate Allocation & Network Direct



**Note 1** – The projected annual Opex charges are less than those shown in the full scenario model on page 38, as they represent the Aurizon Network only, attributable component.

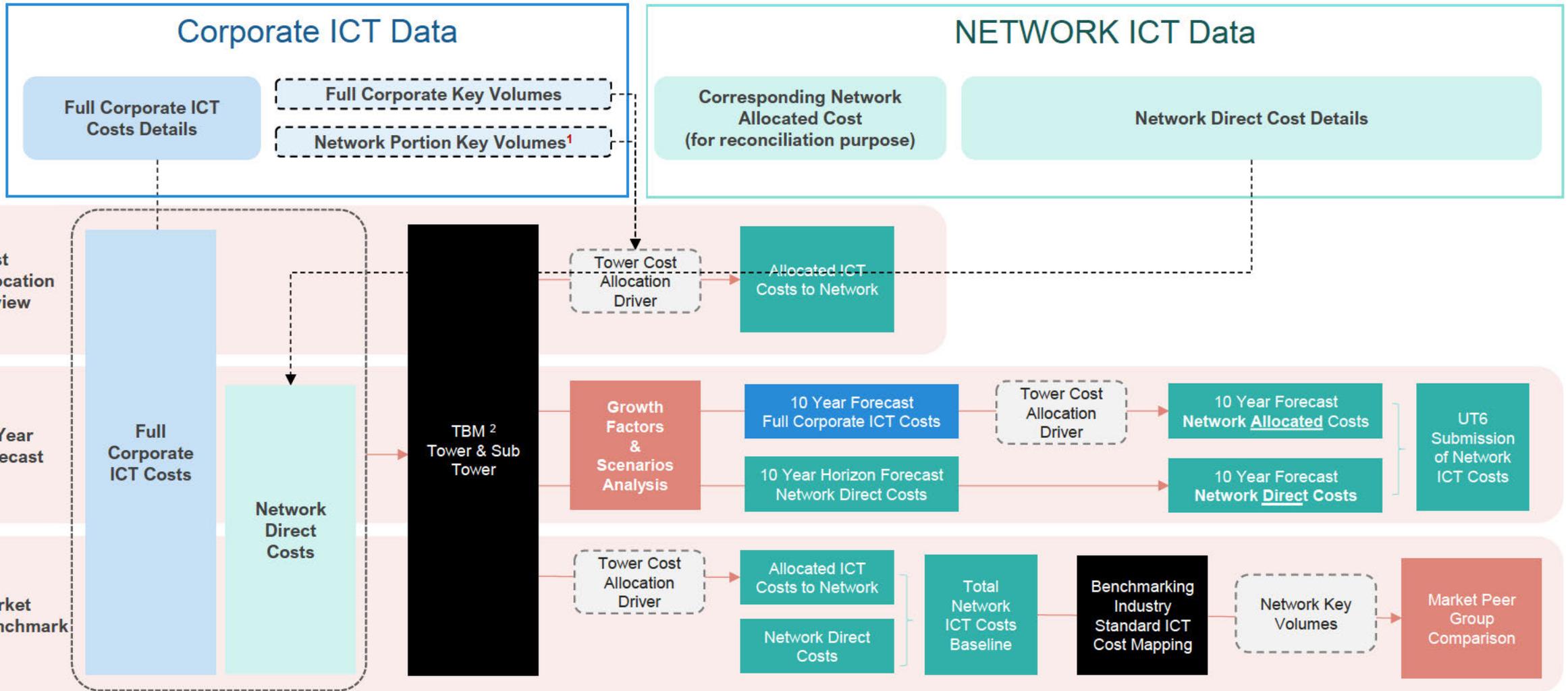
**Note 2** – Shaded bars represent scenarios, split across Corporate Allocation & Network Direct

07

# Appendices



# Aurizon ICT Financial Data Flow and Stream Methodology Overview



**Note**

1. The Network portion of volumes will be worked through as part of the project based on the full corporate volumes.
2. Technology Business Management (TBM) is an internationally accredited best practice framework used as a starting point for all cost modelling to provide a common language across ICT, the business and finance functions within an organisation, refer Appendix pages 49-50.

## Key Assumptions (1/2)

This section captures the key assumptions made across the three modelling outputs featured in this report: cost allocation, benchmarking and the 10-Year Outlook. They have been built iteratively during phases 2A and 2B and have been validated by the relevant Aurizon stakeholder.

No.	Assumption Details	Validated by										
FY23-24 Actuals TBM <sup>1</sup> Mapping												
1	<p>The key mapping principle is to use the lowest level of detail where possible. In instances where the description provided at the transaction level is insufficient to determine the appropriate service category mapping, MEC will use a combination of the supplier details and the nature of the cost centre as an alternative guideline to support the service mapping.</p> <p>Below is the list of accounts where the lower levels of details were available and were used for the TBM mapping:</p> <ul style="list-style-type: none"> <li>• Depreciation &amp; amortisation – cross-referencing and checking with the Fixed Asset Registers</li> <li>• Software subscription – mapping based on the transaction details of the subscription and software provider.</li> <li>• Consultancy &amp; Professional Services – mapping based on supplier contract (if available), or supplier and transaction details. In the case where the transaction only provides the consultant/contractor's name, the cost will be mapped based on the nature of the cost centre.</li> </ul>	Core Engagement Team										
2	<p>Across Aurizon's corporate account, MEC observed labour costs being allocated from the staff cost centres to the ICT Asset cost centres. MEC assumes the labour costs are allocated based on the tasks performed by the ICT staff, therefore the labour costs are mapped based on the nature of the cost centres that the labour costs are allocated to.</p> <p>For example, if labour costs (employee costs + on costs) from IT Apps Admin cost centre were allocated to the ERP cost centre, we assume the nature of the labour costs is to perform ERP related tasks.</p>	Core Engagement Team										
3	<p>The Capital expenditure is calculated by summing the costs of the following accounts:</p> <table border="0" data-bbox="168 929 715 1086"> <tr> <td>601400</td> <td>SETTLEMENT LABOUR AUC</td> </tr> <tr> <td>617250</td> <td>SETTLEMENT PROFESSIONAL</td> </tr> <tr> <td>616650</td> <td>SETTLEMENT TRAVEL &amp;</td> </tr> <tr> <td>622550</td> <td>SETTLEMENT IT &amp; COMP</td> </tr> <tr> <td>620000</td> <td>Settlement Consumables</td> </tr> </table>	601400	SETTLEMENT LABOUR AUC	617250	SETTLEMENT PROFESSIONAL	616650	SETTLEMENT TRAVEL &	622550	SETTLEMENT IT & COMP	620000	Settlement Consumables	Core Engagement Team
601400	SETTLEMENT LABOUR AUC											
617250	SETTLEMENT PROFESSIONAL											
616650	SETTLEMENT TRAVEL &											
622550	SETTLEMENT IT & COMP											
620000	Settlement Consumables											
4	<p>For the Head of Tech and Facilities cost centre, the total expenditure is split between ICT and Facilities based on the below:</p> <ul style="list-style-type: none"> <li>- Assuming the internal labour costs are used to perform tasks 50:50 between ICT and Facilities, then 50% of internal labour costs and other incidentals (travel, conferences etc) are proportionated allocated to the ICT function.</li> <li>- Consultancy and Professional Services are mapped based on the transactions. ICT related transactions are identified and mapped.</li> <li>- Software licensing and ICT hardware and software amortisation are 100% mapped as ICT costs.</li> </ul>	Core Engagement Team										

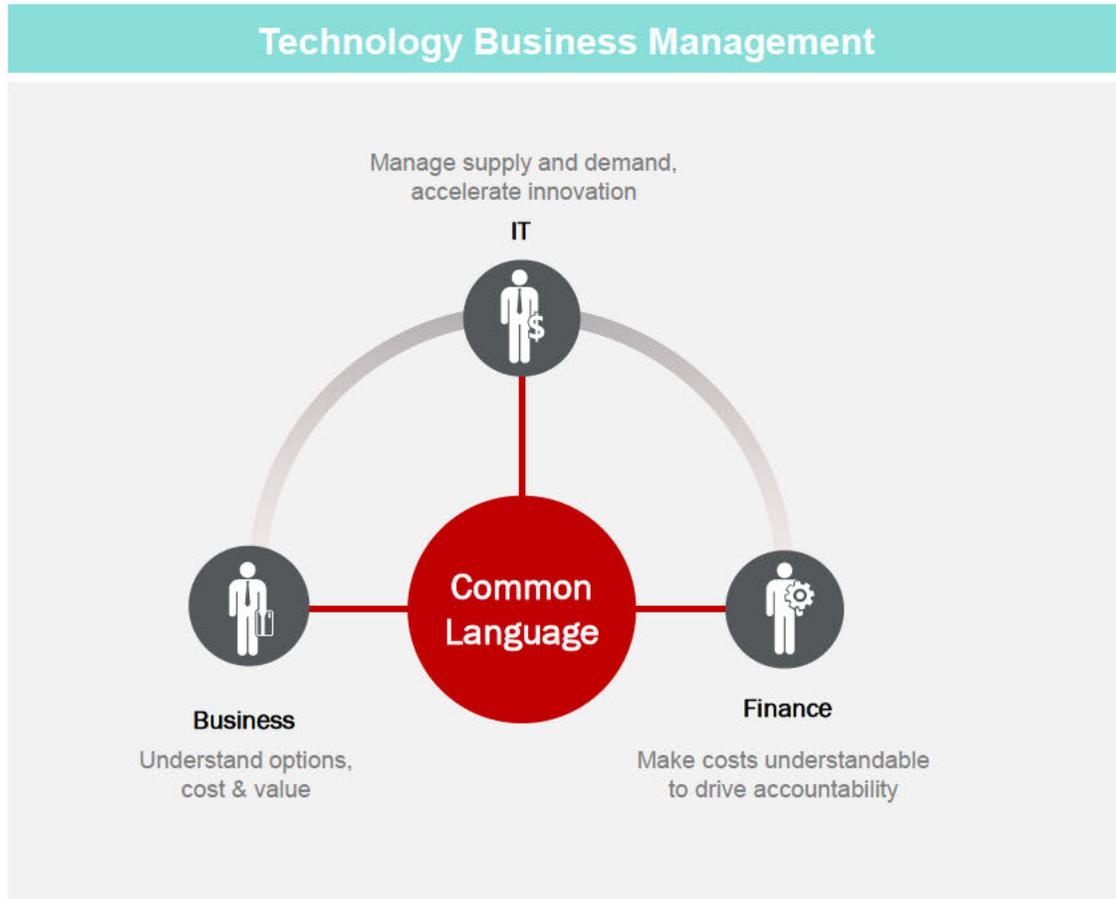
## Key Assumptions (2/2)

This section captures the key assumptions made across the three modelling outputs featured in this report: cost allocation, benchmarking and the 10-Year Outlook. They have been built iteratively during phases 2A and 2B and have been validated by the relevant Aurizon stakeholder.

No.	Assumption Details	Validated by
10-Year Outlook		
5	<b>Inflation Assumptions:</b> <ul style="list-style-type: none"> <li>- The Wage Price Index (WPI), which is applied to all support/labour costs has been set at 3.0% annually. Based on historical ABS indexation, the estimated WPI is 2.5%. An additional 0.5% was added to the WPI to account for potential growth in Full-Time Equivalents (FTEs).</li> <li>- The Consumer Price Index (CPI), which is applied to all non-support/non-labour costs, has been also set at 3%. Based on historical ABS indexation, overall CPI is 2%. However, over the past five years, the market software cost uplift has ranged from 3% to 15%. Further research and analysis indicates that the transportation industry trends toward the lower end of this range. Large applications (such as Microsoft and SAP) are forecasted separately. For the remaining software licenses, the annual cost uplift is expected to be closer to the lower market range (i.e., 5%). In the 10-Year Outlook model, an additional 1% was added to the CPI and applied to all non-support/non-labour cost pools, not just the software cost pool, to avoid complex modelling. Both simple and complex modelling methods were tested, and the results were marginal.</li> <li>- For simplicity in modelling and ongoing maintenance, a CPI and WPI of 3.0% per annum was adopted across all cost pools except for Depreciation, and Amortisation.</li> </ul>	Core Engagement Team
6	<b>Capex &amp; Depreciation Assumptions:</b> <ul style="list-style-type: none"> <li>- Industry benchmarks indicate an ICT capex-to-opex ratio of 20:80. The industry benchmarks of capex to opex investment over the last 10 years has decreased from ~25:75 to ~20:80 driven by the move to cloud infrastructure, away from on-premise infrastructure.</li> <li>- Looking at the depreciation and amortisation for outer years, when solely using the current Fixed Asset Register and In-flight project list was a significant as new projects/investments over the mid-term horizon have not yet been identified. To ensure a stable investment cycle a consistent 20/80 capex to opex ratio was used, where the fixed asset register and in flight projects would have had a lower figure.</li> </ul>	Core Engagement Team
7	<b>TBM IT Tower Allocation:</b> <ul style="list-style-type: none"> <li>- The transition from the 5-Year Budget to the TBM IT Tower model assumes no change in weight distribution across IT towers. This assumption is based on the fact that the FY23-24 weighting has been benchmarked against peer groups for alignment. Maintaining the current weighting ensures consistency and comparability with industry standards, which helps in accurately reflecting the cost distribution across IT towers. Additionally, this approach avoids the complexities and potential inaccuracies that could arise from adjusting the weight distribution without sufficient data to support such changes.</li> </ul>	Core Engagement Team
8	<b>Growth and In-flight projects:</b> <ul style="list-style-type: none"> <li>- Organic business growth in software, Azure and in-flight projects has been assumed.</li> <li>- Stranded costs (e.g., end-of-project or relocations) were excluded, with the assumption that internal labour currently working on project work will be absorbed or reassigned to business-as-usual activities over time.</li> </ul>	Core Engagement Team

# What is Technology Business Management (TBM)?

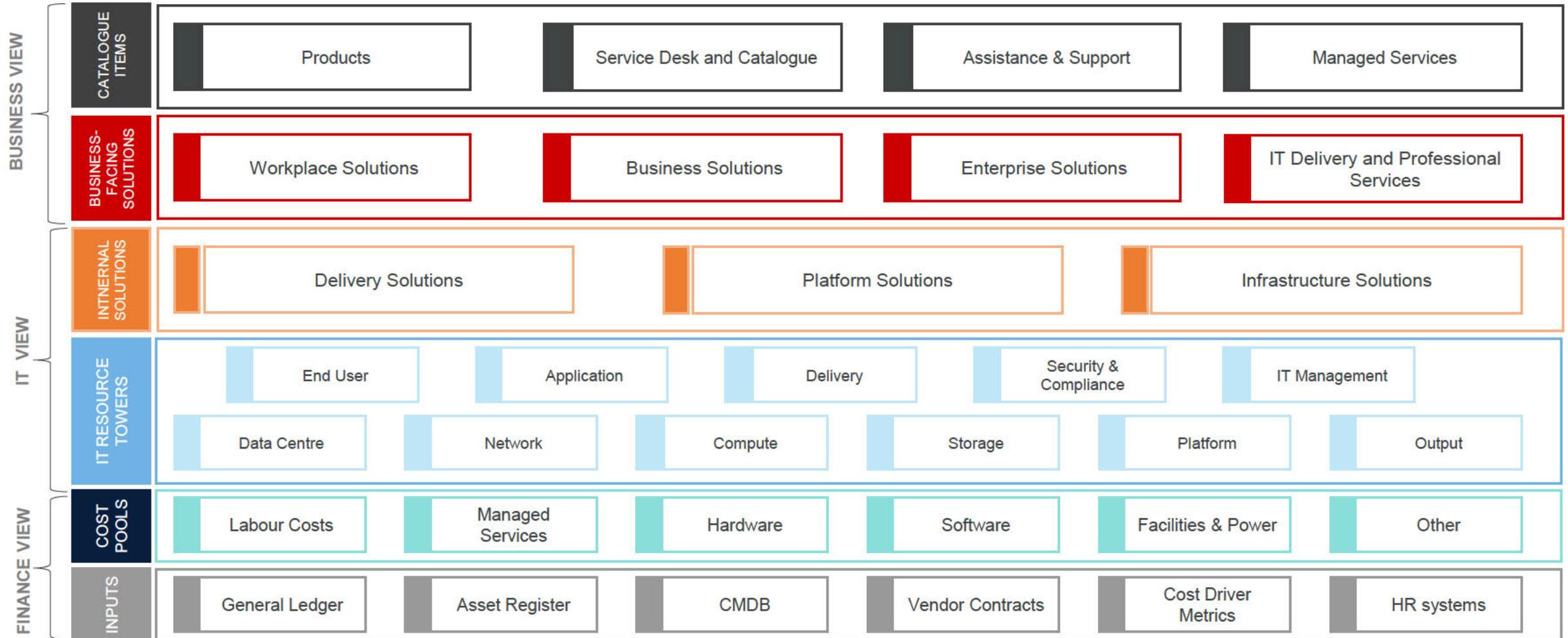
MEC leverages the Technology Business Management (TBM) framework as a starting point for all cost modelling to provide a common language across IT, Business and Finance. TBM provides IT organisations with the solutions, strategies, methodologies, and tools to manage the cost, quality, and value of their IT services.



Description
<p><b>Optimise:</b> Continuously <b>improve the unit cost of technologies and services</b> while keeping cost and quality in proper balance</p>
<p><b>Rationalise:</b> Better <b>focus of time and resources</b> on the services, applications, technologies and vendors that drive the most value</p>
<p><b>Innovate:</b> Business and IT <b>partnership that ensures maximum value</b> from technology investments</p>
<p><b>Transform:</b> <b>Provide business partners with agility</b> to “pivot” more quickly to exploit innovation and capitalise on new opportunities</p>

# TBM Taxonomy (Example)

TBM provides the framework for run-the-business and change-the-business value conversations by using a common language that allows technology and business decision-makers to focus on the trade-offs required to deliver positive business outcomes. It facilitates all costs to be mapped across the 3 layers, with ready views presentable as and when decision making is required.



# Key Program Business Case Review: ERP Replacement Program - SAP HANA (1/2)

To form the 10-year composite view the ERP program business case was reviewed and key elements incorporated into the 10-Year Outlook. Key assumptions align across the business case and the market insights provided.

Overview	Business Case Review Summary	Treatment in 10-year view
<p><b>Problem:</b> Support for Aurizon's aging and highly customised core ERP will cease in Dec 2027. Extension support (with fee) is available until 2030. An unsupported ERP will limit the ability to maintain system stability, regulatory compliance, cyber security and innovation.</p> <p><b>Solution:</b> Implement new solutions for time and attendance, payroll, HR, expense management, procurement, and core financial systems. The guiding principle of the program is risk mitigation.</p> <p><b>Financial (Aurizon Total, Network will be a portion, refer page 52):</b></p> <ul style="list-style-type: none"> <li>Total estimated investment of \$87.2M (excluding license costs)</li> <li>Annual license costs of ~\$9.9M (1<sup>st</sup> Year Licences)</li> <li>Partially offset by annualised quantitative benefits of \$8.5M, which includes approximately \$1.5M in annual FTE reductions</li> </ul> <p><b>Non-Financial Benefits:</b></p> <ul style="list-style-type: none"> <li>Reduce risks associated with control failures, system obsolescence, and cyber threats.</li> <li>Stream line licence costs and operations</li> </ul> <p><b>Program Delivery</b></p> <ul style="list-style-type: none"> <li>4-year program</li> <li>Forecast completion FY28/9</li> </ul>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Cost estimates are based on current market rates and historical data, with a contingency included to account for potential variations</li> <li><i>SI Partner Costs:</i> Based on the selection of specialised partners and fixed pricing for specific implementations.</li> <li><i>Blended Average Daily Rates:</i> Assumes a mix of onshore and offshore resources with average daily rates for different streams.</li> <li><i>Internal Resource Costs:</i> Assumes average daily rates for internal resources, with dedicated FTEs backfilled..</li> <li><i>License Costs:</i> Based on first-year quotes, including Time &amp; Attendance.</li> </ul> <p><b>External Factors:</b> Regulatory changes, market conditions, and technological advancements could impact timelines and costs, these have not been modelled.</p> <p><b>Financial Gaps:</b></p> <ul style="list-style-type: none"> <li>Pre-feasibility status per Aurizon Investment guidelines suggests that base estimate at this stage of the program is +/- 25%, creating an investment range of (\$65m - \$109m)</li> <li>The completeness of incremental ongoing cost is not clearly specified apart from the licencing cost.</li> </ul> <p><b>Risk Analysis:</b></p> <ul style="list-style-type: none"> <li>Sensitivity testing on key cost and benefit drivers has been conducted, with contingency plans to address potential risks such as control failures, cyber threats, and system obsolescence.</li> <li>Specific risks include the potential for cost overruns due to unforeseen complexities in system integration and the need for additional resource, this is addressed in the contingency allowance.</li> </ul>	<p><b>Confidence Level - High</b> Within the business case, specific confidence percentages have been assigned to different modules to align where they are in the project lifecycle. E.g. the confidence level for HR/Payroll systems integration partner costs is 80%, while internal resource costs have a 90% confidence level. The estimates in the business case are considered valid within the confidence levels provided. The assumptions made are valid and have been further confirmed through the RFP process and market analysis.</p> <p><b>10-year view approach for ERP:</b> Use the information directly as provided in the business case, further modelling would not be recommended at this stage. MEC have performed further validation of the assumptions and confirmed there are no significant variances identified. Additionally, the program's business case and financial model was discussed with key stakeholders, such as ██████████ who oversaw the preparation of the financial model, for insights and clarifications on the assumptions and estimates.</p>
<p><b>Market Insights</b></p> <ul style="list-style-type: none"> <li>Large organisations are replacing legacy ERP systems (step-change investment), typically after 10 to 15 years of service, with cloud-based evergreen solutions to support digital transformation.</li> <li>Key imperatives for large-scale ERP replacement programs include; end-of-life vendor support, costly customisations, the need for better integration, scalability, and compliance.</li> <li>Other large organisations across Australia are undertaking similar 4-5 year programs currently, including Urban Utilities, Rio Tinto, the Dept. of Defence, ActewAGL, <a href="#">AusGrid</a> (~\$184m total cost) and <a href="#">United Energy</a> (~\$218m total cost)</li> <li>ERP program costs can vary significantly depending on the program scope, industry, and complexity. For example, Panorama Consulting's 2024 ERP Report indicates that the average total ERP cost for large enterprises ranges from USD \$100M to over \$500M, depending on the number of modules, degree of customisation, integration effort, and user base.</li> </ul>		

## Key Program Business Case Review: ERP Replacement Program - SAP HANA (2/2)

This slide summarises the estimated average annual cost impact of the ERP Replacement Program and outlines key assumptions used to model the 10-Year Outlook.

10-Year Outlook build-up			
(1) CAPEX: Estimated Implementation Costs breakdown per Business Case:			
(2) OPEX: Estimated Annual Cost Impact			
(a) Existing depreciation (old ERP) per Feb-25 Forecast			
(b) ERP Replacement ongoing depreciating across 11 years @\$87.2M			
Depreciation Impact (a) – (b)			
(c) Ongoing new Annual license costs (1st Year Licences)			
(d) Annualised benefits excluding FTE reductions			
Licencing and benefits Impact (c) – (d)			
(e) Existing Project Labour Allocation to ERP Cost Centre			
(f) Leave ~\$1.2M p.a. for unforeseen future projects relating to future SAP HANA			
Project Allocation Impact (e) – (f)			
Total Impact			

# Key Program Business Case Review: Cyber Transformation Programs

To form the 10-year composite view the Cyber program business case was reviewed and key elements incorporated into the 10-year Outlook. Due to the stage of the program, and the resultant medium level of confidence in the total business case fidelity, the core team agree to model additional cyber scenarios as built out on page 39. This Appendix looks at the current Cyber Transformation Program business case only.

Overview	Business Case Review Summary	Treatment in 10-year view
<p><b>Objective:</b> Enhance Aurizon's cyber security posture by addressing key vulnerabilities and improving resilience against cyber threats</p> <p><b>Financial:</b></p> <ul style="list-style-type: none"> <li>Total investment of \$14M over FY22 to FY26.</li> <li>Ongoing annual budget is estimated to be increased by \$2.25M from FY26.</li> <li>Majority of funding will be OPEX in nature.</li> </ul> <p><b>Expected Benefits:</b> Reduced value at risk from cyber threats by up to \$43M, improved cyber security maturity, and enhanced operational resilience.</p>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Assumptions for cost estimation were not explicitly documented in the business case.</li> </ul> <p><b>External Factors:</b> Regulatory changes, inflation, and fluctuations in cloud costs (e.g., usage, exchange rate, etc), these have not been modelled.</p> <p><b>Financial Gaps:</b> The business case was established three years ago and is outdated.</p> <p><b>Risk Analysis:</b> Sensitivity testing on key cost/benefit drivers was conducted using a Cyber Risk Quantification Tool (CRQ Tool).</p>	<p><b>Confidence Level - Medium</b> Considering the nearly three-year gap since the last update and the evolving nature of the cyber threat landscape, further work will need to be done to update figures to align with the current program outcomes.</p> <p><b>10-year view approach for Cyber Programs:</b> The MEC team reviewed the latest detailed program forecast from PMO, as at Feb-25, including a review and validation of the assumptions, costs, and timelines. The 10-year view included an update to the financial analysis, reassessment of the risk scenarios, and addition of new information now available.</p>
<p><b>10-Year Outlook – build-up</b></p>		<p><b>10-Year Outlook - Key Assumptions</b></p>
<p>(1) OPEX: Estimated Annual Cost (4 years average included \$2.3M additional budget to business case approved for FY26)</p> <p>(2) OPEX: Estimated reduction post-completion (Excluding internal resources)</p>		<ol style="list-style-type: none"> <li>Internal labour delivering the Cyber Transformation program will continue to deliver other Cyber projects after the current Transformation program closes off.</li> <li>Once the program completes, there will be benefit across lowered managed services costs, from FY27/8, with partial year benefits in FY26/7.</li> <li>Although the annual Cyber programs impact on the 10-Year Outlook is ~0.3m reduction, the actual 10-year profile (as per page 43) is a little more lumpy, due to: CPI/WPI being applied; and Partial benefit years.</li> </ol>

# Cost Allocation Methodology Rating Definitions

This framework assesses the level of effort required, data availability, and allocation confidence for cost allocation methods. It provides a structured evaluation to support decision-making by categorising each factor into GREEN, AMBER, RED.

Category	GREEN	AMBER	RED
<b>Resource Effort Required</b>	<b>Minimal Effort Required</b> Data is readily available, structured, and requires little to no additional work.	<b>Moderate Effort Required</b> Some effort is needed for data collection, validation, or refinement. Some manual adjustments will be required. As well as effort to streamline activities to be repeatable on a regular reporting cycle	<b>Significant Effort Required</b> Data is missing, fragmented, or requires extensive transformation and estimation.
<b>Data Availability &amp; Suitability</b>	<b>Fully Available &amp; Aligned</b> Data is complete, accurate, and fully supports cost allocation needs. No major gaps.	<b>Partially Available &amp; Requires Refinement</b> Data is mostly available but has gaps, inconsistencies, or needs adjustments.	<b>Limited or Unavailable</b> Data is incomplete, inconsistent, or missing, requiring assumptions or alternative sources.
<b>Allocation Confidence</b>	<b>High Confidence</b> The allocation method is well-supported by data, accurate, and aligned with business needs.	<b>Moderate Confidence</b> Some approximations are needed, but the allocation is reasonable for decision-making.	<b>Low Confidence</b> Data gaps, estimations, or misalignment with cost drivers reduce reliability.

MinterEllison Consulting.

[minterellison.com](http://minterellison.com)

MinterEllison Consulting.