

Outsourcing: Qantas in seven year deal with IBM

Qantas and IBM have entered into a seven-year outsourcing deal that could be worth as much as AUD200 million - and save Qantas up to 180 jobs.

The deal relates to the Qantas project delivery team and all employees affected will be offered the chance to migrate to IBM, the company said yesterday. But those who elect not to go will be made redundant with no prospect of employment elsewhere in the Qantas group, it emerged.

The deal will go into effect almost immediately and employees have been given until the end of September to make their decision.

Although the deal is with IBM Global Business Services Australia, the giant company performs much of its tech. work in India. However, IBM says that there is no intention to offshore the jobs it is taking on. "The majority of the work will be delivered locally," a spokesman for the company said yesterday.

IBM will be able to pool skills and resources across its aviation services sector which, it is said, employs around 10,000 people all over the world.

Qantas has outsourced its desktop computer management and maintenance to Fujitsu and some of its other services are outsourced to TATA and Satyam. Unions fear that IBM, which they say has previously subcontracted to the same two Indian companies, will do the same again, either costing jobs or leading to new jobs not being created in Australia.

Qantas already has a long-standing relationship with IBM for the management of its data centre and mainframes.

The company is undergoing a radical review of the services it provides and how they are delivered. Earlier this month, it announced that it is to re-write, from the ground up, the software for its frequent flyer programme, Profile. One of the earliest such systems, it was written in

Fortran, a coding language that is now regarded as complex and inflexible. That, the company says, leads to costly and slow developments in its rewards systems. The company says that the fact that its systems and applications are so old, and so varied, means that it spend 3% of revenue on IT compared with Jetstar's 1% - solely because, as a new operation, Jetstar could use the latest technologies.

As a result, Qantas has switched from its long-established QUBE Reservations system and installed Amadeus Altea that does more with less computing power and has a large installed base meaning that the core program is developed faster.

Away from IT, Qantas has also announced that it is to return as much of its aircraft maintenance to Australia as is feasible. CEO Alan Joyce says that this could be as much as 8% of maintenance work that has, previously, been done in other countries. He says that in future overseas work will be to handle overflow from Qantas' Australian maintenance operations instead of being the first choice.

The company has cancelled outsourcing and offshoring contracts and brought the work in-house at its maintenance facility in Tamworth, New South Wales.

The Tamworth facility will handle heavy maintenance for Airbus A330 and Dash Q440 aircraft.