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1,961 IT Jobs Outsourced & Then Offshored

In a recent presentation Morteza Mahjour, Chief Information Officer, confirmed that Lloyds Banking Group will outsource large parts of its IT estate to IBM in a deal worth £1.3bn over 7 years. Up to 1,900 IT staff will be outsourced to IBM, and then over a four-year period the work will be offshored. Project Aurora was due to be announced in January but negotiations with IBM are taking longer than originally thought. LTU's expectation is that the IBM outsourcing/offshoring deal will now be announced within the next few days. We also understand that the in-house staff unions – Accord and Unite – have agreed the details of the TUPE transfer.

Morteza Mahjour confirmed that Hewlett Packard (HP) was waiting in the wings should the IBM deal fall through but it had been rejected by LBG because "The announcement [by HP] to spin off their hardware and services business added to concern about stability at the firm and depth of our relationship with their changing leadership".

The main details of the IBM outsourcing/offshoring deal are as follows:

- **The Windows, Unix, Linux and IBM I-Series platforms will form the bulk of the estate being outsourced to IBM. That will include, 2000 of the 3,200 applications currently used by LBG.**
- **The 7-year deal will be worth £1.3bn with savings of £759 million for LBG on a cash**

basis. The Bank has said that the deal will also produce additional savings from cost avoidance synergies in Data Centres, property and technology programmes.

- **The move to IBM is to be financed within the deal structure and will not require any investment from LBG.**
- **1,961 staff will be transferred to IBM under TUPE arrangements. The bulk of the staff being transferred to IBM will be based in Copley and Edinburgh.**
- **The transformation of LBG's application and infrastructure estate is expected to take 3 years.**
- **The Bank will seek to limit the disruption to the deal by shortening the gap between the signing of the deal, the announcement of the deal, discussions with staff on the TUPE terms and the transfer of staff to IBM. The Bank, with the support of Accord and Unite, will be looking to do the deal in a matter of months.**

Jobs To Be Offshored

1,961 staff will be transferred to IBM including permanent staff, contractors, 3rd parties and offshore suppliers. However after 4 years, only 193 of the staff transferred to IBM will be still be working on the LBG contract. Under a 'Steady

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State' scenario, details of which are set out in the graph below from Mr Mahjour's presentation, the bulk of the work being done by IBM will be carried out by 993 staff based offshore.

In his presentation Mr Mahjour has confirmed that staff who are forced to move to IBM will be retained for a minimum of one year post the transition and will then be made redundant and their jobs taken by staff based offshore. That is a calculated and cynical manipulation of the TUPE transfer arrangements by both the Bank and IBM and will be opposed by LTU.

Staff are being set up by the Bank and IBM to save £millions in staff costs. LTU will not accept circumstances where staff are made redundant merely because they can be replaced by staff paid a fraction of their salary on the other side of the world. Quite simply, such an approach is unethical. The fact that the Bank and IBM would have tried conceal what was really going to happen to LBG staff post the transfer serves only to make matters worse.

LTU will use whatever means are its disposal to oppose this outsourcing/offshoring deal with IBM and we call on Accord and Unite to withdraw their support immediately. If they don't, then staff will conclude that both in-house staff unions are more concerned about preserving their cosy relationship with the Bank than looking after the long-term interests of staff.

Internal Criticism Of IBM Deal

One of the reasons the deal is being delayed is the

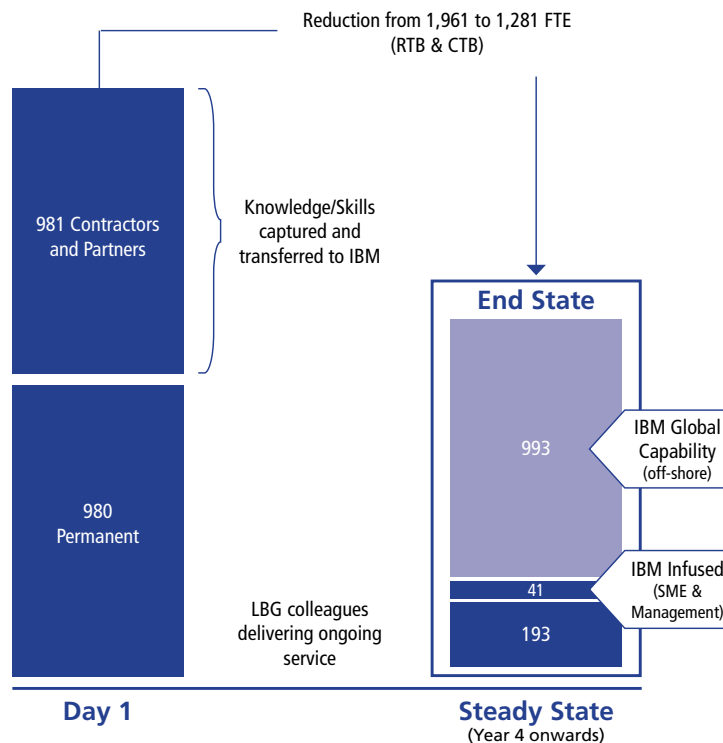
mounting internal criticism of the Bank's proposals from Senior Managers and Head of Functions in IT concerned that critical systems which underpin the Bank's major Payment, Treasury Trading, Settlement and Digital Services are being outsourced to a third party to eventually be run offshore. Even the Bank admits that the migration of the accounting details of 20 million customers onto a private cloud to be run by staff based offshore could "weaken existing security controls and adversely effect the confidentiality and integrity of Bank data". LBG customers will not be told that their personal banking data is being migrated onto a private cloud and managed offshore.

A few months ago Lloyds was the subject of a denial of service attack that ran for two days with millions of customers being denied access to their accounts. The Bank said that no accounts were hacked or compromised. In a recent presentation to analysts, Juan Colombas, Chief Risk Officer, confirmed that cyber attacks were the biggest risk to the finance industry. The question is whether security is better managed by systems that are run by LBG or

by a third party whose staff are based offshore?

We will be keeping members informed of developments through regular Newsletters but in the meantime members with any questions can contact the Union's Bedford Office 01234 262868 or they can email us at 24hours@ltu.co.uk. We would be particularly interested to hear from members involved in the project so that we can better understand the concerns staff have about the Bank's Destination IT Cloud Strategy.

Mark V Brown
General Secretary



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