

# Information

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## Satyam's local clients assess the fallout

Paul Smith and Brian Corrigan

Local customers of disgraced Indian IT outsourcing provider Satyam spent yesterday assessing the ramifications of the financial crisis engulfing the company and planning for the possibility that it will collapse.

Companies including Qantas, Telstra, Optus, Suncorp and QBE Insurance have continuing deals with Satyam, which has admitted to having falsified company accounts for several years to the tune of \$1.45 billion in fictitious assets.

It is understood technology staff at Qantas spent yesterday morning in an emergency meeting, in which contingency plans were discussed for the seven-year contract through which Satyam provides IT appli-

### KEY POINTS

- Qantas, Telstra, Optus, Suncorp and QBE Insurance use Satyam.
- The risk from Satyam's financial crisis is manageable, says Qantas.
- The telcos will review arrangements.

cation maintenance and support. The contract has so far run for two years.

A spokeswoman for the airline said Qantas viewed any risks to business as manageable but that a team within the company's IT services division would monitor the situation on a daily basis until it was resolved. In the event that Satyam was unable to continue providing

services, she said Qantas had the ability to activate alternative internal and external arrangements.

A global outsourcing analyst at IT services firm Gartner, Frances Karamouzis, said she did not anticipate an immediate knee-jerk reaction whereby clients ditched Satyam. That would require evaluation of other vendors, she said, and the formation of a transition strategy, which would incur additional fees.

"The longer-term issue is the viability of Satyam," Ms Karamouzis said.

"A lot remains to be seen on how much their financials need to be restated and what the true cash flow situation is."

Australia's two biggest telecommunications providers, Telstra and

Optus, are likely to rethink their relationship with Satyam. Optus said it had a small but important relationship with Satyam's local arm but that it was not working on any projects that affected customers.

Telstra is in the process of renewing a number of its major application, development and maintenance contracts and a request for tender (RFT) process is under way with four key suppliers — EDS, IBM, Infosys and Satyam.

"Under the RFT process now in place, we are actively consolidating all non-discretionary IT work and we are targeting dividing the applications between two companies," Telstra spokesman Martin Barr said.

"We expect to finalise our new arrangements early this year and,

obviously, will take the current issues into account."

The founder and director of Swamy & Associates, Sri Annaswamy, whose company gives advice on offshore outsourcing, said he would advise any client that had exposure to Satyam to transition to another provider. "God only knows what the position of its balance sheet really is, and if it even has the people to carry on with these contracts," Mr Annaswamy said.

In a statement, Satyam said it believed its underlying business model, customer assets and growth prospects were sound. The company also said it could provide excellent service to clients while delivering value to shareholders in the medium to long term.

### Fast facts

#### Lenovo yields the knife

The world's fourth-biggest personal computer maker, Lenovo, has forecast its first loss in three years and will cut 1.1 per cent of its workers. The company said it expected to post a material loss in the quarter ended December 31 and would eliminate about 2500 jobs, leading to savings of about \$US300 million (\$416 million) in the year ending March 2010.

Bloomberg

## CrimTrac to put a new face on policing

Brian Corrigan

CrimTrac, the Australian government agency responsible for developing information-sharing solutions for law enforcement, is investigating the development of a national facial recognition system that could greatly improve the speed and accuracy of identifying suspects in criminal investigations.

This would mean photographs

