

**Australian Services Roundtable
SERVICES SUMMIT 2009
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**SPEECH NOTES FOR RICHARD VAHTRICK
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- Thank you
- I am delighted to be here today at this inaugural summit, and to have this opportunity to speak with you all about innovation in the Services Delivery area of IBM's Strategic Outsourcing business – rapidly growing part of IBM's business in Australia.
- Especially in a toughening economic climate, large size – and increasingly, medium size enterprises – will turn to outsourcing their IT services in order to obtain cost and efficiency advantages.
- While IBM's central business strategy is geared towards global integration utilising offshore resources is not the only cost-effective services delivery option offering we provide.
- We have many clients – including government agencies – for which global resourcing is not an option. For these clients – and others – competitively priced, highly-skilled, local facilities must be sustained and developed.
- We need to build world-class capabilities at the cutting edge of innovation.
- And we need to build awareness of our capabilities that make Australian IT services stand for something that will be recognised internationally.
- To do this we need close collaboration between industry players, governments and academic institutions.
- At IBM Ballarat, we already have an excellent example of that collaboration. Let me tell you some more about this growing investment in services, skills, education, technology - and the local community.
- IBM has been a part of Ballarat – and the University of Ballarat - since 1995 when we established a Southern Regional Data Centre, serving two public sector clients – VicRoads and Public Transport Corp. Within 4 years, we had grown that facility to some 400 employees, supporting 20 commercial and 7 Government clients.
- Since the beginning, we've worked closely with the University of Ballarat, and five years ago we launched the IBM Regional Software Solutions Centre, which is located on campus at the University.

- IBM's Client Service Centre (CSC), now employs 800 people, providing helpdesk facilities to over 80 clients across a range of industries. This centre was announced joint-winner of National Award for Excellence in Customer Service for 2006.
- With the introduction of the new 'Earn As You Learn' program, IBM plays a major role in giving students the opportunity to gain industry experience while studying at the University of Ballarat. This is demonstrated by the addition of two commercially focused curriculum units to the University's new Bachelor of IT program.
- Incidentally, this is not the only institution in which IBM has influenced curriculum. IBM has also advocated and designed a Service Science Management Engineering program. This program is now available at graduate schools at Sydney University, Deakin, RMIT, Bond, and Auckland Universities, ensuring a curriculum relevant to the skill requirements and business needs of service-oriented corporations and enterprises.
- In Ballarat, it is undergraduates who make up a significant portion of the workforce at the IBM centre, receiving credits to their degree while gathering industry exposure and 'hands-on' experience. Not only does IBM benefit from a young, enthusiastic and motivated workforce, but it also is able to drive a lower cost business using a blend of qualifying and qualified skills.
- This Centre represents a successful partnership between the private sector and the higher education sector to develop a curriculum particularly suited to the future needs of the Australian IT industry.
- It also represents IBM's commitment to enhance employment opportunities in regional Victoria while also providing a competitive basis for software and services exports.
- Overall, it's a great package – support, education, development and networking are all part of the concept. The payback is not only through high business and employee satisfaction, but also through the \$250 million a year contribution to the regional economy.
- A new, high-tech internet security laboratory within the University's technology park is one of the more recent examples of strategic collaboration fostered by this cross-section business setting, making the most of the tech park's resident research capabilities, finance sector interests and IBM's capacity to commercialise and deliver high-end solutions.
- Late last year, John Brumby, Premier of Victoria, announced IBM's plans to build a new, \$10.8M state-of-the-art facility at the University of Ballarat,

which would host specialist ICT services, software application development, ICT support and consulting for IBM's global operations, servicing clients across the United States, Europe and the Asia Pacific.

- This facility will further establish IBM's Ballarat site as a world class ICT hub renowned for its innovation and highly skilled staff. When fully operational, the new centre is expected to provide an additional 300 jobs.
- We would not be able to undertake this type of expansion without the support of the Victorian Government – which is contributing \$5M from its Regional Infrastructure Development Fund (RIDF) to support construction, in addition to a range of further incentives.
- What we need now, is to expand upon this model. To ensure that regional delivery centres continue to thrive in Australia; that jobs continue to be created to lift an ailing economy; to ensure an ongoing pipeline of skilled IT talent in this country.
- What we need is to create another 'Ballarat' in another regional centre – and our preference is for that centre to be in New South Wales.
- We have proved it is a successful model. And we have demonstrated that it is a model that can be quick to show substantial growth and deliver substantial returns.
- We already know what works and we already have some possibilities on our radar. Wollongong, Bathurst/Orange, Newcastle....all of these centres have thriving tertiary institutions and communities that would welcome an economic fillip.
- To get this moving, IBM would need a commitment of business from government, together with assistance for the move to regionalization. Let me state, though, this is not a centralized one-sided equation. If, for example, government wanted to consolidate some of its IT activities, IBM would commit to cost savings and improved service levels, as we did for the Victorian Government when we initiated the Ballarat facility in 1995.
- If we want to continue to build a globally competitive Australian IT services industry, this is what we need:
- long-term vision, government commitment, energy and creativity.
- IBM will bring it, if you do.

Thank you.