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Gartner Forecasts IT Spend to Decline by 4%

Worldwide IT spending would decline 3.8% in 2009 to \$ 3.2 trillion from last year's 3.4 trillion dollars, Gartner said in its latest report Gartner Dataquest Market Databook, March 2009 Update.

'IT organizations worldwide are being asked to trim budgets, and consumers are cutting back on discretionary spending,' said Richard Gordon, research vice president and head of global forecasting at Gartner. 'The speed and severity of the response by businesses and consumers alike to these economic circumstances will result in an IT market slowdown in 2009 that will be worse than the 2.1% decline in IT spending in 2001 when the Internet investment bubble burst,' he said in a statement. Gartner lowered its forecasts for all four key market sectors -- hardware, software, IT services and telecommunications.

It forecast spending on computing hardware in 2009 of \$324.3bn, a decline of 14.9% from the \$381bn spent last year, when the sector recorded growth of 2.8% over the previous year. Software spending was predicted to rise by a marginal 0.3% this year to \$222.6bn from the 221.9 billion dollars spent last year.

IT services spending was forecast to fall 1.7% to \$796.1bn from the \$809.5bn of 2008. Telecommunications spending was expected to fall 2.9% to \$1.89 trillion from the \$1.95 trillion spent in 2008.

Gartner said government stimulus package spending will not be able to offset this bleak near-term outlook. 'Until global financial markets stabilize, global GDP growth, including IT spending, is unlikely to strengthen,' it said.

'IT vendors should plan for business and consumer spending to be curtailed during 2009 and for a slow, prolonged recovery during 2010,' Gordon said.

Call on us for independent third party benchmark to assure you that price and service levels remain market competitive and identify specific areas for potential savings.

UK looks to Indian offshore firms

At a time when the world's biggest IT market US is evaluating protectionist measures against offshoring of IT jobs, Indian companies such as TCS, Infosys and Wipro are preparing to bid for around \$2-3bn worth of outsourcing contracts being fleshed out by Department of Work and Pensions (DWP), HM Revenue and Customs (HMRC) and the Ministry of Justice in the UK.

UK's state-owned departments are seeking help from the Indian offshoring industry for bringing troubled government technology systems back on track and lower the cost of managing government

IT systems anywhere between 25-40%, according to several experts.

Government IT spending in the UK is estimated to be over \$36 billion every year, Bob McDowall, research director at TowerGroup Europe said in an interview. Apart from the troubled NHS modernisation programme, which needs restructuring, HMRC will also seek to outsource more work as the department plans to make it mandatory for firms employing more than 50 employees to file tax related and other information online by 2011. 'UK Government IT projects almost always suffer from scope creep, financial and time overrun of a significant dimension,' McDowall said.

One of the reasons for UK's government departments to look for help is the scarcity of competent professionals for transforming the systems. 'Internal IT development resources are not of the strongest quality-the good people go to commercial organisations. Those that are outsourced to UK based providers are not always delivered on a more efficient, timely and cost effective basis,' he added.

UK's national healthcare modernisation programme pegged at almost \$9.6 billion is among some of the initiatives that failed to deliver. India's biggest software exporter TCS has also been involved with the National Health Services (NHS) project for past few years.

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[IT outsourcing prices to fall: Gartner](#)

Prices of IT outsourcing services will shrink 5 to 20% through 2010 due to the uncertain economic climate, IT budget constraints and competition between vendors, research firm Gartner said. Gartner said it expects prices for application hosting services to fall by 10 to 20% and for network services to fall 10 to 15%. It sees prices for data centre service dropping 5 to 15% and help desk services 5 to 10%.

[Contact Centres Vital to Success: Gartner](#)

Michael Maoz, vice president and distinguished analyst at Gartner. 'Of course, cost cutting is essential in the current economic climate, but knowing how to cut costs without damaging the customer experience is critical, and the role of the contact centre is crucial to this,' he said.

[Survey: Outsourcing In Game Industry Still On Increase](#)

The proportion of respondents whose studios use outsourced game development rose 10% to 86%-- from an already considerable majority of 76% between 2007 and 2008, according to a survey. That trend is certain to become more pronounced.

[Survey: Financial crisis to drive offshoring market](#)

According to Callcentres.net managing director, Catriona Wallace, that attitudes to outsourcing have changed as a result of the global financial crisis. Increased pressure to cut costs, retain customers and increase revenues were causing Australian large and medium enterprises to re-evaluate their approach to outsourcing. Customer interaction-based business processes were being considered as potential outsourced functions.

[Premier Foods Renews ITO Contract with Capgemini](#)

UK-based Premier Foods has renewed a contract with Capgemini for approximately £9m for the provision of services until 2014. Capgemini will continue to offer IT and data centre services as well as technical support for Premier Foods' core business systems. In addition, the company will offer other services, including hosting of Premier Foods' SAP systems, and working on new business intelligence software and a supply chain platform for the company's Hovis division.

[Four Norwegian Banks Renews IT Services Agreement With EDB](#)

Four Norwegian banks named Sparebanken, Sparebanken Sogn og Fjordane, Helgeland Sparebank and Mutual Bank have entered into a renewed and expanded agreement with EDB for the purchase

of IT services. The agreement has duration of five years and a total value of about NOK800M.

[Vivarte renews Atos Origin's contract to operate its entire Information System](#)

Vivarte, a leading footwear and apparel retailer, and Atos Origin, one of the world's leading information technology services companies, have extended their managed IT operations partnership for an additional five years.

[NASCO awards IT services contract extension to IBM](#)

National Account Service Company LLC (NASCO), a provider of single-system claims processing solution, has announced it has awarded information technology company IBM a seven-year extension to its existing information technology (IT) services contract.

[Kmart extends outsourcing contract with CSC](#)

IT outsourcing company CSC has anchored a five-year contract extension with retailer Kmart worth A\$36.4M (US\$25.3M). Under the deal, CSC will keep providing IT infrastructure systems and operations support services across 400 Kmart and Kmart Tyre and Auto stores, adding onto the 2004 deal CSC signed with the Coles Group, which owned Kmart at the time.

[Banco Santander signs €100m Accenture deal](#)

Banco Santander has signed a €100m (£93m) deal with Accenture for a range of IT services covering its worldwide operations. Services included in the two-year contract will comprise systems integration, consulting, business process management, IT outsourcing and business process outsourcing.

[Service Provider News](#)

[Recession Hurts India's R&D Offshore Outsourcing](#)

At the time of recession, lower billing rates in China offer a lucrative proposition for US based companies to outsource their offshore R&D related work to third party service providers in China. Indian R&D offshore outsourcing market is projected to grow at 14-16% in 2009, the Chinese market is expected to outshine India with a 30-35%. This is primarily attributed to the nascent stage of the China market and a small base as compared to India.

[TCS, Infosys, Wipro eye Woolworth's \\$100M deal](#)

Top Indian tech firms TCS, Infosys and Wipro, along with multinational rivals IBM, Accenture and HP-EDS, are currently chasing an outsourcing contract worth over \$100M from Australia's biggest retailer Woolworths, as the retailer plans to deploy a SAP-based solution for transforming its merchandising and supply chain platforms.

[Infy bags Telstra's outsourcing deal](#)

Infosys Technologies, has won an outsourcing contract worth about \$80-100M from Australian phone firm Telstra. The Australian phone firm had undertaken a vendor consolidation exercise to reduce its IT service providers from four -- EDS, IBM, Infosys and Satyam -- to two. The consolidation was aimed at bringing down the cost of managing its IT systems. The Australian telecom major plans to bring down the number of IT systems from about 1,350 now to almost 300 by 2010.

[HCL signs 6-yr deal with Xerox](#)

The contract will span mid-range services, business continuity and disaster recovery for Xerox's information management operations. HCL will manage data centre hosting and migration, virtualization, consolidation and storage architecture services across North America and Europe.

[Logica wins £75M police database contract](#)

Logica has won a £75.6M contract to design and run the Police National Database over the next seven years. The PND will bring together five areas – custody, crime, intelligence, child abuse and domestic abuse – onto one system for police services across the UK.

[CGI bags 10-year IT deal worth C\\$182M](#)

As per the agreement, CGI will offer IT application maintenance and development services from its

Centres of Excellence (CoE) in Toronto (Canada), Halifax (the UK), and Bangalore (India).

CSC Signs IT Framework Agreement With United Utilities in UK

Under the terms of the framework, CSC has the opportunity to pursue contracts supporting United Utilities' IS Capital Programme 2008-2013. The contracts cover three service categories - infrastructure services, system integration and support for systems deployed.

Indian BPOs on expansion mode in Philippines

Indian Companies such as Hinduja Global Solutions, Wipro BPO and WNS Global are ramping up their presence in the Philippines. WNS Philippines is reportedly investing USD 4M to establish a 500-seater BPO facility in Cubao (Quezon City). WNS Philippines is a 65:35 JV between WNS Global Services of Netherlands Cooperative UA and Advanced Contact Solutions, a Philippines-based BPO and customer care services provider. Hinduja Global is setting up a second delivery centre with a capacity of up to 900 seats in Manila. Wipro BPO was looking at opening a second call centre in the Philippines within this year.

French accounting firm to hire 1,600 people by 2012

French accounting firm Mazars is gearing up to increase its headcount five fold in the next four years. The firm, which employs 400 people across four cities in India, will hire another 1,600 people by the end of 2012.

Deduct TDS From Expatriates' Salaries: Indian Supreme Court To Foreign Firms

Supreme Court has ruled that foreign firms operating in India, through joint ventures are under a statutory obligation to deduct Tax Deducted at Source (TDS) from the salary of expatriates employed in India even if the whole or part of their salary was paid in their native country. With this ruling, the apex court has set aside the high court verdicts that ruled that non-resident companies were not liable to deduct TDS on the home salaries paid to their expatriates in foreign currency under Section 192 of the Income Tax Act, 1961. The recent judgment is bound to have serious tax implications for multinational companies and their expatriate employees, as till now they were not paying tax on the payments.

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