

Customs out

ALL ITS

On 23 December 1997, the Australian Customs Service became the first major Commonwealth government agency to outsource the full range of its information technology services. A contract worth about \$200 million over five years, with a possible extension up to nine years was let to EDS Australia Pty Limited.

CHRIS HANSEN explains why this important step was taken.

For many years Customs was, and in many ways still is, a leader in Australia in the use and development of information technology. Our computer systems are vital for facilitating trade and moving people across our borders, providing assistance to industry, protecting the community and collecting more than \$21 billion in revenue each year.

However, a combination of increasing financial pressures and Government policy caused Customs in 1996 to consider the option of IT outsourcing. Outsourcing was seen as a means of getting better value for our IT dollar.

Customs decided, after careful consideration, that all its IT functions should be outsourced. This comprised the computer centre, the desktop PCs and local area networks, communications facilities, applications development and support.

The outsourcing project began in July 1996, drawing upon successful earlier work done by other government agencies. In January 1997 a request for information was released to industry to gauge the level of interest. As a result, nine qualified companies were invited to participate in the tendering process.

A detailed request for tender was released in July 1997. Tenders were received from three of the companies approached – Andersen Consulting, EDS and IBM Global Services Australia.

Evaluation was undertaken by external consultants and senior Customs staff. A key aspect of the evaluation was the involvement of senior user staff in the detail of the evaluation.

In December 1997 Mr Lionel Woodward, Chief Executive Officer of Customs, approved the selection of EDS as the IT outsourcing contractor and the contract was signed on 23 December 1997.

Outsourcing to save 22 per cent

Announcing the contract, the Minister for Customs and Consumer Affairs, Mr Warren Truss, said that it would save about 22 per cent on what Customs would have spent otherwise over the period involved. EDS and Customs would work together as partners in meeting the IT needs of Customs and its clients.

“The new contract will include a study of how Customs IT systems can be redeveloped to achieve the objectives of its Cargo Management Strategy, which is designed to further cut red tape for importers and exporters,” Mr Truss said.

“EDS will use its specialist expertise to help Customs modernise its commercial trade systems. This work will be undertaken in close consultation with importers, exporters and other commercial parties.”

SOURCES

INFORMATION TECHNOLOGY

By January 1998, dozens of EDS staff had started work in Customs and were working towards a handover at the end of March 1998 when all IT functions were to be provided by EDS and all IT and telephone equipment transferred to EDS ownership.

Throughout the past 18 months Customs IT staff affected by the outsourcing have been kept informed of the project's progress. Many of them have accepted positions with EDS. This coupled with the additional capacities of EDS – a globally acknowledged IT outsourcing company – should ensure ongoing success.

EDS is owned by Electronic Data Systems Corporation and the Commonwealth Bank. It provides IT services for clients such as the Commonwealth Bank and the South Australian Government.

The Customs contract is its first major outsourcing contract with a Commonwealth agency. It was previously awarded a contract to redevelop Customs passenger processing system. (See 'PACE overtakes PASS')

A number of small to medium Australian IT companies will benefit from their strategic alliances with EDS. They include: JNA Telecommunications

Ltd, which will provide local area network and communications support, Diverse Computer Services, CT&C, ImageWork, M.C. Computer Services, Stratagem and Wizard Information Services.

It is expected that short-term goals which will be met under the contract include better matching of supply and demand, access to skills that are in short supply and upgrading systems and facilities without capital investment where assets are below industry standard.

Long-term goals include obtaining better service in key performing areas, enhancing strategic focus by Customs through cutting the effort to manage day-to-day tactical operations, making actual costs more transparent, allowing smooth and flexible budgeting and improving career prospects for current Customs IT staff.

Chris Hansen, formerly Customs Director of IT Outsourcing, was involved in the outsourcing project from its early stages. Like many Customs IT staff, Chris joined EDS in February 1988 and is now EDS Year 2000 manager.



Customs Chief Executive Officer Lionel Woodward (left) and Ron Schillereff, Managing Director of EDS Australia, sign the outsourcing contract.