

Chrysler cuts tech jobs; McTevia tells Free Press its a cost-cutting move

Chrysler plans big tech job cuts
Hundreds to lose their positions in outsourcing

BY TIM HIGGINS • FREE PRESS BUSINESS WRITER • April 3, 2008

Several hundred computer workers at Chrysler LLC will lose their jobs in a move announced Wednesday by the automaker to outsource computer system support and maintenance.

This is yet another change by Chrysler as it leaves no stone unturned in its efforts to fix the first privately held major U.S. automaker in more than 50 years.

Chrysler information technology workers were told Wednesday that the company signed agreements with Tata Consultancy Services and Computer Sciences Corp. for the firms to maintain and support mainframe, servers and corporate computer applications, Jan Bertsch, Chrysler vice president and chief information officer, told the Free Press in an interview.

"This is really the next step in our continuous effort ... to operate more efficiently and effectively," Bertsch said. "This gives us, I think, more tools and flexibility to drive business growth and changes in our organization and not just react to it. ... I am kind of viewing this as part of Chrysler's journey toward our financial health and operational well-being. We do have the expectation of significant cost savings and that will allow future growth within this company."

Chrysler lost \$2.9 billion on operations and restructuring costs last year, internal numbers seem to indicate.

Since Cerberus Capital Management took control in August, Chrysler has seen explosive change. Thousands of jobs have been cut, four products eliminated with promises of more to come, new executives have been appointed and others departed.

"There are only a couple of things they can do to turn this company around, and in this economy, they have to keep chipping away at expenses," said Jim McTevia, managing member of McTevia & Associates.

The announcement comes

Although Chrysler IT workers have been anxious for weeks about the possibility of a big change, the news Wednesday still struck a nerve.

"Some are quiet, some are even laughing in disbelief," one worker told the Free Press.

Workers questioned how outside firms could be as efficient as people who had been working on the system for years.

But Bertsch said the change will improve the IT operation.

"This is not just putting work with another supplier to reduce cost. We thought a year ago that rather than try to cost-cut continually over time, we wanted to step back and look at our business and say, 'Where do we really need to move to service our customers better?' " Bertsch said. "What we determined was that we were spending too much of our base budget on core maintenance of our systems and not enough in reinvesting in our business."

Bertsch declined to say how much money the outsourcing will save the automaker other than to say, "We would have never embarked on this scale of a project had the savings not been substantial."

Chrysler is beginning the project immediately and hopes to have it done by the end of the third quarter, she said. Some workers were told the job changes would begin in late May and end by June 30.

Company switch-over

The automaker has about 2,100 people handling the IT work presently -- of those, about 1,000 are full-time Chrysler employees and the rest are supplemental workers on contract.

About 20% of the 1,000 full-time employees -- about 200 -- will lose their jobs because of the change, Bertsch said.

The company is not saying how many of the supplemental contract workers will lose their jobs in the switch-over other than to indicate it will be several hundred. "It won't be the entire group but it will be more substantial than the salaried," she said.

"Some people will stay, some people will leave and some people will be interviewing with the new provider and perhaps be offered a position with them," she added.

Chrysler officials wouldn't say how much money the new providers will pay workers.

Chrysler has a relationship with Tata already. Earlier this year, the companies signed a deal for Tata to do computer work in sales, marketing and shared services.

Tata Consulting is a unit of the India-based Tata Group. It owns Tata Motors, the automaker that recently purchased the Jaguar and Land Rover brands from Ford Motor Co.