# Big IT Cost Reductions Likely in Bank of America Acquisition Deal

## Analysts expect IT workforce layoffs

BY THOMAS HOFFMAN

Bank of America Corp. and FleetBoston Financial Corp. said they will try to minimize layoffs as part of the merger deal the two companies announced last week. But analysts say it will be nearly impossible for the banks to hit a $1.1 billion annual cost savings target without significant cutbacks in areas such as IT.

Even if IT staffing cuts are kept to a minimum, reductions in technology expenditures are expected to play a big part in the cost-savings effort. During a conference call with analysts, Bank of America executives included consolidation of redundant systems and software licenses among steps they plan to take to make the combined bank more efficient, said Jim Eckenrode, an analyst at TowerGroup in Needham, Mass.

But Eckenrode said he believes that layoffs are almost inevitable in administrative and back-office functions, including IT. "They're not going to take a billion dollars out of the organization without reducing head count," he said.

"We understand what they have to say for political reasons," said Gerard Cassidy, an analyst at RBC Capital Markets, a New York-based investment bank. But the No. 1 operating cost for banks is personnel, Cassidy noted.

The total number of jobs at the two companies might not change much because of a previously disclosed plan by Bank of America to add about 550 branches nationwide over the next three years, Cassidy said. But he added that once the operations of the banks are fully integrated, "they'll certainly have redundancies in information management."

Bank of America, which is already the second-largest bank in the U.S., plans to buy Boston-based FleetBoston in a stock-swap deal valued at about $43 billion. A spokeswoman for Charlotte, N.C.-based Bank of America said it's too soon to say what impact the planned merger will have on different types of positions at the companies.

The spokeswoman added that bank executives should be closer to laying out a technology integration road map when the merger nears its scheduled completion in mid-2004. Bank of America officials are pegging a late 2005 deadline for finishing the integration of the companies, she said.

Eckenrode and Bill Bradway, an analyst at Financial Insights in Framingham, Mass., both said there's little overlap in the banks' IT systems. However, both Bank of America and FleetBoston use a customer information system from Hogan Systems Inc. in Dallas and a consumer-loan origination system developed by American Management Systems Inc. in Fairfax, Va.

Although both Bank of America and FleetBoston have engaged in offshore application maintenance, each has a history of proprietary application development, "and I don't see that changing anytime soon," Eckenrode said.

But Bradway said that as systems consolidation and conversion work proceeds, the need to retain two application development and maintenance teams will be reduced.

Bank of America said Eugene McQuade, FleetBoston's president, will hold a similar job at the combined company and will have overall responsibility for IT. But the spokeswoman said a CIO probably won't be chosen until mid-2004. Tim Arnoult is the top IT executive at Bank of America, and Joseph Smialowski is his counterpart at FleetBoston. ⚪42514

### Key Facts and Figures

| | BANK OF AMERICA | FLEETBOSTON |
|---|---|---|
| Total assets | $737.1B | $196.4B |
| Annual IT spending | $2.75B* | About $1B* |
| Top IT executive | Tim Arnoult | Joseph Smialowski |
| Number of IT workers | 2,200 | 1,700 |

* ESTIMATE BY TOWERGROUP, NEEDHAM, MASS.

## Life-cycle Tools

What Medeiros really needs is wider interoperability between rival products to make a planned storage management consolidation project possible. Medeiros, who manages 300TB of storage capacity at a data center in New Jersey, said he wants to tie in an additional 400TB that's spread among 1,500 UPS offices worldwide.

Information life-cycle management was one of the most talked-about topics at last week's conference, which was co-sponsored by Computerworld and the San Francisco-based Storage Networking Industry Association and drew more than 2,600 attendees.

During one packed session, 11% of the audience indicated via electronic polling devices that they have already installed information life-cycle management components. Thirty-three percent said they plan to begin deployments in the next 12 months, and another 30% said they would do so within two years.

Top storage vendors such as EMC Corp., Hewlett-Packard Co., Hitachi Data Systems Corp. and Veritas Software Corp. have announced information life-cycle management software or have said they're developing technology that's designed to support automated storage management approaches (see box).

But Steve Duplessie, an analyst at The Enterprise Storage Group Inc. in Milford, Mass.,

## Tech Plans

**EMC said that during next year's first quarter,** it will introduce software that can be used to tie database applications into the data backup process.

**HITACHI DATA SYSTEMS announced a deal to resell AppIQ Inc.'s StorageAuthority Suite software,** which manages multi-vendor storage resources.

**VERITAS SOFTWARE tomorrow plans to launch Data Life-cycle Manager 5.0,** which can move data to secondary and archival storage systems based on the information's age.

said information life-cycle management currently is little more than marketing jargon without real products to back up the promises of vendors.

Mark Lewis, EMC's chief technology officer, acknowledged that the technology is still in the early stages of development. "We don't think anyone is doing it well," he said during a press briefing. "We don't think we're doing it well, at least not yet."

First Data Corp. in Greenwood Village, Colo., is one convert. Jerome Wendt, a senior storage analyst at First Data, said he's already planning the payment-processing company's information life-cycle management strategy, which will include the use of storage virtualization software that can pool disk capacity on storage-area networks (SAN).

Wendt is also testing tools from EMC, Veritas and Fujitsu Software Technology Corp. that he hopes will give him better data about the usage of storage capacity on servers and disk arrays than his existing spreadsheet models.

Automated storage manage-

ment systems would ease headaches for IT managers charged with destroying old data that no longer has to be kept to satisfy government regulators, Wendt said. As part of his plan, Wendt is classifying First Data's information to specify the storage media to be used for different data during its life cycle.

First Data also plans to deploy several tiers of storage, including arrays with low-cost disks that can provide secondary repositories for near-line storage. "By doing that, you free up space on [your primary] storage for mission-critical databases," Wendt said.

But for many other users, information life-cycle management implementations won't happen anytime soon.

Jerry McElhatton, senior executive vice president of global technology and operations at MasterCard International Inc. in Purchase, N.Y., had a blunt message for vendors. "Come back to us when you have something meaningful that will serve a business need and demonstrate a purpose," he said. ⚪ 42478