

PRESS RELEASE

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FOR IMMEDIATE RELEASE

DIR Issues Notice to Cure over the Data Center Services Contract

July 16, 2010, Austin, TX –The Texas Department of Information Resources (DIR) today issued a Notice to Cure in response to a series of contractual failures by IBM, the primary vendor for the state’s data center services program. The Notice to Cure asserts that IBM is in breach of its seven year service contract signed with the state in 2006 for \$863 million dollars.

The accumulated effect of under-investment by IBM, poor performance, and continual disregard for the protective obligations of the MSA, has resulted in harm to state agencies, exposure to unnecessary risks, and failure to achieve the objectives set and agreed by IBM. The notice to IBM includes material breaches of the data center services contract in the areas of consolidation, backup and recovery, security, disaster recovery, service level attainment, and staffing, and multiple other breaches that collectively constitute an additional material breach.

The state entered into this contract to receive the benefits of consolidation and increased efficiencies. While consolidation was expected to be completed by December 2009, to date IBM has consolidated less than 12 percent of participating agencies’ data center servers.

The Notice to Cure is DIR’s response to repeated performance failures over an extended period of time, and follows months of unsuccessful attempts to find a collaborative solution with IBM. “IBM promised an investment in people, processes, and technology to bring the benefits of data center consolidation to the State of Texas” said Karen Robinson, DIR Executive Director. “We have had continual problems with basic service delivery and IBM has failed to deliver on their promises.”

The Notice to Cure gives IBM 30 days to remedy identified deficiencies. DIR expects this action to result in immediate and substantial performance improvements. The state remains committed to data center consolidation and the benefits to be achieved.