Lufthansa outsources IT infrastructure ops to IBM

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German airline Lufthansa said on Wednesday it will outsource its IT infrastructure services to US computer giant IBM to cut costs by 70 million euros ($89 million) annually.

"Deutsche Lufthansa today announced that in the course of realigning its IT activities, it will be entering into a long-term IT partnership shortly.

"According to the terms to be agreed, Lufthansa will outsource all of its IT infrastructure services to IBM," the airline said in a statement.

IBM would also take over the Infrastructure division of the current Lufthansa Systems.

The outsourcing agreement would run for seven years, and "will enable Lufthansa to benefit from a permanent reduction of IT infrastructure costs by average approximately 70 million euros annually," the statement said.

Overall, the deal will result in one-off charges of 240 million euros for Lufthansa which would be reflected in the group's bottom-line profit for 2014.

The IT infrastructure operations employ a workforce of 1,400 and represents about 40 percent of the sales of the wider Lufthansa Systems division totalling 256 million euros in 2013.

The Lufthansa Systems division itself would be split into three companies.

While the infrastructure operations would be sold to IBM, the two other businesses—Airline Solutions and Industry Solutions—would operate as independent companies within the Lufthansa group.

"The cooperation with a global and successful IT group like IBM will strengthen the competitiveness of the group companies and the Lufthansa group as a whole.

"It will directly improve our cost base and allows access to the latest IT technologies which we will use to continue digitizing our business processes in order to increase efficiency and customer focus," said chief financial officer Simone Menne.

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