



# ServiceOntario Relocations

Financial Analysis of the Agreement with Staples Canada



## About this document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office of Ontario (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

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This report has been prepared with the benefit of publicly available information and information provided by the Ministry of Public and Business Service Delivery and Procurement. All dollar amounts are in Canadian, current dollars (i.e., not adjusted for inflation) unless otherwise noted.

In keeping with the FAO's mandate to provide the Legislative Assembly of Ontario with independent economic and financial analysis, this report makes no policy recommendations.



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# 1. Summary

- This report examines the Province's plan to relocate nine ServiceOntario centres into Staples Canada stores. The report provides an overview of the agreement between the Province and Staples Canada (the Staples Canada agreement), outlines the costs associated with this agreement and compares these costs against the alternative of retaining the original operators under two scenarios.

## Staples Canada Agreement

- In January 2024, the Province announced an agreement with Staples Canada to move nine privately operated ServiceOntario centres into Staples Canada stores for a three-year pilot program. Six of the centres were relocated on February 1, 2024, followed by the remaining three centres on May 9, 2024, September 12, 2024, and December 4, 2024. Each centre will operate until January 31, 2027.
- Staples Canada will design, operate and accommodate the ServiceOntario centres in existing retail locations. The new ServiceOntario centres in Staples Canada stores will expand service levels by increasing operating hours by 47.7 per cent and providing some additional services compared to the ServiceOntario centres run by the previous operators. This will be partially offset by a 30 per cent reduction in the number of service desks.

## Financial Analysis: Staples Canada Agreement

- The FAO estimates that the cost to relocate and operate the nine ServiceOntario centres in Staples Canada stores will total \$11.7 million over the duration of the Staples Canada agreement to January 31, 2027. This is comprised of \$1.7 million in one-time set-up costs in 2023-24 and 2024-25, and \$10.0 million in labour and overhead costs over the duration of the agreement.
  - The FAO's cost estimate of \$11.7 million is \$1.5 million higher than the Province's estimate of \$10.2 million. The FAO's higher cost estimate primarily results from the FAO using the actual ServiceOntario operating hours in the Staples Canada stores, which increased by 47.7 per cent compared to the operating hours at the original locations, while the Province's cost estimate was based on an estimated 30 per cent increase in operating hours. In addition, the FAO's cost estimate incorporates the actual overhead costs as per the Staples Canada agreement, which is higher than the Province's estimate.

## Net Financial Impact

- To estimate the net financial impact to the Province of the Staples Canada agreement, the FAO estimated the cost of retaining the nine ServiceOntario centres with the original operators under two scenarios.
- In Scenario A, the FAO assumes that the Province would have renewed its agreements with the nine original operators with the previous hours of operation, number of service desks and compensation structure. This approach is consistent with the scenario used by the Province in its own cost estimate released on January 29, 2024.<sup>1</sup>
  - Under Scenario A, the FAO estimates that retaining the original operators would have cost the Province a total of \$10.9 million. Compared to Scenario A, the \$11.7 million cost of the Staples Canada agreement results in an additional cost of \$0.8 million.

<sup>1</sup> Government of Ontario, [Ontario Making it Easier and More Convenient to Access Government Services](#), January 29, 2024.

- In contrast, the Province estimated net savings from the Staples Canada agreement of \$0.9 million, largely due to a lower estimated cost for the Staples Canada agreement (\$10.2 million).
- In Scenario B, the FAO assumes that the Province would have renewed its agreements with the nine original operators with expanded service levels, which includes expanded hours and additional health card services, and reduced service desks. This assumption is consistent with the expanded service levels implemented at other privately operated ServiceOntario locations in 2024. In addition, the FAO assumes that the original operators would have continued operating under the previous compensation structure before switching to a new compensation structure in 2025 that will apply to all private ServiceOntario operators.<sup>2</sup>
  - Under Scenario B, the FAO estimates that retaining the original operators would have cost the Province a total of \$12.9 million. Compared to Scenario B, the \$11.7 million cost of the Staples Canada agreement results in net savings of \$1.2 million.
  - The Province has not provided a public net financial impact estimate using the Scenario B assumptions.

<sup>2</sup> Based on information provided by the Ministry of Public and Business Service Delivery and Procurement to the FAO. Under s. 13 of the *Financial Accountability Officer Act, 2013* and s. 2(f) of order-in-council 1086/2022, the FAO cannot disclose the details of the new compensation structure.

## 2. Introduction

### Purpose and Structure

At the request of a Member of Provincial Parliament, this report examines the Government of Ontario's (the Province's) plan to relocate nine ServiceOntario centres into Staples Canada stores. The report provides an overview of the agreement between the Province<sup>3</sup> and Staples Canada (the Staples Canada agreement), and estimates the costs associated with this agreement. The report also compares the total cost of the Staples Canada agreement against two alternative scenarios: retaining the original operators based on the terms of their previous agreements, and retaining the original operators with expanded service levels and a revised compensation structure starting in 2025.

The report is divided into the following chapters:

- Chapter 3 provides an overview of ServiceOntario and reviews the Staples Canada agreement.
- Chapter 4 estimates the cost of the Staples Canada agreement and the two alternative scenarios for retaining the original operators.

### Scope

The purpose of this report is to examine the financial impact of the Province's plan to relocate nine ServiceOntario centres into Staples Canada stores. The FAO estimated the financial impact over the duration of the Province's agreement with Staples Canada; any potential extension of the agreement is outside the scope of this report. In addition, the FAO did not examine any potential financial impacts to other ServiceOntario centres. Finally, this report does not examine economic or other non-financial benefits or procurement processes associated with the Staples Canada agreement.

### Methodology and Sources

This report primarily uses data provided to the FAO by the Ministry of Public and Business Service Delivery and Procurement (MPBSDP). The FAO analyzed the Staples Canada agreement as well as other data provided by MPBSDP to estimate costs to the Province over the duration of the agreement. The FAO also created two cost projections for the alternative scenarios of retaining the original ServiceOntario operators. These cost estimates use information provided by MPBSDP pertaining to the pre-existing compensation structure for the nine ServiceOntario locations and planned upcoming changes to the compensation structure for all private ServiceOntario centres.

<sup>3</sup> Represented by the Ministry of Public and Business Service Delivery and Procurement.

# 3. ServiceOntario and the Staples Canada Agreement

## Overview

ServiceOntario, under the Ministry of Public and Business Service Delivery and Procurement (MPBSDP), was established in 2006. It is responsible for administering government services and transactions to residents and businesses across Ontario. These services include administering birth, marriage and death certificates; health card, driver's licence, fishing licence and hunting licence issuances and renewals; and vehicle, company and land registrations.

In 2023-24, the Province spent \$298.9 million to support the operation of ServiceOntario telephone contact centres, online services and 276 in-person service centres throughout the province, of which 81 (29.3 per cent) were publicly operated and 195 (70.7 per cent) were privately operated.

## Staples Canada Agreement

In January 2024, the Province announced an agreement with Staples Canada to move nine ServiceOntario centres into Staples Canada stores for a three-year pilot program.<sup>4</sup> Previously, the nine ServiceOntario centres had been privately operated and were relocated following the expiry of their existing agreements with MPBSDP. Six of the centres were relocated on February 1, 2024, followed by the remaining three centres on May 9, 2024, September 12, 2024, and December 4, 2024. Under the agreement with Staples Canada, each centre will operate until January 31, 2027.

Staples Canada will design, operate and accommodate the ServiceOntario centres in existing retail locations. The new ServiceOntario centres in Staples Canada stores will expand service levels by increasing operating hours by 47.7 per cent and providing some additional services, mainly complex health card services, compared to the ServiceOntario centres run by the previous operators. However, this will be partially offset by a 30 per cent reduction in the number of service desks.

Staples Canada will receive compensation from the Province for one-time setup costs associated with relocating the ServiceOntario centres as well as ongoing operating costs, based on the number of service desks and the cost of staffing at each location. These new ServiceOntario centres will be evaluated using the same performance metrics as other privately operated ServiceOntario centres.

<sup>4</sup> Government of Ontario, [Ontario Making it Easier and More Convenient to Access Government Services](#), January 29, 2024.

## 4. Financial Analysis

This chapter provides the FAO’s cost estimate of the Province’s plan to operate nine ServiceOntario centres in Staples Canada stores under the Staples Canada agreement. To estimate the net financial impact of the Staples Canada agreement to the Province, this chapter also provides cost estimates for retaining the nine ServiceOntario centres with the original operators under two scenarios.

- In Scenario A, the FAO estimates the cost of retaining the original operators based on the terms of their previous agreements, which is the scenario used by the Province in its own cost estimate comparison released on January 29, 2024.<sup>5</sup>
- In Scenario B, the FAO estimates the cost of retaining the original operators with expanded service levels, which is similar to the expanded service levels observed at other privately operated ServiceOntario centres in 2024. This scenario also incorporates the impact of upcoming changes to the compensation structure of private ServiceOntario operators in 2025.

### Cost of operating ServiceOntario centres in Staples Canada stores

The FAO estimates that the cost to relocate and operate the nine ServiceOntario centres in Staples Canada stores will total \$11.7 million over the duration of the Staples Canada agreement to January 31, 2027.

**Table 4.1**

**FAO projected cost of operating nine ServiceOntario centres in Staples Canada stores, 2023-24 to 2026-27, \$ millions**

Cost Type	FAO Projection (\$ millions)				Total
	2023-24	2024-25	2025-26	2026-27	
One-time setup	1.1	0.6	-	-	1.7
Labour and overhead	0.4	3.1	3.5	3.0	10.0
<b>Total Cost</b>	<b>1.6</b>	<b>3.7</b>	<b>3.5</b>	<b>3.0</b>	<b>11.7</b>

Note: Values in 2023-24 and 2026-27 are prorated to match the duration of the Staples Canada agreement. Numbers may not add due to rounding. Source: FAO analysis of information provided by the Province.

Under the agreement, Staples Canada will be compensated for the cost to set up the nine ServiceOntario centres in Staples Canada stores, which the FAO estimates will total \$1.7 million to be paid in 2023-24 and 2024-25.

The agreement also compensates Staples Canada for labour and overhead costs up to set maximums. The FAO projects that these costs will total \$10.0 million over the duration of the agreement: \$0.4 million in 2023-24 rising to \$3.1 million in 2024-25 and \$3.5 million in 2025-26, before declining to \$3.0 million in 2026-27 as the agreement ends for all locations on January 31, 2027. The FAO’s projection for labour and overhead costs is based on the number of service desks at each location, each ServiceOntario centre’s hours of operation, and the estimated average hourly wage rate of the Staples Canada employees operating the ServiceOntario centres. In its cost estimate, the FAO incorporates the expanded service levels at the Staples Canada ServiceOntario centres compared to the original locations, which includes a 47.7 per cent increase in service hours and additional health card services, partially offset by a 30 per cent reduction in the number of service desks.

<sup>5</sup> Government of Ontario, [Ontario Making it Easier and More Convenient to Access Government Services](#), January 29, 2024.



There are no other applicable costs to relocate and operate the nine ServiceOntario centres in Staples Canada stores, including termination costs associated with the closure of the original ServiceOntario locations.

## Scenario A: Cost of operating ServiceOntario centres with the original operators under previous agreement terms and compensation structure

The first alternative scenario considered by the FAO, Scenario A, assumes that the Province would have renewed its agreements with the nine original operators with the previous hours of operation, number of service desks and compensation structure. This approach is consistent with the scenario used by the Province in its own cost estimate released on January 29, 2024.<sup>6</sup>

The FAO estimates that retaining the original operators under this scenario would have cost the Province a total of \$10.9 million over the same period as the Staples Canada agreement. This includes a total of \$8.8 million in transaction-based compensation, \$1.0 million in top-up payments and \$1.0 million in stipends and other costs.

**Table 4.2**

**Scenario A: FAO projected cost of operating the nine ServiceOntario centres with the original operators under previous agreement terms and compensation structure, 2023-24 to 2026-27, \$ millions**

Cost Type	FAO Projection (\$ millions)				Total
	2023-24	2024-25	2025-26	2026-27	
Transaction-based	0.3	2.8	3.1	2.6	8.8
Top-up	<0.1	0.3	0.4	0.3	1.0
Stipend and other	<0.1	0.3	0.4	0.3	1.0
<b>Total Cost</b>	<b>0.4</b>	<b>3.5</b>	<b>3.8</b>	<b>3.2</b>	<b>10.9</b>

Note: Values in 2023-24 and 2026-27 are prorated to match the duration of the Staples Canada agreement. Numbers may not add due to rounding. Source: FAO analysis of information provided by the Province.

Unlike the compensation structure under the Staples Canada agreement, the original ServiceOntario centre operators were primarily compensated on a per-transaction basis. These operators received a commission per transaction processed, which varied based on the type of transaction. The FAO estimates transaction-based compensation would have been \$0.3 million in 2023-24, increasing to \$2.8 million in 2024-25 and \$3.1 million in 2025-26, before declining to \$2.6 million in 2026-27, to match the duration of the Staples Canada agreement.

The Province also provides top-up payments to private ServiceOntario centres that have experienced reductions in transaction-based compensation due to the effects of the COVID-19 pandemic, increased digitization of ServiceOntario transactions and the elimination of licence plate renewal fees. In any given month, if transaction-based compensation for a centre is lower than the compensation received in the same month in 2019-20, the centre is eligible for a top-up payment to bring compensation to the 2019-20 level, provided the centre meets certain operating conditions.<sup>7</sup>

<sup>6</sup> Government of Ontario, [Ontario Making it Easier and More Convenient to Access Government Services](#), January 29, 2024.

<sup>7</sup> Conditions that affect top-up eligibility include hours of operation and the number of service desks.

The FAO projects total transactions at the nine original ServiceOntario locations would have increased from an estimated 0.85 million in 2023-24 to 0.99 million by 2026-27 but remained below 2019-20 levels of 1.03 million. Consequently, the FAO estimates that seven of the nine centres would have received top-up compensation over the same period as the Staples Canada agreement, costing \$50,000 in 2023-24, \$0.3 million in 2024-25, \$0.4 million 2025-26 and \$0.3 million in 2026-27.

Finally, privately operated ServiceOntario centres also receive an annual stipend per location and per service desk, as well as other targeted funding.<sup>8</sup> Based on existing operational directives, the FAO estimates that the stipend and other compensation would have been \$40,000 in 2023-24, \$0.3 million in 2024-25, \$0.4 million in 2025-26 and \$0.3 million in 2026-27.

### Net financial impact: Staples Canada agreement vs. Scenario A

The FAO estimates that the plan to relocate nine ServiceOntario centres to Staples Canada stores will result in additional costs of \$0.8 million over the duration of the agreement to January 31, 2027, compared to the alternative of retaining the original operators under the terms of their previous agreements and compensation structure. The additional cost of \$0.8 million is largely due to:

- \$1.7 million in costs to set up the ServiceOntario centres in the Staples Canada stores;
- partially offset by \$0.9 million in savings from lower estimated operating costs for the nine ServiceOntario centres in Staples Canada stores compared to the estimated cost of operating the nine ServiceOntario centres with the original operators under the terms of their previous agreements.

### FAO estimate vs. the Province's estimate

The FAO's estimate of \$0.8 million in additional costs is \$1.7 million higher than the Province's estimate, which projected net savings of \$0.9 million.<sup>9</sup>

**Table 4.3**

### Comparison of the FAO's and Province's projected net financial impact of relocating nine ServiceOntario centres to Staples Canada stores, \$ millions

	FAO Projection (\$ millions)	Province Projection (\$ millions)
Cost of operating the nine ServiceOntario centres in Staples Canada stores	11.7	10.2
Less: Cost of operating the nine ServiceOntario centres with the original operators under previous agreement terms and compensation structure (Scenario A)	10.9	11.1
<b>Net Financial Impact: Additional Cost / (Savings)</b>	<b>0.8</b>	<b>(0.9)</b>

Note: The cost of operating the nine ServiceOntario centres with the original operators (Scenario A) assumes that the Province would have renewed its agreements with the nine original operators with the previous hours of operation, number of service desks and compensation structure.

Source: FAO analysis of information provided by the Province.

<sup>8</sup> Other sources of funding include commissions for organ donor registrations and temporary funding for specific measures, such as payments to support the retrofitting of ServiceOntario centres during the COVID-19 pandemic.

<sup>9</sup> Government of Ontario, [Ontario Making it Easier and More Convenient to Access Government Services](#), January 29, 2024.

The \$1.7 million difference between the FAO's and the Province's estimates is due to:

- The FAO's cost estimate for operating the nine ServiceOntario locations in Staples Canada stores is \$1.5 million higher than the Province's estimate. The FAO's higher cost estimate primarily results from the FAO using the actual ServiceOntario operating hours at the Staples Canada locations, which increased by 47.7 per cent compared to the operating hours at the original locations, while the Province's cost estimate was based on an estimated 30 per cent increase in operating hours. In addition, the FAO's cost estimate incorporates the actual overhead costs as per the Staples Canada agreement, which are higher than the Province's estimate.
- The FAO's cost estimate for operating the nine ServiceOntario centres with the original operators under the terms of their previous agreements is \$0.2 million lower than the Province's estimate. The Province's cost estimate assumed a full three years of operation for each ServiceOntario location, while the FAO's cost estimate matches the actual duration of the Staples Canada agreement, which is less than three years for three of the ServiceOntario locations. Additionally, the FAO's cost estimate incorporates more recent compensation and transaction data from 2023-24.

## Scenario B: Cost of operating ServiceOntario centres with the original operators with expanded service levels and new compensation structure

The second alternative scenario considered by the FAO, Scenario B, assumes that the Province would have renewed its agreements with the nine original operators with expanded service levels, which includes expanded hours and additional health card services, and reduced service desks. This assumption is consistent with the expanded service levels implemented at other privately operated ServiceOntario locations in 2024. In addition, the FAO assumes that the original operators would have continued operating under the previous compensation structure before switching to a new compensation structure in 2025 that will apply to all private ServiceOntario operators.<sup>10</sup>

The FAO estimates that retaining the original operators under this scenario would have cost the Province a total of \$12.9 million over the same period as the Staples Canada agreement.

**Table 4.4**

### Scenario B: FAO projected cost of operating the nine ServiceOntario centres with the original operators with expanded service levels and new compensation structure, 2023-24 to 2026-27, \$ millions

	FAO Projection (\$ millions)				Total
	2023-24	2024-25	2025-26	2026-27	
Total cost	0.4	3.9	4.7	3.9	12.9

Note: Values in 2023-24 and 2026-27 are prorated to match the duration of the Staples Canada agreement.  
Source: FAO analysis of information provided by the Province.

In this scenario, the FAO estimates a total cost of \$0.4 million in 2023-24, increasing to \$3.9 million in 2024-25 and \$4.7 million in 2025-26, before declining to \$3.9 million in 2026-27, reflecting the duration of the Staples Canada agreement. The FAO's projection under Scenario B is based on the pre-existing compensation structure until the introduction of the new compensation structure in 2025. The projection also assumes that the nine ServiceOntario centres would provide expanded service levels compared to Scenario A, which includes a 47.7 per cent increase in service hours and additional health card services, partially offset by a 30 per cent reduction in the number of service desks.

<sup>10</sup> Based on information provided by MPBSDP to the FAO. Under s. 13 of the *Financial Accountability Officer Act, 2013* and s. 2(f) of order-in-council 1086/2022, the FAO cannot disclose the details of the new compensation structure.

### Net financial impact: Staples Canada agreement vs. Scenario B

Under Scenario B, the FAO estimates that the Province's plan to relocate nine ServiceOntario centres to Staples Canada stores will result in net savings of \$1.2 million over the duration of the agreement to January 31, 2027.

**Table 4.5**

**FAO projected net financial impact of relocating nine ServiceOntario centres to Staples Canada stores, \$ millions**

	FAO Projection (\$ millions)
Cost of operating the nine ServiceOntario centres in Staples Canada stores	11.7
Less: Cost of operating the nine ServiceOntario centres with the original operators, expanded service levels and new compensation structure in 2025 (Scenario B)	12.9
<b>Net Financial Impact: Additional Cost / (Savings)</b>	<b>(1.2)</b>

Note: The cost of operating the nine ServiceOntario centres with the original operators (Scenario B) assumes that the Province would have renewed its agreements with the nine original operators with expanded service levels and a new compensation structure in 2025.

Source: FAO analysis of information provided by the Province.

The FAO's estimate of \$1.2 million in net savings under Scenario B contrasts with the \$0.8 million in additional costs under Scenario A due to higher estimated compensation for the original operators under Scenario B. This results from higher transaction-based compensation due to expanded service levels under Scenario B and increased costs associated with the new compensation structure starting in 2025.

The Province has not provided a public net financial impact estimate using the Scenario B assumptions.