

ServiceOntario Relocations

Financial Analysis of the Agreement with Staples Canada

Briefing Deck

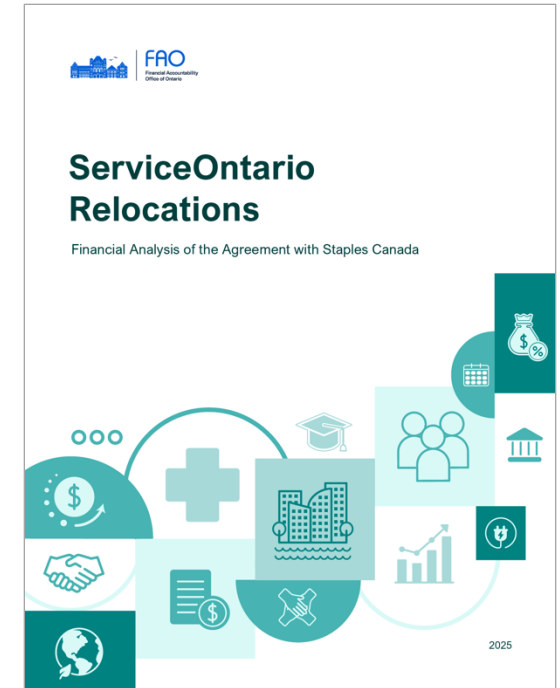


FAO

Financial Accountability
Office of Ontario

Purpose and Overview

- 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 Overview

- ServiceOntario is responsible for administering government services and transactions to residents and businesses across Ontario through telephone services, online services and in-person contact centres.
- 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 between May and December 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, partially offset by a 30 per cent reduction in the number of service desks.



Cost of the 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.

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

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.



Net Financial Impact

- To estimate the net financial impact to the Province, the FAO estimated the cost of the Province renewing its agreements with the original operators of the nine ServiceOntario centres under two scenarios.

Scenario A

- In Scenario A, the FAO assumes that the renewal of the agreements would:
 - maintain previous hours of operation and number of service desks; and
 - maintain the previous compensation structure.
- Scenario A is consistent with the scenario used by the Province in its own cost estimate released on January 29, 2024.

Scenario B

- In Scenario B, the FAO assumes that the renewal of the agreements would:
 - expand hours, include additional health card services and reduce service desks; and
 - continue operations under the previous compensation structure before switching to a new compensation structure in 2025 that will apply to all private ServiceOntario operators.
- Scenario B is consistent with the expanded service levels implemented at other privately operated ServiceOntario locations in 2024.



Scenario A Cost

- Under this scenario, the FAO estimates that retaining the original operators would have cost the Province \$10.9 million.

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
Total Cost	0.4	3.5	3.8	3.2		10.9

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.



Net Financial Impact: Staples Canada Agreement vs. Scenario A

- Compared to Scenario A, the FAO estimates that the Staples Canada agreement will result in additional costs of \$0.8 million.
- In contrast, the Province estimated net savings of \$0.9 million.
 - The difference between the FAO's estimate and the Province's estimate is largely due to the Province's lower estimated cost for the Staples Canada agreement.

	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
Net Financial Impact: Additional Cost / (Savings)	0.8	(0.9)

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.



Scenario B Cost

- 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.
- This is higher than the estimated cost under Scenario A due to Scenario B's assumption of expanded service levels and increased costs associated with a new compensation structure starting in 2025.

FAO Projection (\$ millions)					
	2023-24	2024-25	2025-26	2026-27	Total
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.



Net Financial Impact: Staples Canada Agreement vs. Scenario B

- Compared to Scenario B, the FAO estimates that the Staples Canada agreement will result in net savings of \$1.2 million.
- The Province has not provided a public net financial impact estimate using the Scenario B assumptions.

	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
Net Financial Impact: Additional Cost / (Savings)	(1.2)

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.



Thank you!



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