

OSMBC States: Ontario Jeopardizes Jobs at 300+ Ontario IT Firms AND Risks IT Project Cost Overruns

TORONTO – June 9, 2017: The Ontario Government is changing how they purchase IT Technical Staff services. The Ontario Small and Medium Business Coalition (OSMBC) believes this change will likely be the root cause of two damaging but related outcomes: One, numerous Ontario-based IT layoffs and company closures; Two, numerous Ontario Government IT project failures and massive cost overruns.

What is the Ontario Government doing?

A change in procurement approach favours 10 very large firms to provide IT Staffing Services to the Ontario Government, eliminating approximately 300 small and medium sized firms from competing for that business (reference: Ontario Government RFX 4222 – ON-Demand IT Services VOR DRAFT RFB tender_5252 replacing Task Based VOR arrangement OSS 430429)

What is the likely positive impact? The OSMBC believes:

- Short-term cost savings (est. at 4% of the IT Services spend)

What is the likely negative impact? The OSMBC believes:

- Mass lay-offs and probable company closures at nearly 300 Ontario-based SMB IT firms
- Increased frequency and magnitude of project failure risk and project cost over-runs because the selected 10 firms fail to deliver the top talent that the nearly 300 firms previously did
- Increased costs of IT delivery and Government program delivery (e.g. social services, healthcare, etc.) owing to IT project delivery delays and cost over-runs

Deeper - Why and How will this materialize? The OSMBC believes:

- The Ontario Government has a justifiably complex IT configuration, where many of the systems require expert-level specialists
- Most of these specialists (75%+) work for or contract through the 300 Ontario-based SMB IT firms and not the 10 qualifying multinational firms
- If these 300+ Ontario-based IT Firms lose their contract with the Ontario Government, most of these resources will be sent to work for private sector firms and the Ontario Government will lose hundreds of expert-level specialist IT resources
- Since expert-level specialist IT resources are in great demand and are challenging to procure, the replacement IT resources will be inferior to those already performing the work today, which will cause and increased frequency and magnitude of project failure risk and project cost over-runs

Summary note: As Ontario chases a 4% program cost savings, the OSMBC believes: it will put 300 SMB IT firms' futures at risk, and will put almost all Ontario Government IT programs at a much greater risk of catastrophic failures and cost over-runs.

About OSMBC: The Ontario Small and Medium Business Coalition (OSMBC) is a volunteer association of members that specialize in providing IT Subject Matter Expertise on-demand and IT solutions, and services to the government of Ontario, the government of Canada, municipalities, and private sector organizations. Our members deliver high quality services to the public and private sectors to help drive innovation in Ontario.

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