

In or out

by Kevin O'Connor

Saskatchewan rejects EDS power play

Saskatchewan's NDP government dropped a bombshell earlier this year when it announced it would not proceed with a \$1-billion information technology outsourcing deal with Texas-based computer services firm, Electronic Data Systems (EDS).

On March 7, Information Technology Minister, Andrew Thomson, surprised many observers who thought after six months of discussions the government would flick the switch on a massive deal with EDS Canada. Instead, Thomson pulled the plug. "While this was potentially a good deal, it was not the right deal," Thomson said.

Had it gone ahead, EDS would have taken over about 25 percent of the provincial government's IT work – managing everything from servers to software to ink-jet printers. It would be worth \$100 million a year for 10 years. EDS said it could manage the computer networks more efficiently and at a lower cost than the province's current arrangement.

In return for the contract, EDS said it would create 1,000 new jobs – 700 at a Saskatoon call centre and another 300 at a Regina "solutions centre."

"We think it's an outstanding deal," EDS Canada spokesman James Tocacelli said shortly before Thomson's announcement.

Unfortunately for EDS, the proposal had plenty of opponents. Saskatchewan's IT companies and opposition politicians criticized the government for not tendering the deal.

The Saskatchewan government and General Employees' Union, which represents 400 IT workers in government, indicated it was opposed in principle to the outsourcing of government services. For a while, it appeared the PR gods were aligned against the deal. While EDS was trying to convince Saskatchewan it could be trusted to manage its data, a firestorm of controversy broke out involving another IT company.

Regina-based ISM Canada told the public January 22 it was missing a 30-gigabyte hard drive containing personal information from corporate and Saskatchewan government clients.

When it was learned a million names were on the disk, a near panic ensued. Across the country, there were widespread concerns that "identity thieves" might use the data for illegal purposes. Although the uproar died down after Regina police charged an ISM employee who had the missing drive, the episode did little to inspire confidence in the government's data-managing abilities.

Faced with mounting opposition, EDS Canada fought back. In media reports, it suggested that the deal was a time-limited offer – and time was running out. The company placed full-page ads in the *Regina Leader-Post* and *Saskatoon StarPhoenix* on March 1 that restated the key selling points – jobs for Saskatchewan residents, lower IT costs for taxpayers and better service for the public. But ultimately the direct pitch to "residents of Saskatchewan" didn't work.

Thomson said government rejected the plan for several reasons, chiefly financial. "We determined we would not be able to achieve the level of savings we had initially wanted." In part, Thomson said, this stemmed from the promise to unionized IT workers that their jobs would not be negatively affected. EDS's Tocacelli said the company was disappointed and will not proceed with the 1,000-job expansion.

"This deal is dead," he said. *mm*

Kevin O'Connor writes on technology issues for the Regina Leader-Post newspaper.