



# Fast

# FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

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## First a ripple, then a wave

**T**here was a ripple in the waters of public service provision late last year that has left some people perplexed. The Manitoba government announced that it would be selling The Property Registry to Ontario based Teranet, a private firm. In the last provincial election, the government was adamantly committed to keeping Manitoba Hydro in public hands, so one has to wonder why its commitment to public-sector institutions is suddenly wavering.

The Property Registry and Land Titles Registry provide an exclusive service to Manitobans. Every time a property changes ownership or a mortgage is registered, Land Titles services are utilized. The agency has brought in modest revenue, transferring \$11 million into general government coffers in each of the years 2010 and 2011.

In 1997/98, during the Filmon government, the Property Registry became an arm's length alternative service delivery mechanism called a Special Operating Agency (SOA), created to devolve services from core government operations. The rationale underlying SOAs was that they would be accountable to the public through separate reporting structures that would measure their performance through the bottom line or profit margins of the agency. Sale of the Property Registry confirms that moving to the SOA model was the first step towards privatization – a process we call “creeping privatization”. The divestment of the agency into the private sector is now complete with Teranet in control of most of the agency's functions.

The government cited the following benefits in the press release:

- Teranet will invest \$35.5 million in systems development to ensure services such as title, property searches and registrations will be available through a more convenient, faster and secure online system.
- There will be estimated annual royalty payments of \$11 million in 2013, increasing to \$24 million at the end of the 30-year licensing agreement.
- Employees of the existing Property Registry will be transferred to the new firm, reducing the size of government by more than 100. Teranet will not lay-off employees and will protect employee benefits.
- To protect consumers, the government will maintain the authority to set rates charged by Teranet for services. All existing Property Registry offices will remain open.
- Data used by Teranet, such as land survey and property titles, are now and will always be owned by the province and protected by privacy legislation.

On the surface this appears to be a decent deal for Manitoba. However, several issues remain regarding the terms and conditions of the contract, labour relations, the fees charged for service, and the shift in philosophy to a for-profit model.

As with any privatization scheme, one of the most important elements to examine is why the private company would purchase access to a public asset. Much

there is an alternative.

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can be gleaned from a 2010 Presale Rating Report prepared by the credit rating firm DBRS when Teranet took over Ontario's electronic Land Registry System and electronic Writs System.

DBRS refers to Ontario's Land Registry System (LRS) as an essential service. If you want to transfer land, search a title or register a mortgage, you have to use the LRS; there is no other institution that can do that for you. Teranet has inherited a captive audience, and the fact that Ontario's population is growing (like Manitoba's) means that land transactions are increasing, so Teranet's business is guaranteed to grow. This growth will be dependent on economic conditions, but the fact that Teranet has monopoly control over Ontario's LRS until 2067 means that its rate of growth will be averaged over a very long period of time.

The word monopoly can raise red flags, so both in Ontario and Manitoba the fees charged by Teranet will be set and controlled by the provincial governments. In Ontario, fees will increase by 50% of the Consumer Price Index (CPI): in Manitoba the allowed increase will be the CPI plus 1%. But appealing as securing a monopoly on land registry transactions is, there is another angle that Teranet is playing here.

Teranet offers other non-essential, proprietary services called value-added services (VAS) whose pricing will not be controlled by the provinces. These services include a "GeoWarehouse" that provides land-related data to the real estate industry, surveyors and government agencies; a risk-management suite that provides information to lenders; and a program called "The Conveyancer" that helps lawyers handle their real estate transactions. According to DBRS, these VASs "build on Teranet's access to Ontario land registration records." In other words, these services would not function without access to publically-built resources such as Ontario's LRS.

When tax payers build a valuable data base and a private corporation reaps the

benefits by controlling access to that asset so it can expand its product base into non-controlled, proprietary products, we see why a private corporation would find this deal attractive. But why would an NDP government, committed to a strong public sector, hand this asset over? Will the amount paid in royalties (which to start at least, are no more than the revenues already transferred to the province) adequately compensate Manitobans for their loss of control over this public asset? When all is said and done, what will the impact be on quality of service?

Details of the Property Registry sale notwithstanding, privatization of this asset in itself may not make a big difference in our day-to-day lives. But it does beg bigger questions: why, if protection of Manitoba Hydro was paramount in the NDP's re-election platform, is this government willing to let our Property Registry go so easily, without even consulting the public? Is the concept of public assets for public good not the same with this smaller agency? Given the potential profit-making capacity this public resource has, is Teranet paying enough? Could the public sector not develop this resource, rather than handing it over to the private sector?

The public sector is a collection of agencies, institutions, employees and capital assets whose value is greater than a sum of its parts. Loss of any public asset, regardless of how small, diminishes that value, and sends a message that Manitoba is for sale.

Handing over our Property Registry will go largely un-noticed and un-commented on. But if nothing else, Manitobans need to ask if privatization is a road we want to go down. If we do, there is no way back.

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