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**Official Report
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Thursday 1 November 2001

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des débats
(Hansard)**

Jeudi 1^{er} novembre 2001

**Standing committee on
public accounts**

Special Report,
Provincial Auditor:
Ministry of Consumer and
Business Services

**Comité permanent des
comptes publics**

Rapport special,
Vérificateur provincial :
Ministère des Services aux
consommateurs et aux entreprises

Chair: John Gerretsen
Clerk: Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
PUBLIC ACCOUNTS**

**COMITÉ PERMANENT DES
COMPTES PUBLICS**

Thursday 1 November 2001

Jeudi 1^{er} novembre 2001

The committee met at 1002 in room 151.

**SPECIAL REPORT, PROVINCIAL AUDITOR
MINISTRY OF CONSUMER
AND BUSINESS SERVICES**

Consideration of section 3.03, project to automate the land registration system (Polaris).

The Chair (Mr John Gerretsen): I'd like to call the committee to order. Today we're dealing with section 3.03 of the 2000 Special Report of the Provincial Auditor, specifically the project dealing with the automation of the land registry system, Polaris.

We have with us Deputy Minister Sandra Lang—welcome—and various officials from your staff. What I propose to do is to have rounds of, let's say, 20 minutes, and we'll see how much time is left after the first hour, and we may have to contract the time a little bit.

Is there anything you wanted to say at the beginning, Ms Lang?

Ms Sandra Lang: Yes. Thank you very much, Mr Gerretsen.

The first thing I'd like to say is that I'd like to thank the committee for its patience in giving us an extension of the time frame. As you know, we have been extremely involved over the last several months in the renegotiation of the agreements, which is what we indicated the last time we appeared before the committee was going to be our major agenda. That has taken a significant amount of time and certainly the energy of most of the people who are here with me today. First of all, I did want to extend our thanks for giving us the extension that you granted to us last month.

The other thing that I would like to indicate is that we have almost completed our negotiations, and we're very pleased with the results of the negotiations that have occurred over the summer and are quite encouraged by the going-forward agenda that we have almost ready to take forward to the government for their consideration and to the company for their consideration. I think we've had a very productive summer and certainly feel much more comfortable with the direction that we will be taking as a result of our renegotiations of the agreements with the company.

The Chair: OK. Thank you very much. Just for the record, there was a letter sent to you on June 28 that had 12 different questions attached thereto. You have not

provided the committee with a written response to that. Oh, I stand corrected. You have given a written response to it, but you have not answered those questions in detail in that response; is that correct?

Ms Lang: Yes, and I think that's fair. Part of the reason, as we attempted to explain in the letter, is that it's important to have the context around the nature of the business model and the nature of the agreement and the negotiation that we've almost concluded in order to understand the specific responses to each of those questions. So in our response, we attempted to provide some of the context that would characterize what we have been up to over the last several months and where we think the arrangement is going and the future direction for the implementation and the continuation of the land registry system.

So in order for us to be able to deal with the specifics of those questions, I think it was important to set the context of the going-forward strategy in the agenda that's emerging as a result of negotiations we've concluded this summer.

The Chair: OK. Well, I'll start with the rotation, then. Any preference as to where we start? Government?

Mr Bart Maves (Niagara Falls): No. Actually, why not start with Ms Martel? She's the one who has so many questions.

The Chair: Do you have any objections to starting first, Ms Martel? OK.

Ms Shelley Martel (Nickel Belt): Thank you. Deputy, I'd like to start with the questions. I appreciate what you provided us with, but many of them weren't answered, and I'm hoping today during the public session we can get some answers with respect to this project.

We're operating in a bit of a vacuum in terms of the committee, because you would know more about what the final lay of the land is than we, so I appreciate you might not be able to answer some of this, but I would ask that you give us as much as you can so that we might get some comfort from where this is heading.

The first question had to do with revenue that Teranet would receive under the licence if nothing changed. This goes back to Teranet saying in April 1999 that they might not complete this project until 2011. Obviously a lot of government revenue could go out the door if that were the case.

Can you tell me, if nothing changed—and I'm hoping something is going to change—what is the government

anticipating its revenue flow would be if we were actually looking at a 2011 completion date?

Ms Lang: If we were looking at a 2011 completion date, the revenue flow would probably be somewhere around \$1.5 billion, and that's the net of the royalties—

Ms Martel: Net, OK.

Ms Lang: But I think, Ms Martel, in order to be able to understand where this thing is going—and I've love to be able to update the committee—

Ms Martel: I'd love if you could.

Ms Lang:—on the status of the negotiations, I think it would be very useful for the committee to have the benefit of our opportunity to share with you where we are with our negotiations and what we think we've been able to achieve over the summer, and then talk to you a little bit about how the math will unfold as a result of that.

So if that would be suitable, I'd be quite delighted to start there.

Ms Martel: I've got \$1.5 billion net of royalties if nothing changed, and I just want to finish with question 1. How would that compare to the estimate in the original business case? Was it \$275 million?

Ms Lang: Well, I don't think the original business case had a specific number in terms of revenue that was going to be transferred. I don't recall that being anywhere in the original business case.

The actual transfer of revenue and the cost of implementation are different numbers and different things.

Ms Martel: The \$275 million is the implementation cost that was projected in 1991, and you're not clear that anywhere in the business case the revenue stream was actually outlined?

Mr Dave Roote: I'm Dave Roote, assistant deputy minister of the registration division of the ministry.

It wasn't identified as a specific request for approval of money to be flowed to the company in a quantum sense. There was reference in there that in the approval to enter into the agreement with the company, there would be a transfer of revenue as part of that arrangement in order to fund the project, but it wasn't itemized as a specific approval request for the quantum of money to be transferred.

Ms Martel: Was it announced publicly at any point?

Mr Roote: Not that I'm aware of.

Ms Martel: OK. So you can't give us a figure at this time? All right. Go ahead, Deputy.

Ms Lang: What I'd like to do, then, is turn it over to Sue Corke, who is our ADM in charge of policy. Sue has also been our senior negotiator, lead negotiator, over the course of the summer, and I think would be quite happy to share with you how we've progressed.

1010

Ms Sue Corke: Thank you very much. I'm Sue Corke, ADM of policy and consumer protection services in the ministry.

When we last appeared before the committee, there was a lot of concern about information that had been obtained that the automation and conversion project would not be completed before 2010, I think was one of

the outside numbers, and that it might be in excess of \$1 billion. I think those were some of the anxieties expressed by the committee. We replied at that time that those costs and timelines would not be acceptable to us and that, if necessary, we would complete the implementation project without finishing all of the 100% of properties in Ontario to prevent such costs from occurring.

I'm pleased to report that we've had very successful discussions with Teranet over the last 12 to 13 weeks—very intensive, a lot of work, a large number of hours per week and sometimes into the night—on a range of issues, specifically, though, the costs and timelines for the implementation project.

We looked at seven or eight different scenarios with Teranet, taking a look at their assumptions for forecasting in great detail, looking at efficiencies and best practices that we built in over the last 10 years of activity together.

The preferred approach—and I have to say that this has not been signed yet and the contracts are still being worked on; the Teranet board has been apprised and is supportive, but the final, final inking hasn't occurred yet—results in electronic registration being available for a substantial number of properties in Ontario, about 87% to 88%, in all communities over 5,000 in population. So that's our preferred approach at the moment. The incremental cost of this work from March 2002 is about \$215 million. The incremental cost from March 2002 until completion is approximately \$215 million.

Again, I caution you on the precision with those numbers, because it's not quite finally inked yet.

Ms Martel: Can I ask you one question there? The \$215 million, would I refer to that as an implementation cost?

Ms Corke: Yes. Automation and conversion.

Ms Martel: It's a government cost.

Ms Corke: No. It's the cost to Teranet of completing the project.

Ms Martel: So that has nothing to do with the revenue?

Ms Corke: I'm not talking about the revenues at this point in time; I'm just talking about the costs, because that was in fact the anxiety at the last meeting, whether the costs were soaring out of control.

The Chair: Is that an additional \$215 million, or is that the total?

Ms Corke: Yes, it's in addition; it's incremental cost of proceeding to substantial completion. It would bring the total spent on implementation and automation to just over \$680 million, and that's about \$560 million without interest and depreciation.

So the numbers are, the total for the whole implementation and automation project: just over \$680 million, about \$555 million to \$560 million without interest and depreciation. The estimated time of completion of this project is about 2007, somewhere between third and fourth quarter, 2007.

Again, I have to say there's still fine-tuning going on here. There are a lot of assumptions underlying that

model. I would say, though, that we've had on that model, that forecasting model, a third party due diligence done to make sure that the methodology is sound and that we have in fact done as much due diligence as we ought to have done, that we do in fact understand what the going-forward assumptions are behind that model.

As we've said before, and as I think those of you who were ever involved with this would know, the project is very complicated. There are a lot of unknown features around the mix of PINs, the complexity of PINs and the volume. The numbers change all the time, and the more healthy the economy is, the more the volume of PINs changes over the course of the project.

So we looked at all the assumptions in the forecast and incorporated lessons learned from the past 10 years, but it is important to recognize that we need to have control of these timelines and numbers, because costs could change again. I think the trick here is to have a cap on costs and a cap on the timelines and a way to manage very precisely and diligently how those timelines and costs are being tracked over the next few years and to make sure that we have the ability to manage those costs and time targets and to make informed choices about finishing the project or finishing at a lower percentage completion, making trade-offs.

We've spent a lot of time negotiating a governance process with Teranet. This governance process actually has a performance management framework associated with it that has us reviewing on a quarterly basis. If there's substantial variance over more than four quarters, we take action, we take a look at those numbers, a third party look at those numbers, and we make decisions as we go along about the extent to which we are prepared to incur any overruns or not so that we actually have a firm, strong management framework. This will be contractually reflected.

Ms Martel: Sorry. Just to clarify, the third party review would be after four quarters, where you notice a problem after four quarters?

Ms Corke: Yes, if there's substantial variance. If there's any variance at all by quarter, they are in a heavy-duty disclosure mode. We need to know exactly why. Because now we understand so completely the assumptions behind the forecasting, it's very easy to have the conversation about which assumption is not bearing out.

This is not a fault-blame situation that I'm talking about here; this is accepting the fact that it's a complex project, but it gives us the management tools and the accountability techniques to be able to actually call it a day if it's going to be more expensive than we want it to be.

The results of the evaluation that we would do on a substantial variance would include options for cabinet to decide on what the going-forward strategy should be. There are, of course, built into this performance model termination options for breach of material obligation and wilful failure to perform, or breach of capacity if they fail to invest the capacity level that we are contractually holding them to.

Ms Martel: Are the termination options the same as in the original agreement with an arbitrator?

Ms Corke: To some extent, although we have tried to really clarify those and make sure that there is actually a shorter, sharper process in some cases. So we've tried to be much clearer about those termination options. They haven't quite settled yet.

What we're really pleased about in this is that we've managed to have these negotiations without ever discussing any sacrifice to quality. As you know, in a sort of heavy-cost situation, quality is often a variable; for us it isn't and for Teranet it wasn't either. So we have in fact completed these negotiations without any sacrifice to quality. At no time did Teranet ask nor did we contemplate dropping quality standards to achieve cost-cutting. In fact, we've made some concrete efforts to implement a continuous quality improvement project alongside the other exercises that we're doing.

I don't know if you're interested now, but there were a lot of other items on the table in the negotiations. I have a two-point summary. I could just let you know what the other items were, or not.

Ms Martel: I have some other questions.

Ms Corke: OK, I'll hold on that.

Ms Martel: At the top, you said about 88% in communities over 5,000. That's automation and registration?

Mr Roote: It would be automation and availability for electronic registration. It would be automated, converted and ready for electronic registration.

Ms Martel: Will there still be annual benchmarks as well, since the deal, as you perceive it, will go to 2007? The current agreement had benchmarks which Teranet was not meeting.

Ms Corke: No, they won't have benchmarks in the same way. What we have is what we call an implementation rollout schedule that is also matched to an electronic registration rollout schedule. That rollout schedule has targets by geographic location. It's those targets that we will be monitoring explicitly as we go along in a quarter-by-quarter way. So it doesn't have number of PINs, which I think was the benchmark before. It has more outcome: percentage completion; what's been the capacity that you've put in; what is the number of PINs; if there are complexity issues, what is the PIN mix relative to what we thought it was; what percentage completion have you done by office relative to what you said you would do in the implementation rollout schedule, which will be part of the contract. So we can hold them to that stuff.

Ms Martel: Just so I'm clear, the rollout schedule per se does not have a calendar target?

Ms Corke: Yes, it does. Absolutely. It rolls out by year. You know where you're supposed to be on all of the offices by month and by year. Of course, it's quite precise for the first little while. As you get further out, it's much less precise, but nevertheless, it has you finishing specifically in the third or fourth quarter, 2007, at \$215 million or below. So there are targets there.

Ms Martel: Just so I'm clear, I think under the current agreement, if Teranet didn't make one of its annual benchmarks, that was actually a cause for termination.

Ms Corke: Yes.

Ms Martel: Is that the same for this?

Ms Corke: No, it's not the same here. What we're doing here instead of that—first of all, there are so many unforeseen factors that what we've done instead is institute a very detailed monitoring activity. We've accepted the fact that when they've gone over their time and cost in the past, it's been because of factors not necessarily within their control. So what we've said is most important to us is to finish on time and on cost target. But what we've also said is that to terminate the licence, to terminate the entire business for implementation activities, is not actually in the interests of either the company or ourselves, since they do other things for us as well. What would be better in fact would be to manage those costs and timelines properly so that we can make adjustments and choices.

1020

They also do many other things for us. They do electronic service delivery, as well as converting—they convert the data but they do electronic service delivery for us, and the idea is that they will be doing that in the vast majority of offices. They also operate the Polaris system for us. So to terminate their licence for implementation issues which may be outside of their control does not seem to be in our interest. However, there is termination if they wilfully fail to perform and if they fail to put in the capacity that we require of them. Those are termination events of the whole deal.

Ms Martel: You mentioned caps both on timeline and costs. Are you going to have any items outside the cap? Part of the problem with the deal with Andersen was that there are items outside the cap which allow for other funding sources. Can you tell us that the cap will be a cap?

Ms Corke: It's a cap on the implementation and automation project. It's not a cap on the system operation costs or system development or on those kinds of things. These are things which serve more than just our implementation and automation project; these are things which serve electronic service delivery and the building of other value-added products. So I'm not quite sure if—

Ms Martel: I apologize. I thought you said we need a cap on costs and a cap on timelines—

Ms Corke: Yes, absolutely.

Ms Martel: If I didn't hear that correctly, my apologies. So I'm curious about what a cap on costs means.

Ms Corke: OK, I'll have one more go at it and then I'll ask Dave to give some details. The project we've been talking about here at committee has been the implementation project, which is the automation and conversion project. There are other things which Teranet does for us. So we've been talking about that project. Maybe I can turn it over to David.

Mr Roote: The cap related to time and cost is to ensure that we do not exceed those. If we find—and this

is what Sue mentioned—along the way that the costs are becoming larger than we had anticipated, it becomes decision-point time, where we would then go back to the decision-makers in government and say, "The project is taking a path that was unanticipated. We need to propose some options and seek some decisions as to what course of action the government wishes to follow: to carry on or to bring the project to a conclusion earlier than we're suggesting at this point," but we would need to get some decisions made from government.

You were mentioning, Ms Martel, some items outside the cap, using the Andersen contract as a comparator. Could you give me an idea of what items that might include?

Ms Martel: The Andersen contract has a \$180-million cap. Outside of that are some technology costs, software costs. If the project goes over, depending on the party responsible, there can be extra billing under that as well. So the \$180 million is not a fixed government cost for this project. What I'm trying to get at is, is this the same? When you tell us there's going to be a cap, does that mean there's going to be a cap on the overall cost of this project?

Ms Lang: Perhaps I could attempt to clarify. I think what we're trying to distinguish here, Ms Martel, is the fact that there is a project, the conversion and automation, which is taking the old records and trying to automate them. Then there is the management of the system which has been put in place and continues to grow and develop. The costs that Sue has been alluding to are the costs of that conversion exercise, which is different from the requirement to continue to manage and develop the system and keep it operating. So that's the distinction I think we're making in terms of the caps. The caps that we're referring to are the caps on the implementation. There are definitely caps on that.

When it comes to operating the system and continuing to do system development, we will probably continue to be in discussion and dialogue about whether there are increased costs associated with those, depending on the advent of technology and the change in the way in which we provide service in the long term. Is that helpful?

Ms Martel: Yes, I think that answers my—

Ms Lang: If I could just clarify one thing as well, I think I heard you allude earlier to the fact that Teranet had not met its annual benchmarks.

Ms Martel: For 2002.

Ms Lang: That's not accurate, actually. Teranet has always met its benchmarks. Where we were running into difficulty is that we were coming close to a point where they potentially would not be meeting their benchmarks, which caused us to engage in the exercise we've been involved in for the last several months. I just wanted that on the record, that they have in fact always met their benchmarks.

Ms Martel: Your most recent letter to us said the corporation would not in all likelihood meet its annual benchmark, and I think Standard and Poor's had given some information as well that they wouldn't meet the 2002.

Ms Lang: Right, but to date they have always met the benchmarks. So there hasn't been a history of them not meeting the benchmarks.

The Chair: That's 20 minutes. We'll go to the other caucus now and come back.

Mr Joseph Spina (Brampton Centre): Thank you, Deputy and staff, for coming. I know this has been a long and arduous road that you've been travelling. I have a couple of questions; one perhaps is just a clarification from you, Sue. When you indicated that the incremental cost of the automation conversion, specifically \$250 million, and the total, with depreciation and interest, would come to \$680 million, I thought I heard you say that this would be borne by Teranet. Is that correct? Or what portion of that is government taxpayer dollars?

Ms Corke: It's a Teranet-incurred cost, but the business model, of course, has a large number of pieces to it, which we'd like to share with you. So it is a Teranet cost; it's not a direct government outlay. The business model is funded through equity that the government put in at the beginning and it's funded through the transfer of revenues. It's \$215 million, not \$250 million—I hope I didn't mislead you—and that's important to me.

Mr Spina: We have a hissing heating radiator here so it's a little tough to hear today. I'd appreciate it if you could speak a little louder.

In the Provincial Auditor's report of November of last year—and we're pleased that Mr Peters and his staff have joined us today—he had made some observations regarding the cost of the project and observations on the Polaris project, and I know there were some ongoing meetings. Perhaps either you or the Provincial Auditor might give us an update on where that stands now in terms of your communications with Mr Peters's office.

Ms Lang: I'd actually be quite happy to provide some comments and perhaps Mr Peters will as well, and Dave can perhaps give you some detail. My understanding is that we've had continued dialogue and discussion with Mr Peters and his office. For the most part I think we have resolved the outstanding questions and concerns and provided the necessary information and material that had been requested during the course of the summer. I think we've been able to satisfy most of the concerns, if not all of the concerns, that have been shared with us during the course of the discussions over the last several months.

The Chair: Mr Peters, do you choose to comment?

Mr Erik Peters: Yes. We have received the information, but I must admit that it has been an arduous process. One of the concerns that arose in the previous meetings was the continued argument that the information was proprietary to Teranet, and I think this week we finally removed pretty well all these cobwebs off the table. So it has taken that time.

I would like it on the record that we have in the meantime obtained a legal opinion and I would like to bring that out. We have taken a look at the confidentiality clauses that are in the agreement. In the exclusions from confidentiality is any information that is disclosed pursuant to a court order or other legal compulsion or as

required by law. Our right of access is established under the Audit Act and therefore it's under law. I am happy to note that as of now the restrictions have been removed.

The Chair: You mean we should have had this meeting three months ago.

1030

Mr Spina: That's OK. I guess the reality is, as we've said, that this has been an extremely complex process on the part of the ministry. In fairness, I think Mr Peters was just trying to do his job, as were these people. Now we're happily at a stage where they've been able to be on the same plane, I guess, for lack of a better way to describe it, and we want to ensure that the Provincial Auditor's office is comfortable with what is going on and, as the process moves forward, that they continue to be satisfied that it's being done in a proper, diligent manner. I think the ministry is striving very much to achieve that level of service and information flow.

One of the elements that was challenged, I guess, that could impact on this process—now we'll have to start shouting even with a PA system. With recent events, particularly back in September, there's some concern about the potential for disasters, contingency planning for disasters. Does the ministry, does Teranet have some contingency plans? If so, have they been included in some of these incremental costs or is that something we may be looking at down the road?

Ms Lang: Sue is probably the best person, because I think we have a good answer on that one as well.

Ms Corke: That was definitely a concern of all of us in the early year. We spent a lot of time during the negotiations working on disaster recovery planning, contingency planning, and Teranet had good disaster recovery plans and we did too but they weren't integrated. The delivery is integrated, the land registration offices, and Teranet needs to be in the same place if anything bad happens. So we have in fact put together a really good integrated disaster recovery plan, we've had it vetted by a third party, it is up to commercial best-practice standards and components of it have been tested, so we're feeling as if we have a complete grip on the disaster recovery planning. It will be included in the contracts.

Mr Spina: Thank you. That was the other part of the question: if it was included as of those amounts.

Ms Corke: Yes. And we're satisfied that it's workable. We've done some testing.

Mr Maves: I'm trying to remember previous discussions. First of all, you had mentioned in your remarks that a third party due diligence had been completed. Whom was that by and when was that completed?

Ms Corke: On the cost of implementation automation? National Bank Financial. It was just completed about two weeks ago.

Mr Maves: What were their conclusions?

Ms Corke: Their conclusions were that the forecasting methodology was sound, that in fact there was full alignment between the implementation rollout sched-

ule and the revenue generation schedule, that the math was good and that it had been done properly.

Mr Maves: You also said that you have better knowledge now of the assumptions that went into the pricing and the timing of the project. You said you were much more aware of those assumptions and which ones were the riskier assumptions or the assumptions that are hardest to maintain. Can you talk about some of those assumptions, the ones that are the most difficult to control for?

Ms Corke: I can't talk in any detail about them. I can tell you generally and perhaps Dave can supplement what I'm saying. I myself haven't worked on implementation. I've been the lead negotiator, but we have a team that does that. The main issues are in offices where Teranet hasn't done any work yet. The main issues are around whether or not the types of properties and the types of PINs are exactly as people think they are. So are they like that or are they something different? There are something like 20 different classes of PIN type.

Mr Maves: What's PIN?

Mr Roote: Property identification number; individual units of property owned by people.

Ms Corke: The assumptions anticipate what the mix of property type is going to be because there are different amounts of capacity. A different amount of work is needed to do each of these things. So PIN mix is one of the variables that people have made their best estimate about. But that has been something in the past that isn't always borne out, so we have to keep a really close eye on that.

Another issue is the complexity of the records. Some of these records are very, very old and they don't turn over that often. There's some very arcane—those of you who are in the business will know—ways of dealing with the state of the records, let's put it that way.

The other thing is simply volume. Volume is something you attribute to a healthy marketplace, but you can't always anticipate exactly how properties are going to come on to the market.

Those are the kinds of things that we've been talking about managing and not being able to always get a full fix on in some of the smaller communities. Maybe Dave could augment that.

Mr Roote: I guess to go to the origin of this, many, many years ago there were 65 land registry offices in Ontario and they were run by the municipalities; they weren't run by the province. Municipalities kept the records in some consistent ways in some areas, but some of the municipalities had records that were maintained quite differently. So when the company goes in to look at a particular jurisdiction, it has to do a records review to see whether the methodology they're using in the previous jurisdictions can be applied completely in the one they're going into. Those records do vary in parts of the province, like the eastern parts of the province which are largely still in the registry system and the northern parts which are in land titles. The records have been kept because in some cases those records go back much

farther in older parts of the province than they do in the newer parts of the province.

So what the company has faced is that during the course of the implementation, they've discovered property types, property mixes, property descriptions which are quite different and so it's very difficult to be absolutely precise until you get into a jurisdiction as to how much effort it is going to take to do the conversion process there.

Mr Maves: Are there 65 jurisdictions that they have—

Mr Roote: There are 55 now.

Mr Maves: They've done 10?

Mr Roote: No, I think we're fully automated in 26 jurisdictions.

The Chair: Did you say fully automated in 26?

Mr Roote: Twenty-six, except if there are difficult parcels in registry which may not have been automated yet. There are, in some cases. In your jurisdiction, Mr Gerretson, there are still some that are not fully automated.

The Chair: Right. I'm sorry, Mr Maves.

Mr Maves: Yes, you'll give me back that time, won't you, Chair?

So you've got 29 remaining jurisdictions to do work in, and I would assume over the life of this project, because the PIN mix is a variable which can cause problems, that they've gone in and had a cursory look at those 29 jurisdictions, and their assumptions are based on a cursory glance at those 29 jurisdictions in their PIN mix and so on?

Mr Roote: That's correct. When we start we have an assumption about what we're going to experience there, but there's also a site preparation process where they actually go in and do a more detailed review of the records. It's really when you get into the records where you see whether your starting assumptions are borne out by the actual experience. That's where some of the variation has taken place.

Mr Maves: OK. I think another point of discussion that we had before, if I remember correctly, is that the easier-to-automate jurisdictions have been completed first. Are we moving into the more difficult ones?

Mr Roote: That's generally true. In the early days of the project, in order to provide an accelerated cash flow to the company to fund the implementation, they went into areas where the property mix is property types and the ease of automation and conversion was faster. We're now moving into some of the grittier areas of the province where the records are more difficult, and the company has advised us that the complexity issue has become more difficult for them.

Ms Corke: Having said that, although we expect them to be more difficult, there's a lot less of them because 70% has been done. So the volume is lower in a sense, but the difficulty may be an issue.

Mr Maves: OK. In your letter of October 25, 2001, to Mr Cleary, one of the delays that you talked about—in 1998 the ministry granted approval to extend the

completion date to March 31, 2004, and the next sentence says, “This extension was based on a number of factors including the economic downturn of the mid-nineties.” Why would that cause a delay in the project?

Mr Roote: In the early days, in the mid-1990s, as you know, we had a fairly significant recessionary period. The company’s funding was based on their ability to acquire the revenues from the registrations against the properties. Because of the economic downturn in the early 1990s, the number of registrations against the properties fell quite precipitously, the market declined quite rapidly and it reached a much lower level of registration activity than was originally anticipated. As a result, there were some early start-up issues with the company then with regard to acquiring a new private-sector partner and, as a result of that and the additional complexity that they discovered during the latter part of the 1990s, the time frame was extended. They didn’t have the funding. They ended up acquiring debt financing in order to continue to provide the working capital to continue the project.

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Mr Maves: OK. In the same letter in the next paragraph, you talked about September 1999, when Teranet terminated the contract with EDS Systemhouse, and “Teranet reflected this loss of automation resources and indicated that the completion of automation could potentially extend to March 2011.” Wouldn’t that have affected the contractual agreement that they had with the government and therefore wouldn’t they have automatically had to replace EDS?

Mr Roote: We certainly advised them at the time that that became a decision of the company to terminate that agreement. The issue they were having with their contractor was that with the additional cost, even the contractor was having challenges producing the number of units at the contracted price. The company then was also paying more, there were quality issues with the work being done and the company felt that in order to reduce its expenditures it needed to terminate that contract.

But you’re right in the sense that it did not absolve them of the responsibility for the production that was coming from the company.

Mr Maves: Right.

Mr Roote: However, even if it has retained them, I think with the overall changes in the complexity of the project they would not have been able to maintain the output required to meet their benchmarks into the future, whether they had retained their private-sector supplier or not.

Mr Maves: Who did they eventually replace EDS with?

Mr Roote: They did not. They were doing roughly half of the production work themselves and they’ve continued to do the production work strictly through the company, through Teranet.

Mr Maves: OK. At the top of page 3 of the letter, it talks about, and you mentioned it in your remarks, termination of the contract. It says on the bottom of

page 2, “While the magnitude of the compensation which could be potentially payable to Teranet upon termination has not been quantified, it could represent a significant cost to government.” You go on to say, the government could “stand to lose bonds in the event of the termination” and that termination “would also gravely impair the province’s ownership interest in Teranet.” But it seems that in the contractual arrangements with Teranet there’s a very high price to pay if they, in your own words, wilfully fail to comply. I’m curious about why we would have ever, back in 1990 or 1991, whenever it was originally done, come up with a contractual arrangement that was so onerous upon us to extract ourselves from the relationship even if the other party was wilfully failing to comply.

Mr Roote: There are two different issues here. One is, on a going-forward basis, a wilful failure to comply or to provide the resources to do the project would be a material breach of the future agreement that we’re negotiating.

In the original agreement in 1991, it was intended that the parties would go through an arbitration process if there were a terminating event, which is the wording in the current agreement. That terminating event, going through arbitration, would require both parties to make a submission to an arbitrator, and it could be determined through an arbitrator that either the government or Teranet may have to compensate the other party. What we wanted to avoid was being in a situation where a decision could be made that we would have to provide compensation in the event of a termination. There are a whole series of clauses in there and arrangements that we would have to go through before a termination could be determined by an arbitrator as being solely or partially the responsibility of one party versus the other.

As Sue had mentioned earlier, because they are our supplier—Teranet’s the supplier; they run our system for us—wanting to avoid the prospect of an arbitration decision which may require us to compensate the company, and on recognizing the fact that they do run our system and we want to complete this project, even if we were to terminate the company under whatever provisions are available, we’d have to replace them. Replacing them would cost us a significant amount of additional money to get someone who’s experienced enough to be able to carry the project on. That’s something that we certainly don’t want to anticipate: incurring costs for that.

Mr Maves: Similarly, I note we have 40% of the shares?

Mr Roote: We have 40% of the voting shares; we have 50% economic interest in the company.

Mr Maves: So we have 50% of any dividends or other distributions paid out by the company?

Mr Roote: That’s right.

Mr Maves: Obviously, then, that will include any work using their expertise gleaned from working in Ontario. Any work that Teranet gets in other jurisdictions, any profits made therein, 50% of the dividends and

distributions from that work would come to Ontario taxpayers?

Mr Roote: That's correct.

Mr Maves: And is Teranet currently working in any other jurisdictions?

Mr Roote: Yes, they have worked both domestically and internationally. They have a contract in Europe. There are other contracts. We get a number of people coming from across the world to see us who marvel at the work that's happening in Ontario. They have contracts in Canada, they have contracts with municipalities in Ontario, they have work that they're doing through the bar association here in Ontario, the Canadian bar—the Ontario chapter—and they're looking for work in other jurisdictions as well. So they have an international component of the company that does work outside of Canada, as well as domestically.

Mr Maves: Are there any other jurisdictions that are ahead of us in the type of system they utilize for land registration?

Mr Roote: No. We're the first one in the world that did an electronic land registration. Other jurisdictions are moving in that direction. Other jurisdictions have automated their records in Canada—BC in particular, and New Brunswick and Nova Scotia are moving in that direction—but we're the first to have an electronic registration for filing purposes. The company has been recognized on more than one occasion with some pretty prestigious awards, in concert with the ministry, for the innovative work it's done in that area.

The Chair: OK, we'll have to leave it at that.

Mr Richard Patten (Ottawa Centre): I'll go first. I own a property—I don't really own it, because I haven't paid anything off on it—in Quebec. Quebec has a complete mapping of the total province of all properties, and those are available, because my notary was able to retrieve that in terms of my lot. Bingo. So I would like to ask the researcher if you could see what—I don't think it's as sophisticated, perhaps, or as detailed in its filing of data, but certainly the title, deeds and mapping of all properties in the total province is complete.

I'd like to ask our researcher if you could get some kind of a quick response to the committee on that, because that's my understanding; like that. I understand that's the first—well, it shouldn't be the first because I think perhaps PEI would have an advantage in being able to map its properties. That's my first comment.

Do you have any comment on your knowledge of the Quebec system?

Mr Roote: I don't, but I can tell you with regard to mapping, part of the project for implementation is to create property maps. As we do the automation and conversion, those maps are created for the province. That's part of the process, that property maps are created electronically.

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Mr Patten: I'm not a lawyer; I'm happy about that. We have a few here. But in looking at the nature of the relationship with Teranet, it sounds fairly incestuous in

the sense that: is it the ministry or the government that owns a good chunk of the company in terms of investment and voting shares etc? Here you're negotiating with part of—it sounds like a conflict of interest, frankly: negotiating with a company of which we own 50%. Then we have termination agreements.

Mr Maves, I thought, made an interesting point, and I'd like to pursue that a little bit. If they do not comply and for some reason we decide that we've had it with this company, we have to pay them off in terms of their investment. According to the auditor's report, it's something in the neighbourhood—at least a year ago—of \$300 million, but we as a government would get back probably \$150 million of that because we own 50% of the company. Is this a weird line of questioning, or can you help me appreciate the nature of the relationship? There's a company buying our service, and we can negotiate with them and we negotiate the search and that's the end of it. It seems we're negotiating with ourselves somewhat, so it sounds to me like there's a conflict of interest.

Ms Corke: May I have a go at that? OK. My marching orders for doing these negotiations were to make sure that the ministry had its client hat on when we were doing the negotiations. What we were doing with Teranet over the summer was explicitly looking to make sure that our client interests were taken care of. That was in the area of making sure that timelines and costs were low, that we had quality of product, that we had secured our access to the system, and all of those kinds of things, disaster recovery. So we were very much focused in the area of making sure that service delivery was going to be possible and that our client interests were protected. We have actually a partnership with SuperBuild, and SuperBuild had advised us that looking at it from a client perspective was exactly what we were required to do and to tighten up the client-supplier contracts. That was honestly the focus. I haven't been given any marching orders with regard to our shareholding interests.

Mr Patten: I don't know if I can ask the auditor a question in this regard.

The Chair: Sure.

Mr Patten: So, Auditor, you'd have to separate the investment and the role of the government in its investment, and its role in governing this particular company from its service to the government, and whether those things are cost-effective, and assume that it's an independent company. How would you approach that? You didn't really comment on that in your report.

Mr Peters: We didn't specifically deal with the issue, but we have always taken the approach to this project that the ministry, under the various legislation, is charged with the responsibility of maintaining a land registry system in the province.

Mr Patten: Yes.

Mr Peters: Therefore, the overarching responsibility and accountability is by the ministry to the Legislature and to taxpayers, how it performs that particular function. That has been the overarching approach.

If, as in this particular case, they made an arrangement with another company in which they also took as part of

their compensation in turn, if you will, an equity interest—and, as well, as you know, the ministry charges royalties; Teranet pays royalties back for the use of the data—the questioning that Mr Maves and you were pursuing was really the ultimate question that we have been asking continually: who owns the system? It has to be abundantly clear that, ultimately, it is the province's responsibility to own that system and ultimately even to operate that system. As you know, under the arrangement that was made, the method of payment that was agreed upon was that Teranet would be paid the registration fees or any fees earned, theoretically, by the consolidated revenue fund that were now given to Teranet because the properties involved were the ones they had transferred to the system and had provided the information technology for. So overall I agree with the minister's answer that they have to deal with it really as a client, Teranet as a service provider, even though the government has an interest in it, because it has the overarching responsibility for that.

Mr Patten: I understand that. That makes sense to me. Anyway, it sounds a little weird.

In your letter to Mr Cleary—was it from the deputy? Yes. In the middle of page 4 you talk about some savings to the ministry, and the current budget program—you refer to the reduction of costs in 1991 to \$23 million in the area of the land registry services. Bringing that forward, presumably part of this whole exercise is that this will cut some of the costs to the ministry, plus, when everything is up and running you would receive royalties etc, let alone the investment you had in the company itself etc.

At the bottom of that page, you then move to fiscal year 2002 and you talk about revenues that are transferred to Teranet and what the province has received. I'm just trying to get the accounting down. Can you therefore tell us, in the year 2001, what the savings were, going back? That's almost 10 years from the 1991 example. What's the situation as of now, even though the job is not complete? Presumably, there would be greater savings, would there not?

Ms Lang: I think the answer is yes. The intent would be, over the course of the project and the implementation, that we will garner greater savings. We, as you know, now operate the 55 land registry offices in the province, so we incur an expenditure to provide for those offices and the staff who are associated with them.

It is our expectation in the long term, once the implementation is completed and the records are automated and we're able to do the bulk of the work in an automated way through electronic registration, that we probably will not require 55 different organized bodies out there to provide the service, because the public will be accessing the service through technology, through computers, and the back end processing of the land registration function can in fact be consolidated somewhere. So I see in the long term that there are further savings to the government as a result of the movement toward the automation of land registration.

In the longer term, in addition to the money that has been saved as a result of our ability to reduce our staff with the advent of Teranet taking on more and more of the responsibility and of the service delivery, over time we will see further reductions, absolutely.

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Mr Bruce Crozier (Essex): Good morning. I want to refer directly to section 3.03 on page 69 of the 2000 special report, under "Overall Review Conclusions." I want to quote in part from that:

"In 1991, the Polaris project had an original cost estimate of \$275 million and an anticipated 1999 completion date. Then, in April 1999, Teranet provided the ministry with an estimate of over \$700 million to complete the project and a project completion date of 2010. Then, according to a consultant hired by the ministry, due to significant uncertainties in the assumptions used by Teranet, the project could cost over \$1 billion. Consequently, the ministry's risk, costs and benefits with respect to the project have changed considerably."

Ms Corke, you said earlier that you want to manage the timelines and have a firm, strong management process. In view of what I quoted and in view of what you said this morning, how can you be sure and how can you assure this committee that in fact from this point on you can manage the timelines and have a firm, strong management process, when it would appear in the past that that may not have been the case?

Ms Corke: There are a couple of ways, I hope, that we can do this. First of all, we now understand much more about where the uncertainties are and where the aspects are that can be controlled. So, with a quarterly review process and with a full disclosure on any kinds of variances, it'll be possible—this is how, usually, complex projects are managed, I think—to understand the cause of any variance as it's unfolding, and if it's done on a quarter-by-quarter basis, it's quite possible to realize what kinds of choices you have to make. So if you're looking at variances that are within the company's control for some reason or other, then it's possible to do something about that. If the variances are not within the company's control, it's possible to start to imagine the kinds of choices you have to make if the project is starting to get more expensive than you hoped it was going to be.

The kinds of choices are—supposing you're at 2006, for instance, and you're at 84% completion and it looks as if that last little bit is going to take you over the timeline of 2007 or possibly over the \$215 million, you have a clear-cut choice to make. If it's not within the company's control, if it's issues around complexity and volume, you have a clear-cut choice to make, that cabinet could make, about the extent to which you want to incur additional cost and go the full way or the extent to which it's OK to complete substantially at 84%, for instance. You would have to know the detail of that: where is it that we're not going to complete? Are these communities in which there is very low turnover in transactions? What are the downsides of doing that? But it gives you the full

quarter-by-quarter management information that you need, plus you have the termination capability if the company is wilfully failing to perform or if it hasn't put in agreed-upon capacity. The idea would be that you have those tools, that you are never in a situation where a management decision is not possible to make, because you have the full disclosure and you know why and what exactly is going on.

Mr Crozier: Do I take it from that, then, that I can conclude that we've learned from the past and we're going to use that knowledge in the future?

Ms Corke: I think we've all learned from 10 years' worth of activity. We've learned lots of different things. We have learned about how difficult it is to predict some things. But when things are difficult to predict, you put a case around them and you make them manageable and you make sure you have the information to make the right decisions, and not be put in any kind of situation where you have to proceed with something because you haven't been open to any other options. I think we've all learned. I myself have learned an enormous amount this summer, not only about implementation but also about how to manage complex relationships, how to keep yourself in a client perspective when there are other interesting overlays to this project. The other thing we've learned about, I think—we won two very significant awards together with Teranet during this exercise. While we were having some very difficult negotiations, there was a moment of real optimism that we were in fact doing something together that was quite brilliant. So we've learned an awful lot this summer and over the last 10 years.

Mr Crozier: Was it Henry Ford who said, "If we haven't learned from the past, we're bound to repeat it," or something like that? I'm glad to hear you say that.

How difficult is it, then, from what we've learned, to predict or to have a firm idea of where we go from here on these—fewer that we have to do, the 20-some-odd, but the volume is lower? Do you feel we have a good handle on what it's going to take to complete that?

Ms Corke: Maybe I could have a go at that and then Dave, from a pure operations point of view. I have looked at the work that everybody did this summer. I've looked at the amount of effort that went into it, the mutuality of understanding, the detail and the way in which past experiences have been taken into account. I'm satisfied that the process that was undergone was extremely detailed. We haggled over everything. Nothing was taken for granted. I believe that we have in place the kinds of projections that are fairly reasonable. Teranet thinks they're still conservative, they're worried, but that's because they have risk associated with it. They will always be anxious until they get in there and see those records and see who did what to whom. But I believe, and I believe my team thinks, that we have a pretty firm grip. But I'm much more comforted by the fact that we have a strong governance process in place and that we will be devoting the resources we need to in the government to managing that governance process and that we will never not know what's about to unfold.

Mr Roote: I think it's fair to say that because we have done 70% of the province thus far, and respecting what I said earlier about the variability and the records from one part of the province to the other, it's a reduced percentage of likelihood that we'll uncover something very different than what we've experienced to date. I think that we've made appropriate allowances in our projections forward to be able to accommodate those within the ceilings we've set. So I think the lessons have been learned and that the going forward is a very strong one. I am very comfortable that we can manage within the projections we've made.

Mr Crozier: Are the remaining parts to be done spread around the province?

Mr Roote: Yes, they are, principally in the east and north. We've got Toronto surrounded, in a sense. The GTA—

Interjection: So have we.

Mr Roote: As a project, Toronto will come on stream toward the end of next year. The areas that are remaining to be done are principally in the eastern part of the province and in the north.

Mr Crozier: Just one more quick one, if I have time, and that is with regard to early conclusion. I would assume that hopefully we're not seriously looking at an early conclusion, because I think everybody wants to complete the whole project. How does that process work? Would you lay out the options, where you're at? And then it goes to cabinet, I assume. Is that correct?

Mr Roote: Yes.

Ms Corke: We have, actually, over the summer looked at eight different models. Our goal was to get electronic registration capability in communities over 5,000 as a baseline. We looked at a lot of different models. We've chosen the one that we think has the best cost-benefit approach, and that will, of course, go in a package for formal approval.

The Chair: Mr Peters, do you have any comments or questions before we go around again?

Mr Peters: I have a little bit with the context of some of the questions you were asking. In our report we had mentioned the estimate that the project would be extended to 2010, and I was wondering if you might want to provide the committee with a new time frame or, if you can, what you're currently envisaging as the time frame, when it is completed. I'm referring to the letter on page 5. You say, "Based on the provisions in the licensing agreements, the terms of exclusive licence remain in place until the shareholders receive a certain rate of return on their initial investment." I believe that part of your current negotiation also includes how long the exclusive licence will be granted to Teranet, and I'm wondering if you would comment overall on that and, for example, the impact on the number that Ms Martel asked for. She asked for the fee revenue that Teranet would earn up to 2010. Is that number different in the current terms of negotiation or is it projected to be different? I'm just wondering.

The last question I have is, coming back to that ownership question, at the end of this, does ownership of the

system revert to the government or does it stay with Teranet? Also, what are the safeguards if there should be a default on the bonds? I understand that the system has been given as collateral to the bondholders—what the safeguards are for the taxpayers in the event that Teranet should default on its bonds. So these are some questions I thought I'd give you a chance to put on the table and give some answers.

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Ms Lang: Perhaps what we could do is deal with the last question first, if that's acceptable. We also have brought some material that I think will help deal with the first questions last, if that's understandable. I'm going to ask Sue to—

The Chair: Are you going to file that with the committee?

Ms Lang: Yes.

I'm going to ask Sue to deal with the question you asked last about the bonds, and then we'll go into the numbers that are associated with the negotiation that we've almost completed.

Ms Corke: I'd actually like to ask Dave.

Ms Lang: Sorry. OK, that's fine.

Mr Roote: With regard to the bonds, just to clarify, the ownership of the system is not with the province; it's with the company. The province owns the data in the system. The negotiations that we're engaged in now do not contemplate the government's taking the ownership of the system back.

The Chair: At any time?

Mr Roote: No. What we're looking at is to ensure that the government has rights of access during the exclusive licence period and thereafter. So Mr Peters is right that as part of the bond covenant the ownership of the system is pledged as security against the bonds. But what we've been negotiating is not the ownership of the system; it's the rights to use the system in order to fulfill our statutory obligations. That will remain absolutely solid for the province to be able to maintain its access rights to the system perpetually in order to run the business of land registration in Ontario. But requiring the system at a point in time is not part of the current negotiation position for the government.

The Chair: Any other questions? Does anybody want to respond to any other comments that he made?

Ms Lang: I think we want to now refer to the material that the clerk is distributing on our behalf to answer the first questions that Mr Peters asked.

The Chair: Mr Spina?

Mr Spina: I think Mr Hastings had a question on the same issue, on the bonding.

The Chair: Sure, go ahead.

Mr John Hastings (Etobicoke North): Mr Roote, looking through the material that Teranet has provided and what you have provided to us, I see that they have this debt overhang of the bonds, \$280 million. They lost \$44 million in the past operational year. They've never paid a dividend. Could you provide this committee with what their operating losses were for the prior years? We

might as well go right back to 1991 when the first contract was negotiated. My point is, I would like to see the material. I don't want to make an inconclusive situation. To what extent are you comfortable with this company's debt overhang, including the \$280 million in bonds and its debt-to-equity ratio? Will it be able to perform as you are telling us and expecting that it will over the next number of years?

Mr Roote: If I might, not to try and be unresponsive, Mr Hastings, but getting into the company's financial position—it's a private company. I'm really not at liberty to disclose its financials. However, I can tell you with regard to the government's involvement or lack thereof with the bond issue, the bonds are issued by the company. The government's exposure there is twofold. One is, it holds \$30 million worth of bonds as part of that debt issue. Secondly, if the company were to have a poor performance or have financial troubles, the government also has a 50% economic interest in the ownership of the company. So the value of the company would be affected, as would the government's share of that value.

However, in the arrangements we've looked at with regard to the cost of the project, the interest on the bond is capitalized as part of the implementation costs. So we are comfortable that the company's ability to sustain its responsibilities to the province can be delivered. We're not concerned that the company is not going to be able to perform or deliver its obligations to us for the period remaining in the project.

The Chair: We can get back to that in the next rotation to you. There were some issues that Mr Peters raised. Do you want to respond to those before I go back to Ms Martel for a new round?

Ms Corke: We've handed out two pieces of paper. One is on key timelines and one is to try to give an understanding of the estimated long-term costs and benefits of our relationship with this company over a 26-year period.

You had asked when completion would be, and we had said 2007. Something like that is what it looks like at the moment. And you had asked about the rate of return at the end of the exclusive licence period, which would be around 2017 on the current numbers.

What we've tried to do in the long piece of paper, if I could take you through the long sheet of paper first, is to give you some sense of how the overall relationship works, because it isn't just about automation and conversion. If this is helpful, what I'd like to try to show you is what our ministry has put into this exercise over the last years and what's projected out to 2017. I must just say that it is in fact an estimate. It's meant to illustrate how the relationship works.

In 1991, equity was approved from the government into the company of \$29 million to \$30 million. Over the 26 years, we anticipate that \$2 billion worth of revenue would have been transferred. That's not net; that's gross. We can see the net in a minute. And there is a bond holding that we have now of \$30 million. So the total government investment, if you like, counting equity and

the bond and the revenue transference, is about \$2 billion over a 26-year period on this estimation.

The second column underneath that shows the benefits and savings to government. The reason for showing you this is to let you know the logic associated with doing business this way, back in 1988 or 1989, whenever we did the due diligence on the models.

The benefits and savings to government are several. First of all, there's the obvious savings from not doing automation and implementation. We were going to do it ourselves. The savings from not doing that are \$750 million in present-day value. I think we had said \$620 million back then, so \$750 million in present-day value. There will be, we hope, we expect, a dividend associated with our relationship with this company. I haven't quantified that dividend. The better we do, the more it becomes, so we haven't quantified that for the purposes of this discussion. We also get a return on our bond. There are staff savings associated with running the land registry offices, which Deputy Lang has alluded to, over the next few years. Some of those savings are already realized around counter service and that kind of thing, of \$200 million. Our royalties over a 26-year period will have been \$460 million. And there's the fact that we're not operating the Polaris system ourselves any more. Teranet is doing that on our behalf, and the cost of that is \$320 million. So the total benefits and savings to government, exclusive of our dividend—our dividend is basically associated with the evaluation of the company—is \$1.7 billion.

The reason for setting these two columns together is so that you can see the logic associated with the model: the total \$2 billion input, if you like, over 26 years, and the benefits and savings of \$1.7 billion without the dividend. So if you could imagine that the dividend could be anywhere from \$200 million or more, in actual fact you can see a break-even situation, if not a positive benefit.

Revenues and investment from other places that have been generated from our involvement in this company—and the logic also was to lever the private sector somewhat and also to get revenues associated with value-added products coming in and not just with the core business—those revenues and investments elsewhere are from \$30 million from the shareholder at the very beginning that matched our equity involvement and a projection of \$900 million in revenues from other products and services.

The Chair: What would they be?

Ms Corke: What would other products and services be? Well, they are doing work on writs, for instance. They have a BAR-eX product that they deliver.

Mr Roote: They have several products. They are in a venture as well with the Canadian Bar Association here in Ontario for title insurance and for—I forget the other one now, but they have a number of products. They do mapping services for municipalities. They are out in other jurisdictions acquiring revenues from other sources as well.

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Ms Martel: Just on that point, the \$900 million is a reflection after 2017?

Ms Corke: No, it's a projection of revenues from other sources besides LAN registration, from the beginning to 2017.

The Chair: It's the total for all the years.

Ms Martel: But what would be the number for this year? Because I'm assuming your \$900 million is as of 2017.

Ms Corke: No, no, it's not; it's 1991 to 2017. We know that it's a much smaller proportion of Teranet's business at the moment, because we know that Teranet's core business is the work they do for us. But it is expected, it was always expected, to grow. I don't know what it was this year.

Mr Patten: Do you have a marketing background?

Ms Corke: Do I? No. I'm a good bureaucrat.

The Chair: This is a total amount for 25 years, projected?

Ms Corke: Yes, this is an estimate. What I'm trying to do—

Ms Martel: I'm wondering where we are in the estimate; that's what I'm getting at. Because the fact of the matter is, 80% of Teranet's revenue from last year of \$100 million came from the government of Ontario for this project, right?

Ms Corke: Yes, yes.

Ms Martel: You have to wonder whether or not they're viable without that money. What happens to them when the project ends? I'm heading where John is heading, which is my concern about the long term. We can talk in glowing terms about their products and their sales and their international office, but 80% of their money last year came from the government of Ontario, from the revenue flow, right?

Mr Roote: But that's because their primary focus, until the implementation project is completed, is to do this work. That's the basis, that's the primary responsibility of the company. They have other business lines, but their obligation is to provide the resources required to complete this project. Until that's completed, they will develop other business lines, but they have to concentrate on this, because this is their *raison d'être*, really.

The Chair: Do you want to continue on, Ms Corke?

Ms Corke: I'm trying to illustrate the logic behind the business deal.

The Chair: Sure.

Ms Corke: In the last two columns, we have an estimate of the outflow of Teranet's expenditures on the core business and value-added products and services and the benefits to the economy, which we haven't quantified. But there was a very large piece of logic that this was supposed to kick-start, basically, a whole bunch of good things going on in the economy. We know for instance that, in directly created jobs, Teranet has about 800 people employed annually, so we know that there's direct job creation. We also believe that there are indirect jobs that have been created in the marketplace.

In terms of efficiencies and electronic service delivery, we did a quick calculation yesterday and we realized that in fact, just in terms of savings and disbursements to consumers associated with electronic registration, it was probably about \$27 million a year, and this is just the beginning of electronic registration, in savings and disbursements associated with not having to send someone to line up and do costly searches that take days associated with electronic registration. I know that some of your questions, Ms Martel, really get to the whole logic of the issue of how much revenue and the costs and so on.

The Chair: Then maybe now we can start another round, and I suggest about 10 minutes each, because that will get us almost to 12 o'clock. It's your turn, Ms Martel.

Ms Martel: I wanted to actually get a projection to 2007 for the government revenue flow. I'm going to assume that through the negotiations, you have some sense of what this will mean to you. I understand it was \$80 million last year, fiscal 2000-01.

Ms Corke: Do you want from 1991? Is that what you're wanting, from 1991 to 2007?

Ms Martel: That would be helpful, because you gave us the total of \$680 million, total implementation costs. Could you give us a projected total revenue stream to 2007?

Mr Roote: I have some staff here. We'll see if we can calculate that while we're in session.

Ms Corke: The reason that we take it out to 2017 is because the rate of return, which is the key issue, the 11% or whatever it is that's dictated by the—is it Consumers' Gas?

Mr Roote: Yes.

Ms Corke: Whatever that rate of return is, we don't realize rate of return—

Ms Martel: Immediately.

Ms Corke:—until 2017, and that's tied, of course, to the end of the exclusive licence period. So even though implementation finishes in 2007, it has never been the same finish date for the project as it is that you actually start to realize the prescribed rate of return. That's why we thought it was more useful to give you the overall exposure. Could we look at the time chart? Maybe that would help. I'm really trying to be helpful here.

On the key timelines, what we tried to do is show you, in that last column, which says "2001," what the result of the negotiations is likely to be. The completion of implementation is 2007. There's a 10-year time gap. This is because of the costs and the revenues and the way they match together. It takes a while before you realize your rate of return.

Ms Martel: I apologize; I wouldn't pretend to have expertise in finance at all. The rate of return is actually a benefit we're going to receive, right? I'm interested in our output as well in terms of the revenue that we are going to spend that would have been matched against what we thought we were going to spend in 1991 when we got into the project.

Mr Roote: We'll do the calculations of what it would be up to that point.

If I could just clarify what the rate of return is, the private sector partner and the government entered into agreements saying that until the company reached a rate of return on the original equity investment, and that's governed by a rolling average of the rate of return provided to Consumers' Gas as a utility, where there's a return on the investment of that percentage, the exclusive licence remains in effect. That's why the completion of the project will take place at one point, but the rate of return will be achieved at a later date.

In response to Mr Hastings's question earlier, it was assumed in the early days of the project that the company would not be able to pay dividends; it would return all of its revenues back into the project itself. Both partners in this arrangement, both shareholders, knew that the company probably would be running losses in the early years because it was starting up as a company. That became more protracted, because the downturn in the economy in the 1990s reduced their revenue flows, because their registration volumes dropped quite significantly. So that's one of the contributing factors for why it's out that long.

Ms Martel: I apologize if you answered this already: is there an obligation by Teranet to use all of the government revenues that come in in a given year for implementation purposes only?

Mr Roote: Yes, the revenue received from that was one of the reasons why we undertook the third party due diligence review that Mr Peters used as part of the report. I wanted third party verification that all of the revenue and all of the expenses were being properly allocated to the implementation project, and they've found they were.

Ms Martel: So there's a condition of the terms of the agreement and that will continue even under a revision to this agreement?

Ms Corke: Actually, we're going to tighten up that use-of-funds provision to make sure that resources are not diverted to other investments that don't have to do with this core business.

Ms Martel: Let me ask you about the staff, because you've said today that they have 800 staff at Teranet. How many of those staff are working on this implementation project?

Mr Roote: About 720.

Ms Corke: Yes, split between the automation and conversion and the operation of the system.

Ms Martel: So there's not a question of their deploying more staff in order that this project might be completed sooner; in your opinion, the overwhelming majority work on the project now?

Ms Corke: Yes, but it's because of that anxiety that we have built in that there is termination for breach if they don't put in the capacity that we require to finish this project. So part of the agreement is the capacity level that they are contracted to deliver. If they fall below that capacity level in any consistent fashion, they could be in breach.

Ms Martel: Is “capacity level” defined as numbers of people working on the project? So you set a figure for them?

Ms Corke: Yes, we set a figure for their output. It’s in millions of minutes or something like that.

Mr Roote: The number of resources and time associated from that base each year, there’s a requirement for them to invest in that.

Ms Corke: Additionally, to get to the productivity issue, because you could put high school students in there, we’ve asked them to covenant that qualified people will be the capacity issue.

Ms Martel: And are those new provisions that you’ve negotiated?

Ms Corke: Yes.

Mr Roote: They’re strengthened provisions. There’s an expectation of their obligation to provide that capacity. What we’ve done has just strengthened it and articulated it more.

Ms Corke: The business model itself provides a very high motivation for them to finish where they have shareholders riding them who want to see something out of the other end. So this isn’t a sort of relax and just sort of breathe deeply and just go about your business kind of an arrangement. The business model itself means that you need to get to rate of return as fast as you can go.

Ms Martel: In fairness, though, if you look at the auditor’s report and the initial discussion we had, you could have been led to draw the conclusion that, frankly, Teranet wasn’t working terribly hard to get to the end of this project. This is one of the reasons why you’re back again and why you’ve had to renegotiate, because I think that concern was there and we all saw it.

Let me go back to the bond issue. Correct me if I’m wrong, but how does government guarantee access to the system if Teranet goes into default, especially if the system is the collateral? How have you guaranteed that we will continue to have access in the—it might be unlikely—event that would occur?

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Mr Roote: In the default arrangement, if a receiver were to come in, the receiver could sell that asset without our involvement. So whether we determine we want to run it ourselves or whether another owner is going to be sold that asset, we have the right of review of whom that successor would be, so that we maintain access. We have to have that in order to run the land registration system in Ontario. That’s part of the current arrangement.

Ms Corke: In addition, I would say we spent a lot of time this summer making sure we would have everything we need in order to do it: the source code, access to qualified staff, all of those things we would need practically for there to be a seamless situation in the event of any kind of financial disaster.

Ms Martel: So around that particular issue, you have strengthened the provisions that were in the current agreement?

Ms Corke: Yes.

Ms Martel: I am assuming, as a result, that the original agreement anticipated there might be a bond offering with the system used as collateral. Was that actually envisioned in 1991?

Mr Roote: It wasn’t that specific, Ms Martel. The original contracts certainly contemplated that the company could acquire debt financing, if it were necessary to continue the project. But it wasn’t so specific as to say whether it would be a line of credit, a bond offering or what it would be.

Ms Martel: You’ve said in your letter to us that “the ministry did not provide bondholders with any assurances or provide guarantees around the issuance.” Can I also ask, did you provide any letters of comfort?

Mr Roote: Yes, we did with regard to the rating of the bond. We did provide the rating houses with responses or information relating to the company’s relationship with the government, what we were doing with the company. That was not a guarantee of responsibility for the indebtedness, though. What we provided to them was that we were involved with the company, that we had an ongoing project with them and that we would be continuing to work with the company to see the conclusion of the project. But it wasn’t anything to do with the financing, any guarantee of responsibility for the financing being acquired.

Ms Martel: Would letters of comfort provide any obligation on the part of the province to the bondholders?

Mr Roote: No, not to the bondholders. We don’t have any legal responsibility for the debt, except through the ownership interest in the company. As I said, if the company were to fail, then the \$30 million in bonds we have would be affected, as would the value of the government’s ownership interest in the company, as it would be for the private sector owner as well.

Ms Martel: There is no other obligation you are aware of, with respect to the government of Ontario, with respect to this particular bond issue?

Mr Roote: No.

Ms Martel: Whatever decision you go forward with with respect to the scenarios, and you’ve been good enough to outline most of those to us, does this require a decision solely by the minister, or is this issue going to go to cabinet?

Ms Lang: This is definitely going to go to cabinet.

Mr Spina: I didn’t hear that.

Ms Lang: The answer is, this is definitely going to cabinet.

The Chair: You have time for one more short question.

Ms Martel: The balance of the records, the 12% that would not be dealt with under the agreement so you can finish by 2007—what happens to those records?

Mr Roote: We will do a review during the remainder of the project under the basis we’ve now negotiated. If we find along the way that the progress being achieved is equal to or perhaps greater than the pace we’ve negotiated, then we would entertain getting a decision to complete the project.

It doesn't preclude us from proceeding afterwards. Those records that are not then involved as part of the project itself would either remain in paper or some other decision could be made at some future point for them to be brought into the automated system on a different arrangement. But at this point they would remain in the state they're in at the conclusion of the project.

Ms Martel: Because your own staff are not capable of making that change?

Mr Roote: Yes.

The Vice-Chair (Mr Bruce Crozier): The government caucus. Mr Hastings.

Mr Hastings: May I continue my questioning, Mr Roote, on the financials of Teranet. I think you said previously that it's a privately held company, and therefore the earnings arrangements and all its financials are not available to this committee. Is that correct?

Mr Roote: That would be my position, yes.

Mr Hastings: Can you tell me, then, why Teranet has decided to let us know, presumably, that they had an accumulated deficit of \$44 million as of the end of this past fiscal year? If your thesis is that this should not be disclosed, why was that loss disclosed?

Mr Roote: That information was gathered when the Provincial Auditor reviewed the material relating to the company. As Mr Peters alluded to earlier, we've had some ongoing discussions with regard to the company's proprietary information, and we've had some ongoing discussions with the company about the need for transparency for government and members of government to understand the relationship with the company.

The discussions we've had with Mr Peters and with the company are that we do have an obligation to disclose information. If Mr Peters's determination is that he's obligated to reveal information provided to the Provincial Auditor, we would advise the company. What the company is concerned about is information that would be of competitive advantage in the marketplace, that they not be exposed, that competitors could say, "Ah, I can see what they're doing here," and could perhaps enter the situation and have information available through a public process that otherwise would not be available from a private company. That's the concern they have.

Mr Hastings: What would be the nature of some of the information they're so concerned about?

Mr Roote: Information relating to how much they're spending—

Mr Hastings: Proprietary software?

Mr Roote: Perhaps, how it works, how much they've invested in it and the return on that investment. They're concerned that that would become common knowledge and that, in a competitive marketplace, information that would otherwise not be disclosed if the company did not want it disclosed would become public knowledge. That's the concern.

Mr Hastings: Do I assume then from your comments that in this renegotiated agreement there is a protocol or an additional document that would indicate that you folks

have signed on our behalf as to what can be disclosed and what cannot be disclosed on the financials?

Mr Roote: On the financials, the company doesn't have a concern with regard to the Provincial Auditor reviewing information. It's how it may be disclosed publicly and, once it's disclosed publicly, that all their competitors would be privy to information that otherwise would not be available publicly. But that is not to preclude Mr Peters's meeting his responsibilities.

Mr Hastings: Is there a document that exists about non-disclosure?

Ms Corke: If I may have a go at that, we have spent a lot of time over the summer talking about disclosure and who has rights to what and so on and so forth. We are currently working on what we call "one text" that will capture our current groping toward agreement on disclosure. It captures the fact, as David said, that the Provincial Auditor can have access to Teranet's materials. It isn't in the contracts yet. We're not totally settled on how the wording will be, but the idea is that there will be some negotiated statements around disclosure that push as far as we can in the contracts. I hope that answers the question.

Mr Hastings: Finally, with regard to the bond issue: it matures on September 8, eight years from now, roughly.

Mr Roote: That's correct.

Mr Hastings: I assume that the bond rating services, DBRS and the other two—that it's a public document, and one can look up the interest rate and all that sort of stuff.

Mr Roote: Yes. They do publish.

The Vice-Chair: Mr Hastings, if I could, the auditor would like to comment on your previous statement. Is that all right?

Mr Hastings: Sure.

Mr Peters: Thank you, Mr Hastings, and thank you, Chair. The comment I want to make is that this does not impose on my office a restriction on reporting. We have an obligation to report, which is specified in section 12 of the Audit Act. What we have said is that if we decide to report so-called proprietary information, such as business processes, we would advise them that we were going to do so. But if we considered it necessary under section 12 of the Audit Act to disclose that information, we would disclose. The argument thus far has been whether or not we could have had access to the information in the first place. That has only very recently been resolved, that we can now have access to the information. I just wanted to clarify that we have not agreed to any restriction on reporting where we are obligated to report under the Audit Act.

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Mr Hastings: Mr Roote, can you tell us what the bond rating is for these bonds?

Mr Roote: It's an A-rated bond.

Mr Hastings: My last question revolves around security. Since September 11—and presumably you folks have been negotiating the strengthened agreement since the summer and that still is ongoing—to what extent have

security concerns come to the forefront, as much as you can tell us, in regard to your negotiations? Do you foresee that there will probably be an increased cost of doing business since the unfortunate tragedy of September 11?

Mr Roote: As Ms Corke mentioned earlier about the more integrated disaster recovery plan, from a physical security standpoint we haven't made additional physical security arrangements, but from the standpoint of protecting the system itself and the data in the system, we now have an integrated disaster recovery plan which would allow us to recover our business if something tragic were to occur. I think that's a much improved version than existed separately before, and that's the additional security arrangement we have with the company.

Mr Hastings: This is non-Internet-based, I assume.

Mr Roote: The registration function is becoming Internet-based, but they have the appropriate firewalls. They have also had that tested and verified as meeting the appropriate requirements for communications purposes.

Mr Hastings: Would it not be better to consider private virtual networks as a way of increasing your security on the data, aside from the firewalls?

Mr Roote: We could certainly pursue those discussions. I think one of the things we're trying to do is to reduce the cost for the users in having to use a dedicated virtual network as opposed to using common lines. But I take your point and I will certainly pursue that.

Mr John Gerretsen (Kingston and the Islands): I'd like to ask a few questions. This proprietary business really has me confused. We own 40% of the common shares, in effect 50% of the company, and you're telling us that you cannot provide us with the information relating to the Teranet company because of proprietary interests, or are you unwilling to provide that information? Somebody within your ministry surely must have the information. After all, we own 40% of this company. What is it: you can't provide us with that or you haven't got the information?

Mr Roote: From a comment that was made just recently, we are providing access to the information we have.

Mr Gerretsen: I understand. But are you saying that there are certain aspects of the Teranet operation and the Teranet company that we, the taxpayers, as 40% shareholders are not being provided by them? Is that the issue, or is it the issue that because of an agreement that's been reached with them you cannot disclose that information? I just want to have it clear in my own mind.

Mr Roote: I think I understand the distinction. Certainly from a standpoint of the government's right to know what the arrangement is, there's no restriction on the access. The company's concern is the disclosure—how pervasive does that become? If they have issues that relate to the specific ways they do business or the process they use or the amount they've spent on certain products, if that became known in a detailed way, they're con-

cerned about how that would affect their interests in the marketplace.

Mr Gerretsen: I understand that, but that's not the concern of the auditor or of the committee. The concern of the auditor and the committee is that the money that has been extended on this project over the last 10 years has been extended properly, and what the ramifications of that are. We're not talking about giving away trade secrets. What we're talking about is knowing what has actually happened there from a financial viewpoint.

It's my impression from going through the correspondence that you've sent to the auditor and from comments that the auditor has made and that you've sent to the committee over the last eight or nine months, that in effect this proprietary notion that this information cannot be shared with anybody has been held right up at the forefront by the ministry. I just want to make sure what you're saying is that you've got the information but you can't give it to us.

Ms Corke: Maybe I could add something to that. We have the information and Teranet has agreed to share it with the Provincial Auditor. One of the outcomes of the summer's discussions has been that Teranet is willing to share its information with the Provincial Auditor.

Mr Gerretsen: The next question gets back to the 12% of the properties that you won't have on-line in 2007. I think it's fair to say that these are probably the worst properties, from a description viewpoint, in the whole province. Have you got any idea as to what percentage of land mass of the province of Ontario this 12% would represent? I would think it may be a vast amount of land that, in effect, wouldn't be part of a system.

Mr Roote: We could do that calculation, but I don't have that at my fingertips.

Mr Gerretsen: I guess what you're saying is that those properties, although they were in the original proposal to be part of the system by the year 2000 or 1999, may never be part of the system?

Ms Corke: No, I don't think we're saying they would never be. I think what we're saying is let's get there and see what we've got left and what happened to the cost and the timelines going forward. When we came to you last time we had been toying with an idea of transaction-based automation and conversion. That was one way we were looking to problem-solve this thing. We decided, in fact, that that's not the best way to go forward on the large bulk of projects left, but that could be a methodology. So you could do the automation and conversion on a transaction basis.

Mr Gerretsen: I would suggest that those properties probably needed much more than any of the other properties. The properties that are lots in plans of subdivision etc don't necessarily need to be part of this system; people pretty well know what they're getting. But it's precisely the ill-described properties where you need this system in order to give the general public some assurance that they're actually getting what they think they're getting.

Ms Corke: The only question is whether they should be automated and converted on the same financial calculus, because there are so many unknowns around them.

Mr Gerretsen: I understand that.

You're saying that 62% of all the properties are automated right now.

Mr Roote: About 70% are automated; 62% are in land titles.

Mr Gerretsen: I'm sorry, 70% automated. What percentage of properties can then be accessed, the titles to them, from office computers right now?

Mr Roote: The e-reg properties—

Mr Gerretsen: Yes.

Mr Roote: Are you talking from search, searching?

Mr Gerretsen: Yes, a ballpark figure.

Mr Roote: Almost all of the properties can be at least accessed—

Mr Gerretsen: All of that 70%?

Mr Roote: Yes.

Interjection.

Mr Gerretsen: In your cost analysis, where you say you expect staff savings in the registry office to be over \$200 million, isn't it a fact that a lot of those savings are due to changes in the way registry offices work nowadays? At one time if you were caught behind a counter you were subject to six months' imprisonment and a \$1,000 fine; now you can't find anybody to serve you and you've got to get your own documents and things like that. I don't think there's anything necessarily wrong with that, but the point I'm trying to make is that those kinds of savings, having fewer registry office staff getting the documents and everything that goes along with it, have nothing to do with Teranet. They were decisions made by the government, in effect, to go to a self-service system. When you say there's \$200 million in staff savings, I say to you that you would have had that—it's a little bit like the contract that you're fully familiar with, the Andersen Consulting contract, where a lot of the savings that government is getting are as a result of the government changing practices; They have nothing to do with the new systems that were implemented.

Mr Roote: If I might, certainly there have been savings as a result of those arrangements, Mr Gerretsen, the self-serve, pulling the documents and putting them back, but I can say that one of the substantial savings we've achieved as a result of automation is the ability to share work electronically now, where offices can actually help each other out. An increasing percentage of our documents that we're actually certifying for registration purposes now can be shared in an electronic way. The work can be shifted all over the province. So if there are large volumes in some of the larger offices, some of the smaller officers can actually get that work on-line and do it. Without the automation, that would not have been possible.

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Mr Gerretsen: And let me say that I'm all in favour of the new system, compared to the way it was 10 or 15 years ago. It's an improvement. It's just that some of the figures that you use to justify it, I think, are somewhat nebulous.

The registration costs: who set those fees?

Mr Roote: For the registration fees? They're set exclusively through the government.

Mr Gerretsen: Will that continue to be done by the government?

Mr Roote: Yes.

Mr Gerretsen: Even past 2017?

Mr Roote: Yes.

Mr Gerretsen: There's a statement in here that basically says that ultimately the cost to the consumer in completing a land-related transaction should decrease. I mean, the biggest cost is—well, the land transfer tax, over which you have no control because that could be changed at any time, but when you look at the registration costs, my God, they've gone up from \$12, maybe, 10 years ago to \$60 a document now. Where is the consumer going to save money when the registration costs in effect are going up by 500% in the last 10 years?

Mr Roote: Well, the registration costs did increase in 1993 and then again on December 5 last year. Part of that, of course, is to ensure that we can complete the implementation of the project. Thereafter, the discussions we've had are that that should allow us at the completion of the project—all of those costs associated with completing it will not only decline, they'll be eliminated. We would then be doing fee reviews to see what the possibility is to reduce those registration fees.

However, as I'm sure you know because you have quite a familiarity with the system itself, in the conversion of records from registry status to land title status, the searching required to do that, the legal community has been very consistent that there's a substantial savings in the cost to do searching once the property is converted from registry to land title. So that's a huge saving in a disbursement sense that gets passed on to the consumer.

Mr Gerretsen: I think you're overstating that, quite frankly. There may be some savings, but that saving is more than offset by the increase in registration costs over the last 10 years. There's no way that you would spend in disbursement costs anything more than about \$20 to search an average title, and now with the new system it's maybe about \$9 or \$10. But when the cost of registering the document has gone up from \$12 to \$60, I would say the consumer is paying more now overall than they were before.

Mr Roote: Yes, if you're searching in title, but if you're searching in registry, those searches can be very long, as you know, and that's where the big saving is: converting the properties from registry to title status. We've had information from the legal community saying there are very substantial savings there.

Mr Gerretsen: Perhaps I could just make one final comment. It again deals with the proprietary interest sit-

uation, and it deals with the workings of this committee and I guess the right of members to know in general, or the members of the Legislature to know.

I can well understand that there may be certain aspects of how Teranet operates etc that they don't want their competitors to know, but on the other hand, when we're talking about the strictly financial aspects of it, that's what this committee is for and that's what the Provincial Auditor's office is for. I think your arguments with respect to not providing that information, or not providing it as willingly as I think you should have, leave a lot to be desired. I hope the ministry will take another look at that and will on its own come to the conclusion that perhaps the arguments it has been using in order to not provide that information aren't that sound.

Mr Roote: Well, I think we have, and as Mr Peters has said, I think we've resolved that. It has been a difficult process, but I think on a go-forward basis that is not an issue.

If I could say perhaps just one further thing for Mr Hastings, my staff did advise me that the Teranet system, the electronic registration, is a private network. It just has Internet access, so it is not a public network.

The Vice-Chair: Ms Martel had one more question, and the government had three minutes, so do you want to give her three minutes? There you go.

Ms Martel: It will benefit us all, actually.

During the first line of questioning, Ms Corke, you had some other items that you were going to add, and I was pursuing a different line of questioning so we never got back to it. I wonder if you can just finish up with that now, if you don't mind.

Ms Corke: We've one way or another touched most of them during the course of the conversation.

The other items that we put on the table this summer for negotiation and have pretty well resolved are the best-practice approach to integrated disaster recovery, which we have talked about here, in the event of a physical disaster; clarifying and solidifying the full access to the electronic service delivery infrastructure, the system, in the event of financial or other impediments to Teranet delivering on our behalf; control over fees associated with basic electronic service delivery; a best-practice approach to privacy compliance—my ministry is in fact the lead for privacy in the government, and because Teranet operates within the constructs of a data licence, we wanted to be sure the privacy compliance was best practice and highest possible standard; improved liability protection for consequential damages arising from errors in the conversion process; and the governance process for system development and the new product and services development. We've much embellished the governance processes all round.

So those are the things that we have put on the table as things we wanted to make sure we captured while we were resolving the implementation issues. That's probably why it's taken us such a long time; 12 to 13 weeks is fairly intensive. So there hasn't just been the one item on the table; there have been the others. Over 11

years, you've got to figure that you would set a contract slightly differently now than you would have 11 years ago, knowing all of the things that one knows in best practice and commercial contract law.

That was it.

The Vice-Chair: Thank you. Mr Hastings, did you have one more?

Mr Hastings: Mr Roote, could you provide the committee with what a good, realistic unit cost would be, in going from the registry system to the title, for the consumer?

Mr Roote: A unit cost for—

Mr Hastings: In doing a house, say, of \$200,000. You can pick your values.

Ms Lang: If I can just clarify, Mr Hastings: you're asking for a comparative cost of what it was in registry versus what it is in title now?

Mr Hastings: Yes.

Ms Lang: I think we can do that.

Mr Hastings: What it used to be, and when you go to this system?

Mr Roote: Sure. We certainly could construct what would be a typical example or examples.

Mr Hastings: That would be great. Thank you.

The Vice-Chair: OK. The Provincial Auditor would like to make a comment as well.

Mr Peters: Yes. It's almost a question to you, Mr Hastings. You raised the question that you wanted to know what the profit and loss of Teranet had been since 1991.

Mr Hastings: If that was possible.

Mr Peters: Yes. The question on that and the answer that I believe was given is that I could obtain that information. I just wanted to make sure that it is clearly understood that that is not information that in my opinion Teranet can say yea or nay to, because that information is publicly available, and it's publicly available to you. So we could have two ways of going about it: we could have me look at it and then give you the information, which I would do, or could the ministry not provide it directly, because it is public information? I don't think there's a proprietary—I would not consider the financial results published in the financial statements, audited by a private sector accounting firm—I believe the auditors are a private sector firm. Standard and Poor's gives a bond rating based on that information, so it must be public.

I'd like to get out of a little bit of work here, that I have to do it and report it to you. I was just pleading with you, if you could see your way clear to provide that information to the committee, because it is publicly available. I think in the letter of October 25 you also refer to the fact that the information is on their Web site.

Mr Roote: Well, certainly with regard to some of their revenues, their total revenues.

Mr Peters: Yes. I think Mr Hastings said—that's why I need clarification. The question was really, what was the bottom line of Teranet since 1991, as I understood the question. I think that is public information, which should be made available under no restriction.

The Vice-Chair: Mr Roote, could you provide that, then, to the committee directly?

Mr Roote: I'm sure that we can certainly find the information and provide it.

The Vice-Chair: There were also several other questions that have arisen, and I understand the clerk will provide those questions to the ministry and we'll go from there, I guess. Everybody satisfied with that?

Thank you very much for your time this morning. We appreciate it.

Any other business? Do you want to come back in the chair now?

Mr Gerretsen: Well, I guess we need some direction as to what we want our researcher to do now.

The Vice-Chair: Come on back, Chair. You're the one with the heavier gavel.

The Chair: Do you have any comments, Ray?

Mr Ray McLellan: From the committee's point of view, I'm not sure where we're going to go. We've had

the first hearing. This is the second hearing. They're in the middle of the negotiations, or I should say finishing them off. We don't have that information. I'm not sure, really, whether or not we can go to a report stage at this point.

Mr Maves: The clerk said there are some further questions they wanted to forward, and there have been some requests for information, so we have to get that back before we can get into our report stage.

The Chair: OK. Well, then, why don't we hold this in abeyance until we get the answers to those questions and then we can deal with it at that time. OK? Agreed?

Mr Patten: In other words, we'll talk about this in camera.

The Chair: Or out of camera; whatever you wish. I know we've got nothing to hide. OK? Meeting adjourned.

The committee adjourned at 1200.

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