Building Better Government Registries:
The Case for Private Sector Partnership

ISC

Information in the right hands.

Contents

1 Foreword

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Our experience has shown that citizens and businesses are demanding individualized, real-time services from their governments. They want greater convenience, more customization with fewer complexities, and secure online services.

At the same time governments are under financial pressure, facing fiscal challenges that are undermining the sustainability of public services and government's ability to make the required investments to better serve their citizens.

To meet these challenges governments are rethinking their public service delivery models and pursuing new forms of partnership with the private sector. This trend extends across jurisdictions and a wide range of services.

This paper examines how governments are adapting their service delivery models, specifically with regard to registries. Government registries provide authoritative information crucial to the daily activities of government, business, and citizens and require infrastructure investments for sustainability. The adaptations being made in response to changing client and technology environments must satisfy fiscal imperatives and public confidence.

We start by considering the service delivery challenges facing governments. We then explore some of the opportunities for new, more efficient and effective delivery models that use third-party innovation, capacity, capital, and business models. We next assess the opportunities in government registry services, describing how governments can generate better value, better services, and economic development opportunities from their registries. We conclude with some go forward advice on how to successfully change the delivery model for a registry, drawing on lessons from Canada and around the world.

I hope this paper sparks interest and continued dialogue about how private sector partnerships can help government meet the service delivery challenges of today and into the future.

Ms. Hillman-Weir, Q.C., has 20 years of strategic leadership experience and contribution to the purpose, function, and evolution of trusted government registries. Her career began with the Saskatchewan Ministry of Justice. It continued with ISC as Master of Titles among other key roles toward her current executive leadership position with ISC. She was a key participant in the creation of ISC in 2000. Kathy has since provided strategic direction and oversight, including business and legislative enablement, for the transition from government of all registries that comprise the ISC portfolio and the company transformation of ISC from a public sector entity to a TSX-listed company.

ISC is the leading provider of registry and information management for public data and records. Originating from government, we're the partner of choice for public sector organizations seeking registry and information management solutions.

2 Alternative Approaches to Government Service Delivery

2.1   Changing Environment and Citizen Expectations

The relationship between government and citizens is changing. Citizens expect their governments to provide services comparable in quality and responsiveness to leading private sector organizations.

A recent study by the McKinsey Center for Government found a significant gap between citizen satisfaction with public and private sector services. Based on a survey of 17,000 citizens across 15 U.S. states, the study found that citizens' satisfaction with core state services, such as higher education and business regulation, is less than half that of certain private sector services, such as banking and insurance.[1]

At the same time, governments are being asked to do more with less. For example, Canada's aging population is shrinking the tax base that supports public services. Canada's economic growth is also expected to remain slow, averaging just 1.7 per cent until 2055.[2] Meanwhile, debt servicing costs will continue to restrain Canada's ability to fund public services. Combined federal and provincial government debt rose from $833 billion in 2007/08 to a projected $1.4 trillion in 2016/17, while total debt servicing costs (all three levels of government) reached $62.8 billion or 8.1 per cent of total government revenue.[3]

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[1] McKinsey Centre for Government, *"Government Productivity: Unlocking the $3.5 Trillion Opportunity,"* p. 10-11, available online at: *http://bit.ly/2sKGyLp*

[2] Canada, Department of Finance, *"Update of Long-Term Economic and Fiscal Projections,"* p. 8-9, available online at: *https://www.fin.gc.ca/pub/ltefp-peblt/2017/pdf/ltefp-peblt-eng.pdf*

[3] Fraser Institute, *"Cost of Government Debt in Canada, 2017,"* p. 1, available online at: *http://bit.ly/2sdJWhy*

2.2   The Case for Alternative Delivery Models

To meet citizen expectations and address financial and other service delivery challenges, governments are reviewing their delivery models and choosing to partner with the private sector in new and innovative ways.

Governments choose third-party service delivery or partnerships to suit a variety of needs and to meet a wide range of public policy goals. Partnerships can achieve a broad range of objectives and benefits including:

- **Improve government's fiscal position** by reducing operational and capital costs and, where possible, monetizing and redeploying the proceeds from services such as registries;

- **Foster innovation and boost productivity** by introducing new business models, technologies, and leading practices into the public sector;

- **Enhance service standards and accountability** by introducing new performance metrics and performance-based incentives;

- **Transfer risk** to the private sector, where the private sector is better positioned to manage and distribute the risk, such as technological, financing, or operational;

- **Enable government to focus on its core policy and regulatory functions** by engaging the private sector to manage operational and other non-core functions.

Governments across Canada currently rely on third parties to help deliver a broad range of public services, from education, health and childcare to transportation, transit and emergency services.

The relationship between the public, private, and not-for-profit sectors includes an array of different service delivery models, such as joint ventures, joint mutuals, shared equity or ownership models, vouchers, integrator/prime contracts, and social impact bonds. The role of the government and the private sector partner varies across each model with one constant: government retains oversight relative to its ongoing program accountability and policy function.

> *"Throughout the industrialized world, most public services – health and education, social housing and emergency services, public transportation and water supply, among others – are delivered through a mixed economy of public, private and not-for-profit providers."* [4]
>
> *- Professor Gary Sturgess, Public Sector Commissioning Expert*

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[4] Sturgess, Gary L., *"Diversity and Contestability in the Public Service Economy,"* p. 10, available online at: *http://bit.ly/1sxW5gw* (Sturgess, "Contestability")

Case Study: *Atomic Energy of Canada Limited (AECL)*

Government-owned, contractor-operated (GoCo) model allowed public sector to retain ownership of key assets while leveraging third-party expertise

AECL is a federal Crown corporation with a mandate to manage Canada's radioactive waste, support the federal government in its nuclear roles and responsibilities, and provide industry with nuclear science and technology expertise on a commercial basis. AECL fulfills its mandate through its nuclear laboratories.

In 2015, following a competitive process, the federal government chose a consortium of five world-leading engineering and technology companies to operate and manage AECL's nuclear laboratories under a GoCo model.

The GoCo model allowed AECL to apply the consortium's expertise and experience in the operation and management of nuclear laboratories. The model also strengthened accountability by linking payment to clear deliverables tied to AECL's goals and priorities.

Under the GoCo model, AECL transitioned to a new role overseeing the contract and the consortium's performance.

Case Study: *Remploy*

Public sector mutual model allowed public sector organization to harness third-party growth and innovation

Originally a government-owned not-for-profit, Remploy had been the United Kingdom's leading disability employment provider since 1946. Remploy staff and management began to feel the organization's public sector status was hindering its growth.

Remploy was "spun out" of government ownership to become an independent organization with ownership shared 70-30 between MAXIMUS, a private-sector company, and the organization's 800 employees.

Since 2010, Remploy has supported almost 100,000 people with a range of disabilities and health conditions into work as well as fostered a strong employee ownership culture.

Case Study: *Medavie*

Alternative service delivery model to transform and operate modernized ambulatory care services

With 30 operators delivering ambulance services under 54 contracts, New Brunswick's ambulance service sector was in need of modernization.

New Brunswick released a request for proposals (RFP) for the design of an enhanced ambulance system. The RFP gave the successful proponent the right to negotiate for the implementation and ongoing management of the system.

Medavie, Canada's largest provider of emergency medical services, won the contract and designed a service delivery model tailored to the unique challenges and geography of New Brunswick.

Key attributes of the new model included government ownership of key system assets which are managed by the private sector, stringent performance standards, including response times and patient satisfaction metrics, and the standardization of equipment, response times, and protocols across the province.

2.3   How to Identify Partnership Opportunities

Citizen expectations on the role of government vary from jurisdiction to jurisdiction, with a few common threads. There is a strong expectation, for example, that front-line policing should be carried out by public servants. There is a similarly strong expectation that government should retain authority and capacity to make policy decisions.

Increasingly governments are examining their service delivery value chains to identify opportunities to use third-party capital, technology and business models to improve quality, efficacy and efficiency. High-potential areas include front counter, back office and technology development and deployment.

In 2014-15, the United Kingdom government spent £242 billion on external suppliers, compared with only £194 billion on government staff.[5]

In Canada, a significant portion of front line human and health services are carried out by a mix of private and public, non-profit and for-profit entities.[6] For example, many Canadian hospitals are not-for-profit organizations that are publicly funded but managed independently by a third-party organization.[7]

When evaluating opportunities, governments are considering the following factors:

- **Other jurisdictions have made the switch.** Government should consider whether other jurisdictions have been able to successfully implement a partnership. There are risks in "going first," and the experience of other jurisdictions can provide a helpful guide to potential cost savings, private sector value, and success factors.

- **A private sector marketplace already exists.** Sometimes referred to as the "Yellow Pages Test," the potential for a partnership approach is higher when there are high-quality third-party providers active in the marketplace.

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[5] Sturgess, Gary L., *"Just Another Paperclip: Rethinking the Market for Complex Public Services,"* p. 14, available online at: http://bit.ly/2qFXZdA

[6] Hjartarson, Josh. (2017, May) *The Problem Statement: The Case for a Commissioning Approach.* Presented at the 2017 Commissioning and Service Delivery Transformation Academy, Toronto, Canada.

[7] Deber, Raisa, *"Health care: What should we be paying for?"*, available online at: https://tgam.ca/2syHp4e

- **The private sector can provide additional value.** For example, the private sector may be better placed to modernize a service through a capital injection, improve customer service through the application of new business models, or provide additional, complementary services. The private sector may also be able to generate scale if they are active in numerous jurisdictions.

- **There is a high potential for financial gains.** Financial gains for government may come in many forms, including a lump-sum payment, annual fees, and the broader gains associated with economic growth.

- **There is a high potential for increased efficiency.** Efficiencies may come through technology improvements, automation, or digitization. This creates opportunity for government to reallocate resources. Both revenue gains and efficiency savings should be considered over the short, medium, and long term.

- **Additional economic development can be unlocked.** Government should consider the potential economic development benefits. The private sector is often better positioned to unlock economic growth through innovation, entrepreneurialism, and the introduction of best practices. As public sector commissioning expert Gary Sturgess notes, "where providers are given the freedom, competition and third-party delivery can create a climate where innovation flourishes." [8]

- **Successful change is achievable.** Government should give careful consideration to the potential hurdles of shifting the delivery of a service to a third-party provider. Barriers may be unique to a service area and may include varying levels of policy and demand considerations as well as impacts on stakeholders and employees.

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[8] Sturgess, "Contestability," p. 25

3 Unlocking the Value of Registries

3.1 The Importance of Registries

Registries provide information and infrastructure critical to the daily activities of government, business, and the public. Many provide a sole source of the truth on ownership and interests across a wide range of sectors and are a fundamental component of a trusted economy. Given their unique nature, the trusted provision of registry services requires special skills, capabilities, and experience.

Operated by the public, private, and not-for-profit sectors, registries include land, corporate, personal property, and motor vehicle registries plus other tangential government services like licensing and permitting. Land registries, for example, contain information about interests in land, such as ownership or mortgages, while corporate registries contain information about business entities such as legal status, names, and share structure.

While there is variation across jurisdictions and subject matter, most registries are built around a core statutory mandate, such as maintaining an authentic and publicly accessible record of interests in land or personal property.

The information that registries secure, manage, and administer is a vital economic building block. Every transfer of land, every creation of a new business entity, and every mortgage depends on the secure, accessible, and accurate information provided by registries. Put another way, registries play a foundational role facilitating the daily activities of government, business, and the public. Registry providers may also offer additional services that build on their strengths ranging from data analytics to information management services for registry users.

Building better registries can mean significant gains for the public, private, and not-for-profit sectors. Better user interfaces, for example, can shorten the time it takes to register a mortgage or incorporate a new business, reducing costs. Innovating new tools and services for users to extract grouped data from registries can spark economic development and growth. Similarly, improving data validation and authentication in conjunction with privacy systems can increase users' confidence in registry data and services.

Framework to Identify Service Delivery Opportunities:
Registries

- ⊘ *Other jurisdictions have made the switch*
- ⊘ *Private sector marketplace already exists*
- ⊘ *Private sector can add value*
- ⊘ *High potential for revenue gains*
- ⊘ *High potential for increased efficiencies*
- ⊘ *Economic development potential*
- ⊘ *Successful change is achievable*

3.2   The Benefits of Partnerships for Registries

While many registries provide a core government function, not every aspect of the registry value chain is inherently governmental. There are many aspects of registry services that third parties may be better positioned to deliver, from administering back-office IT systems to managing front-office customer service functions. Government may want to set the parameters within which these components of registry services operate, for example, by setting customer service standards or establishing fee structures, but the delivery of these services does not necessarily need to be through the public sector.

Delivery models involving third parties allow the government to retain responsibility for policy setting and other governmental aspects of registry services, while leveraging third-party expertise to deliver the remaining elements of the registry value chain.

In addition to identifying those aspects of registry services that can be delivered by a third party, the factors set out in the framework in subsection 2.3 help demonstrate the potential benefits of a third-party approach to registries.

Observations of jurisdictions which have partnered with the private sector include:

• **Many jurisdictions already provide registry services in partnership with third parties.** In Canada, registry services are delivered by third parties in Saskatchewan, Manitoba, and Ontario (to varying degrees) while the public sector retains oversight and regulatory responsibilities. Additionally, two states in Australia, New South Wales and South Australia, decided in 2017 to use the private sector for the delivery of Land Registry services. Many other governments are actively exploring or pursuing third-party delivery options. These jurisdictions provide the "proof of concept" that registry services can be successfully delivered by third parties. It also means that there is a mature, private sector marketplace for registry services.

- **Engaging third parties can also result in monetization of future revenue streams for government.** Across new relationships established in Saskatchewan, Manitoba, Ontario, South Australia and New South Wales, governments received a variety of upfront payments along with in some cases various forms of ongoing revenue streams from establishing a new model with registry operators.

- **Government can redeploy limited resources.** Transferring a registry's back and front office to a third party means that government is no longer responsible for related operating, maintenance and modernization costs. Shifting those functions to a third party allows scarce government resources to be redeployed.

- **Third parties are well positioned to add significant value to registry services.** Experience in jurisdictions across Canada, such as Saskatchewan, Manitoba, and Ontario, demonstrates governments are able to apply private sector expertise and capital to modernize and improve access and usability for registry users. The eventual outcome of the recent transfer of registries in South Australia and New South Wales is expected to be similar.

- **Third parties can be agile and responsive to changing technology and user needs.** For example, third parties, as enabled by their services agreement, can more flexibly change operating models and make quick and effective investment decisions. Third parties also tend to have better access to innovative technology and industry best practices as well as the capital required for such investments.

3.3   Tailoring a Delivery Model for the Registry Context

The transition from a purely public-sector delivery model to one involving third parties can be a significant undertaking. Typical challenges include employee transition, the creation of new governance structures, managing stakeholder communications, and the migration or upgrade of technology.

The information that registries contain and the important role they play in the daily activities of government, business, and the public will influence the design of the delivery model, particularly the governance and regulatory regime. The delivery model must ensure that registry records remain accurate and secure while facilitating fast and reliable access for user groups in the public, private, and not-for-profit sectors.

The experience of jurisdictions that have transitioned to a third-party delivery model demonstrates these challenges can be successfully managed. The key to managing registry-related challenges lies in identifying the activities and responsibilities which government is best placed to manage (e.g., policy oversight), and those which a third party may be best placed to manage (e.g., technological change or operations).

While the opportunities and challenges of a third-party approach to registries will vary across regions, the flexibility embedded in today's delivery models provides the tools necessary to build jurisdiction-specific solutions.

Solutions to Potential Concerns About New Registry Delivery Models

Typical Concern	Solution
Maintaining affordable, public access to the registry	The fee-setting formula and minimum standards related to registry access can be predetermined in a service agreement between the public sector and the third-party provider or through a regulatory regime. Government can also retain approval authority over fee adjustments.
Retaining government control over a critical public service	Government should retain responsibility and play an oversight/monitoring role in relation to policy and service standards.
Maintaining government ownership of a valuable public asset	Government can retain ownership of the registry information assets while contracting for the registry's operation for a fixed term. Through capital investment and the application of best practices, third parties are well positioned to contribute to the ongoing value and sustainability of an important public asset.
Ensuring the proper handling/management of public registry information	The selection of the third-party provider should include an evaluation of its data security capability. Privacy legislation will continue to apply to sensitive personal and other data. Government can also retain ultimate ownership of the data stored within registries.
Maintaining the integrity of the registry	Government can retain ownership of registry data and establish standards for the collection, maintenance, and ancillary use of registry information. Government will establish the requirements for the protection of rights and interests consistent with legal principles and the legislative framework.
Supporting existing registry employees	Employee transfer is crucial for success. A variety of employee transfer arrangements have been used. One consistent feature is that government influences the terms under which employees could transfer.
Allowing a third party to make a windfall profit	Service agreements can include gainsharing mechanisms that provide the public sector with a share of future profits, while still incentivizing the third party provider to innovate and generate new value.
Maintaining access to registry data sets	Government can structure the delivery model to promote open data while recognizing the economic development value of registry information.

4 How to Successfully Transition to a New Delivery Model

4.1 Success Factors

The critical factors for successfully moving a registry to a third-party delivery model include:

• **Dedicate resources up front to designing the right delivery model for the jurisdiction.** This includes considering the future objectives for the registry, the needs of users, the areas the government needs to continue to control, the optimal allocation of risk between the government and the third party, and the capabilities of the current provider market.

• **Leverage a service agreement and/or regulatory regime** to provide the government with tools to control those aspects and functions of the registries that are fundamental to the public good.

• **Allow sufficient flexibility for the third party to innovate and invest in new technologies** to improve the user experience and the ability for businesses to package data for new uses, and to keep the registry relevant in a rapidly changing environment.

• **Select a third-party provider with a true understanding of the public sector** bringing a proven capability and deep knowledge of the role registries have within a jurisdiction. Registries play an essential role in maintaining trust in critical services which in turn facilitates efficient business transactions in support of a robust economy.

• **Allow time for sufficient planning and project management of the transition,** including a seamless transition for users, employee consultation and a detailed mapping of technology and investment requirements.

• **Draw on the lessons from other jurisdictions** that have moved to a third-party delivery model for registry services.

4.2   ISC is a Proud Private Sector Partnership Success Story

ISC is the exclusive provider of the land registry, land survey directory, personal property registry, and corporate registry in Saskatchewan.

ISC was established as a Crown corporation in 2000 with a mandate to deliver the provincial land registry and land survey directory. ISC was tasked with completing the digitization of Saskatchewan's land records. Over time, ISC's mandate grew to include the province's personal property registry (2001), the vital statistics registry (2008), and the corporate registry (2010).

In 2013, ISC transitioned from a Crown corporation to a publicly traded company. The sale of a 69 per cent ownership interest in ISC resulted in proceeds of $156 million for the provincial government. This transition included a plan to facilitate the purchase of shares by employees.

Today, the registry services provided by ISC on behalf of the Government of Saskatchewan are set out in a detailed, 20-year service agreement with the provincial government.

The transition to a publicly traded company has allowed ISC to grow beyond Saskatchewan's borders and add to its suite of services and solutions. In addition to its registry offering, ISC also has a services offering through its wholly owned subsidiary ESC Corporate Services, a leading provider of public records due diligence for clients in the legal, corporate, and financial services sector. Early in 2017, ISC acquired Enterprise Registry Solutions (ERS). ERS with its RegSys solution is a global leader in the development and implementation of registry technology. Today, RegSys is the foundation for multiple types of government registries across over 30 implementations in three continents. With these acquisitions ISC has expanded its geographic footprint as well as its registry sector intellectual property.

ISC successfully transitioned registries into its operations by dedicating its senior staff who had managed previous transitions in order to develop a well-planned, responsive, and efficient transition process.

Having an ability to respond is a driving factor for a positive transition.

4.3   Looking Ahead

The importance of registries to the daily activities of government, business, and the public means the opportunity to build better registries is wide-reaching and significant. While those opportunities will vary across registries and regions, today's diverse service delivery models provide government with the flexibility to create unique, registry-specific solutions that meet jurisdictional needs.

Governments across Canada and around the globe are partnering with third parties to help meet the challenges of rising citizen and fiscal demands. Third-party delivery models allow governments to provide leadership and oversight while leveraging third-party capital, innovation, expertise and experience to improve public services.

In Canada, the Governments of Saskatchewan, Ontario, and Manitoba have already used third-party expertise to transform registry service delivery to realize their objectives. Most recently Australian governments in New South Wales and South Australia embraced this model when each entered into a private sector partnership to operate their Land Registry.

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