BREAKING NEW GROUND:
PIONEERING ELECTRONIC LAND REGISTRATION IN ONTARIO, 1987 – 2010

BACKGROUND

In 1987, Ontario's land registration system was overwhelmed. Budget constraints and a surge in property sales strained the Canadian province's paper-based operation. The provincial Ministry of Consumer and Commercial Relations had been working to computerize its land records, but it lacked funds and technical capacity. A public–private partnership (PPP) that leveraged private sector investment and expertise offered an opportunity to make digitization work.

Computerizing Ontario's land administration system was a massive undertaking. The partners had to convert records covering an estimated 4 million properties and spread across more than 50 registry offices—both from paper to digital and in some cases from a deeds system to titles. Complicating the task, the province had little experience with joint, public–private financing models; there were few examples of digital land registration systems; and political leaders, registry staff, and real estate professionals all had concerns about the proposed partnership.

REFORM STRATEGY

Given the scale of the project and the lack of experience with PPPs, it was essential to clearly demarcate the roles of the government and the private partner, create targets and monitoring systems, establish coordination mechanisms, and overcome potential political opposition. The two prospective partners also had to agree on key aspects of the business model, such as revenue sharing and ownership of systems and data.

In early 1990, after two years of bidding, the government created the Strategic Alliance Liaison Office to negotiate the final deal. The office set requirements for the PPP, including 50/50 ownership, a major financial investment from the private partners, government ownership of the data, and project completion in less than 15 years.

KEY ISSUES
- **Leveraging private investment**
- **Structuring concession agreements**
- **Digitizing records and processes**
- **Converting deeds to titles**

In the same year, the provincial parliament approved legislation that regulated the use of electronic records and authorized the conversion of properties in the deeds system to titles.

To ensure the support of a newly elected provincial government, the consortium of private investors bidding on the project agreed to take on unionized public sector employees.

Teranet, a joint venture between the provincial government and a private consortium, was officially established in May 1991. Under the partnership, the private operator gained the right to collect all transaction fees and received a 10-year exclusive license to use the data, enabling the company to repackage land data into new products. The government would receive a share of payments and continue to set the fees for registration services.

ACTIONS TAKEN

The Ministry of Consumer and Commercial Relations and Teranet collaborated on staff transfer, records digitization and conversion, and a pioneering electronic land registration system. In 1992, the two partners had to overcome an early crisis and find a new private investor.

Fully converting Ontario's property records took until 2010, but by 1995, almost half of the records had been converted and Teranet launched software that enabled users to search and view records remotely.

Next, Teranet's product development team, the provincial government, and real estate attorneys worked together to develop the Electronic Land

Registration System, or ELRS, which allowed
buyers and sellers to transact online.

With the ELRS ready to launch in 1999,
Teranet and the province had to get users on board.
The law society and the bar association played key
roles in explaining the system to members. The
province made electronic registration mandatory
gradually, giving users time to adjust. A close
relationship with the law society was vital in
responding to concerns about title theft and
mortgage fraud. After several high-profile cases in
the mid-2000s, the province and Teranet worked
with the law society to reduce identity theft risks.

Teranet developed products that used
property data in new ways, but as it did so, privacy
became increasingly important. Teranet and the
provincial government established a committee to
approve new products and review them for their
adherence to privacy legislation—an example of
the governance structures used in managing the
relationship.

As the project progressed, the partners
established several joint management committees
to support collaboration and coordination. The
partnership eventually culminated in the sale of
the government's ownership stake in 2003.

RESULTS

In 2016, Teranet's pioneering electronic
registration system was in widespread use. 99.9%
of properties had been converted and digitized by
2010, and in ministry-conducted surveys, Teranet
consistently received high marks for customer
satisfaction—averaging around 85%.

The partnership also made money for
Ontario. The government contributed C$29
million in equity at the beginning of the project.
In 2003, it sold its 50% stake for C$370 million.
Assuming the government bore 50% of the
C$391 million in implementation costs reported
by the provincial auditor for 1991–2002, it still
would have made a profit of more than C$140
million on the sale. After Teranet's 2006 initial
public offering, the provincial government
received C$573 million because of a requirement
in the 2003 sale agreement that it share in the
value of future sales.

The two partners formed a lasting
relationship. In 2010, Teranet paid Ontario C$1
billion for a 50-year concession to continue
operating the ELRS and agreed to make annual
royalty payments beginning in 2017.

LESSONS LEARNED

- **Designing a successful PPP.** The public–private partnership between Ontario and private joint venture company Teranet facilitated greater investment in innovative technology. Close collaboration, the use of existing government capacity, and strong governance structures were crucial for maintaining an effective working relationship—even after the government sold its stake in Teranet in 2003.

- **Challenges of converting deeds to titles.** Creating a new form of title and setting precedents for the handling of unusual properties helped speed the conversion from a deeds to a titles system. But despite efficiency gains, the process remained time- and resource intensive.

- **Stakeholder relations.** A close relationship with entities such as the law society and a gradual rollout of new technology eased real estate professionals' acceptance of electronic registration. Later, those relationships played a key role in measures to prevent fraudulent transactions.

- **Private versus nonprofit incentives.** As a for-profit company, Teranet had an incentive to focus on commercial, value-added products after developing the electronic registration system. In contrast, British Columbia's nonprofit Land Title and Survey Authority reinvested its revenues in its registration and mapping systems.