

Selling ISC part of bigger fight

BY MURRAY MANDRYK, THE STARPHOENIX NOVEMBER 20, 2012

The problem with the Saskatchewan Party's argument to privatize Information Services Corporation (ISC) is that it's really not all that much stronger than its argument to keep it in its present wholly owned public state.

In fact, it would probably benefit the average Saskatchewan taxpayers more to keep ISC in the state it is currently in. Don McMorris, minister responsible for ISC, says selling 60 per cent of the Crown corporation through a stock prospectus will mean we will have \$90 million to \$120 million that can be put toward infrastructure costs.

Or maybe not.

One of the more interesting observations about the share offering came from NDP critic Kathy Sproule who asked: "What happens if this (new) company turns out be like Facebook?"

The problem in an ever-changing technological world is that investors might be hesitant to plop down their cash on a company in need of upgrades - especially if that company has only catered to one specific provincial government client and has never really made a sale outside its own jurisdiction.

Moreover, if McMorris is right that other-government clients were frightened off from doing business with a company 100 per cent Saskatchewan-taxpayer owned, wouldn't a 40 per cent Saskatchewan-taxpayer-owned company still be problematic?

However, there is an aspect of this government ownership that investors might see as even more problematic. Any outside investors might see this 40 per cent government ownership and the likely requirement that four people on the 10-person ISC board be from government as a means of assuring political influence on key corporation decisions, such as staffing levels and establishing future rate increases expected to be around the rate of inflation.

In response, government officials speculated that ISC might be seen as a more attractive investment for so-called "safe" investors, such as insurance companies and pension fund managers trying to offset more volatile rates elsewhere.

But anyone who then thinks that a privatized ISC, even with less than a 40 per cent government ownership structure, is a great deal for Saskatchewan taxpayers or consumers should think again.

To begin with, additional rate hikes for land transactions may be required more frequently in order to meet investor demands. Certainly, there was little in Monday's privatization bill to indicate users can expect much of a break.

It may be tempting for taxpayers to hope that selling a portion of the company could help recoup some of the excessive investment the previous NDP administration poured into ISC. And the idea of having money from the sale available for capital projects is enticing, although there is reason to doubt it will be

the \$90 million to \$120 million the government is now speculating.

But once the province only owns 40 per cent of the company it's likely dividends will be much lower than they are now unless the privatized ISC far exceeds financial expectation.

Then there will be the added costs of having to administer vital statistics through executive government - a cost that will have to be subtracted from the profitability of this privatization.

So, Saskatchewan will receive smaller dividends, quite likely less money from its sale than the government is predicting, and it will cost more for users and taxpayers. One has to wonder why the government would even bother to go ahead with the sale.

Well, a decade of no out-of-province sales would seem to suggest that there is logic in the idea that, under its current format, ISC is destined to stagnate.

Also, this first sale of an entire Saskatchewan Crown corporation in a considerable amount of time sends out a significant statement for Premier Brad Wall. A quiet, incremental - and most importantly, successful - privatization would do wonders to change the narrative about the need for Crown corporations in this province.

A successful sale would be a huge victory of the conservative philosophy of smaller, less intrusive government over the NDP/left notion of government delivery.

Privatizing ISC would hardly seem worth the fuss and bother if it isn't part of a bigger fight.

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