

only on the basis of such positive externalities that one can argue for less than full-cost recovery.

Consequently, if positive externalities cannot be identified or if they cannot be valued, then an argument might be made that the fee schedule should simply be based upon full-cost recovery. Alternatively, it might be appropriate to choose some overall percentage reduction in the fee schedule below cost to reflect these social benefits. It might be argued, for example, that a fifty percent reduction below cost is a reasonable approximation to the positive externalities involved in TCS activities. Or some other percentage reduction could be chosen as the basis for cost sharing between each business and the taxpaying public. To encourage the involvement of firms that are just entering the global market, a contingency fee schedule might be devised, with payments based upon the results actually achieved.

It may be necessary to decide whether such a discount below full-cost recovery should be offered to all businesses that have a Canadian location. One might argue that a discount should only be applied on services provided to businesses that are defined as being Canadian, in accordance with some set of standards. The above discussion has suggested the difficulty of arriving at such a set of standards in view of the complex value chain, with its myriad of investment relationships, that is coming to permeate modern business.

Private sector organizations generally include a profit margin on top of the estimated costs in arriving at the fee schedule. In partnerships, profit derived in this manner is generally distributed as an annual dividend to partners. The question arises whether the TCS should include a similar margin in order to be seen as a fair competitor, and in order to provide correct market signals to prospective clients and to the TCS itself. However, it is likely that this margin in private sector organizations is of a such a relatively small percentage compared with total revenue that it need not be a major concern.

Finally, how can one determine the costs that should be included in the basic fee schedule? Here, reference to large accounting and legal firms may be helpful. Such firms face the same kinds of questions that the TCS would face in analyzing this question. Basically, the approach of such firms is to charge a certain amount per hour, or portion thereof, for each employee's time, with the amount per hour varying in accordance with the job category of the employee. The hourly fee is established at a level such that a reasonable work load for the employee will cover not only the individual's personal remuneration but also the overhead and office costs related to that employee. The reality that multinational accounting and legal firms are able to develop such a fee schedule suggests the feasibility of this for the TCS.