

Apart from its role in rationing TCS staff and facilities in a manner that would direct them to their most effective use, the fee-for-service mechanism would also provide funding in the times of financial constraint that lie ahead. This funding may be a crucial issue if a political leadership decides to cut expenditures abruptly in the context of Canada's deficits. Ontario Premier Bob Rae, for example, saw the closure of Ontario consulates as a way of reducing expenditures. A fee-for-service structure could prevent such precipitous action, in that closure would not result in cost savings to the same degree as it would under our present structure of providing assistance free of charge. Furthermore, the general public and the political leadership would be more readily convinced of the concrete benefits that the TCS provides if businesses were in fact willing to pay for these benefits.

An additional argument in favour of the fee-for-service concept is the international nature of the firms that receive the benefits provided. To an increasing degree, the kinds of associations and linkages described above are eliminating the nationality of the firm and the product. It may not be possible to separate the gains accruing to Canadian firms from those accruing to foreign firms. Should Canada's TCS be providing services free of charge to a value chain that includes both Canadian and foreign firms?

In the past, a corporation's success had a direct impact upon the job security of its employees and the financial well-being of the particular community in which it operated. Consequently, one could argue that to assist a Canadian business meant assisting the Canadian economy. The changes that have been described above are resulting in the internationalization of many business activities. In some cases, this will mean the substitution of imports for the domestic production of certain components or elements of a product line. In some cases, this will mean shifting certain production activities from a Canadian location to a foreign location, with the creation of new facilities in that foreign location to replace Canadian facilities. These kinds of corporate restructuring are undertaken from the perspective of maximizing the return to shareholder's equity.

While profits may increase as a result of these kinds of corporate restructuring, Canadian employees and Canadian communities may be hurt in the process. This increasing divergence between the interests of shareholders and the interests of domestic employees and domestic communities may bring with it a need to deal with businesses on a different basis than in the past. In particular, it may no longer be appropriate to regard Canadian businesses as Canadian taxpayers who deserve government service free of charge.

### **THE STRUCTURE OF A FEE SCHEDULE**

Unlike private sector providers of intermediation services, the TCS serves a public purpose. No private sector organization is required to include externalities in determining its role. Hence, the existence of such externalities is a central feature in defining the role of government. In view of this, a first step in determining a fee schedule is to consider the degree to which the fee schedule should be less than full-cost recovery, with this gap representing the externalities or social benefits gained by Canadian society as a whole. It is