

Horizontal integration

Jeanne M. Flemming

The process of implementing horizontal integration is inherently difficult.

One of the goals of the Canada Customs and Revenue Agency (CCRA) is to maintain the integrity of the taxation system by applying the law fairly while also recognizing that fairness is often a subjective judgment. This means that citizens must pay what they owe, no more, no less. It is the CCRA's job to ensure that this happens.

Although the term *First Nations* is commonly used by some Aboriginal people, the term *Indian* will be used throughout this article to focus on that segment of the Aboriginal population which is defined in the *Indian Act*.

Section 87 of the *Indian Act* states that Indians recognized under the Act are "exempt from taxation, namely, ... (b) the personal property of an Indian or a band situated on a reserve." Furthermore, section 89 of the Act states that, "... the real and personal property of an Indian or a band situated on a reserve is not subject to charge, pledge, mortgage, attachment, levy, seizure ... or at the instance of any person other than an Indian or a band." (Online: see the Laws section at <http://canada.justice.gc.ca> (retrieved February 22, 2000).

A difference of opinion exists between government, whether provincial or federal, and Indian bands and their people about the interpretation of section 87. The federal government's position is that registered Indians on reserve, buying, selling and earning income on reserve, pay no Income Tax or Goods and Services Tax (GST). However, Indians carrying on transactions off reserve or who transact commercially with non-Indians are subject to the same federal taxation as other citizens.

Many registered Indians believe that they are free from all taxation and that they do not need to collect or remit tax when dealing with non-Indians. This claim is based on their belief that tax immunity is a treaty or an Aboriginal right. This article is not intended to evaluate the merits of the two positions but simply sets them out as background.

It is incumbent on the CCRA to respect section 87 and to administer revenue acts in accordance with their provisions. However, several years ago, it became apparent that the section 87 tax exemption was the subject of varied interpretations resulting in difficulties in many jurisdictions. The issue was brought to the Agency's attention through a flurry of complaints from members of Parliament, provincial taxation authorities, businesses, Chambers of Commerce and other citizens complaining about Indian individuals, bands and businesses failing to pay taxes. Further, the complainants expressed anger with the Agency's perceived inactivity on these files. From their perspective, Indian individuals, bands and businesses were being given an unfair economic advantage.

Jeanne M. Flemming has over 25 years' experience at the municipal, provincial and federal levels of government. She is currently with Canada Customs and Revenue Agency (CCRA – formerly Revenue Canada) as the Director General of the International Tax Directorate which is responsible for directing the Agency's international tax program. Prior to this, she was the Director General of CCRA's Investigations Directorate which is responsible for the criminal investigations program.

It is important to understand the type of activity described by complainants and its potential repercussion on local economies and the integrity of the tax system. Activities included the following:

- failure to pay Income Tax on income earned off-reserve,
- failure to collect and remit GST when commercially transacting with non-Indians (that is, passing on to non-Indians benefits intended for Indians),
- using section 87 in combination with the *Excise Tax Act* (GST) to create false input tax credits,
- purchasing cigarettes on a tax-relieved basis for personal use and selling these cigarettes to non-Indian vendors for resale to non-Indians, and
- creating companies on reserve to hire Indians to work off-reserve to avoid paying income tax.

The inequities included a potential 15 percent economic benefit for Indian-run businesses competing with non-Indian businesses because no PST (Provincial Sales Tax) or GST (or Harmonized Sales Tax where appropriate) would be charged to non-Indian customers. Improperly obtaining Input Tax Credits allowed a direct benefit to Indians and their non-Indian partners through combining the exemption of the *Indian Act* with provisions of the GST legislation. This permitted parties to receive money fraudulently from the federal government. The losses associated with selling tax-free cigarettes to non-Indians or to non-Indian distributors for resale at a lower rate was causing problems across Canada. The situation was aggravated by the fact that Indian income was already tax free.

The activities of concern to the government could be grouped into three categories:

- activities where there was a difference of interpretation that could eventually be resolved by the courts or by legislative amendment,
- activities which passed on tax exemptions to non-Indians that were intended for Indians, and
- fraud-related activities such as cigarette smuggling and Input Tax Credit schemes.

The level of activity appeared serious and resulted in an uneven economic playing field, often forcing non-

Indian competitors into bankruptcy. The integrity of the tax system was at stake. What was needed was a strategy to address compliance. Thus, the *Indian Act* Tax Exemption Compliance Project was born.

Project description

Having spent ten years at the Department of Indian Affairs and Northern Development, I was asked to look at the issue. Certainly the constitutional, legal and socio-economic position of Aboriginal people was understood; but, as a relative newcomer to the CCRA, I did not fully understand the Agency's culture and perspective.

The Canada Customs and Revenue Agency is organized into four program branches, roughly approximating the business flow, and other coordinating branches:

- *Assessment and Collections* (A&C) – responsible for processing returns, collecting outstanding debt and providing client assistance.
- *Verification, Enforcement and Compliance Research* (VECR) – responsible for verifying, auditing returns and reassessing taxpayers based on a risk assessment model.
- *Appeals* – responsible for reviewing and making decisions on objections raised by taxpayers.
- *Customs and Trade Administration Branch* (CTAB) – responsible for processing travellers and commercial activity crossing the border and for preventing contraband from entering and leaving the country.

In addition, the *Policy and Legislation Branch* (P&L) – a corporate branch, is responsible for policy development and recommending legislative change as well as monitoring excise duties.

In general, each branch works in a vertical mode with horizontal integration provided in the field operations and in a variety of senior committees at Headquarters (HQ). As the Agency is largely focused on processing individual files, cross-program problems require special attention.

The issue of non-compliance of some Indians was raised as a concern of sufficient importance to require all program branches which shared responsibility for the

issue to come together to assess its breadth and scope. Therefore, a group within HQ representing all program branches was created. The initial goal was to create an inventory of the types of problems the CCRA was experiencing related to section 87 to verify whether the tax at risk was widely dispersed or whether there were pockets of tax loss localized to specific geographic areas or particular taxes.

At that meeting, it became clear that some areas of the Agency had given much thought to this issue while others had not. However, there was little enthusiasm to look at this issue as a corporate group. Subsequent to the meeting, attendees were persuaded to complete a listing of issues from each program's perspective. However, it was apparent that there was no common understanding of the issue or any corporate idea of its scope.

The next step was to call a meeting of representatives from the field, the front line officers who brought a practical view to the exercise. The difference between the field meeting and the HQ meeting was striking. In a very dynamic atmosphere, the field officers described a very different view of the issue of *Indian Act* tax exemption compliance.

Field officers outlined the daily problems, drew a picture of growing non-compliance and voiced concerns about managing this sensitive non-compliance area. Further, the potential for impact on the integrity of the tax system was perceived as a real and pressing problem. As a result of this meeting, it was evident that the misuse of the *Indian Act* tax exemption was real, that non-compliance was growing and that those in the field were keen to work on these files.

Given that program differentiation is more pronounced at HQ, and in the absence of an integrating mechanism, it is often impossible to generalize the scope of a branch issue to the whole Agency. HQ depends on risk assessment models to identify emerging trends, but the analysis is geared to industry sectors and economic activity by specialized areas in the economy, making it difficult to pick up some types of problems.

On the other hand, at the field level, in the Tax Services Offices (TSO) all program lines are delivered from one location, although it is fair to say horizontal integration even in the TSO is sometimes challenging.

Nevertheless, the field is often better able to pick up cross-program compliance trends based on work activity rather than risk models. The field, however, is very sensitive about actively pursuing files that could result in media attention without strong support from the whole organization. Performance indicators are also structured in a manner that discourages involvement in lengthy case work whose outcome is potentially unproductive. As Indian property located on reserve is protected from seizure under section 89 of the *Indian Act*, many were concerned that action on these files would result in large, uncollectible assessments.

There was also confusion about the benefits conferred by section 87 and the scope of those benefits. Furthermore, most staff were not equipped to deal with these issues without a better understanding of Aboriginal culture and history, the nature of the federal government's relationship with Aboriginal people, and the legal implications of treaties and legislation. Knowledge on these points was critical.

Providing this knowledge to participants took the form of a three-day workshop with presentations by experts in various aspects of Aboriginal affairs. Speakers included:

- an Aboriginal individual who presented the Aboriginal perspective,
- the Privy Council Office which presented the federal government's policy perspective,
- the Department of Indian Affairs and Northern Development which provided an update on self-government and land claims,
- the Department of Finance which provided an update of the federal government's Indian taxation policy,
- the Department of Justice which presented overall trends in Native law, and
- the Legal Services Branch from the CCRA which presented legal trends from an Agency perspective.

The workshop was a success and resulted in increased awareness for all participants. Indeed, many exclaimed that the sessions had changed their perspective dramatically, particularly in understanding the Indian perspective and in realizing the complexities of the law. This session was a significant step in providing the knowledge which was considered integral

to achieving the desired results of the project. The session clarified many aspects of government policy and the law which had previously intimidated those trying to apply the revenue acts to Indian people.

By the fall of 1995, after a year of work, the group had a good grasp of the problem, its importance and a knowledge base. More importantly, we had a core group committed to looking at the issue.

At this point, the problem was clearly articulated as compliance related to the misapplication of the *Indian Act* tax exemption, section 87, and subsequent revenue loss. Defining the problem was critical to the group's thinking. It needed to be certain that the Agency was not targeting Indian people. Rather, the CCRA was targeting the revenue lost through activities of certain Indian individuals or bands or businesses which had misapplied the *Indian Act* tax exemption provisions or who were passing on their tax exemption inappropriately to non-Indians.

The key challenges the Agency faced in formulating a strategy included specialized program administration, limited cross-program linkage, reticence to enforce the law given the highly sensitive nature of Indian taxation, and lack of knowledge about Indians and their place in Canadian society. Outside the Agency, there was little understanding of Indian tax-related rights and obligations by Indians and non-Indians alike, minimal comprehension of compliance issues by other federal departments, and a growing sense of anger by non-Indians directed towards the CCRA.

The participants concluded that the integrity of the tax system was at stake as Indians and non-Indians seeking to exploit the legitimate tax exemption for Indians publicly challenged the CCRA's authority and refused to comply with the law – sometimes out of ignorance or conviction but often in a deliberate attempt to subvert the law for personal gain. This resulted in economic inequities that were distressing to many businesses near reserves which could not compete and which raised the issue.

The strategy

At this point, a critical step was taken in the development of the strategy, that is, the creation of the HQ Steering Committee at the director general level. Its

task was to take ownership of the initiative and implement the strategy that had emerged from the lengthy lead-up process.

The strategy consisted of the following five elements:

- horizontal program integration,
- responsible enforcement,
- outreach/education/communications,
- research, and
- liaison with other federal departments and the provinces.

Each element will be described according to the goals established by the Committee, the actions taken and the results.

Horizontal program integration

Goals

The objective of this element was to establish the management framework to implement the strategy by ensuring accountability at the senior level and establishing a focal point to manage the files.

Actions

The key to horizontal program integration was the Directors General Steering Committee formed at HQ. This advisory body consisted of the Directors General of Audit, Collections, Appeals, Policy Development and Customs Border Services, and representatives from Legal Services, the Department of Justice and Communications who were selected by their respective Assistant Deputy Ministers (ADMs). As the Director General of Investigations, I chaired the Committee as the representative of the Verification, Enforcement and Compliance Research Branch which initiated the demand for a strategy to look at the *Indian Act* tax exemption compliance issues. The Committee met monthly and on an ad hoc basis.

A second tier was added to this organizational element with the appointment of regional coordinators who were selected by the six regional ADMs. These coordinators were the critical link between the HQ Steering Committee and the TSOs that managed the files.

Charged with collecting case data, monitoring cases and providing for the flow of information, the coordinators attended steering committee meetings on a quarterly basis and were kept abreast of other committee meetings by conference call following each meeting.

In addition, the Chair of the Committee made weekly calls to program committee members to deal with emerging issues. On a quarterly basis, membership was extended to other departments that also played a role in Aboriginal affairs: the Department of Finance, the Department of Indian Affairs and Northern Development, the Department of Justice, the RCMP (Royal Canadian Mounted Police) and others.

The HQ Steering Committee performed the following functions:

- provided corporate focus to case selection and management,
- vetted profiles and plans to ensure that they were acceptable and had a cross-program focus,
- provided corporate advice to the Deputy Minister or functional ADMs as required,
- initiated requests for profiles, studies or other information, and
- took responsibility for the implementation of the strategy.

Results

In concrete terms, these organizational steps provided the following results:

- Leadership was provided on a sensitive issue.
- Momentum was created and maintained to resolve long-standing issues.
- Viable support was developed for the field.
- Program integration did occur.
- Information sharing was ensured from the top to the bottom of the organization.
- The Deputy Minister and ADMs looked to the Committee for advice on specific issues.
- Briefing notes took on a new look with a corporate focus.
- Band profiles and plans provided new insight into economic activity on reserves.
- A database was created that allowed the Agency to study patterns of compliance.

Unintended but welcome outcomes were that project participants gained a new respect for the other programs and a real sense of corporate cooperation crystallized.

Responsible enforcement

Goals

Enforcement is a key component of any strategy designed to deal with compliance issues. The goal of enforcement actions was to address the three categories of activities noted previously:

- those amenable to clarification by the courts or by law,
- those which passed on to non-Indians tax benefits intended for Indians, and
- those indicating fraud.

Therefore, files were selected by first taking on the most egregious cases and then selected according to the best-case concept. In addition, we were sensitive to those that would provide clarification of the law, particularly to illuminate the interplay between the protections of the *Indian Act* and the powers of the revenue acts administered by the Agency. For example, can the Agency require Indian-owned businesses to produce books and records for audit purposes, and are banking records on reserve protected by section 89 from review by the Agency?

Files were chosen for audit and verification to clarify points of contention, to ensure geographic and tax file type coverage, and to ensure enforcement on the most flagrant cases. Assessments were levied with information from third-party sources, in accordance with Agency procedures, and collection activity was adapted to take into consideration section 89. Finally, all files stemming from illegal activity were selected for criminal investigation with the intention of criminal prosecution.

Actions

The initial approach resulted in a collection of many similar files concentrated in a few geographic areas. Furthermore, most of the files had not been carefully reviewed. Each TSO approached file management traditionally, treating the

case within a program context without reference to other programs. For example, a file would be selected for audit based on information indicating non-compliance. The collections program learned about the file only after the assessment had been raised.

To remedy the situation, the Committee developed the concept of band profiles. Several bands were selected for profiling based on the assessment of compliance issues, that is, a risk assessment basis. The profiles provided an overview of economic activity on a reserve while focusing on specific case files and a proposed enforcement plan that encompassed all relevant programs.

The development of the band profile accomplished many tasks. First, the Committee had a comprehensive picture of the particular reserve as an economic whole. Second, it ensured total program coverage in structuring the plan of action. Third, it provided important cultural and historic information that allowed a better understanding of the individuals or businesses. And, finally, it provided a plan for individual case management. Indeed, the most important result from this exercise was not the facts gathered but the required cross-program integration and the resulting plan. The process of working together was invaluable.

Results

Responsible enforcement has had proven results. Since the inception of the *Indian Act* Tax Exemption Compliance Project, hundreds of individual Agency actions have been initiated and there are dozens of cases in the civil and criminal court process.

Further, programs looked for new and innovative ways to move files forward. For example, collections garnisheed rebates from one province, with its agreement, to satisfy debts on tobacco products. In addition, the federal government successfully argued an injunction brought against it to prevent this action.

But, more important than the statistics are the pending decisions that will emerge from the courts on questions such as whether Indian businesses are required to produce books and records, the nature of employment income, whether banking information on reserve is protected by the *Indian Act* and so on. For

example, a recent lower court decision allowed the application of the section 87 tax exemption in a particular off-reserve situation. However, court clarification of the law will take time as many issues will need to be resolved by the Supreme Court.

Outreach/education/communications

Goals

Initially, outreach/education and communications were two separate elements of the strategy that ultimately melded into a single element. It became clear that the overriding purpose of both elements was to secure compliance on a voluntary basis through education and information sharing.

The primary goal of the outreach/education element was to sensitize Agency staff to the Aboriginal perspective specifically focused on Indian history, culture and the nature of the government's relationship with Indian people. A secondary goal was to provide information to Indian individuals, businesses and First Nations regarding tax and customs laws and their obligations under the law.

The initial goal of the communications element was a modest one – to ensure key media lines and messages were developed for use should the Agency be questioned on its approach to tax issues related to misapplication of the *Indian Act* tax exemption. However, given the success of the outreach/education element of the overall strategy, a decision was taken to replicate the process in other TSOs. Further, it was apparent that the opportunity existed to send messages to the non-Indian community regarding the legal position of Indians from a tax perspective.

Actions

The first step in this process was a two-day information session for the steering committee members and regional coordinators to ensure they understood Aboriginal issues from a number of standpoints as previously described.

The session was videotaped and provided to the field to allow those who did not have the opportunity to

attend the session to hear the presentations. Due to the success of this session and the increased awareness resulting from it, a similar session was provided two years into the project. The feedback on both sessions clearly underlined the lack of understanding of the Aboriginal position, the complexity of the law as it applies to Aboriginal people and the number of issues being dealt with by the federal government.

Addressing the second objective, informing Indian people of the law and their legal obligations, was somewhat more difficult. As a pilot project, one TSO initiated a comprehensive program of cross-cultural training for all the CCRA staff in that location. This took the form of inviting the neighbouring First Nation to provide this training, an offer they accepted with alacrity.

With the Agency's willingness to learn and understand the First Nation's point of view established, the particular band allowed the Agency to meet with the Band Council that subsequently permitted tax sessions to be held for businesses on reserve. These business sessions were well attended and demonstrated the need for more information, as it was clear that the Indian businesses on reserve were unsure of their obligations.

As there had been many complaints about businesses on this reserve from the nearby community, similar information sessions were held with the local Chamber of Commerce. Participants expressed surprise at the legal position of Indians regarding taxation and came away with an enhanced appreciation for their position and the position of the CCRA in applying the law.

Results

The results exceeded expectations. The Agency had accomplished several positive outcomes. Certainly the CCRA staff became aware of the Aboriginal viewpoint, but more importantly, a critical link was established with a First Nation which had previously refused to allow Agency staff on reserve. The cross-cultural training established a new relationship based on goodwill with the local TSO which was manifest by permission to hold small business seminars on reserve. This was a huge shift in attitude.

Likewise, the non-Indian community, now equipped with a better understanding of the First Nations' legal position, manifest a better understanding of and a positive attitude towards the local First Nation and the position of the CCRA. The non-Indian community made fewer complaints; those that were made were less harsh. Also, the general, unspecified grievances ceased.

This did not solve all compliance issues but definitely provided a more positive atmosphere within which to work. A new respect for each other's position was evident from all groups. The results indicate that staff were fully briefed and able to handle any media calls with a single voice. However, it is important to note that Agency actions resulted in very little media attention, although the media generally give play to stories about Aboriginals. This can be interpreted as a reflection on the even-handed approach brought to bear on these files.

Research

Goals

The goal in establishing a research element was an attempt to understand compliance issues resulting from the section 87 tax exemption provisions.

Actions

Research activity was slow to get under way. Had the Committee wanted to press this issue, it would have done so. The one study completed was targeted at the diversion of motor vehicles from taxable channels involving certain on- and off-reserve businesses.

Results

The results of this study indicate that the tax system was vulnerable to losses through this scheme. Furthermore, detecting and deterring this activity are complex and difficult. Although no attempt was made to quantify the tax lost, the estimate was that each car that moved through a "loop" could result in the GST being lost as well as up to \$2800 in input tax credits being paid out by the federal government. The loss in the harmonized tax provinces is even greater.

Liaison with other federal departments and the provinces

Goals

The need for horizontal integration did not stop at the limits of the CCRA's mandate. Rather, it was important to create partnerships with other federal departments and agencies and provincial governments, all of which play a role in Aboriginal affairs.

The goal in seeking to work with others was twofold:

- to ensure others understood the compliance issues and their impact on the integrity of the tax system, and
- to work with others to further Agency program objectives, that is, to extend horizontal program integration.

The CCRA wished to impress on other federal departments, such as the Department of Indian Affairs and Northern Development (DIAND), the Privy Council Office and the Department of Finance that policy decisions involving taxation, such as land claims settlements, had compliance implications that needed to be factored into agreements or legislation.

The CCRA recognized that there were valuable sources of information that would be helpful in carrying out its mandate. And, provincial governments, which share revenue and enforcement goals, could provide assistance in meeting mutual goals.

Actions

Presentations outlining the CCRA's strategy were provided to the Department of Finance, DIAND, Industry Canada, the Department of Justice and the RCMP. A similar presentation was given to the provinces.

Emphasis was placed on informing these players of the compliance picture, its effects on the integrity of the tax system and the need to work together to establish a coherent government perspective. The CCRA also identified information of interest to it and the provinces for verification and audit purposes. Federal government representatives were invited on a quarterly basis to steering committee meetings to be informed of the progress on the implementation of the strategy.

Results

The federal departments stated there was a new appreciation of the importance of the issue and the potential threat to the integrity of the tax system. Other departments asked for assistance from the CCRA on taxation matters, and the CCRA was asked to accompany the DIAND staff to band meetings to discuss the various government policies which had tax implications.

The CCRA learned about information held by other departments that would be of benefit. Discussions about information sharing have been a major positive outcome of these meetings. The Department of Finance, which has a policy to encourage Indians to carve out tax jurisdiction on reserves, has accompanied Agency officials to band meetings to offer the opportunity for a new tax direction.

The provinces responded very favourably to the initiative and, as a result, several joint audit plans have been designed on a variety of tax issues. For example, the CCRA and Ontario performed joint audits on six retailers in the greater Toronto area who had purchased tax-free tobacco from an Indian individual and failed to charge PST and GST on subsequent sales to non-Indians. This limited action resulted in a total of \$260,000 being assessed for GST and a further \$250,000 assessed in provincial tax. Information sharing on a case or activity basis has also provided the parties with concrete information on the volume, type and impacts of various activities.

Results of implementing horizontal program strategy

Three years after its inception, an evaluation of the implementation of the strategy is warranted – what has been achieved and what more needs to be done.

There is little doubt that the implementation of the strategy has had its intended effect:

- The management framework provided the infrastructure to support implementation.
- Enforcement actions have resulted in key issues being addressed.
- Cases are progressing through the courts at the trial level.
- Outreach/education programs are under way.

- Research has been initiated.
- Important partnerships have been established to ensure horizontal integration beyond the CCRA's mandate.
- At the field level, the cross-program input throughout the processing of these files profoundly affected program delivery.

These results were accomplished primarily by providing a framework for action supported by the leadership required encouraging departmental and other partners to become involved. Corporate coordination means that the Agency is speaking with one voice. Indian bands and their people are increasingly aware of the Agency's position. And, non-Indians see concrete, coordinated action from the Agency. Most importantly, the CCRA is protecting the integrity of the tax system.

Specifically, the CCRA compliance efforts both alone and with its partners have increased dramatically. The number of civil and criminal cases before the courts has increased which means that jurisprudence will evolve more rapidly. The information base from which Agency staff is working has improved. More Indian individuals and businesses are registering with the CCRA and many more are seeking information on how to conduct their affairs. The dollars assessed and collected have increased. Many mainstream businesses that operate in competition with Indian businesses have a better appreciation of the rights of Indian individuals and businesses. Potential legislative amendments to revenue acts have been identified and are being studied that might serve to clarify legal positions and ease the compliance burden.

Complaints to the Agency have all but stopped. By briefing members of Parliament and various caucus groups, and meeting with Chambers of Commerce, industry associations and the provinces, we have demonstrated our willingness to listen and take action as appropriate.

On the negative side, it became clear that section 89 of the *Indian Act* often made it difficult if not impossible to collect on assessments. Understanding this resulted in closer ties between audit and collections.

Lessons learned

It is important to take stock of the lessons learned from this long and sometimes arduous process.

The process of implementing horizontal integration is inherently difficult. What appears rational and obvious in theory is much more difficult to bring to fruition in practice.

The greatest challenge to the success of the project was convincing the Directors General and Directors at HQ, and often their ADMs, that the project was doable, albeit sensitive. Many were apprehensive that appropriate accountability features could be built into the committee structure.

The Chair of the Steering Committee sought a sufficient number of enthusiastic players at all levels to champion the project. The reluctant players were forced to participate because of the momentum generated by the eager participants. Once the steering committee members understood that implementing the strategy actually empowered the group and provided a real sense of accomplishment, they were supportive.

On a personal level, individual members were concerned about investing too much scarce time to a new process that might not work. Therefore, it is important to go slowly and earn support by articulating an approach within which all parties can identify with a shared outcome and have a stake in the project's success. Equally important is the process of coalition building with individuals who can champion the project. Although the time spent encouraging participation appears excessive, the return in long-term commitment far outstrips the investment.

Without actually making a decision that consensus would be the basis on which advice would be formulated, this was the approach adopted by the Steering Committee. In retrospect, this style served the project very well and formed the basis of trust among the members. At no time did any members have to be concerned that the views of their programs would not be considered. Further, consensus was reached, not always easily or quickly, but without exception there was unanimity for a course of action before the action was taken.

Leadership and commitment are the key ingredients required for success in bringing to fruition such a

delicate project. Building coalitions and finding champions would be other critical elements. Certainly creating the appropriate management framework to accomplish the task at hand was important. Allowing the Committee to set its own decision-making process also went a long way to eliminating concerns. Spending the time to nurture the process and the participants was time well spent.

Once the structure and the people were in place in a comfortable advisory role, the group needed to be flexible in its thinking and in its response to the emerging issues, and readily open to accepting that a predetermined notion was not working and that a change was required.

The benefits of persevering are real. For the individuals who participated, the exchange of knowledge broadened their thinking. Programs benefited because actions could be taken on sensitive files with certain knowledge of support from the corporation. The Agency benefited from better decision making and a corporate approach on a problem file.

Current status

Following a three-year period in project mode, the issue was passed to the Policy and Legislation Branch where it is part of their ongoing program. This change from project mode to ongoing operation recognized that the resolution of this unique issue was clearly linked to legislation, policy and regulation. The ongoing nature of the file also underlines its continuing importance and the Agency's commitment to its resolution.

In the rapidly changing world of the new economy, both the public and private sectors are racing to adapt. Government can no longer afford to operate in silos. There is no question that integrated program delivery through an integrated and internetworked government is the long-term goal of government.

In the project described in this article, the cost of not proceeding would have been growing non-compliance, adverse public reaction, limited tax recovery and a subtle undermining of confidence in the tax administration. This project demonstrates one approach to the challenge of operating horizontally and could be used as a template for many cross-program compliance problems.