

# Consultation regarding the trans-Tasman e-Invoicing

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## 1. Generic feedback from a holistic and international view

In early 2015, the Australian Government, through the Australian Taxation Office, engaged me as consultant to provide recommendations in relation to an implementation model for E-Invoicing in Australia, including opportunities and potential issues. The report I delivered in July 2015: [https://www.sbr.gov.au/sites/g/files/net5641/f/implementing\\_e-invoicing\\_on\\_a\\_broad\\_scale\\_in\\_australia.pdf](https://www.sbr.gov.au/sites/g/files/net5641/f/implementing_e-invoicing_on_a_broad_scale_in_australia.pdf)

It was a great pleasure that Australia wanted to learn from overseas. Since then, Australia paved the way for the next step and the overseas markets also made much progress.

My recommendations considered many best-of-breed components from Europe. This is because Europe has more in common with the Australian market than the tax driven models as used in Latin America and some Asian countries: The VAT model, legislation, invoicing content, the processes and challenges are comparable.

The aim of my feedback is to share with readers the evolution overseas from 2015 - 2018, give answers to questions in the A-NZ Discussion Paper and provide some background information.

Due to the globalisation, many businesses in the A-NZ region have also trading partners abroad. Therefore, I give some feedback in the sense “trans-Tasman e-Invoicing” as part of a more holistic, international trading environment.

The “...alignment of international standards...” is already part of the A-NZ five design principles. This may currently be limited to standards and framework specifications, but seems not yet to consider the governance.

I am not familiar with all the standard and technical details as specified in the DBC or similar solutions abroad, Hence, I can give feedback for the specific questions just very generically. On the other side, I am very well informed about the international trends directly related with your questions and can give you feedback for the big picture.

### 1.1 Evolution overseas

Here just the summary of relevant evolution in brief

- Public administrations in the 28 EU countries are already or have to become e-invoicing ready not later than April 2019 (federal administrations) respectively April 2020 (federal states, municipalities).
- As EU member states had to change their local law for mandating the public administrations to become ready, almost all countries already added another paragraph to pave the way for declaring a B2G e-invoicing mandate; Meanwhile, we have 17 European countries that either have already such a mandate in place or announced to do so soon.
- The coordination and implementation is done in strong collaboration with the multi-stakeholder fora associations in all countries; these fora are typically in the hands of the private industry, with active involvement of the government. Standardisation or specifications of frameworks is not their role. This is done on one side in a separate standardisation association CEN, that also specified the European Norm for e-invoicing and e-procurement.

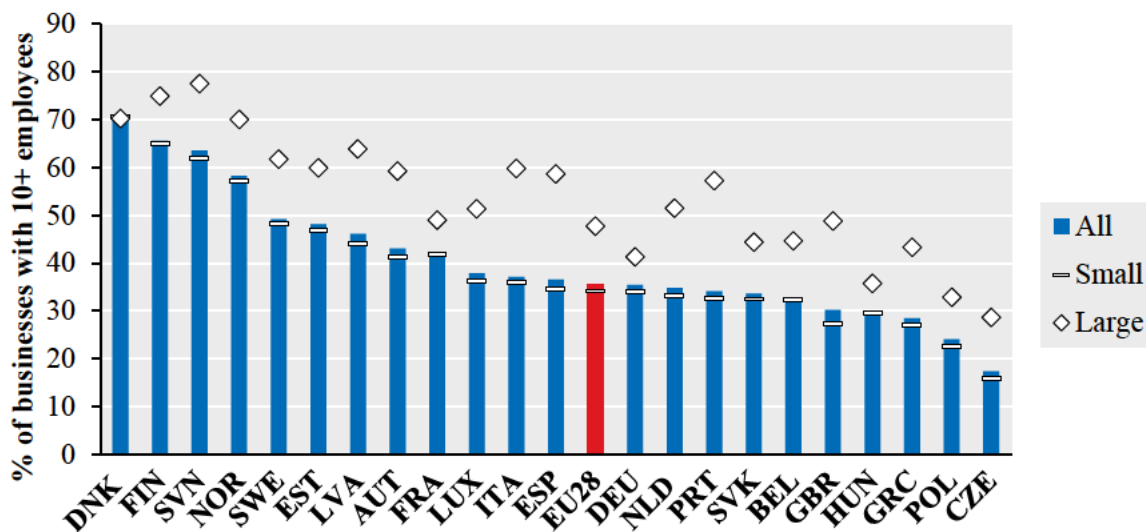
- Independent of this, since 2008, the European Commission strongly pushed and subsidized<sup>1</sup> the development of the project PEPPOL, the interoperability framework for electronic procurement (including much more than just invoice messages). After the completion of the project, the non-profit association OpenPEPPOL was established in 2012. On one side, they have a central governance structure for countries using the “OpenPEPPOL original” or country authorities in case the “OpenPEPPOL core is enhanced with additional local requirements”. OpenPEPPOL is based on UBL standard, but also supports the European Norm.
- Meanwhile in many countries, OpenPEPPOL is required to exchange relevant business documents; the latest governments that decided for OpenPEPPOL in 2018 are Germany and Singapore for B2G e-invoices and Italy for e-orders in the healthcare segment.
- In October 2017, I brought together important stakeholders for a broader functional and international interoperability in Barcelona: OpenPEPPOL, EESPA (association of leading e-invoicing service providers), connectONCE (association of leading e-procurement service providers) and SAP Ariba. Result is that these organisations are now in progress to actively align their interoperability approaches in a functionally broader and more international context.
- I have good reasons to assume that a maximum common denominator of OpenPEPPOL could become the backbone for global electronic business document exchange, comparable to the ATM and credit card framework. There is a unique chance just now to avoid a heterogeneous landscape for the next 20 years. Some components of the provided specifications can of course always be localised and others can be added.
- The Australian DBC implemented an OpenPEPPOL-like model.
- In the US, the e-Invoicing work group as part of the Business Payments Coalition <https://fed-paymentsimprovement.org/payments-efficiency/business-payments-coalition/> is in progress to choose or adopt an existing interoperability framework. Currently, they are finalising a gap technical and semantic analysis with existing interoperability frameworks like OpenPEPPOL.
- Italy is applying a B2G mandate already since 2015 on all federal levels. From 2019, B2B e-invoicing will also become mandatory for almost all businesses. After B2G, in Europe and abroad, B2B mandates seem to become increasingly popular in a next step.

The conclusion of previous years is that an up and running interoperability framework was just a prerequisite and enabler, but never the catalyst for a strong market take-off. The effective trigger was always a B2G mandate for suppliers to all federal levels. In each country, this is affecting 65 - 70 % of all businesses with 10+ employees. Denmark and Finland fulfilled these criteria already in 2015:

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<sup>1</sup> Several tens of millions of Euro

### Businesses using the Internet to send invoices to public authorities, by size, 2015



B2G mandates for all federal levels are the perfect instrument to address the mass market in a harmonized manner.

#### 1.2 Critical outside view regarding the evolution in Australia 2015 - 2018

I am fully aware that I do not have all information for a complete critical evaluation. Therefore, my feedback has to be seen just as an inspiration to challenge some points that I believe are absolutely key to achieve the objectives as once defined by the ATO.

Good progress from my view

- Quick foundation of the DBC just after I provided my study in 2015
- Willingness to learn from overseas: resulting 4-corner interoperability model
- Specification of the interoperability framework within record time
- Useful awareness process for the community of key stakeholders
- Obviously, the public sector is much better prepared for e-invoicing than three years ago
- Visible marketing communication of the Australian approach also overseas

Critical questions

- Did all these activities result in a significant improvement of the market development?
- The DBC model is almost a copy of OpenPEPPOL. What is the gap of the core and which components are fully compatible? Was there an ongoing dialog between Australian stakeholders and the ones in Europe (for example the OpenPEPPOL authorities) with the aim to stay as compliant as possible and to re-use best-of-breed components, including their governance model? Page 5 of the Discussion Paper: "...Research has not revealed any similar trans-Tasman or international e-invoicing governance arrangements involving both the public and private sectors that could be used as illustrative examples within, and provide guidance for this consultation...".
- The A-NZ framework starts with the support of e-invoices only. In five years it has also to support other business messages. Costs for these enhancements with just local approach?
- "On 31 May 2018, the Australian Government confirmed that work to progressively adopt e-Invoicing (eInvoicing) will begin across all levels of government." Why not send a strong signal and publish a commitment with ambitious fix timeline for all federal levels?

- Missing B2G mandate; this is much more than just an enabler, it is THE trigger for the mass market adoption. When will it be announced?

### 1.3 My key recommendations

- Assess if the A-NZ approach shall be proprietary and just OpenPEPPOL-like, become a localized PEPPOL authority (common core with local enhancements) or use the original PEPPOL.
- Benchmark the OpenPEPPOL governance model with potential adoption for A-NZ.
- Declare B2G mandate for all federal levels and apply within two years; as it may affect 70 % of all businesses with more 10 employees, it is more than reasonable that the government goes into an active guidance role. Do not wait until the internal environment of all agencies is prepared. Communicate already now ambitious milestones and the message: Suppliers to government agencies will be required to send the invoices just in electronic format (step-by-step rollout considering the capabilities of SMEs). This alone already sharply increases the market activities.
- The finding process seems currently to happen too much bottom-up. In my opinion, government should take over the governance/guidance until the B2G mandate is fully implemented and hands it over again to the private industry afterwards (same evolution path as PEPPOL). After that period, the government would follow the governance method as applied in the OpenPEPPOL environment.
- Build a working sub-group or at least determine some persons within the project having the responsibility to achieve a maximum compatibility between the A-NZ approach and other leading approaches abroad. This includes a steady dialog with the OpenPEPPOL authorities on management level.

## 2. Responses to your questions

### Question 1

**What do you consider to be significant policy or legal barriers to the implementation of e-Invoicing in Australia and/or New Zealand (including NIL confirmation)?**

**Answer BK: Legislation shall permit to require all suppliers to the public sector to transmit invoices just in electronic format. Perhaps, this is possible without legal changes just with the public sector in the buyer role and general contract terms in case of public purchases.**

### Question 2

**What do you think would be the best legal structure for the operational governance body? Please explain your answer.**

**Answer BK: Something comparable to either the openPEPPOL AISBL or a government controlled entity like most OpenPEPPOL Authorities. Private industry associations can also be very active and influencing members, but not yet in a guidance role.**

For OpenPEPPOL, two governance levels are applied:

1. The governance of the OpenPEPPOL original and core functionality is done by the association OpenPEPPOL AISBL. This International non-profit association under Belgian law (Association Internationale Sans But Lucratif – AISBL) consists of both public sector and private members. Its roles are the life cycle management routines, the user engagement from buyers, sellers and service providers to facilitate and the continued development of PEPPOL specifications. Website: <https://peppol.eu/about-openpeppol/openpeppol-organisation/>
2. If countries do not want to use just the OpenPEPPOL original but specify in addition to the common denominator local functionality, they can do so by becoming an OpenPEPPOL Authority: <https://peppol.eu/who-is-who/peppol-authorities/>. The governance of the core functionality is still done by OpenPEPPOL AISBL, but the local OpenPEPPOL Authority can limit its governance to the local increment and of course as influencer to OpenPEPPOL AISBL.

OpenPEPPOL Authorities are normally in the hands of a government organization except SimplerInvoicing as a private sector initiative. Insiders informed me that they are meanwhile suffering with this governance model and that they are looking for a new solution. This is one reason why I believe that governance just in the hands of the private industry in phase market development phase can not succeed. Will you permanently find sufficient active members to work on voluntary basis. Other scenario with fixed employees in a governance association: concentration risk with just 1 or 2 persons or costs explode in case of higher number of employees.

PEPPOL is in use in 30 countries in Europe plus Canada, Singapore and USA with PEPPOL Authorities placed in 12 countries. Since my report in 2015, it has gained much momentum and I believe that it could internationally become the common denominator for business document exchange, comparable to the core functionality for ATM machines and credit cards.

I see three future scenarios for A-NZ that will have a direct impact on the governance model:

1. Proceed with the current, PEPPOL-like approach with minor technical differences in the core to PEPPOL and without the operational governance OpenPEPPOL.

2. Completely align the DBC specifications for the core functionalities with OpenPEPPOL but use in addition some local functionalities. The governance for the core would be provided by OpenPEPPOL AISBL, rest would be done by an A-NZ OpenPEPPOL Authority.
3. After a short assessment, A-NZ would come to the conclusion that the OpenPEPPOL in its original form could be applied. The governance would be provided by OpenPEPPOL AISBL. The DBC model would be migrated to OpenPEPPOL. The DBC as association would play rather a role as market maker than specifying standards and interoperability models.

With scenario 2 and 3, the A-NZ approach would stay in line with the international development and governance costs would stay under control.

### Question 3

- a) **Beyond the initial establishment phase, who do you think should lead the operational governance of trans-Tasman e-Invoicing; and what functions and roles should the operational governance arrangement include? Please explain your answer.**
- b) **Do you see sufficient incentive in our proposal for you to consider participating in the operational governance body?**

Discussion Paper: "...The A-NZ governments will provide guidance and support to industry in the initial establishment phase (perhaps up to 12-months)..."

**Answer BK: If A-NZ follows my recommendation in Question 2, it is just too early to determine the functions and roles for the time after. Just after an initial phase of 3 years, an industry-led operational governance arrangement should be considered.**

Discussion Paper: "...As such, government agencies will be able to monitor, contribute to and influence ongoing operational decision-making as users of the service (i.e. collectively, individually and in association with industry users). In this way, our governments will work alongside industry stakeholders to ensure that e-Invoicing remains continuously fit-for-purpose...As e-Invoicing is an industry-led initiative for primarily business-to-business transactions, it would not be appropriate for our governments to unnecessarily expose themselves (i.e. taxpayers) to e-Invoicing operational costs and risks..."

**BK: I do not share this assumption above. What are the measurable results (number of new users or additional e-invoicing volume) due to the mainly industry driven DBC effort after three years? Overall, I strongly scrutinize the current ideas regarding the relative passive role of the government. This may never work properly and not become successful. Elsewhere on the world, a stronger role was required for succeeding. 70 % of all businesses with 10+ employees in a country are supplier to the public sector! We also may not forget that the e-invoice is just the starting point. I believe that the 4 - 5 most common business messages should be implemented before the governance will be handed over to an industry-led governance.**

Industry led projects did nowhere result in a countrywide harmonisation. Do for example DBC and GS1 in AUS follow a harmonized way? Do all foreign solution providers acting in A-NZ support the DBC model? Only the government has this power to harmonize. Therefore, a stronger facilitation of the government in phase 1 is in my opinion required.

**Question 4**

How do you think the long-term sustainability of the operational governance of trans-Tasman e-Invoicing, with appropriate cost allocations, can best be assured; and what funding models do you suggest? Please explain your answer.

**Answer BK:** Most ideas in the Discussion Document seem to be reasonable. Personally, I would avoid transactional fees or other user charges. Very simple funding model with annual (low 4 digit) fee for each access point. For details, please ask OpenPEPPOL management.

**Question 5**

Do you have any additional comments or information to assist us with reviewing and further developing our early thinking and conclusions about a preferred option for operational governance of trans-Tasman e-Invoicing? If so, please provide your comments here and/or direct us to the additional information you would like us to consider.

**Answer BK:** Re-use best components from overseas, including governance!

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