

Submission in Response to Discussion Paper: Options for Mandatory Adoption of Electronic Invoicing by Business

January 2021

Introduction

TechnologyOne welcomes the opportunity to contribute to The Treasury's discussion paper *Options for Mandatory Adoption of Electronic Invoicing by Businesses*.

TechnologyOne is an ASX 150 business, founded in Brisbane in 1987, providing a full suite of ERP services to customers in all Australian States and Territories, New Zealand, across AsiaPac, including Malaysia, PNG and Tonga, and the UK. TechnologyOne has transitioned through many generations of technology and is now proudly a pioneering genuine SaaS business model. Our Federal Government services suite has been IRAP assessed as suitable for hosting data classified up to PROTECTED.

In Australia and New Zealand, TechnologyOne operates in Education, Local Government, Government (Federal Central and State and Territories), Health and Community Services, Asset and Project Intensive industries, and Finance and Corporate vertical markets.

TechnologyOne has been a provider of software and services to Federal Government agencies since 1990, and our clients include DAWE, The Department of the Treasury, the Department of Defence, Prime Minister & Cabinet and many more.

TechnologyOne has a history of unmatched commitment to R&D, reinvesting about 20 percent of revenue in R&D year on year.

Our Approach to e-Invoicing

Since 2018, TechnologyOne has worked closely with the Treasury and the ATO to ensure we are in position to offer an e-Invoicing solution fully integrated into our finance system software solution. Our solution has been deployed by the Department of the Treasury and is in the process of being implemented in several other agencies.

TechnologyOne has invested in an integrated solution because we believe this offers enormous value-added benefits to a solution that sits outside the finance system.

- TechnologyOne's e-Invoicing is a seamless extension of Ci Anywhere's AP Automation (**Intelligent Invoice Processing**) using shipped Processing Rules and Business Processes. Intelligent Invoice Processing provides all the required **exception handling** and **workflow processing** required to automatically process

invoices received electronically. This is what makes up the bulk of the effort during implementation, which is still needed if a 3rd party OCR solution is required.

- Receiving and posting invoices directly through TechnologyOne's e-Invoicing solution is a **one-step** process, ensuring invoices are given the best chance of payment on time, especially where terms of 5 days are to be met. Routing invoices through a third party creates an additional step.
- TechnologyOne's R&D is responsible for the ongoing development and support of e-invoicing and Intelligent Invoice Processing thus ensuring regular improvements and updates, and seamless upgrades to ensure there is no disruption to processed invoices where a new release is taken.

In summary, the benefits of an integrated solution are increased accuracy, visibility, auditability, business intelligence capture and the opportunity for ongoing development and enhancement. This integrated approach allows us to implement e-Invoicing as part of a program of end-to-end finance system modernisation.

Driving Take-Up – Addressing the Network Effect Early Adopter Disincentive

TechnologyOne acknowledges the Treasury's reasoning that some form of mandating might be necessary to overcome incentives for enterprises to delay implementing e-Invoicing capability.

As discussed in the Treasury paper, network effects applying to e-Invoicing adoption across the economy mean benefits and investment returns are weakest to the earlier adopters, therefore creating an incentive to be a follower.

If there are true network effects applying to e-Invoicing, there should be a critical mass adoption point after which the economic benefits should be sufficient to require no further intervention. This suggested a stepping stone approach should be adopted.

Further, TechnologyOne also believes that there are further opportunities to balance any "sticks" with "carrots", building on the good work to date in driving e-Invoicing into Federal Government agencies to facilitate faster payments.

We believe the central challenge is a balanced response to the question; How to ensure benefits are realised by early adopters and are sufficient to offset any regulatory burden of mandatory measures?

Incentives for Modernisation Emphasising Benefits Before Mandating Adoption?

One of the risks of moving too quickly to a mandated response is that it could create resentment and resistance that prevents enterprises from understanding the benefits to themselves of making the investment.

Even in Federal Government agencies subject to the existing requirement, TechnologyOne has encountered resistance from agencies who do not want to invest in relatively low cost solution. We have even had agency clients say they did not want to deploy e-invoicing

because they wanted to delay payments to benefit their own cashflow, in direct contradiction of policy and policy intention to boost economic welfare.

This thinking is causing many agencies to seek to avoid the Government mandate or to delay implementation for as long as possible. This is because they regard the requirement as a burden and are not valuing the benefit to their own business.

In considering how to drive deployment beyond the Federal Government, it is important e-Invoicing is positioned as an opportunity, not a cost.

The datapoints about the potential cost savings used to date are important but it is evident from the resistance of agencies that either the message is not getting through, the direct savings are not regarded as enough, or both.

What has not received as much attention as it might is the opportunity to simplify business systems, reduce costs, speed transitions.

We strongly believe the implementation of e-Invoicing capability should be seen as part of a broader opportunity to realise efficiencies and business insights from IT system modernisation. The Government has recognised the importance of encouraging the uptake of modern digital technologies by Australian SMEs through the Digital Solutions program, a Digital Readiness Assessment tool and a Digital Directors training package. While the benefits of e-Invoicing implementation are important and worthwhile in isolation, the benefits are part of a whole system modernisation are far greater.

As discussed above, TechnologyOne designed its e-Invoicing solution as a fully integrated element of our finance system solution to give Government customers the greatest confidence they can meet five-day payment without risk of improperly raised invoices being paid, but also to ensure all activity occurs and all data is captured in the system.

The value of integration and data in driving business insights and competitiveness is increasingly at the core of management thinking in larger enterprises. However, TechnologyOne's experience with our customer base leads us to believe there is an enormous unrealised opportunity for medium sized private and public enterprises to improve business outcomes through the effective capture and analysis of business information.

Recommendations

TechnologyOne would like to propose an alternative option to those presented in the paper in order to reduce potential resistance to compliance and encourage the capture of all of more of the potential benefits of e-Invoicing deployment by enterprises.

It seeks to build on the successful policy initiatives to date to drive e-Invoicing capability through the Federal Government.

Our proposal represents a combination of mandated requirements and business incentives rolled out in steps, such that progress can be regularly reviewed to ensure unnecessary regulation is avoided.

Step 1 Seek to extend the Federal Government's e-Invoicing rollout and payment guarantee initiative across state and local government. This will increase deployment incentives and reduce investment pay-back times to private business by building accelerating the network effect. We acknowledge this alone will have a limited effect, as discussed in the Paper. However, a necessary first step to ensure there is tangible value for investment in adoption by medium sized businesses.

Step 2 Launch a program of promotion of e-Invoicing as one of the beneficial features of IT system modernisation, such as through the Digital Awareness programs discussed above. This will position the implementation costs of e-Invoicing against a more complete list of business benefits.

Step 3. Introduction of an administration charge for handling of non einvoices by Government agencies, commencing with larger businesses, rolling out to SMEs over three-seven years. The levy should be a cost-recovery mechanism, recognising the avoidable cost of handling a manual invoice (\$20 for a paper invoice as per Paper page 5) but introduced on an increasing scale over a five year period to allow businesses time to respond by implementing e-Invoicing to avoid the levy.

Step 4. Mandate large businesses e-Invoicing capability in three years, phasing in to cover all businesses over seven years.

A staged approach such as this would be intended to bring forward cost saving benefits to offset regulatory burden, while raising businesses' awareness of the benefits of system modernisation generally and e-Invoicing capability specifically.

Other Issues

Response to Question 1: What are the barriers to businesses adopting Peppol e-Invoicing?

TechnologyOne believes the access provider market is immature and could become a bottleneck in the rollout of e-Invoicing. TechnologyOne's R&D team has worked with four access providers and found maturity varies across them, which is lending itself to a level of complexity for agencies seeking to select access providers.

TechnologyOne has chosen to remain neutral in partnering with access providers to allow the market to develop. Should the market mature slowly without the availability of independent guidance or classification, customers looking to achieve an early take-up of the technology may find the process of selecting a suitable access point to be confusing and discouraging. Conversely, some access providers have aligned with software vendors and are promoting point solutions, which is creating further confusion and risks additional cost.

Contact

TechnologyOne would be pleased to discuss this submission further and looks forward to continuing to engage in e-Invoicing initiatives in the future.

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