



Payreq Submission to Treasury – February 2022

Response to Consultation paper: Supporting business adoption of electronic invoicing

How our opinion is informed

Payreq Australia is a locally established specialist in digital invoicing. We are an Australian-owned company, applying technology developed in Sydney. See more here: www.payreq.com

We have operated in Australia and Canada for more than 6 years.

Payreq already has processed millions of invoices for integrated digital delivery and receipt across the public and private sector in Australia influencing more efficient processing, reduced risk and faster payment. We already support integrated digital bill receipt, automated processing and streamlined payment by several hundred thousand citizens and business receivers.

Our services improve payment times for Billers, provide convenience and data entry efficiencies for receivers of invoices and security for all parties.

We use a range of alternative protocols and frameworks for data format and counterparty authentication across G2G, B2G, G2B, B2B, G2C and B2C use cases. The Payreq cloud-based technical platform is an accredited Peppol Send and Receive Access Point.

Peppol-based eInvoicing

We welcome the focus being shown by Australian state and federal governments, the work being done by the ATO to educate agencies and businesses, and the initiatives in the NZ government sector as part of the trans-Tasman Peppol eInvoicing initiative gathering momentum in recent years.

In January 2021, Payreq responded to a Treasury Discussion paper published in 2020. [Our views and recommendations to this earlier consultation](#) have not changed.

Informed by our ongoing experience, we are pleased to make a few comments in relation to points made in the most recent Consultation Paper issued by Treasury.

Payreq comments on the specific questions posed in the Discussion Paper.

1. [Should a Business eInvoicing Right \(BER\) be introduced to accelerate business adoption of Peppol eInvoicing?](#)

The agenda for digital invoicing between enterprises (private or public sector) has been dictated for decades by those with market power, usually larger customers. They perceive account payable processing efficiencies and use their market power to coerce suppliers to match their preferred digital model. While

a large customer has considerable cost to build implement the automated receive and process capability, invoice processing efficiencies accrue because of the economies of scale available to a large customer.

While a BER may enable a small customer to coerce a large one into sending a standard format eInvoice, Payreq is concerned that a BER does not deal with the limited economy of scale the small enterprise has to benefit from investing in an automated eInvoice receive capability.

And, in particular, we note that the proposed approaches in the Consultation Paper appear to protect the largest invoice senders in the economy, local and state government agencies from obligation under the BER.

We are not convinced the regulation will work.

2. Are there other regulatory methods that might increase invoicing adoption?

As recommended in our response to the Dec 2020 eInvoicing Discussion Paper, Payreq is of the view that governments can better catalyse awareness, confidence, efficient accounts payable processing and economy-wide adoption of Peppol invoicing by leading the send side of the network. Governments and government agencies send a lot more bills than they receive and many of these are to other agencies, private sector business and the citizens employed in them.

Payreq recommends to Treasury that it mandate establishment of a Peppol Send capability for all federal government agencies and owned utilities. The Consultation Paper appears to deliberately exclude these controllable, taxpayer-owned, revenue-collecting enterprises from the group of “businesses” it is encouraging to drive Peppol eInvoice adoption.

Many of Payreq’s Biller customers are government agencies or owned utilities. In our discussions, they have shown no interest in sending Peppol format eInvoices to their customers, some of whom are other government agencies. They see no demand, despite expectation that these government agency customers are expected to become enabled to receive Peppol eInvoices.

If government is not mandated to send eInvoices, how should business interpret a regulation requiring it of them? If there is a deficit of confidence about the benefits, who should lead the way?

3. What key implementation challenges or issues would businesses face if the Government introduces a BER?

4. What, if any, exemptions would a BER need to include (e.g. for on-the-spot or point-of-sale business-to-business transactions, not-for-profit organisations, newly created businesses, entities supplying taxi travel, recipient created tax invoices (RCTIs))?

5. Would Option 1 or Option 2 be more appropriate to set the scope for participation in the BER and why? Are there other approaches that may be appropriate?

- Most of the ERP systems processing accounts payable for the majority of invoices delivered in the Australian economy are not yet currently capable of receiving and processing a Peppol format data message.
- Adaptors, integration tools or upgrades to thousands of different ERP applications will be necessary before enough organisations can exercise a BER for the majority of invoices to be covered.

- While some of the cloud-based SME software providers are moving, and they represent a large number of SMEs, they typically receive a small number of bills each, a minority of the overall market in total.
- Large organisations with a legacy investment in Procure2Pay technology and processing may only see marginal benefits in a shift to Peppol format. In some cases, the Peppol standard will provide less functionality and security than proprietary digital invoicing models they already have in place and which their market power enables them to compel their suppliers to join.
- In the absence of an expectation of participation by the largest Billing sector in the economy, governments and their agency Billers, there will always be a requirement to continue receiving at least some bills in a legacy format (paper, email etc.), further reducing the ROI for a receiving enterprise to build Peppol receive capability and exercise a non-universal BER.

Given Constitutional constraints, we can't see a way a BER can be sufficiently effective if only applied in the private sector. A combination of option 1 and 2 where Option 1 regulates federal agencies and owned utilities to respond to a BER is better, but Payreq's recommendation is:

Proposed Option 3:

- All Commonwealth Agencies and owned enterprises are mandated to offer Peppol eInvoices to their customers by July 2023
- As adoption by government customers develops, if benefits are realised by the market, this leadership will progressively encourage adoption and confidence that a significant volume of bills can be automated for a beneficial receiver ROI
- Governments can use this automation as an enabler for efficient introduction of public policy driven billing strategies such as more frequent/smaller billing of taxes, registrations, sometimes called "bill-smoothing"
- Further less comprehensive regulation to deal with sector or use case barriers can be considered at a later date

Questions 6 to 15

Given Payreq's misgivings about the proposed approach to a BER applying only to the private sector, we will not at this stage provide detailed comments on the implementation issues arising.

Questions 16 to 20

Payreq's expertise covers some of the elements covered loosely by the term "EDI" in the Discussion Paper. We do not operate in the sector referred to as "Procure 2 Pay".

At this stage we have no comments to make on the questions raised in the Discussion Paper other than to recognise that in our opinion they are very relevant to the strategic direction of the Peppol movement in Australia and Government should very seriously consider the issues before broadening the current scope of investment and regulation.

21. What is the level of impact on business adoption that the integration of eInvoicing and payments would have?

Payreq is a provider of digital invoicing integrated with payment capability in a range of ways.

A glance at our [website](#) will show the inherent relationship we see between automated invoice delivery and cashflow cycle benefits. This is why we exist.

A relevant [recent case study](#) has again demonstrated that provision of invoice data, including payment reference information, can have a high and positive impact for both counterparties across many thousands of invoices.

22. Given the market is currently working to deliver solutions that enable integrated eInvoicing and payments, what (if any) further action or intervention is required to address any current barriers to greater integration and help drive this process?

We don't see any particular regulatory or policy action necessary from Government to deliver these benefits which are standard with a Payreq implementation using either the Peppol or a range of proprietary digital eInvoicing formats.