

19 March 2013

Mr Geoff Miller  
SBR Program Manager  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Business  
Council of  
Australia



### Use of SBR for Financial Reports

Dear Mr Miller

I am writing to you in relation to the Australian Government's Options Paper on the use of the Standard Business Reporting (SBR) for financial reports.

The Business Council has been a strong supporter of the SBR program and has previously supported it as one of the top priorities in the Council of Australian Governments' (COAG) seamless national economy reforms, on the basis of its potential benefits for a range of businesses, both small and large. These benefits have been confirmed by the Productivity Commission's estimate of a potential annual reduction to business costs of \$500 million per annum.

The Options Paper canvasses three options to improve the transparency and effectiveness of financial reports lodged with ASIC and to achieve other efficiencies through the use of SBR:

1. Mandatory lodgement of financial reports using SBR
2. Voluntary lodgement of financial reports in iXBRL format using SBR
3. Status Quo

Notwithstanding the Business Council's support for SBR and its potential benefits, at this stage, the BCA supports Option 3.

If the government were to adopt option 1 and mandate lodgement of financial reports using SBR, then the BCA would expect a substantial lead-in time of at least five years for companies to update their systems to comply with the new requirements.

The BCA holds this position for a number of reasons.

First and foremost, we believe that the adoption of SBR in reporting systems by large companies will be achieved in the most effective and least cost manner if it occurs as part of planned upgrades to existing systems. Mandating SBR is likely to bring forward such upgrades, distorting the timing of investment choices and cash flows for large companies.

The problem that the government is seeking to address, as outlined in the options paper does not present a compelling case for mandating the use of SBR. It notes that the current voluntary approach to lodgement has not led to high take-up rates for SBR and that there are a limited number of SBR-enabled software products in the market.

Identifying the underlying causes of these outcomes will be necessary to identify the most effective means of boosting take-up of SBR. In our view the analysis of the problem presented in the options paper has not gone far enough in identifying these underlying causes and therefore does not provide adequate justification for mandating the use of SBR.

The options paper demonstrates that while there is analysis underpinning the potential benefits of SBR, there has been far less analysis on the costs to business of implementing SBR at this stage. It is our understanding from estimates from the Group of 100 that a full scale XBRL implementation for all regulatory reporting including financial reporting for a large company could range from \$14 to \$20 million, and have ongoing annual operating and maintenance costs of around \$800,000.

We would encourage Treasury to undertake more detailed work to understand these costs and any barriers that companies face in the adoption of SBR. This is critical in ascertaining the net benefits of SBR for different businesses and addressing any concerns about the costs and benefits of SBR likely to be realised by business, whether perceived or real.

Finally, SBR has been designed as a beneficial reform for business to streamline reporting costs. As a potentially positive reform, it should be given further time to be promoted on its merits.

A rush to mandate it could generate a negative perception of SBR as another prescriptive government reporting requirement. In the short-term this could lead to the outsourcing of report preparation, which would undermine the fundamental objectives and potential benefits of the SBR program.

The Business Council looks forward to further internal analysis of the issues outlined in the Options Paper and consideration of the submissions to the paper, by the SBR Board in the coming months.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jennifer Westacott', written in a cursive style.

**Jennifer A. Westacott**  
Chief Executive