OPTIONS PAPER: USE OF STANDARD BUSINESS REPORTING (SBR) FOR FINANCIAL REPORTS..

The following comments are provided from the perspective of the Pioneer of online or Cloud based services to Australian SME's and SMSF market segments since 2000. The following comments reflect many years of online developmental and actual experience with the SBR group, and the XBRL specifications since October 2012.

Most of the issues have been raised with the SBR group and directly with Treasurer Wayne Swan, over this period.

1. Costs.

General
It needs to be realized that the major cost of this imitative must be born by the tax payers and end users. The volume and associated costs is born by the user systems, not the trivial centralized system setup within Government.

Development Costs

a) SBR has chosen a "proprietary" set of technologies (namely XBRL), to implement this service. XMRL is not a national or International standard, and is in fact not even a concrete implementation specification; it is a "meta" or abstract specification language.
b) XBRL is not supported by any industry standard development framework anywhere in the world, this includes probably the worlds largest software company i.e. "Microsoft". As an example, one cannot compile any of the current SBR XBRL specifications using Microsoft Visual Studio, or any other industry standard development tools.
c) SBR XBRL specifications are incomplete and missing fundamental elements. XBRL, must be specified in one of the concrete implementation languages, of where there are several defined by international standards groups, XBRL and SBR has chosen XML as the concrete language. There is NOT a single SBR specification which has a compliant concreate XML specification, as required by the international standards, and 100% of all commercial development tools worldwide.
   Note SBR group was advised of this fundamental defect back in October 2012, they advised that they would fix the defective specifications for use with Microsoft development environment. To-date there has been zero progress, and no SBR specifications can be compiled with any commercial tools.
d) In order to overcome this fundamental defect with all SBR XBRL implementation (XBRL is not an industry proven set of implementations anywhere in the world).

The SBR group has commissioned and paid for the development of a library (Fujitsu), which does not address the basic flaw, but fudges up a concrete compilation language implementation i.e such as vb or C#. Note these are not one of the applicable languages for XBRL. This decision to hack up a non standard solution, has several cost drivers, and makes the net solution incompatible with any Industry developer.

e) Once side affect of the Fujitsu, library, is that all developers need to enter into a "DEED" yes that's a DEED in order to just compile their code base. This is commercially unacceptable. Additionally the library makes use of public domain components and proprietary ATO components which are also unacceptable to any commercial developer.
Note: Deed are defined as legally signed (Vellum, Parchment or Paper *). Yes it may never exist electronically. This is from a group who are promoting electronic working with Government, and who send the deeds as pdf forms!*

The is no precedent for the use of a deed for this purpose, I refer you to the ATO ELS registration which is identical in nature and has existed for over 12 years. SBR is totally out of step with existing government or commercial activities.. after all, this is to perform the identical functional as ELS does today.. Same SMSF tax form just a different delivery channel.

Nothing is new or unique here, <u>other than treasury involvement</u>.

f) Treasury a Cost driver
As the success of SBR relies totally on the ability for commercial entities to invest in the government in imitative, they would appear to be the totally wrong group to achieve a ROI, as they simply add cost without any benefit. This appears to be primarily due to a total lack of any commercial understanding or expertise. Hence any suggestion that the use of SBR in any form should be made mandatory, demonstrates a total lack of understanding of where the costs are incurred with the SBR program and a typical "public service" mentality. SBR is NOT providing the investment for SBR. As such to suggest that the government can force SME's and other entities to invest in their "vision" is beyond imagination in the commercial world, where a ROI is required.

g) There is ZERO ROI for anyone other than the government, as such if SBR is to be made mandatory, then SBR MUST totally fund its inactive, not rely on developers to fund this activity. Otherwise it is simply another TAX on every entity which reports via SBR.
As an example of the ZERO ROI to end entities, tax agents currently submit SMSF tax forms via ELS, SBR offers Zero advantages to ELS, but comes with a added cost. Any suggestion that SBR offers any commercial advantages to tax agents is simply not supportable, it simply adds costs, and it is debatable that SBR even come close to offering the same service as ELS, due to the inherent performance issues associates with the ABR approach. The SBR approach si not in use, read

not a single site where high volume transactions are in daily usage. ELS has its issue, but has stood the test of time.

h) SUMMARY
SBR offers zero benefit over existing channels like ELS, and will add substantial costs to all involved, with ZERO gain to any party.
It is an immature set of tecknologies, without any long term experience locally or overseas, and in not capable of meeting the existing requirements.
Until SBR has achieved at least the same volume and usage as the existing services like ELS, it MUST NOT be made mandatory.

2.0 Specific Issues

2.1 Has your business considered using SBR for the lodgement of financial reports in XBRL format? What are the barriers to the adoption of the technology?

XBRL as a compromise between human readable, and computer to computer communications, solves neither issue well. All reporting as is the case to day, needs to be in a computer to computer format, any International Standard is preferred to the proprietary XBRL approach taken by treasury. In fact even an industry stanadard is preferred to the proprietary XBRL.
Note, if it cannot be complied by a single commercial development tool, like Microsoft, it should not even be considered.

2.2 Does your business offer SBR-enabled software so that providers can lodge a PDF and XBRL copy of the financial report via SBR?
Why would we consider a proprietary solution, which has no wide spread support anywhere in the world, especially for the SME's. As the reporting requirements are very basic, fill able PDF can be used to support any SBR requirement, and is a better choice then XBRL, as it is in usage world wide today. See AusIndustry, and their R&D process, which has been in use for many years and offers all of the advantages of SBR without any of the associated pain or cost.

Use proven commercial solutions, international standards should have preference, but if proprietary standards are used they have commercial support, and a significant world wide usage, From a developers perspective, XMRL would be the last choice to meet this requirement, use PDF if you must use something.

2.21 What are the barriers to the development of this technology?
It is a proprietary technology, that has almost zero commercial usage anywhere in the world, additionally as it cannot be compiled using any commercial development tools, it is of zero use in developing any solutions in this space.
The minimum requirement is that SBR has a complete specification (currently does not exist, a fact which has been confirmed by SBR), and be able to be compiled using industry standard tools like Microsoft Visual Studio.

Very simple if SBR needs to develop libraries like the Fujutu libraries, the whole approach is broken.
Developers MUST be able to develop solutions without any legally suspect DEEDs using only the SBR specifications. Same as any past exercise, refer to ATO ELS or AusIndustry fillable PDF forms as examples, which SBR cannot compete with on any level, and offers zero commercial or economic advantage over these existing services.

The requirement is very simple, the solution MUST also be simple, and commercially viable.

2.22 What impediments exist with the current use of financial reports in PDF/paper format?
Other than AusIndustry, groups have no understanding of the capabilities of DF, and use it as a replacement of paper rather than a intergrated human and machine interface. I.e as per

AustIndustry usage a computer can programmatically read every field on a PDF page, with minimal effort. Typically we can do this with about six lines of C# code, no 100 of pages of specs, deeds, proprietary libraries ect ect..

I assume the only problem with PDF, is that one does not need a new government group, expenditure of over $500 Million dollars and the creation of an public service empire, it can just be done out of the box, with almost zero technology.

Almost 100% of the people reporting to the government today have PDF capabilities, ZERO have XBRL capabilities. It really is this simple, see AusIndustry as a typical example, but same approach has been in use for over 5 yeasr world wide....

3.

OPTION 1:MANDATORY LODGEMENT OF FINANCIAL REPORTS USING SBR

Option 1 involves the mandatory lodgement of financial reports using SBR in:

• XBRL format, with continued mandatory lodgement of financial reports in either paper or PDF form; or

• iXBRL format with no separate requirement to lodge PDF or paper versions.

THIS MUST BE TOTALLY REJECTED.
a) it is not commercially viable, and
b) it has no chance of achieving the objective in any form
c) there is Zero commercial experience to support such a high risk approach.

If one must chose a specific technology chose PDF for the reasons above.

OPTION 2: VOLUNTARY LODGEMENT OF FINANCIAL REPORTS IN IXBRL FORMAT USING SBR

Option 2 involves:

• permitting the voluntary lodgement of financial reports in iXBRL format using SBR (replacing the need to lodge a PDF or paper copy); and

• mandatory lodgement of financial reports as PDF or paper, when choosing not to lodge financial reports using iXBRL.
XMRL is not even close to being a replacement to PDF, the primary reason is that it simply does not exist on a single client desktop. PDF can perform 100% of wht SBR is attempting to achieve with almost zero cost, see AusIndusty example and associated business case.

The AusIndustry approach should be adopted as an optional approach, as it is incremental to PDF (same technologies), meets all of the SBR objectives, and can be implemented today on an as required basis.

SBR and XBRL is an identical approach (big bang) as was taken with the Queensland payroll system.. Any successful solution MUST be incremental and be commercially viable. Fillable PDF as implemented by AusIndustry is such an approach SBR as it currently stands is not an incremental approach and as such should be considered as very high risk, similar to the QLD Health payroll approach.

OPTION 3: STATUS QUO

There appears a total lack of understanding of the existing reporting systems in use within various government agencies today, please see the ATO and their ELS system plus a range of others I these are not PDF or SBR.
But if given a choice, stick with PDF as it has a know and in use today migration path to meet all of the SBR objectives, see AusIndustry and above..

Section 4.
Not sure what this section is all about, it is not an analysis of anything relevant to the Sections above.
At a minimum it should compare the existing PDF and fillable PDF to SBR, or any existing solution set like ELS ect.

Any such analysis would simply confirm that SBR should not be used in any situation, as it offers zero benefits to the end user (Australian business, SME and other entities) over the existing proven technologies, or incremental extensions.

Q: What would be the costs associated with implementing this option for your business?
A:*Given the current state of the SBR specifications, and after six months of interaction with the SBR group, with zero progress on any issue.*
I would estimate a single SMSF tax return form would cost ~$100,000 to implement (this is a single form). If fillabel PDF was used, the cost would be ~$1,000.

Q: Please include costs for XBRL and iXBRL.
A: Unknown as incomplete specifications, and SBR is not a commercial exercise for developers (i.e no commercial support like the ATO SILU group).

Q:Do you agree/disagree with the benefits and costs listed above? Why?

A: They miss the point altogether.

Q: Are there any other impacts associated with implementing this option?
A: The SBR specifications today are not implementable, full stop. If one uses the proprietary Fujitsu library path, this may be appropriate to government departments, but is not appropriate for any commercial activity.

Remainder of issues are just variants on the above, as the issues really do not change..

SUMMARY
a)SBR is a defective set of specifications, which cannot be commercially applied to any usage today.
b) SBR has no operational experience similar to the ATO ELS systems, at a system design level it is a fundamentally flawed design, same approach as taken by QLD health payroll. It will have the identical results, the government must be prepared to pump in a similar $400 to $500million to make it work.
c) Stick to tried and proven technologies, use PDF is one must or fillable PDF as an incremental approach it meet all of the SBR objectives today, within a low risk, know migration path, and at a small incremental cost.