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Dear Joanne

Early thinking: Operational governance for trans-Tasman e-Invoicing Discussion Paper

Background

I am writing in response to the 'Early thinking: Operational governance for trans-Tasman e-Invoicing' (referred to as 'the Discussion Paper').

BusinessNZ has previously submitted on the New Zealand Business Number (NZBN) Discussion Document, Exposure Draft Bill and Bill, which we broadly supported as bringing overall compliance cost savings and transparency to businesses in the longer term. We see trans-Tasman electronic invoicing (or e-Invoicing) as a practical step towards ensuring the NZBN becomes the day-to-day way of reducing compliance costs for New Zealand businesses.

Therefore, apart from the concerns outlined below, BusinessNZ supports trans-Tasman e-Invoicing proceeding.

Overall Recommendation: That trans-Tasman e-Invoicing proceeds.

We would also like to congratulate the governments of both New Zealand and Australia for releasing a public consultation discussion paper that examines the early thinking around the e-Invoicing project. The sooner the private sector can provide input into such matters, the more likely a project is to succeed.

Below is BusinessNZ's response to the questions raised in MBIE's Discussion Paper.

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)?

From a macro perspective, a potential primary barrier to the implementation of trans-Tasman e-Invoicing would be if it provided New Zealand with little net economic benefit. However, we note on page 3 of the Discussion Paper the statement *Research estimates that e-Invoicing could result in benefits to the Australian and New Zealand economies potentially in excess of \$30 billion over ten years*, although, unfortunately, how the \$30 billion would divide between New Zealand and Australia is not stated. Most likely Australia, as a much larger economy, would receive the greatest monetary benefit but we would expect and require there to be an obvious and significant benefit to the New Zealand economy as well. If so, this would be a clear reason for the proposal to proceed.

The only other prospective barrier we can see is the potential for significant disagreement between the two countries around governance details and/or e-Invoicing processes, including the extent of their participation in, and level of representation during, the various governance phases. While in some respects potential barriers of this kind will be present in any cross-country venture, here we would expect both countries to have more or less equal representation at any governance table, both from a public and private sector perspective.

Question 2: What do you think would be the best legal structure for the operational governance body? Please explain your answer.

In principle and for the reasons outlined below, BusinessNZ generally agrees with the Discussion Paper's stance that governance arrangements should be undertaken by an incorporated entity.

Question 3(a): Beyond the initial establishment phase, who do you think should lead the operational governance of trans-Tasman e-Invoicing; what functions and roles should the operational governance arrangement include? Please explain your answer.

Question 3(b): Do you see sufficient incentive in our proposal for you to consider participating in the operational governance body?

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.

BusinessNZ is examining questions 3(a), 3(b) and 4 together as we believe they are all linked.

First, when looking at the public sector, we agree with the view expressed in the Discussion Paper that *beyond establishment of the digital capability locator (DCL)*,

our government's primary interests can largely be met through regulatory oversight, guidance, monitoring and reporting and, if necessary, enforcement of relevant laws.

Next, when looking at the private sector we also agree with the view that *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. Those costs and risks are best managed through normal corporate/industry business practices and law, such as 'quality of service' agreements and terms and conditions.* In general, the private sector is better equipped and more nimble at dealing with such processes, which should lead to higher quality services for customers.

However, we are also mindful of the longer-term operational sustainability for trans-Tasman e-Invoicing, which despite best intentions, may strike some impediments beyond the initial establishment phase.

As a starting point, we do not envision any significant degree of difficulty in the initial establishment phase given this will be a joint public-private sector exercise across the two countries to determine the best way forward. The fact that a formal electronic invoicing arrangement has been officially signed by the Ministers of both countries provides additional impetus to ensure e-Invoicing proceeds. Also, both the New Zealand and Australian Governments will be providing guidance and support to industry during this phase (perhaps up to 12 months), helping to alleviate any commercial pressures around the sunk costs of establishing a framework both countries will be looking to introduce.

However, development beyond that point will present a greater degree of risk and uncertainty. Of the four bullet points at the top of page 8 examining what the initial 12-month work programme is hoping to achieve, the initial establishment phase will need to be confident *the operational governing body is self-sustaining.* As stated on page 9, the initial conclusion reached in the Discussion Paper is an *industry-led, self-funding (not-for-profit), incorporated entity with a Board of Directors consisting of industry stakeholder representatives appointed by A-NZ industry groups and governments.* From BusinessNZ's perspective, whether there is enduring private sector involvement in this framework could come down to the extent it is influenced by the not-for-profit element.

Given the Discussion Paper comment, a not-for-profit outcome is the preferential choice. All things being equal, a purely 'for profit' venture would more likely see a number of players enter the market in competition for the consumer dollar. However a not-for-profit venture is often very different from a private sector venture. Such entities are typically incorporated (which fits with the discussion above), and usually encompass (though are not strictly limited to) public charities, private foundations and organisations/associations (such as BusinessNZ). So through a not-for-profit lens, who would most likely be involved in the long-term operational governance of trans-Tasman e-Invoicing?

Obviously, we would not exclude the involvement of one or more profit-driven entities if there was potential for a positive spill over (i.e. name recognition and development of associated products/services), as well as the chance to introduce associated products and/or services (discussed more fully in question 5 below). We acknowledge the timeframe of over the year or so during which the public/private sector governance group will be together will undoubtedly allow time to examine such issues and analyse certain models that could work for the long-term.

Also, given the end product will be open-source due to the public collaboration involved, we would expect there to be a greater degree of flexibility and agility to meet the needs of users over the long-term. In fact, a successful public/private sector process should see both e-Invoicing and the New Zealand Business Number (NZBN) used in a variety of ways.

Therefore, at this stage we believe there is no insurmountable stumbling block to what is proposed proceeding and believe a deliberate and methodical process involving both public and private sector participants will go a long way towards achieving the goals outlined and a successful outcome for New Zealand.

As previously noted, the other operational governance aspect outlined in the Discussion Paper we believe may cause future issues/concerns is the potential for a New Zealand/Australia imbalance in the longer-term make-up of an industry-led incorporated entity. For instance, what would be the outcome of, say, a strong interest in industry involvement on one side of the Tasman, but not the other? From our perspective, the worst outcome would be an all but dominant Australian presence that essentially silenced New Zealand's voice at the table. No doubt, this possibility will also be examined to ensure the right degree of balance between the two countries.

Question 5: Do you have any additional comments or information to help 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.

Overseas and domestic models

On page 9 of the Discussion Paper, is the statement: *Other international invoicing models have a variety of these models and varying scale of operations. We do not have access to details of these operations at this point nor do we believe there is one solution for the funding.* While we agree there is no one solution, a deeper understanding of offshore models would be advantageous. At the very least, a summary of a handful of international invoicing models would provide an indication of where New Zealand's proposed model would sit, and whether there is anything to learn from other models.

If MBIE has done some preliminary investigation into international models, we recommend a summary sheet be prepared and provided to interested parties as part of the next consultation phase.

Beyond trans-Tasman

On the above point, we support Australia and New Zealand efforts of this kind and at the same time would expect all participants to be aware of offshore systems that could be applied to New Zealand, including the possibility of joining a wider network of countries with e-Invoicing between them. Long term, we would expect e-Invoicing to involve a multitude of countries, particularly as New Zealand relies heavily on trade for sustained economic growth.

Taking the time to get it right

While we appreciate the desire of both governments to ensure e-Invoicing is available sooner rather than later, we would also urge caution, not rushing the implementation process and introducing a system that has not been properly checked and tested. The worst case scenario would be a system that fails businesses by complicating rather than simplifying the invoicing process. If that should happen, it would be hard to regain the business community's trust in such a system. Any proposed system should go through a comprehensive beta testing and piloting programme before consideration is given to opening it out for general business community use.

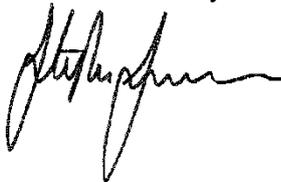
Allowing space for innovation

While the primary goal is to create an enduring trans-Tasman e-Invoicing framework providing benefits to the business community and to both economies, we would also expect those involved on both sides of the Tasman to be cognisant of additional opportunities for add-on products/services once e-Invoicing is established. In light of the private sector nimbleness discussed above, it should be generally accepted that opportunities to entrench the use of both e-Invoicing and the NZBN in New Zealand business practices should be embraced.

Recommendation: That BusinessNZ's issues and concerns are taken into account for the next stages of e-Invoicing development.

BusinessNZ looks forward to the next stage of the process. If you so wish, I would be happy to meet with you to expand on any of the issues referred to in this letter.

Yours sincerely



Steve Summers
Economist
BusinessNZ