



# Response to Discussion Paper

## Operational governance for trans-Tasman e-Invoicing

This response has been prepared by David Field on behalf of Ozedi Holdings Pty Ltd.

### **Background – David Field**

David Field has been involved in the software industry for many years and has held a number of positions in the industry including:

- Founding member of the ATO Software Developers Consultative Group
- Founding Chair and current board member of the Australian Business Industry Software Association Ltd
- Founding member of the Digital Business Council
- Director of the Gateway Network Governance Body Ltd
- Chair of the Digital Business Council Governance Working Group
- Director of Ozedi Holdings Pty Ltd

### **Background – Ozedi Holdings Pty Ltd**

Ozedi Holdings Pty Ltd is a privately owned company which provides electronic messaging services for business and government. Ozedi has a number of key market sectors it addresses and these are detailed below.

#### SuperStream

SuperStream is the standard mandated by Federal Government for employers to deliver superannuation contribution advices to superannuation funds in a standard electronic format. Ozedi was the first company to demonstrate a SuperStream gateway in 2012 and has acquired a market share of approximately 23% of the SuperStream transactions being sent from employers' payroll systems to superannuation funds.

#### Single Touch Payroll (STP)

Single Touch Payroll uses the same technology as SuperStream and Ozedi already had extensive experience with this. Ozedi has engagement with, at various levels, about 100 software providers as their STP Sending Service Provider and over half of those software providers have already indicated a high level of interest in e-invoicing.

#### Standard Business Reporting

Ozedi provides ebMS 3.0 AS4 software for software providers to send data to the ATO using the Standard Business Reporting framework. Ozedi will also be using its Sending Service Provider capabilities to be able to send TFN declarations to the ATO.



# Response to Discussion Paper

## Operational governance for trans-Tasman e-Invoicing

### e-invoicing

David Field of Ozedi has been a member of the Digital Business Council since it was formed and Ozedi has had representatives on the three major technical working groups since they were formed. Ozedi is a provisionally accredited Access Point and Digital Capability Provider. Ozedi has been extensively involved in the testing of the DCL and has pilots operating in the DBC framework.

### Security and Governance

Ozedi's experience since 2013 across various areas of digital messaging has been that security has become the major focus for clients. The recent introduction of new legislation in Australia and Europe has heightened this even further and data security and privacy is now the number one contractual question asked of Ozedi by its customers.

It is Ozedi's opinion, which is shared by most of its software provider clients, is that governance, data encryption and security are critical to the digital transformation of Australia.

# Response to Discussion Paper

## Operational governance for trans-Tasman e-Invoicing

### 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)?

Ozedi does not believe that there are any significant barriers to the introduction of the e-invoicing framework for a number of reasons:

- The core technology has been proven to be reliable and high performing through its use with SuperStream and Single Touch Payroll
- The privacy and data security issues have been dealt with through the development of SuperStream and Single Touch Payroll but still have some weaknesses
- There is significant commercial appetite for its introduction
- Commercial contracts for SuperStream and Single Touch Payroll have been extensively refined over the last five years

The three most significant weaknesses in the introduction are both related to trust and security.

The first of these is data encryption. The current model of data encrypted on the wire and in transit still exposes data in clear text format at various stages of its transit between sender and receiver. This has been raised as a major concern for SuperStream and Single Touch Payroll, particularly amongst large organisations where a data breach could significantly damage their business. With e-invoicing, theft of invoice data sent and received by an organisation could result in reverse engineering that entity's business and could significantly damage that business.

The second concern is digital identity. This was discussed extensively during the course of the development of the DBC framework but it was not possible to develop a policy stronger than "know your customer". The provision of a trusted digital identity would create a great deal of trust in the network.

Thirdly, the thinking at the moment is that the Access Points are going to police the validity of data sent into the system. There appears to be no planned certification of the actual invoice production software which means that the same people generating all the current scams could just switch to producing UBL instead of PDF (easier). This means that Access Points are going to be responsible for detecting threats but there are no rules or standards laid down around this currently.

# Response to Discussion Paper

## Operational governance for trans-Tasman e-Invoicing

### Question 2

#### The best legal structure for the operational governance body?

The author of this document does not propose to provide a detailed explanation of the reasons for the opinion that the best structure for this is a not-for-profit unlisted public company limited by guarantee.

The author, is Chair of the Digital Business Council Governance Working Group which, with significant legal resource provided by the ATO, discussed extensively the merits of various models and unanimously reached the conclusion outlined above. Details of the discussions around this are recorded in the minutes of the working group.

The author was also extensively involved in the working group which established the Gateway Network Governance Body Ltd and is a current director on the board of the GNGB. The GNGB oversees the SuperStream Transaction Network and has been very successful in ensuring the various technical and legal standards are adhered to by the members of the network. It is important to note that the SuperStream network uses the same messaging technology as the proposed e-invoicing network.

The hundreds of man-hours of work done by both of the above working groups should be taken into account in making a final decision as to the structure of the e-invoicing governance body.

# Response to Discussion Paper

## Operational governance for trans-Tasman e-Invoicing

### Question 3 (a)

Beyond the initial establishment phase, who do you think should lead the operational governance of trans-Tasman e-Invoicing; and what functions and roles should the operational governance arrangement include?

There is one basic tenet held by the author in relation to e-invoicing. This is a network which includes millions of participants with various commercial interests and priorities. In such a network, **every** participant must receive some sort of a benefit, either in productivity, increased business, of straight financial gain.

Given that basic tenet, it is important that any governing body be representative of the community involved and that by necessity must include:

- Government at all levels
- Business representatives (key individual and industry associations)
- Invoicing Software representatives (key individual and industry associations)
- Network Software representatives (key individual and industry associations)
- Financial industry representation

It should include skill set mixture of:

- Legal
- Commercial
- Technical

and it probably should be driven by a RACI.

The governing body should have an independent chair and possibly CEO.

In the opinion of the author, there are four options available for the governance body.

#### Option one - DBC Incorporation

The Digital Business Council's conclusion at the end of the framework establishment was to incorporate itself as a not-for-profit public company. A Constitution and Memorandum of Articles had been drawn up and an initial board of directors appointed with all ASIC documentation ready to lodge. It is obviously one option to continue on that path as there would be very little work to do to achieve that.

The disadvantage of this is that it would have to set up its infrastructure from scratch – not impossible but would require work and resource.

# Response to Discussion Paper

## Operational governance for trans-Tasman e-Invoicing

### Option two - GNGB as the governing body

The Gateway Network Governance Body Ltd, as previously stated, has the structure, staff and experience to be able to manage the e-invoicing network. However, for the GNGB to take on this role directly would need some obstacles dealt with, including:

- Deep vested interests by the superannuation industry would need to be provided for
- The constitution would need to be amended
- The board structure would need to be revisited
- The involvement of GATE would need to be re-considered

### Option three- start from scratch

Established a brand new structure with new people and entities involved. This provides a clean start with a possible limit on vested interests or conversely a risk of increased exposure to vested interests.

This would be a significant amount of work.

### Option four – a hybrid model

This would involve incorporating the DBC as per option one and putting it alongside the GNGB and using the GNGB resources. This would provide an instant independent chair and CEO plus the accumulated knowledge and expertise in running a network governance body.

### Other considerations

Should the entity, irrespective of model chosen, be:

- Custodian of the framework standards?
- The accreditation body?
- The governance body?

### *Question 3 (b)*

*Do you see sufficient incentive in our proposal for you to consider participating in the operational governance body?*

As the author has had extensive experience in this area since 2013, involvement would be considered at any level.

# Response to Discussion Paper

## Operational governance for trans-Tasman e-Invoicing

### 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?

A key aim of this exercise is to ensure that the governance structure does not duplicate any other major initiatives. We would not want to see, for example, a new Operational Framework built that every party has to comply with. The intention of the DBC initiative was to provide low-cost solutions for small business so minimising governance overheads is important.

The author wrote the original ABSIA proposal for the SuperStream governance and that included the submission that the SuperStream governance should also include governance of other similar networks such as e-invoicing. The ABSIA proposal also included the suggestion that a levy on the central nodes in the networks would adequately fund the governance body.

Ozedi continues to support this model, that a small levy on the network participants collected by the Access Points will be more than adequate to fund the new governance organisation.

It will, however, take some time for the e-invoicing network to have enough participants to be self-sustaining and it will require seed funding to establish itself. As far as we can see, there are only three sources of seed funding:

- Contributions in the way of loans from some members of the network. We think this will not be acceptable due to unmanageable perceptions of conflict of interest
- Crowd funding could possibly be very successful but creates any number of headaches in the longer term
- Seen funding by government(s) – this is the model used by the ATO to establish the GNGB over 18 months and it is now self-sustaining