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The European Commission e-invoice undertaking

Bank of Finland
28.08.2008
Bo Harald

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E-invoicing Expert Group

Outline

1. Timeline
2. 5 Mega-class reasons for e-invoicing
3. Progress in EG
4. How to get there
 - User friendly - **economy of repetition**
 - Cost efficient - **economy of reuse**
 - Same tool for private and public sectors - **tax payers' money!**
 - Same tool for b2b and b2c - **economy of reuse, economy of scale, economy of repetition, economy of scope**
 - Integrity and authenticity with technology neutral tools - **no extra costs needed**

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1. Timeline

- Starting in 70s - EDI-based p2p e-invoicing
- Late 1990s - first versions of b2c e-invoicing in Finland
- Early 2000 - 4 corner b2b e-invoicing as part of e-banking services (Finvoice)
- Feb 2006 EU white paper: “*..e-invoicing is a major issue for the Commission. ... The potential gains are so large that they could make a significant an genuine contribution to the Lisbon process to make the EU more competitive..*”
- Oct 2006 Something Real for the Lisbon Finland's EU Presidency Conference in Helsinki. Helsinki Manifesto: “*Reap the benefits of re-using bank infrastructure: realize e-invoicing with interoperable standards*”
- Dec 2006 - July 2007 - EC Informal Task Force - EEI-report
- Nov 2007 EC establishes Formal Expert Group with “a mandate to create the EEI Framework. “

Formal tasks

1. Identify shortcomings in the regulatory framework for e-Invoicing
2. Identify and validate e-Invoicing business requirements
3. Identify and validate relevant e-Invoicing data elements and linkages (procurement, payments, value-added tax, authentication, integrity, archiving)
4. Propose responsibilities to be assigned to standardisation bodies and a time schedule for the development of common standard(s)
5. Propose the European e-Invoicing Framework to establish a common conceptual structure, including business requirements, standards and solutions

Begin with the End in Mind

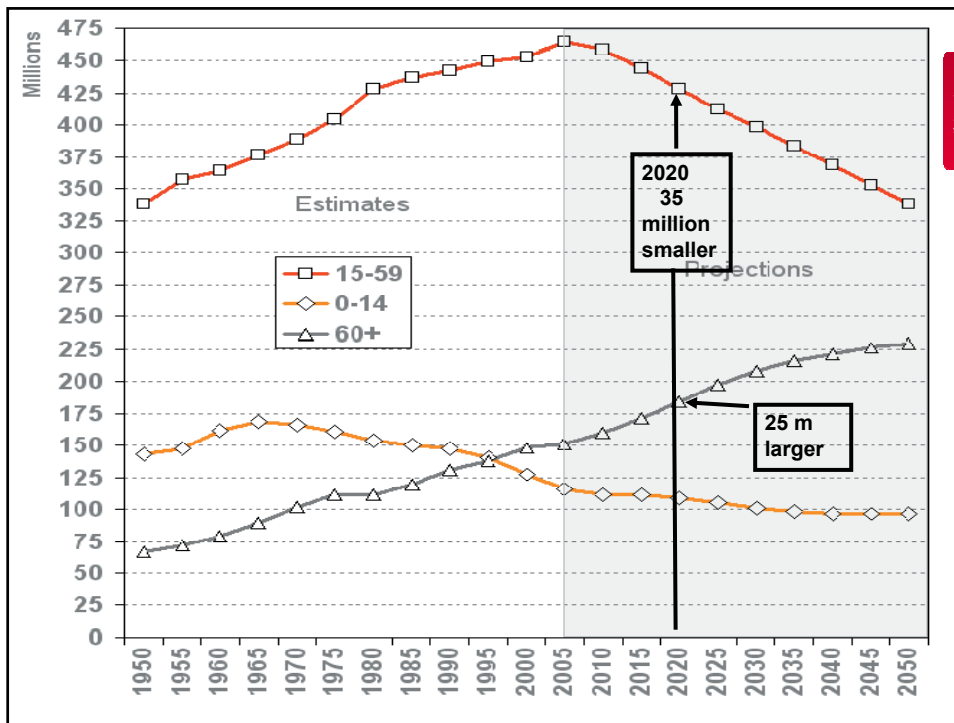
1. Electronic invoicing is predominant - 2012
2. ISO standard and interoperability is dominating in corporate mass market and public sector
3. Same data-elements are used in all parts of procurement process ("ISO-stack")
4. Payment automation is achieved with ISO20022 standard
5. Software solutions support automated accounting
6. Invoice financing is widely automated
7. Same solutions can be used also for consumer billing and direct debit advice and mandating



Existing base (EDI&XML based services, SEPA, EU/ECB decisions, EII-report, EBA report, EG mandate, UNCEFACT work, invoice receivers (esp public sector) declaring mandatory, experience from launches etc)

2. Five Mega-class arguments for e-invoicing:

1. EU: 238 billion first-line cost-savings in b2b (EACT: potential 243bn/pa), + 30-40 billion in b2c
2. e-invoicing means better service - increasingly precondition for doing business (**mandatory** in public sectors in 6 countries - 10 more coming)
3. 2.800.000 tons smaller CO2 footprint
4. Learning - just in time - not just in case
5. EU demographics - perhaps the most compelling (all routine work that can be automated has to be ..)



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3. Progress

- Feb 2008 EU EG starts. Task 1: Create **crystal clear mindset**: “Paper invoices have NO future”. Task 2: removing obstacles and creating networks and standards so that business requirements (sophistication & simplicity) are met
- Spring 2008 - 5 EU countries declared e-invoice **mandatory** in public sector - 10 more having advanced plans
- June: progress report
- July: first recommendation to EC - “e-invoices should not be treated differently from paper-invoices, technology neutral solutions for authenticity and integrity should be accepted
- Sept: final draft to EC in support of VAT directive update (model agreement re authenticity and integrity)
- Dec: interim report
- Dec 2009 final report
- 2012 - e-invoice dominating

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Business case for all

1. Half SEPA is not a business case for anybody
2. Full SEPA is - for all - up to 243billion reasons
3. Therefore it is a **responsibility** - especially for banks - especially when serving 24 million SMEs in Europe
4. EU and ECB are insisting on action - we should - as good Europeans deliver
5. But e-invoicing is more - it is the STEP needed to come to the next level!
6. Small countries can - and should lead the way - all invoice receivers can make e-invoices mandatory - especially once it is available in e-banking.

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4. How to get there - work together for concept which is:

- User friendly - **economy of repetition**
- Cost efficient - **economy of reuse**
- Same tool for private and public sectors - **tax payers' money!**
- Same tool for b2b and b2c - **economy of reuse, economy of scale, economy of repetition, economy of scope**
- Integrity and authenticity with technology-neutral tools - **no extra costs needed**

AND:

- Invoice receivers declare it mandatory – follow examples by 6 public sectors already
- Also consumer invoicing moves to transparent pricing

See the big picture: Is there a better case for the Lisbon agenda?

- **Finnish State Treasury:** cost estimate for incoming manual invoice € 30€, e-invoice 10€, fully automated 1€....
- **Finnair:** 40€/incoming manual invoice
- **Electrolux:** 50€/incoming manual invoice
- **Finnish Employers Federation:**
- annual saving from b2b e-invoicing at 2,8bn€ (+ b2c 400m€)
- **European Association for Corporate Treasurers:** b2b 243bn€ per year

- **EU commission: b2b 238bn€**

This is **processing only** - more from lower credit risk, faster cash flow, lower fraud, lower IT-cost etc

This is **e-invoicing only** - other documents in procurement process add more..

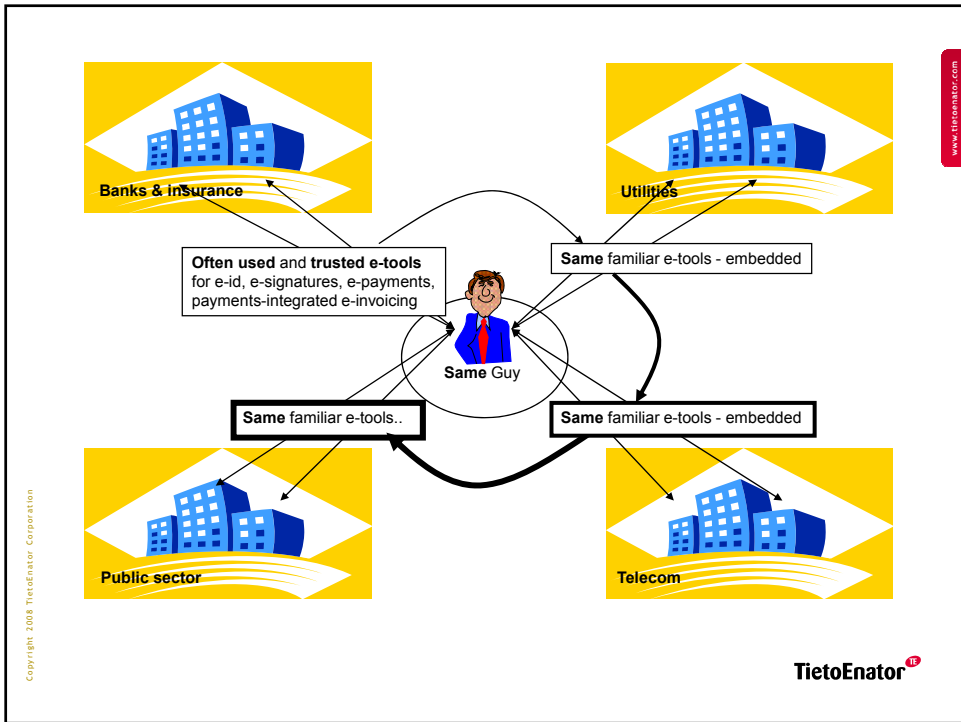
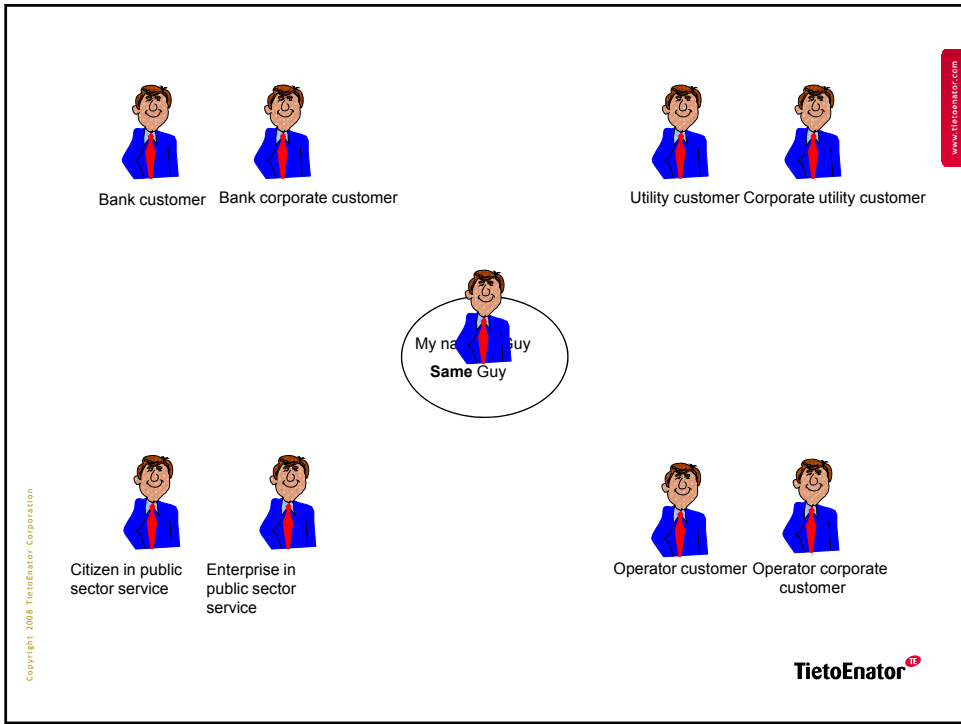
This is **b2b only** - 10s of billions from b2c..

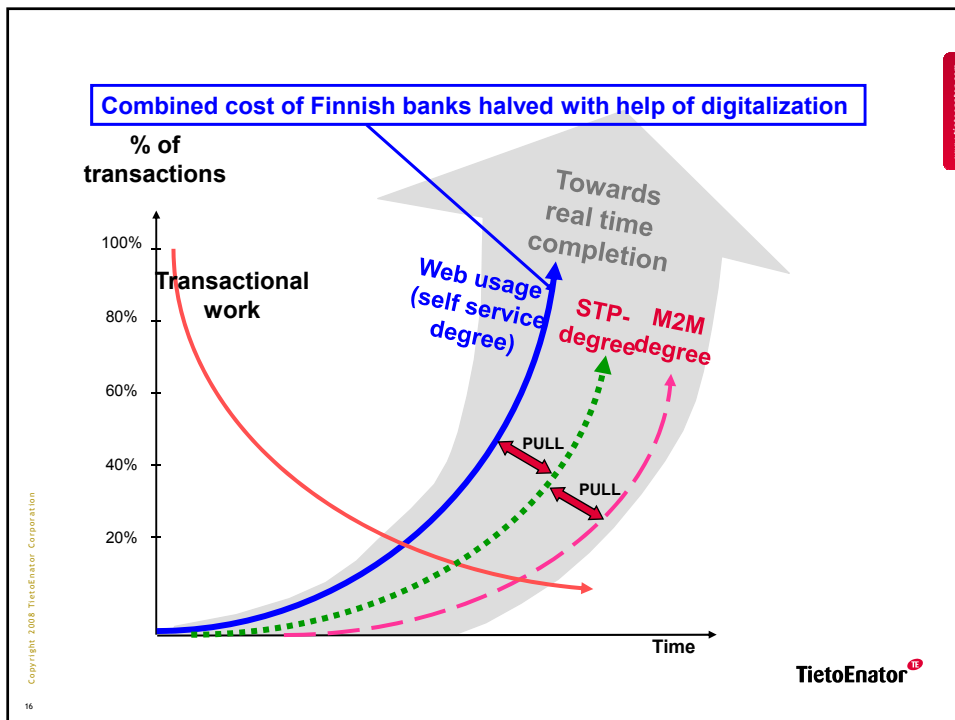
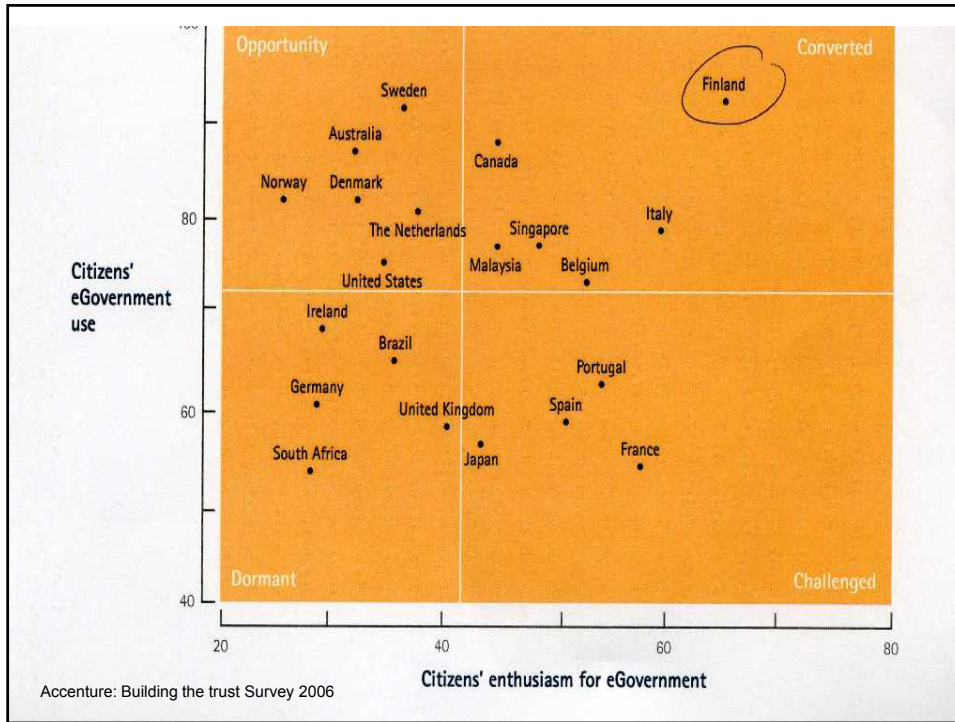
Additional dimension: staff moving to productive work...

Opportunity to grant **cheaper financing** to SMEs - buyers also benefiting

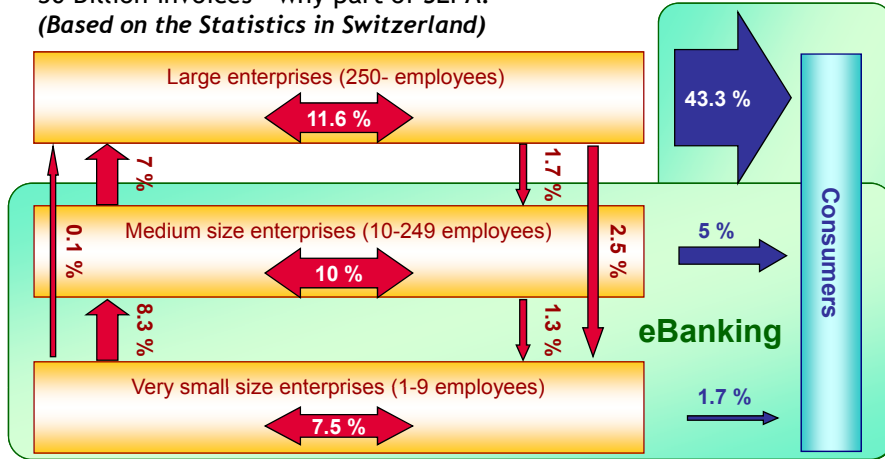
National initiatives driving eInvoicing.

- **Denmark**
- *mandatory by law - as of 1.2.2005 only e-invoices accepted in public sector (70% achieved in 2006)*
- **Sweden**
- *e-invoicing mandatory with public sector 1.7.2008*
- **Italy**
- *Finance Act: "article 5, obliges all companies to send electronic invoices to state administration starting 1.7.2008, in order to be paid..."*
- **Finland**
- *Enforcing e-invoicing in public sector today - final deadline 31.12.2009. Progressive enterprises: "E-invoice or No Invoice"*
- **Spain**
- **Singapore**
- **10 more in EU with advanced plans** - by 2010 it is expected that b2gov e-invoicing will be mandatory in most countries (Bruno Koch)





30 Billion invoices - why part of SEPA?
(Based on the Statistics in Switzerland)



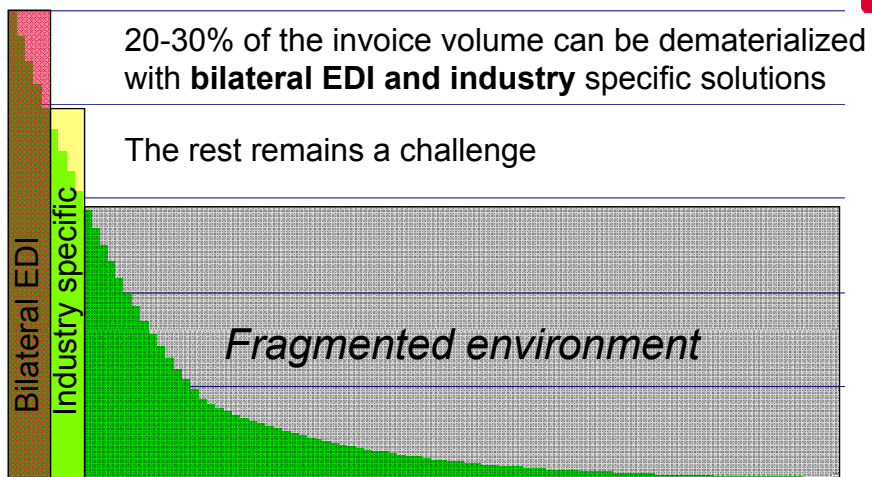
B2C 53 %
B2B 47 %

Conclusions

- Less than 15 % of invoices are between large enterprises
- Almost half of the invoices are from large enterprises to consumers

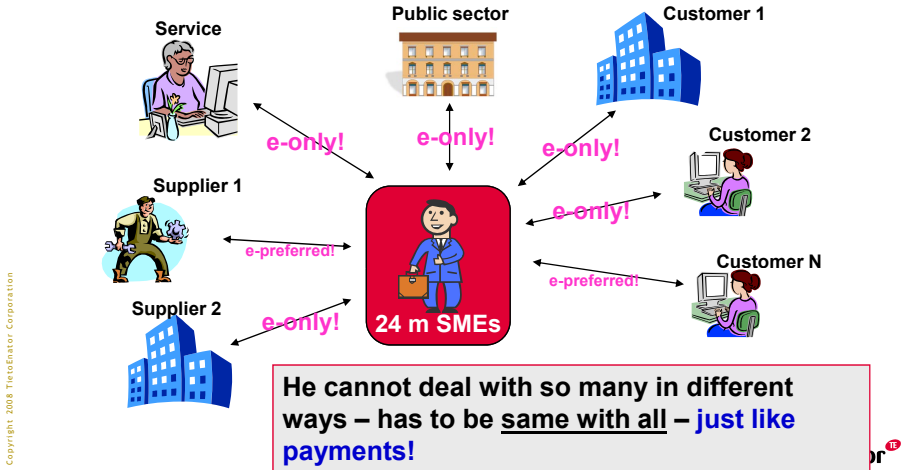
Source: Billentis / Bruno Koch (www.billentis.ch) TietoEnator 2006

Invoice volume distribution per supplier

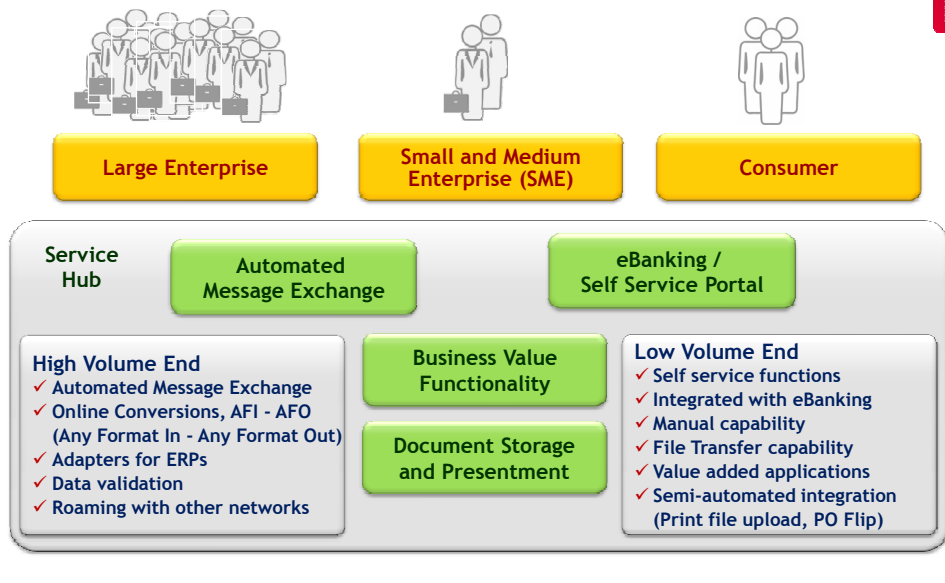


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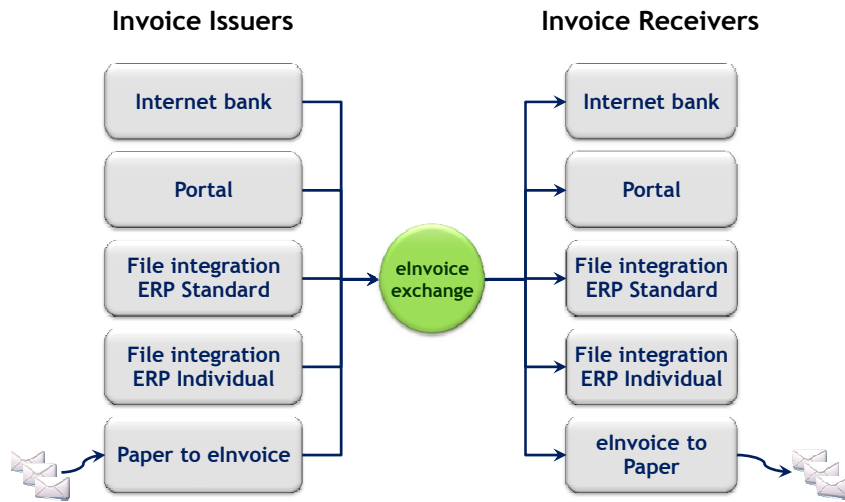
Make it work JUST LIKE PAYMENTS!



Basic Elements by service providers



Starting with invoices - other documents with same data elements and network



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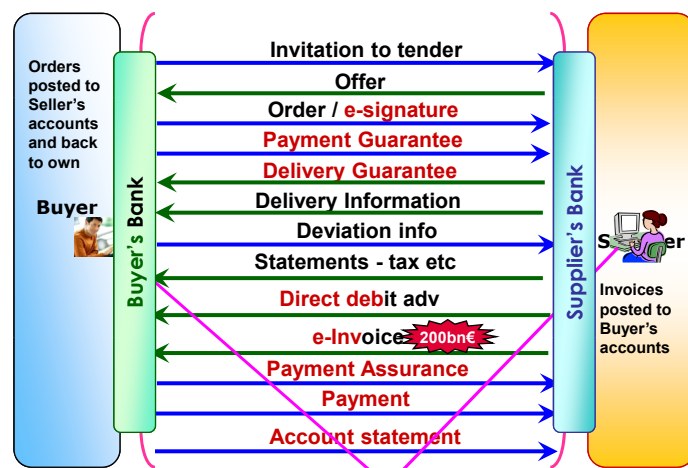
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2008-02-20

Financial Value Chain

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From e-invoicing to all messaging - same data elements...banks to take responsibility for SME-segment!



Only in e-banking for 24 million small businesses in EU

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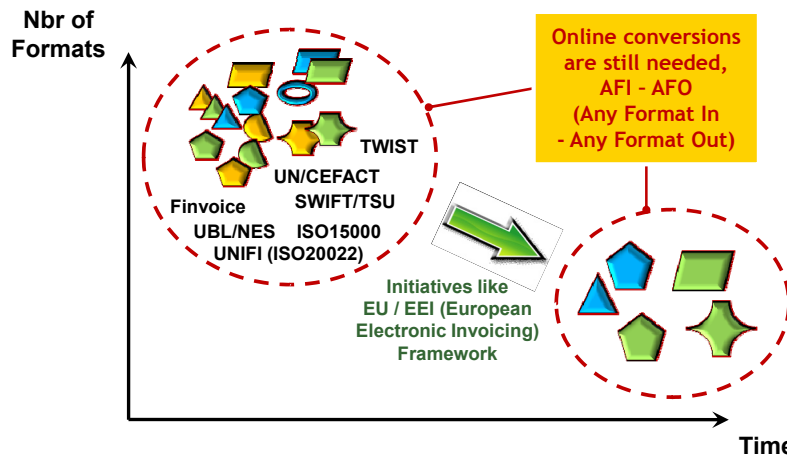
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Key principles

- “Interoperability focus now - standardization in parallel” - standardization is pivotal to full cost efficiency - **but no need to stop and wait**
- Need for a governance model that fits with the Framework and its requirements
- Build engagement of the whole service provider community and service users alike
- Strong support required from the European Commission and public authorities at country level

Decreasing Number of Financial Value Chain Standards



It is not *DEMAND* that creates *SUPPLY*

It is the other way around

Henry Ford

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Wisdom from ice hockey

“Do not go where the puck is >

go where it is going.”

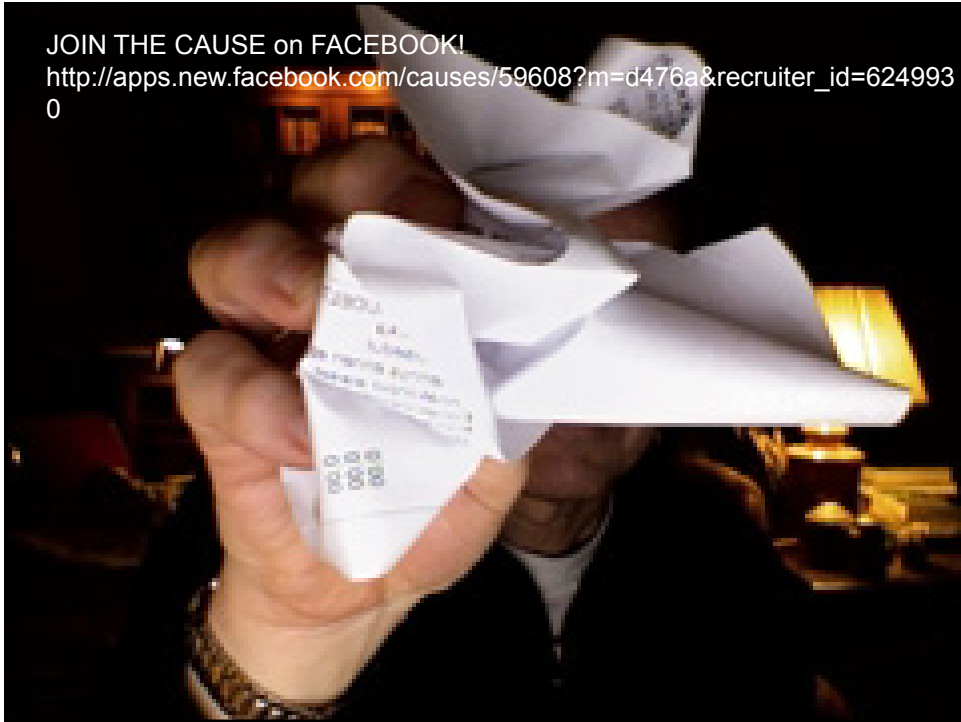
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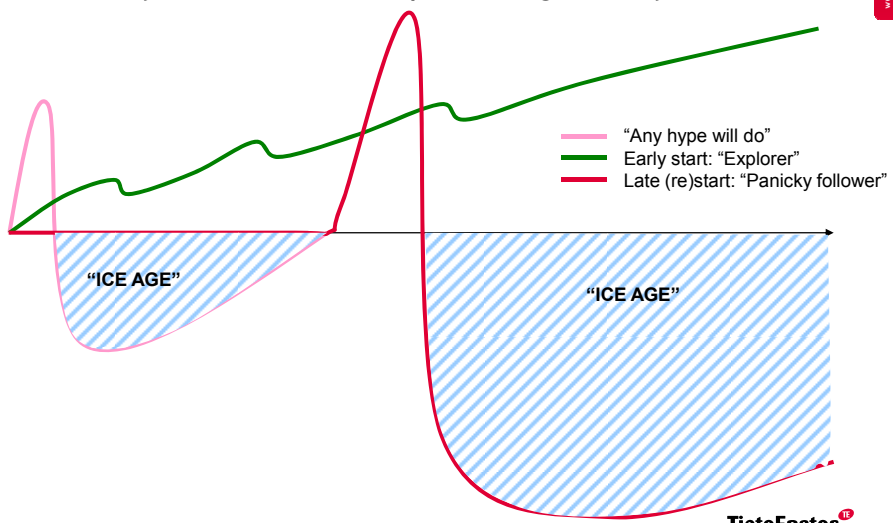
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JOIN THE CAUSE on FACEBOOK!

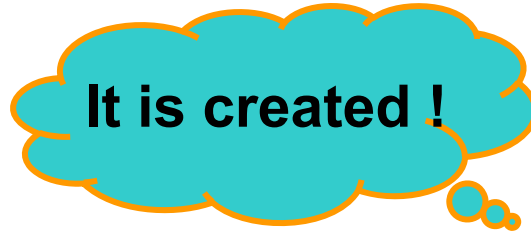
http://apps.new.facebook.com/causes/59608?m=d476a&recruiter_id=6249930



Start early - let mature - implement gradually



**The future is not planned
nor prognosed.**



It is created !

Thank You

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