

# Right of bills

## Should a state intervene to decide the format of the invoices that companies issue to their customers?

At the beginning of December last year the European Commission issued a communication called Reaping the Benefits of Electronic Invoicing for Europe. Electronic invoicing is part of the Commission's Digital Agenda for Europe which assumes a single digital market. The EU wants to see e-invoicing become the dominant method of billing by 2020, not just for the Commission but for all businesses, large and small, right across the EU. Currently only 5% of all business to business invoicing is solely electronic so this is either going to be a big undertaking or an expensive waste of public money.

The report had a public consultation and received 87 responses to thirteen questions about e-invoicing, from a population of over 500 million people – not exactly the best advert for democracy in action! The group responsible for the communication and the thirteen questions included many banks, a handful of business associations, service providers, standardisation bodies and some representatives of the public sector. The group from which the most responses (47 %) were received in answer to the EU's questions was IT companies. SMEs (Small and Medium Enterprises) and users accounted for only 6% each of the feedback.

The communication claims that e-invoicing will help the EU to reduce its environmental impact, because it will reduce the amount of paper used and the transportation involved in delivering invoices. The eurocrats seem to have forgotten that invoice delivery happens along with the rest of the post: there is no special delivery for bills.

## Techno Burden

Encouraging e-invoices is likely to lead to a greater burden than conventional billing methods for most SMEs. It requires a greater use of electronic resources for delivery and receipt, and to ensure data redundancy. There will need to be at least more than one copy of all invoices stored somewhere. The carbon impact of this

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additional storage will be substantial, and yet the EU reckons that e-invoicing “could amount to reductions in CO2 emissions of one million tonnes per annum for the EU”. Surely this will be outweighed by the carbon impact of the additional computing power, network traffic, and local printing required to support this model for invoice providers and end recipients?

There are a number of further issues, such as ensuring interoperability across systems and countries, the constraints e-invoicing places on design and content flexibility, the legal acceptance of an electronic bill and its integrity. Then, of course, there is the vulnerability of digital processes to wholesale fraud, not to mention incompetence given the number of misplaced customer files in recent years. Fraud is a perpetual problem, even with printed invoices, but at least with print the process is harder for criminals to replicate to create forgeries. And the horror of keeping track of audit trails, system upgrades and liabilities for data handling just doesn't bear thinking about.

Nor does the responsibility for service providers to manage and protect personal data, or questions on how to resolve issues of authenticity and trust, and of course ensuring data integrity throughout the supply chain. All of this is naturally of massive interest to IT equipment and service providers, but mostly that interest is of the slavering-at-the-mouth variety. It's also massively interesting for banks, because it provides yet another way of controlling funds in transit.

The EU's naive assumption that e-invoicing is desirable for competitiveness ignores all of these factors, most of which are fundamental realities for the day-to-day running of a business. But apart from its sheer idiocy in terms of its carbon impact and technological burden, the concept is fundamentally flawed for more mundane reasons.

The EU reckons e-invoicing will improve business and payment efficiencies because of the automation benefits it brings. However automation and efficiency are not always comfortable bedfellows. Automated processes have very limited scope for intervention which means less control over payment processes: the digital equivalent of “the cheque’s in the post” is “the funds are on their way” but, as we’ve all seen with digital funds transfers, they can disappear into the ether all too easily. Mostly those absent and unaccountable funds are sitting in a bank’s own account awaiting processing to and from customers. It’s probably no coincidence that many of those supporting this idea are from the banking business. A novel approach to raising core capital!

## It Gets Worse

Conspiracy theories and paranoia aside, there are other problems with the benefits of e-invoicing cited in the EU’s communication. It claims that e-invoices provide completeness of data, but why a digital invoice should be any more complete than a printed one, which has to have an address etc in order to reach its destination, isn’t clear.

The report also assumes access to the Internet. Much as this might be a desirable universal goal, the EU surely does not have the right to impose a single method of communication between consumers and end users of services, and service providers. Businesses and customers have the right to choose their preferred communications channels. The EU should not mandate how people manage business communications!

The most fluffheaded benefit the report suggests is savings in reduced printing and postage costs. There is a significant socio-economic downside if we do away with postal services and for printing system providers, which will happen if the basis of these companies’ businesses gets eroded beyond the point of sustainability.

The EU also thinks there will be more efficient payment of bills which is quite ludicrous. It sees “significant economic benefits and it is estimated that moving from paper to e-invoices will generate savings of around €240 billion over a six-year period”. In our experience the process of getting paid within highly automated systems

is intensely more burdensome for the invoicer, with no accountability, and no means of expedited payments. For SMEs with volatile and unreliable cash flows, automated e-invoicing adds a horrendous process and data management overhead for day-to-day business, let alone data archiving and access over time.

There is also the burden of costs this silly idea places on end users. It requires the desktop printing of invoices, which is costly on a unit basis because individuals



*The EU’s communiqué on e-invoicing is an attempt to force a mode of business on a lot of people who might prefer other alternatives. This is hardly in keeping with the EU’s goals of harmony, as reflected in the twelve stars on the EU’s flag. Twelve traditionally symbolises completeness and unity. This is why the number of stars doesn’t go up with each addition to the community.*

cannot benefit from the economies of scale that a print manufacturing process affords. More seriously, it puts a traditional cost of business, printing and sending invoices, onto the end user. Is this what consumers want?

The commission is now encouraging member states to develop a national strategy to promote e-invoicing. It wants states to encourage SMEs to use e-invoicing and to put together initiatives to promote it. States are expected to have plans in place for national multi-stakeholder e-invoicing meetings by June 2011.

In turn the Commission is planning a European multi-stakeholder e-invoicing conference for the next three years with delegates from member states and representatives of European industry and user associations. This meeting will be about monitoring the development of e-invoicing

and its adoption in industry; exchanging experience and good practice; plus understanding problems and support requirements for more widespread adoption of e-invoicing.

Way back in 1994 the EU recommended the use of EDI (Electronic Data Interchange), a format designed for the structured transmission of electronic data between organisations. The EU's goal was to use the format to "contribute increasingly to the competitiveness of European undertakings". The uptake and use of EDI hasn't done much more than to glimmer slightly on most Europeans' horizons.

So we wonder whether this latest ruse to get people to use electronic invoices is just another attempt by IT companies and banks to increase their businesses. That's fine but it's not fine to cloak that intent in a mantle of serving the citizens of the EU. It's particularly disingenuous to suggest that somehow this will benefit the environment, and shows that voters really need to think carefully about the degree of control that governments exert rather than simply allowing anyone who cites 'environmental reasons' to do as they please. Instead, citizens are best served by allowing the market to determine its own preferences for communications with customers, whether its bills or any other form of information.

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