



# CONGRESSIONAL TESTIMONY

The Benefits of a Deregulatory Agenda: Examples from Pioneering Governments

Testimony before Subcommittee on Intergovernmental Affairs and the Subcommittee on Healthcare, Benefits and Administrative Rules

House Committee on Oversight and Government Reform  
United States House of Representatives

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I want to thank the Members of the House of Representatives Committee on Oversight and Government Reform, the Subcommittee on Intergovernmental Affairs and the Subcommittee on Healthcare, Benefits and Administrative Rules for this opportunity to discuss the genesis and implementation of Standard Business Reporting by the Australian Government.

My name is Matt Vickers. I lead research into new geographic markets for publicly listed accounting software company Xero.

## The Origins of Australian Standard Business Reporting

In 2005, the Australian Prime Minister John Howard established a taskforce to investigate the compliance burdens on Australian businesses from government regulations, and to recommend practical options for reducing them.

In 2006 the taskforce produced a report titled “Reducing Regulatory Burdens on Business”<sup>1</sup>. The report cited a New South Wales State Chamber of Commerce submission<sup>2</sup> that estimated a typical New South Wales business spends 400 hours per year, or 10,000 Australian dollars,<sup>3</sup> on compliance. That same submission claimed senior leaders at some large companies can spend up to 25% of their time on compliance. In total, the Australian Chamber of Commerce and Industry estimated that the total costs of regulation to the Australian economy in 2005 was 86 billion Australian dollars,<sup>4</sup> or 10% of the country’s gross domestic product.

<sup>1</sup> [Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business](#), January 2006

<sup>2</sup> [Regulation Taskforce Submission](#), NSW Chamber of Commerce, November 2005

<sup>3</sup> \$10,000 AUD = \$7,200 USD

<sup>4</sup> \$86b AUD = \$62b USD

The taskforce who authored the report offered 100 recommendations for reducing the regulatory burden on businesses, covering changes to social and environmental legislation, trade, the labor market, consumer protections, financial and corporate legislation, tax, trade, and superannuation, Australia's employee retirement fund program. They also made recommendations on the root causes of over-regulation, hoping to decrease the incidence of new burdens being created in the future.

One key recommendation was to reduce the burden of financial reporting on individual businesses, and a Standard Business Reporting (SBR) workgroup was established. The workgroup's mission was straightforward: implement changes to existing processes to reduce the cost to business compliance by 800 million Australian dollars over six years, at a cost of 320 million AUD over the same period.<sup>5</sup> Key to the project's success was the establishment of the SBR Business Advisory Forum, containing representatives from industry groups and the software vendors who would ultimately implement support for any changes into their products.

Standard Business Reporting, or SBR, is the idea that multiple regulatory agencies should all agree on a common, standardized data structure for the information they collect from private-sector companies through their reporting requirements. SBR does not change the intent, or the content, of the regulatory reports, but rather improves the efficiency of the government's information collection mechanisms by reconciling and structuring the information the private sector is required to report to the public sector. These harmonized data collection practices reduce compliance costs significantly.

While the initiative was ultimately projected to involve the all government agencies interacting with businesses, it was decided that the first stage would cover the "General Ledger" agencies, which receive taxation, financial and company reports from businesses, before proceeding to the "Trade" agencies, which receive customs and international trade reports, and which only apply to a subset of businesses.

The implementation of SBR in Australia began in 2008 and the first reporting mechanisms were available two years later. The Australian Tax Office officially estimated that Australia's SBR program saved the government and companies 1.4 billion Australian dollars in compliance costs during the 2016-17 fiscal year,<sup>6</sup> far exceeding its original six year goal of 800 million Australian dollars.<sup>7</sup>

## Standard Business Reporting in Practice

The aim of SBR is to provide a single mechanism for the business community to interact with multiple government agencies through a well-defined and shared standard. The effect of this change is that in 2018, an Australian business can now interact with three federal and eight state agencies in a single software environment. More agencies are planned to come on board in the future.

<sup>5</sup> 576m USD at a cost of \$231m USD

<sup>6</sup> [Program 1.3: Australian Business Register](#), Australian Tax Office, October 30, 2017.

<sup>7</sup> 1 billion USD saving in one year against original target of 576m USD over five years.

SBR is made possible by creating a single taxonomy for data elements requested from the business community. A data element is a single unit of information requested from a business. Examples of data elements include the date of commencement for a business, total sales in a given month or year, legal trading name, and so on. By asking for this information in a consistent fashion, it removes the need for a business to resubmit the same information in multiple ways for multiple agencies. It may seem like a small thing, but this simple harmonization in data collection drastically reduces compliance costs over the lifetime of the business.

I should emphasize here that in the Australian example, none of this required regulatory change, or a review of existing legislation. This was merely a change to government practices and the way they managed data collection in order to meet the needs of existing regulations.

## Steps for Implementation

The Organisation for Economic Co-operation and Development (OECD), an intergovernmental economic forum representing thirty-six member countries including the United States and Australia, has established a Forum on Tax Administration that identified four steps to implement SBR.<sup>8</sup>

1. Create a national taxonomy which can be used by businesses to report information to the Government (that taxonomy could encompass all data from outset or be built up gradually),
2. Use the creation of the national taxonomy to drive out unnecessary or duplicated data descriptions,
3. Enable the use of the taxonomy for financial reporting to Government and facilitate straight-through reporting for many types of reports directly from accounting and reporting software in use by business and their intermediaries, and
4. Create supporting mechanisms to make SBR efficient where they do not already exist (e.g., a single Government reporting service or portal or gateway).

In order to adopt SBR in the United States, a similar process could be followed. General ledger agencies in the United States could be identified and, with the right governance structure and representation from industry groups like the Data Coalition and vendors like Xero, work could begin on a national taxonomy where common data elements are identified and duplicate or redundant elements are eliminated. This would form the basis for which required financial reports can be defined and published.

## Implications for Xero and Other Software Vendors

The implementation of SBR in Australia reduced the barriers for software vendors like Xero, which provides cloud accounting technology to Australian businesses, to integrate securely with government systems. Xero's software allows businesses to interact with multiple government agencies and for smaller businesses to have access to an integrated regulatory reporting

<sup>8</sup> [Guidance Note: Standard Business Reporting](#), Organisation for Economic Co-operation and Development, Forum on Tax Administration: Taxpayer Services Sub-Group, July 2009, at 9.

solution. Xero does not have any particular privileges in being able to provide these tools to our customers; over 100 other software vendors have elected to provide these functions to their customers as well. However, by aligning our software to both the needs of customers and the needs of government, we are able to more effectively compete with other vendors in a way that also benefits government agencies.

## The Status of the United States

Now that we have described the Australian SBR program, let us review the current U.S. policy reforms already underway.

Under the Paperwork Reduction Act, the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs (OIRA) reviews and approves all economically-significant federal regulatory information collections. Currently OIRA does not use this authority to insist on conformity to a standardized data structure for these information collections. This Committee could explore options to extend OIRA's authority and capabilities under the law.

The current Administration appears to be interested in such solutions. For instance, in March of this year, the White House released its management agenda on modernizing government in the 21st century. I note that three of the corresponding Cross-Agency Priority (CAP) Goals in that agenda explicitly refer to reducing compliance burdens related to data collection for both business and intergovernmental reporting.

In the United States, where federal and state agencies operate at on a much larger scale, legislation may be required to compel agencies with compatible reporting requirements to work together to accomplish a reform at the scale of Australia's SBR program.

The United States, and this Committee in particular, has already accomplished such a large governmentwide data standards setting project. The Digital Accountability and Transparency Act of 2014, or DATA Act, mandated that the Treasury Department create and maintain a governmentwide data taxonomy: the DATA Act Information Model Schema (DAIMS) now governs how around 100 U.S. federal agencies report their spending activity. The DAIMS does not cover regulatory reporting, but it shows that the U.S. government is now practiced at such reforms.

Similarly, this Committee and the U.S. House have passed the Open, Public, Electronic and Necessary (OPEN) Government Data Act, as part of the Foundations for Evidence-Based Policymaking Act (H.R. 4174), which would require all federal agencies to maintain public data assets in machine-readable, semantically structured formats so that it can be "easily processed by a computer without human intervention."

Lastly, this Committee has also recently passed the Grant Reporting Efficiency and Agreements Transparency (GREAT) Act (H.R. 4887) which would require the creation of governmentwide data standards for information reported by recipients of federal grant and financial assistance awards. While none of these legislative reforms explicitly addresses federal financial regulatory

<sup>9</sup> President's Management Agenda: Modernizing Government for the 21st Century, March 2018

<sup>10</sup> See the definition for "machine-readable" on page 17, line 11 of the Foundations for Evidence-Based Policymaking Act (H.R. 4174)

reporting for U.S. organizations, they do offer examples of U.S. efforts to set governmentwide reporting standards and require machine-readable data for reporting in other domains.

However, some federal and state regulatory agencies coordinate the content and standards of the information they collect from regulated entities. The Internal Revenue Service (IRS) and state tax authorities maintain a common data structure for individual and corporate tax reporting. Yet, the mechanisms for collecting this information remain disparate.

There is a proposal before Congress to begin work on fostering a unified regulatory reporting standard for the financial regulatory agencies. The Financial Transparency Act (FTA) (H.R. 1530) represents a bipartisan legislative proposal, which would require all eight major federal financial regulators to adopt a standardized data structure for the information they collect from public companies, banks, and financial firms. With the right support in Congress, such legislation could form the genesis of SBR in the United States.

## Summary

At Xero, it's our belief that well-deployed technology has the potential to reduce the costs of government and compliance to the taxpayer. By significantly reducing the compliance burden of small businesses their capital can be redeployed to pursue income-generating activities. When the number of annual hours spent on compliance by the United States' 30 million small businesses is reduced collectively, you have the potential for a staggering amount of economic benefit and to substantially increase the competitiveness of the United States small business economy. Like a tax cut, this puts money back in the hands of small businesses, but unlike a tax cut, this also gifts them with a possibly more precious resource: time. We believe that by adopting an approach similar to the Australian SBR program, the U.S. government can realize these benefits on a far greater scale than the Australian example. Thank you for this opportunity to testify.

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*Xero Limited is a New Zealand-based accounting software company that was established in 2006. It is publically listed on the Australian Stock Exchange, and its U.S. interests are represented by its U.S. subsidiary, Xero Incorporated. As of 27 September 2018, Xero has received no funding from the U.S. government. Per Xero's last annual report, it employs over 2,000 people worldwide and over 300 Americans, and has almost 1.4 million customers worldwide. Xero's books are audited annually by Ernst & Young.*

<sup>11</sup> [What's New with Small Business?](#), U.S. Small Business Administration, August 2018

**Committee on Oversight and Government Reform  
Witness Disclosure Requirement — “Truth in Testimony”**

Pursuant to House Rule XI, clause 2(g)(5) and Committee Rule 16(a), non-governmental witnesses are required to provide the Committee with the information requested below in advance of testifying before the Committee. You may attach additional sheets if you need more space.

Name:

1. Please list any entity you are representing in your testimony before the Committee and briefly describe your relationship with each entity.					
Name of Entity	Your relationship with the entity				
Xero Limited.	Employee - Product, New Markets.				
2. Please list any federal grants or contracts (including subgrants or subcontracts) you or the entity or entities listed above have received since January 1, 2015, that are related to the subject of the hearing.					
Recipient of the grant or contact (you or entity above)	Grant or Contract Name	Agency	Program	Source	Amount
3. Please list any payments or contracts (including subcontracts) you or the entity or entities listed above have received since January 1, 2015 from a foreign government, that are related to the subject of the hearing.					
Recipient of the grant or contact (you or entity above)	Grant or Contract Name	Agency	Program	Source	Amount

I certify that the information above and attached is true and correct to the best of my knowledge.

Signature 

Date 9/24/2018

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## **Matt Vickers**

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### **Biography**

Matt Vickers is a product leader at Xero who is responsible for researching product requirements and identifying opportunities in new geographies. He joined Xero in 2009 and has been a part of its journey from 10,000 mostly New Zealand-based customers to over 1.4 million customers worldwide.

Mr Vickers represents Xero as a contributor to the Organisation for the Advancement of Structured Information Standards (OASIS), and acts as a member on their Universal Business Language (UBL) and Business Document Exchange (BDXR) technical committees, and as a chair on the Small Business UBL subcommittee. He also represents Xero as a contributor to the Business Payments Coalition, an industry and government workgroup established by the Federal Reserve Bank of Minneapolis which aims to promote the adoption of electronic payments by businesses in the United States. In 2018 he joined the board of the Data Coalition as a director.

Mr. Vickers has a Bachelor of Arts in English Literature and Philosophy from Auckland University, a Bachelor of Applied Science in Software Development from the Auckland University of Technology and Master of Arts in Creative Writing from the Victoria University of Wellington. He is based in New York.

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