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BOLERO: Promise of an end to the paper chase

The days of paper documents in the trade sector could be numbered if an electronic transmission system overcomes user reluctance.

Profile by Charles Batchelor

An electronic system for transmitting trade documents, bolero.net, has begun to attract interest from leading companies in banking and trading sectors in Europe, Japan and the US. Bolero.net, which has been in preparation for more than five years, does away with paper documents such as bills of lading, customs forms, letters of credit and insurance certificates.

According to the United Nations, 7 per cent, or \$420bn of the \$6,000bn value of international trade is swallowed up each year by the cost of administering paper-based systems.

Bolero.net is jointly owned by the TT Club, a London-based mutual insurance company owned by the transport industry, and Swift, which processes financial transfers for banks around the world. Its backers believe its appeal will be in offering a system for global document transmission unlike systems operated in particular industries, trading communities or companies. However, it will have to overcome user reluctance to switch from existing systems.

Previous attempts to launch a global system have foundered on the need for a truly independent, secure service to which users could entrust their confidential documents. This applies particularly to bills of lading, which are negotiable documents whose possession is regarded as proof of ownership.

Bolero believes that the involvement of Swift, which processes financial transfers for banks around the world, provides that guarantee. Users of the system will be required to sign up to its rulebook to ensure that electronic documents are contractually binding. The rulebook requires disputes to be resolved in the same way as those involving paper documents.

Bolero.net says the price of the service is competitive with the existing cost of sending paper documents by courier.

Organisations that have agreed to join bolero.net include National Westminster Bank of the UK; Mitsui, the Japanese trading house; and Cargill, the US commodities trading group. Mitsui plans to use bolero.net throughout its inter-national network of 900 companies in 93 countries to report monthly accounting information as well as for exchanging trade documents.

"We fully expect bolero.net, as an internet-based product, to become a de facto standard for the electronic exchange of business and trade information in the near future," Mitsui says.

Bolero

NatWest plans to combine bolero.net services with its own electronic banking system, BankLine, currently used by 40,000 customers. Bolero.net will be used to check documents of title, while BankLine will be used to issue letters of credit and make payments.

Cargill hopes to use the service throughout its Latin and Central American operations, expanding to Asia and Africa next year. "It will make shipping transactions faster and more efficient," the company says. It expects to make savings running into millions of dollars each year.

Statoil, the Norwegian state oil company, calculates it would save more than \$2m a year replacing paper letters of indemnity with electronic ones.

The letters are needed because oil shipments often arrive in port before the bill of lading. The shipments often change hands many times while at sea and it can take up to a year after the ship has unloaded to clear the paperwork.

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