



## **Australian Financial Review**

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### **Big Guns In Resources Sign Up For Bolero**

Hamersley and BHP Billiton are placing one more piece in the electronic trading puzzle. If you think inner-city parking fees are expensive, you should try the mooring charges for a 200,000-tonne vessel that transports Australian iron ore around the globe. Any delays can cost up to \$US20,000 (\$40,700) a day. This is where the big gains are to be made by e-commerce strategies that allow those buying iron to peer into the systems of those selling the ore and vice versa.

Electronic sharing of port information could, for instance, ensure vessels are loaded and dispatched on the day nominated rather than being expensively delayed. Co-operation between customers and suppliers requires customers talking to customers and those customers not getting too suspicious when their suppliers talk to suppliers. The ideal of straight-through processing in which an order is not touched by human hands until the goods are in the possession of the customer requires the co-operation of importers, exporters, financial institutions, customs agents, freight and forwarding agents, cargo shippers and others. This month two of the world's biggest iron ore producers, Rio Tinto's Hamersley Iron and BHP Billiton, and the two largest steel manufacturers, Posco and NSC are set to take another step along the way toward that ideal when they use the electronic trade network bolero.net.

Bolero, part-owned by the international banking group SWIFT, has spent the past five years and about \$US35 million refining an electronic infrastructure and building the necessary legal framework to allow paperless trading in goods across an array of industries. Unlike business-to-business market-places such as the resource industry's Quadrem, Bolero kicks in once a purchase has been confirmed.

Bolero's members include 28 of the world's 30 largest banks, five of the top 10 deep-sea carriers, three of the top five freight forwarders, and dozens of multinational corporations, including Samsung and Hitachi. The majority of these members pay a flat fee to Bolero of between \$US150,000 and \$US250,000. Most expect to see a payback in 12 months.

Hamersley Iron was approached by Posco to come on board. The iron ore producer expects the electronic trading network will deliver savings of about \$200,000 to \$300,000 a year but its principal value lies elsewhere, according to the general manager, marketing at Hamersley Iron, Mr Alan Smith. Bolero's importance increases if it is viewed as a first step in the integration of customer and supplier processes. The nine months of preparation that it took to get all the players ready to go live has also underlined the value of taking an industry standard approach.

Late last year Bolero raised \$US50 million from venture capitalists on top of the \$US20 million that had been contributed by its founders. By that stage, the network operators had already done much of the hard work. Having SWIFT as a parent helped convince 300 lawyers to work pro bono to establish the



necessary legal framework. No-one would sign up if there wasn't a dispute resolution process mapped for electronic trade, as opposed to paper-based trade. Their efforts resulted in ``the rule book'', a 20-page document signed by all Bolero members. It's a private contract, setting out rules and responsibilities in a form that Bolero is confident will sit comfortably with both national legislation and supranational conventions. (Australian Financial Review)

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