

The surprise behind the Bluedoor and what it has to do with AXA and NAB

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The Australian Competition and Consumer Commission has not published detailed reasons for opposing NAB's takeover of AXA Asia-Pacific, but on the basis of what it has said, AXA's decision to renovate its retail investment platform offer using technology called the Bluedoor Solution is the crux.

AXA was on the cusp of delivering a low-cost, full-function platform that was likely to provide "aggressive competition for investors with complex investment requirements," the ACCC said on April 21, adding that a NAB-AXA merger would remove that emerging competition.

What is not clear is how the ACCC arrived at that conclusion. Bluedoor appears not to have been consulted. Bluedoor's platform technology was developed by an Australian company that was taken over by a US information technology group, DST, in late 2008.

It's a good system. But it's also an off-the-shelf system, one of several considered by AXA after it decided in 2006 that its existing platforms could not handle the introduction of a new capital-protected investment product, North, or be re-engineered to do so at the right cost and in the right amount of time.

AXA initially concluded that about a dozen new platform technologies could underpin the roll-out of North, and it selected Bluedoor in late 2007 from a shortlist of four providers, the other three being InfoComp, Bravura and SyncSoft.

North's product suite was expanded progressively in 2008, and the decision to roll Bluedoor out across the group came about a year ago.

Bluedoor's US parent, DST, has been active in Australia for 18 years, focusing until recently on providing specialist accounting systems for fund managers, large custodians and administrators. Its key move was to acquire the Australian-developed HiPortfolio accounting system about a decade and a half ago: HiPortfolio has become a leading accounting package for funds here and in overseas markets.

But HiPortfolio is now a mature product. Bluedoor is the new growth hope, and DST and other platform technology providers see opportunities as the platforms the banks and big wealth managers developed in-house years ago reach their use-by date.

Bluedoor's technology will, however, be licensed by DST to anyone who pays for it, and DST maintains ownership of intellectual property that is produced in roll outs: innovations developed during the AXA roll out of Bluedoor will therefore be DST's property, and could be made available to other Bluedoor users.

NAB says it doesn't agree with the ACCC decision, and is considering its options, which boil down to abandoning the AXA takeover, mounting a legal challenge, or offering to sell some assets in the hope of securing ACCC approval.

And while the ACCC hasn't named AXA's Bluedoor development, it's the obvious sale candidate: nothing else fits the ACCC's description.

AXA will spend about \$40 million to roll out Bluedoor, and expects the new platform to reduce its platform operating costs by about 40 per cent.

It's a straight-through processing system - a single data entry appears at various "touch points" in the system - and it uses intelligent character recognition and optical character recognition. Automated inputs that do not conform to the norm are flagged for manual review using "exception processing" methodology, making Bluedoor significantly less people-heavy.

But the ACCC appears to be assessing Bluedoor, or wealth.net as AXA has been calling it, for what it could become, not for what it is.

Funds under management at North so far total only about \$1.2 billion, and similar capital-secure investment products have already been launched by competitors, including ING and Macquarie.

The North-Bluedoor platform also did not feature in Investment Trends's 2009 tables of the top 10 Australian platforms, which was headed overall by the Navigator platform that NAB acquired with its Aviva takeover, ahead of CBA's First-Wrap platform.

That may reflect the fact that Bluedoor is still expanding beyond the North suite of funds inside AXA. Its presence and popularity with advisers polled by Investment Trends should rise this year, as it supersedes older AXA platforms and its menu of investments expands.

Even if that occurs, however, there will still be questions. Is any edge that AXA develops defensible, given that it is not exclusive technology, for instance? And how much better, if at all, is Bluedoor than competing new systems, including the ones from InfoComp, ASX-listed Bravura and SyncSoft that AXA short-listed?

NAB may be asking itself similar questions as it considers whether to walk, fight, or offer up the new platform as a sacrifice.

The Maiden family owns NAB shares.



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