US firms tipped to lead the next wave into the west

ALAN PRYKE

Stephen Moss believes Freehills, Allens Arthur Robinson or Clayton Utz could be next for a merger with an international firm

The Americans have their eyes on a piece of the resources action

CHRIS MERRITT
LEGAL AFFAIRS EDITOR

THE man who helped bring US firm Squire, Sanders & Dempsey to Australia says four more US law firms are considering joining the rush to Perth, triggered by the booming resources trade with Asia.

Consultant Stephen Moss, who divides his time between Sydney, London and New York, said until the move by Squire Sanders, the latest wave of foreign entrants to the Australian legal market had been dominated by firms that traced their origins to Britain.

But in his view, more Americans are coming.

"Without a doubt, this will continue," he said. "I know of four US firms that are seriously looking at this market."

Mr Moss, who is a partner in consultancy Eaton Square, said it stood to reason that British-linked firms would lead the first stage of the international push into Australia because of their stronger presence in Asia.

But although this had given them a head start, the big US firms would be part of the next wave.

Several leading US firms have already small representative offices in Australia, among them Jones Day and Skadden Arps Slate Meagher & Flom.

But Mr Moss said substantial Australian practices could more readily be established by US firms because their approach to partner remuneration was generally more flexible than that of the major British firms.

Partner incomes at big US business-law firms ranged from $US400,000 ($392,000) to $US4 million but most of the British-linked international firms had variations on "lock-step" arrangements, whereby most partners earned roughly the same.

This meant Australian partners in a big US firm would easily be able to justify incomes within the range of those paid to American partners.

"Australia easily fits into that," Mr Moss said. "A hundred-point (or full equity) partner of a mid-tier firm would already be aspiring to $1m."

'I know of four US firms that are seriously looking at this market'

STEPHEN MOSS
CONSULTANT

But Australian partners would have difficulty justifying the lock-step incomes of full-equity partners at a big British-linked firm such as Linklaters, where partners earned close to £2m ($3m).

"If you become a partner of Linklaters they expect you to go to a full-equity partner and there is not much deviation from that," he said.

And while Linklaters had established a committee to examine the prospects of the Australian market, he believed that firm's lock-step arrangements meant it would not be easy to open an Australian practice.

Mr Moss's consultancy specialises in strategy and international mergers involving professional services firms.

Eaton Square also helped fund Advent Lawyers and Mr Moss is on that firm's board.

His consultancy was engaged by the former Perth partners of Minter Ellison when they wanted to break away from the big Australian firm and team up with a US or British organisation.

Minters has since established a Perth practice to replace John Poulson and more than 80 lawyers who joined Squire Sanders, a firm that traces its roots to Cleveland in Ohio but now has 36 offices in 17 countries.

The new 30-lawyer Minters office, which is a fully integrated part of the national firm, will eventually have a staff of 50.

Mr Moss predicted the next wave of entrants to the Australian market could see another Australian top-tier firm follow the example of Blake Dawson, which is joining international firm Ashurst in the first stage of what both firms hope will be a full merger.

"I think the next lot of mergers with an international firm will involve one of either Freehills, Allens Arthur Robinson or Clayton Utz," he said.

He believed it was a mistake to view the arrival of foreign law firms as evidence of the attractions of doing business in Australia: it was really evidence of a global trend in which law firms were internationalising.

"I think that is more the dynamic," he said.

"Rather than saying the American firms are coming to Australia it's best to see this as firms internationalising, and Asia is part of that and Australia is one of the legs to Asia. That is the way to see it."

As evidence of this trend, he pointed to the fact that eight months before Squire Sanders announced its Perth merger, it merged with the British firm Hammonds, gaining an additional 500 lawyers in Europe.

"I don't think firms are really interested in Australia as such but as part of Asia," Mr Moss said.

Because of Western Australia's key role in the resources trade with Asia, he believed foreign firms would continue to bypass other capitals and focus mainly on Perth.

However, he said some US firms had also begun to express interest in Brisbane, again because of the resources trade.