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Andersen, Deloitte may merge

Deal may be struck in the US as early as this week, says New York Times; unclear if layoffs will follow in Singapore

TARNISHED by the Enron scandal, the Andersen name may soon be consigned to history if merger talks with Big Five accounting rival Deloitte Touche Tohmatsu succeed. As Andersen faces possible criminal action over Enron and staff and clients jump ship, a deal could be announced as soon as this week, the New York Times (NYT) said, quoting unnamed people involved in the discussions.

The two firms employ an estimated 1,700 staff in Singapore but it is unclear whether job cuts would be in the offing if such a mega-merger materialises. For one thing, even if Andersen is sold to Deloitte in the United States, that does not mean that other Andersen operations outside the US, such as Singapore, must follow suit. 'It's possible that offices on a regional or individual country level could be talking to other Big Five firms,' said Mr Michael Lafferty, publisher of the International Accounting Bulletin.

Andersen has a sizeable presence in Singapore with 1,100 staff and 42 partners, which ranks it in the middle of the Big Five in terms of local representation. In recent years, besides auditing, Andersen Singapore has expanded aggressively in areas including government consulting, initial public offers and restructuring. Local Andersen staff acknowledge unease over the Enron fall-out but say no major clients have been lost. The talks to sell Andersen follow its role as auditor for Enron, which has become the biggest US corporate failure ever.

Andersen may be slapped with a criminal indictment over its alleged destruction of documents. Deloitte in Singapore employs more than 600 staff, according to its website, with some 30 partners - the smallest of the Big Five here. Locally, PricewaterhouseCoopers (PwC) Singapore holds top spot. It also leads the Big Five globally, but if Deloitte buys Andersen, it would come close to grabbing PwC's No 1 position, the NYT said. Andersen in Singapore had no comment on the merger talks. Managing partner of the firm here, Mr Steven Lim, said: 'Andersen is currently reviewing all of its options.'

No comment was available from Deloitte & Touche in Singapore as the managing partner, Mr Po'ad Mattar, is understood to be out of town. Yesterday, staff at Andersen Singapore put on a brave front but acknowledged in interviews with The Straits Times that the local firm was not immune from the pressure its US office was facing. Its head of audit, partner Max Loh, said: 'How can we not be affected? There are newspaper articles every day and, after all, although the US is far away, we still share the same name.'

He said clients are concerned whether 'our services will be disrupted, or whether we will be distracted by what is happening in the US'. Director Choo Eng Chuan said: 'But we are here, we will be around and we remain committed to service our clients and help them with their business issues.' While Andersen globally has lost high-profile clients such as Merck and Delta Air Lines, Mr Loh said this is not the case in Singapore. 'We are very encouraged by the support of most of the boards who are recommending our re-appointment.' He said 'to date, we have not seen any client departure as a result of Enron'. Mr Loh said some staff had been 'hurt and disappointed by what they read'. Still, staff attrition was at 'normal levels'.