

Dutch Survey

Trying to settle in after the second wave

One wave of mergers is usually sufficient for most professionals to take on, but Dutch accountants are currently digesting, their second international wave. It means that the country's top practice, Moret Ernst & Young, is the combination of five separate firms.

"Consolidation" is the key word as the three firms (Moret, Dijker Van Dien and KPMG) resulting from these domestic and international get-togethers shake out their dead wood and plan for the reshaped market. These three agree that further major merger would be not be acceptable.

Piet Wortel, chairman of Moret said: "As far as the Netherlands is concerned, I do not expect or speculate on possible future moves by colleagues in other firms. I don't know if there will be a further concentration of the big firms. That depends on international developments.

"On the other hand, the local practice with two to five partners will always have a place in the accounting profession. But

perhaps some middle-sized firms will have difficulties competing in the future."

The international merger between Ernst & Whinney and Arthur Young and the break-up of the Deloitte Haskins and Sells network has fashioned the Dutch profession over the last year. This process followed a series of takeovers of medium-sized Dutch firms by the major players in 1987 and 1988.

Moret, the largest firm since its E&Y merger in January, is still digesting its earlier acquisitions. For instance the six-partner, Nfl 10 million (US\$5.9 million) Rotterdam office of Reyn de Blaeij is a reminder that only the non-Rotterdam parts of that firm joined AY's Moret in 1987.

The January 1989 Moret merger with Brands & Wolff filled in this Rotterdam gap, though several of B&W's 26 partners have since taken retirement. Two retired in 1989 and a further five will follow this year. Moret insists this is because of age

or health and that the merger "went very smoothly."

The largest additional portion of the Nfl 600 million-plus Moret came with the merger at the beginning of the year with Ernst & Whinney's Dechesne operation. The expatriate Ernst firm had only taken over the Nfl 80 million Dechesne operation in 1988 and together handled Nfl 108 million in fees.

The cultural shock of this spate of mergers was too much for some of Dechesne's partners. One partners from each of the Alkmaar, Zaanstad and Haarlem offices did not join Moret. A Moret official said: "They were regional offices without international clients — a small business practice."

The upside for the combined Moret firm is the addition of Dechesne clients such as Albert Fisher, the Arke Reizen travel agency, Elf Aquitaine oil and Ladbroke, the UK-led bookmakers. The

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Leading Dutch accounting firms — Fee Data

Firm	International Affiliation	Fee Income DF/m	Growth Rate	Chargeable Hours	Effective Date
Moret	Ernst & Young ¹	606	50.0%	—	31/12/89
Dijker van Dien	Coopers & Lybrand	585	7.60%	n/a	31/12/89
Klynveld Kraayenhof	KPMG	531	16.50%	n/a	—
TRN Groep	Deloitte Ross Tohmatsu	373	10.0%	n/a	—
CampsObersGroep	BDO Binder	81	17.0%	—	31/12/89
Arthur Andersen	Arthur Andersen	67	20.0%	n/a	—
Paardekooper & Hoffman	Moores Rowland	65	8.5%	n/a	31/12/89
Walgemoed	Horwath	58	12.0%	666,000	31/12/89
Berk Groep	Summit International	48	12.0%	530,000	31/12/89
Price Waterhouse	Price Waterhouse	48	10.0%	n/a	30/6/89
VB Accountants Kantoor		30	7.0%	1475	—
Arenthals Chaudron	Grant Thornton International	19	—	225,000	—

¹ Includes Dechesne
— not supplied

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downside is two sets of offices in about eight of the 46 locations where the combined firm offers its services.

Moret sees little movement in its portfolio of clients and claims to audit 40 percent of Dutch banks and brokers and 60 percent of fund managers. It has also expanded into municipality — local authority — audits where it has picked up 20 clients in the last few years, including Amersfoort.

Coopers & Lybrand Dijker Van Dien rivals Moret in size and offers a more aggressive image in its pursuit of clients. It comprises three firms and is the result of a major domestic link-up in January 1989 and an international merger completed in April.

The first domestic link between the Nfl 247 million Dijker en Doornbos and Nfl 206 million Van Dien left Deloitte's Van Dien firm in charge. Van Dien picked up Dijker on the rebound from a protracted courtship in 1988 with Price Waterhouse.

Another factor forcing Dijker to merge

was a deteriorating client base with its strength in construction audits fading as the industry went into recession and major groups, such as Bredero in Utrecht, went under. Other losses came from its exit from the BDO international network and via company mergers.

Despite its size, Dijker was the weaker partner in the Dijker Van Dien combination and 13 of its partners retired last year. Its organisational structure was also less developed than Van Dien. Rumours still persist that tax partners in Groningen and other northern cities may go their own way.

With the Dijker Van Dien merger scarcely underway in 1989, talks began under US leadership between Deloitte and Touche Ross. It was not a prospect that enthused the partners of the newly enlarged Dutch Deloitte firm.

Gilles Izaboud, a senior audit partner with international responsibilities, explains how the firm linked with Coopers and Lybrand: "First we decided to get out of Deloitte International because the network was falling apart. We had always

been weak in Japan and we were losing our firm in Sweden to KPMG.

"We saw in all the hectic movements of 1989 that one of our strategies — to have a combination with another Big 8 firm — was being blocked by Deloitte in the US which meant we were trailing in number seven when we wanted to be number one, two or three and that was not possible without an international merger.

"The US was blocking a merger. But after the Ernst & Young merger we were losing our options. Then the US all of a sudden pushed a merger with Touche Ross with the suggestion being made that it was possible to maintain more Deloitte executive positions in the US than any other combination.

"Touche Ross had never been number one on our list and was not even on our list in some European countries — or if so, on the list at the bottom."

The Dutch Deloitte partners were disappointed at their subsequent treatment by US colleagues with whom they had

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Leading Dutch firms — Staff Data

Firm	Number of Offices	Change in Number of Offices	Number of Partners	Number of Professional Staff	Number of Administration Staff	Total Staff ²
Moret (E&Y) ³	58	-1	340	3450	976	4766
Coopers & Lybrand Dijker Van Dien (C&L)	49	0	261	3037	848	4146
KPMG Klynveld (KPMG)	36	+2	279	2102	762	3143
TRN Groep (TRI)	56	0	203	—	—	2985
BDO CampsObersGroep (BDO)	18	+1	43	515	128	686
Arthur Andersen (AA)	4	+1	19	333	68	420
Paardekooper & Hoffman (MR)	21	0	66	525 ¹	—	591
Walgemoed Groep (Horwath)	24	0	27	502	22	551
BerkGroep (Summit)	20	+1	23	362	35	420
Price Waterhouse (PW)	4	0	25	259	103	387
VB Accountants Kantoor	32	—	112	961	160	1233
Arenthals Chaudron (GTI)	8	—	18	110	40	150

¹ Includes administrative staff
² Including partners
³ Includes Dechesne

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previously been close. The Amsterdam office boasts 12 Dutchman who also hold US CPA qualifications. UK links are weaker and the UK decision to join Coopers did little to sway the Dutch decision.

A Deloitte/Touche link in the Netherlands had other dangers. Izaboud said: "We had always made it clear that it was impossible to merge with TRN (the Dutch Touche firm) because of the size and combination of 7,000 staff. We saw no advantage of that in the Dutch market. They have 3,000 and we have 4,000."

The firm's board of outside advisors drawn from industry also cautioned against further mergers. Senior partners from both Ernst & Young and KPMG's Dutch firms have been quoted as expressing similar sentiments.

The US-led Deloitte Ross Tohmatsu took their retribution against the former

Dutch Deloitte firm by quickly forcing the transfer to TRN of major referred audits such as General Motors, Dow Chemicals and Kimberly-Clark.

But the new combination — with the addition of Nf1 55 million in fee income from Coopers' Dutch expatriate firm — is confident of holding on to some of the old Deloitte-referred audits in tenders. This ought to blunt the international rupture that affects less than 5 percent of fees from the old Dutch Deloitte firm.

Some major mergers are underway between large Dutch banks and insurance houses and the firm hopes to take a larger slice.

One question regards the former Coopers' links with Bakker en Versteegh, a regional firm in Limburg in the south-east with 150 staff. Another priority is trimming the 60 offices across the country to about 30.

Meanwhile KPMG has been telling po-

tential clients that its mergers are well behind it and that it will take the two new giants two years to catch up. The other two firms reject this view and say they want to avoid the KPMG debacle involving the departure of much of the former Peat Marwick operation.

TRN, in fourth place in the latest Dutch league, rue their lost merger with Deloitte. The firm believed a merger was possible despite Deloitte's qualms. Piet Hoogendoorn said: "There were no Dutch regulatory or other reasons not to combine the firms. Deloitte had the impression it would be too big."

To expand its position TRN must now undertake organic growth or merge with one of the few remaining medium-sized firms. The firm claims its tax practice is performing strongly and that it has built up a 20-person environmental audit consultancy.

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Leading Dutch firms — Fee Split (%)

Firm	Audit	Tax	MAS	Other
Moret (E&Y) ¹	61	19	9	11
Dijker van Dien (C&L)	71	20	9	0
Klynveld Kraayenhof (KPMG)	61	19	13	7
TRN Groep (TRN)	64	20	13	3
CampsObersGroep (BDO)	73	21	6	0
Arthur Andersen (AA)	40	25	35	0
Walgemoed (Horwath)	66	12	22 ²	—
Paardekooper & Hoffman (MR)	50	25	15	10
Berk Groep (Summit)	60	25	15	0
Price Waterhouse (PW)	45	45	10	0
VB Accountants Kantoor	94	2	4	0
Arenthals Chaudron (GTI)	77	17	0	6

¹Includes Dechesne
²Includes other

Firms ranked by notional fee income per partner¹

Rank	Firm	Fee Income per partner DFL
1	Arthur Andersen (AA)	3,526,316
2	Dijker van Dien (C&L)	2,241,379
3	Walgemoed (Horwath)	2,148,148
4	Berk Groep (Summit)	2,067,826
5	Price Waterhouse (PW)	1,920,000
6	Klynveld Kraayenhof(KPMG)	1,903,226
7	CampsObersGroep (BDO)	1,883,721
8	TRN Groep (TRI)	1,837,438
9	Moret (E&Y) ²	1,781,471
10	Arenthals Chaudron Groep (GTI)	1,055,555
11	Paardekooper & Hoffman (MR)	990,909
12	VB Accountants Kantoor	266,410

¹Total fee income divided by total number of partners
²Includes Dechesne

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The firms: Who runs them and where to find them

Firm	Address & Telephone	Senior Contact Partner
Moret (E&Y)	Blaak 333, 3011 GB Rotterdam Tel: 31 10 4134777	Piet Wortel
Dijker Van Dien (C&L)	Fizeastraat 2, 1097 SC Amsterdam Tel: 31 20 5686666	Gilles Izebout
Klynveld Kraayenhof (KPMG)	World Trade Centre, D-Tower, 12th Floor, Strawinskylaan 1257, 1077 XX Amsterdam Tel: 31 20 5469111	Johan Steenmeijer
TRN Groep (TRN)	Admiraliteitskade 50, 3063 ED Rotterdam Tel: 31 10 4522111	Piet Hoogendoorn
BDO CampsObersGroep (BDO)	Dr Hub van Doorneweg 91, 5026 RB Tilburg Tel: 3113 686 951	Jacques van Erven
Arthur Andersen (AA)	Stadhoudersplantsoen 24, 2517 JL den Haag Tel: 31 70 3425625	Pieter Maaskant
Paardekooper & Hoffman (MR)	Calandstraat 25, 3016 CA Rotterdam Tel: 31 10 436 4944	Ton van Eindhoven
BerkGroep (Summit)	Wamberg 35, 1083 CW, Amsterdam Tel: 31 18 20 70677	AAJ Wiegerink
Price Waterhouse (PW)	Strawinskylaan 3127, 1077 ZX Amsterdam Tel: 31 20 549 8200	Ralph Palim
VB Accountants Kantoor	Nassaulaan 12, Postbus 19331, 2500 CH's Gravenhage Tel: 31 70 3738484	AGV Vergeena
Arenthals Chaudron Groep (GTI)	Postbus 71003, 1008 BA Amsterdam Tel: 31 20 426554	Ludo Griebing

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After the waves of merger activity, there is a considerable drop from fourth place to fifth and the VB Accountants Kantoor, which is concentrated in local authority auditing. It was privatised just over three years ago and is moving into the small business sector with its Accadi offshoot.

VB has taken a tough line in protecting its 96 percent share of the municipality audit sector. It is currently lobbying the ministry of finance to impose 18.5 percent valued added tax on fees levied by the semi-government audit organisations that have entered the municipality market.

VB has also had another row with Moret over its moves for municipalities. VB unsuccessfully complained two years ago about price undercutting. Its latest complaint over Moret cold-calling of municipalities won backing from the Dutch audit institute NIVRA.

Felix Gruyters VB's company secretary, said: "The rules don't allow a firm to offer a service without any cause. You can't just walk up to potential clients. They wrote to several of our clients. NIVRA was very clear that Moret did not act in line with its guidance. It tells firms they have to be careful."

VB retains close ties with KPMG but has talked to Moore Stephens in the UK about international links. It remains unclear of its overseas strategy, although a pilot audit project is planned at the Ostend council in Belgium.

The rest of the medium-sized firms, including the Dutch arms of Arthur Andersen and Price Waterhouse, remain. Andersen is large enough to compete on management consulting with the four big players and against the non-accountant consultancies. Based on fees, consulting represents 40 percent of the firm.

On the regulatory side, few changes are expected to the Dutch scene. The large firms say that despite their size, their tight control prevents any conflict of interest.

The current European Commission study into competition or a major domestic scandal could, of course, change this rosy picture.

Government attempts to introduce compulsory fraud reporting by firms are being resisted despite the conviction of a former auditor. A recent leakage of hidden reserve data by central bank auditors has emphasised the dangers of breaching client/auditor confidentiality.

The campaigns of crusading financial investigator Dr Pieter Lakeman have ended, though the public prosecutor unsuccessfully took up one accounting disclosure case through the courts. Indemnity insurance rates are in decline confirming this relatively scandal-free picture of the Dutch audit scene.

Advertising has come and gone following a 1988 liberalisation, though the two new combinations both advertised their latest firm names. Moret spent N£1 500,000 on its newspaper campaign.

— Nigel Tutt, Brussels

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