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Report shows big law firms' fees under scrutiny

A new report holds some unwelcome news for big law firms as companies and government agencies look for ways to save on legal costs.

A study by the Corporate Lawyers Association of New Zealand (CLANZ) and the Australian Corporate Lawyers Association (ACLA), the *ACLA/CLANZ Legal Department Benchmarking Report 2010*, involved research with more than 150 companies and government agencies that together spend more than \$2 billion on legal costs annually.

More than half the New Zealand respondents (55%) reported pressures to reduce legal department costs, with 22% reporting significant or very significant pressures. In Australia, there was a higher level of pressure to reduce legal department costs (63%) with 42% reporting more significant pressure.

The research shows demands on New Zealand respondents to reduce law firm costs show 61% saying they were under pressure to reduce costs and 25% saying they were facing significant or very significant pressures. In Australia

84% reported demands to reduce law firm costs and 47% said they were under significant or very significant pressure to curb law firm expenditure.

CLANZ chief executive Helen Mackay said the findings contained some unwelcome news.

"None of the respondents, who together spend more than \$2 billion on total legal costs, expect significantly to increase their use of big firms," she said.

"Although most anticipate no material change, in their drive to cut costs as many as 30% expect to reduce their use of national full service firms over the next two years."

The report's findings were presented at seminars in Wellington and Auckland recently.

Information from Statistics New Zealand's latest Producers Price Index shows that fees for personal and corporate legal services dropped slightly (0.1%) in the quarter to 30 June 2010 – meaning a fall in overall New Zealand lawyers' fees in that period. Fees rose by 2.0% in the year ended 30 June 2010.