

LEGAL

Reed Smith courts top talent as it trains sights on expansion in Asia

A UK law firm is in the process of rebuilding its Asian admiralty empire in the wake of a mass exodus led by former partners who jumped ship to open a rival practice in Hong Kong earlier this year.

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Market insiders are reeling amid rumours that Reed Smith's maritime unit is courting top talent in a bid to expand its 10-man team in China and may be looking to open a new outpost in Singapore as it races to re-establish dominance in a region where some fear it is losing ground.

The leaders of the group's shipping practice in an interview with TradeWinds played down the impact of a 50-person resignation, which followed hot on the heels of its merger with Richards Butler, but did not hesitate to make their ongoing interest in Asia crystal clear.

GATEWAY TO CHINA

"Hong Kong is a very important office for us and an area where we intend to grow as it's a gateway into the Chinese market," said Nick Shaw, a partner who serves as global head of Reed Smith's admiralty group from a base located in London's prestigious Broadgate Tower.

"We have wet capability out there and we are looking to add further dry capability doing club work in Hong Kong in the near future. There is no secret that Singapore is becoming more important in the Far East as well, and that is certainly an area being looked at very carefully too."

Shaw says business has been booming since the collapse of Lehman Brothers in 2008 when Reed Smith's litigators went from "being busy" to "phenomenally busy", particularly on the ship-finance side of the business, which is the key driver of its growth initiative in the UK and abroad.

"Post-Lehman, traditional ship-

finance banks became much more reticent about investing in markets that dropped 95% overnight, markets like dry bulk, so traditional players are less keen to invest in shipping but now we are seeing new entrants," he explained.

"Distressed funds, venture-capital funds — they have started investing in shipping and now that the sale-and-purchase [S&P] market is at the bottom, or somewhere near the bottom, we are seeing people interested in buying entire fleets, so we expect a good deal flow there."



► **NICK SHAW:** 'I don't think insolvency lawyers will be redundant for a few years yet.'

Photo: REED SMITH

Shaw says energy companies, commodities traders and startups are becoming increasingly active on the S&P front where the LNG and offshore segments are the flavour of the day, while many pure-play shipowners are focussing on financial and strategic restructurings.

"I don't think the insolvency and restructuring lawyers will be redundant for a few years yet," he joked. "TradeWinds had identified

LNG and offshore as areas that demanded separate [editorial] sections some time ago and it's fair to say this is something we have followed as well."

While Shaw doesn't hold a crystal ball, the veteran attorney believes charter disputes and case work related to the renegotiation of newbuilding contracts will continue to keep many of Reed Smith's maritime lawyers busy in years to come, in addition to projects related to finance.

"We are starting to see a lot of shipyard disputes because yard contracts written in 2007 and 2008, when vessel prices were at their highest, delivery on those are coming up this year, next year and in 2014 and clearly a lot of buyers don't want to take delivery of those vessels — they want to wriggle as much as they can and try to get out of them."

BROAD CLIENT BASE

Reed Smith's clients include banks, shipowners, managers, charterers, traders, energy companies, protection-and-indemnity (P&I) clubs and hull and machinery underwriters across a broad range of jurisdictions — even in areas where it doesn't boast a physical presence.

Richard Gunn, one of nearly 100 shipping lawyers spread across offices in London, Paris, Piraeus, Dubai, New York, Washington and Hong Kong, says size has enhanced Reed Smith's ability to respond to the needs of clients across a variety of jurisdictions and has become one of its core strengths.

Not all agree, however. When dozens of Hong Kong staffers left to join Howse Williams Bowers, one of two maritime attorneys who helped co-found the fledgling rival, Chris Howse, said size had



► **BROADGATE TOWER:** Home to Reed Smith at 20 Primrose Street, London EC2.

Photo: WIKIMEDIA COMMONS

become one of his former employer's greatest weaknesses due to inverse economy of scale.

"We are well established, everybody knows us," Gunn said when asked about size. "We didn't fragment, which is what a lot of our competitors said would happen post-merger. On the contrary, we have expanded and our client base

is broader and deeper than before the downturn. "One of the advantages [of size] is it enables us to touch markets that we previously haven't been able to touch. When one looks at trade work in our energy and natural-resources group, clients in areas like these have comfort in that the sun never sets on the Reed Smith empire."

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Environmental issues at forefront of casualty work



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Photo: REED SMITH

Richard Gunn, a partner and former merchant mariner who heads up the firm's casualty unit, has been active in countless high-profile cases including one involving the 52,300-dwt bulker *Ocean Breeze* (built 2006), which remains grounded off the coast of Chile.

"Here we are working with the salvors [Nippon Salvage and Ultratug] in what is a rather difficult salvage operation," he said. "In a case like these we don't interfere with the experts on site but we help alleviate some of the administrative burden when things need to be done."

"On a multi-jurisdictional basis with questions about legislation or advice on rights, obligations and duties to others we provide them with prompt and efficient answers so then they can take operational decisions on the back of sound legal advice."

Like most modern casualties, Gunn says environmental issues have taken centre stage and are particularly pertinent to the salvage effort as the vessel, which is controlled by Montreal-based shipowner Fednav, is trapped a few hundred metres off a sandy beach.

"The local authorities, understandably, are very concerned about pollution," he continued. "The problem is that it's always a question of weighing up evils. On the one hand there is a greater evil if the ship isn't salvaged and ultimately breaks up and spills all of her cargo and oil into the surrounding sea."

"But does that justify causing some lesser damage perhaps by jettisoning cargo into the local water? The situation gives rise to a divergence in views. To manage and persuade the parties of the best way forward can sometimes be a struggle."

Gunn says shallow-draught vessels are still in the process of removing bunkers and cargo but admits the process has been slow as legislative hurdles and foul weather have hampered efforts to refloat the stricken bulker and fears breaking-up continues to be a real threat.

"We are at that point where salvors are rapidly running out of options and the best step forward is under investigation right now," he added. "Our job is to ensure that everyone operates within local and international law and knows what can and cannot be done."