

# NEGOTIATION: Session plan

Time: 75 mins

## Aim of Session

Participants will improve their negotiation skills when dealing with air-cargo carriers and understand the importance of entering into negotiations with as much information and planning as possible.

## Objectives of Session

- To be aware of how negotiations will differ depending on the context
- To be aware of key questions to ask at key stages
- To understand which documents to ask for at each stage
- To understand the importance of entering into negotiations in a spirit of cooperation

## Key Messages

- Negotiations should not be confrontational
- The aim of the EthicalCargo project is transforming behavior of air cargo operators
- Those involved in negotiations need to be well informed and clear on their needs
- Ethical criteria should be clearly stated at all stages of negotiation

## Resources

Computer and projector. Slide presentation “PRES-Negotiation”

## Preparation

Check which agencies are represented by the participants

## Handouts

- Sample Ethical Transport Procurement Policy
- Evaluation forms
- Exercise instructions
- Regret letter – <http://log.logcluster.org/response/procurement/LOG-2-3-PROCUREMENT-SAMPLE-Regret%20Letter-WV.pdf>
- Carrier's responsibilities [http://log.logcluster.org/operational-environment/air-operations/LOG-4-3-AIR OPERATIONS-Carriers responsibilities.doc](http://log.logcluster.org/operational-environment/air-operations/LOG-4-3-AIR%20OPERATIONS-Carriers%20responsibilities.doc)
- Contracting tips and basic inclusions  
<http://log.logcluster.org/response/procurement/LOG-2-3-PROCUREMENT-GUIDE-Contracting%20tips%20and%20basic%20inclusions.pdf>

## Time summary

<b>Activity</b>	<b>Time (mins)</b>
ACTIVITY 1: Introduction to the session	5'
ACTIVITY 2: Negotiation context and phases	30'
ACTIVITY 3: Role play exercise	35
ACTIVITY 3: Wrap-up and questions	5'
	<b>75'</b>

## Activity details

<b>ACTIVITY 1: Introduction</b>	<b>5'</b>
<p>Slides 1-2</p> <ul style="list-style-type: none"> <li>• Coordinate with host to determine who will introduce the session and what they will say.</li> <li>• Introduce yourself and the objectives of the session</li> </ul>	
<b>ACTIVITY 2: Negotiation context and phases</b>	<b>30'</b>
<p>Slides 3-11</p> <p>Go through the slides. Most likely participants will have had some experience of air cargo procurement, so encourage them to share their experiences.</p>	
<b>ACTIVITY 3: Role play exercise</b>	<b>35'</b>
<p>Slide 12</p> <p>Explain the exercise once, then hand out the instructions. Ask a participant to read the instructions out loud and another to summarize them.</p> <p>Then distribute other handouts from the LOG.</p> <p>Allow 5 minutes for writing the questions, 3 for answering them and another 3-5 minutes for preparation for the role play.</p> <p>Allow 3-5 minutes for each role play and 5 minutes of discussion after each one.</p>	
<b>ACTIVITY 4: Questions and wrap-up</b>	<b>5'</b>
<p>Slides 13-14</p> <p>Show end slides and ask if anyone has any questions or comments</p> <ul style="list-style-type: none"> <li>• Ask if the issues addressed in the presentation remind the</li> </ul>	

participants of any incidents or anecdotes drawn from their experience in the field

**NOTE: When wrapping up the presentation don't forget to make sure all handouts have been handed out, evaluation forms have been completed, the participant contacts sheet has been filled in and you have given details on how you can be contacted.**

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# Negotiation

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**ETHICAL CARGO**

## EthicalCargo project NEGOTIATION



EUROPEAN COMMISSION  
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# Slide 1: Welcome

*NOTE: Confirm with the host (if there is one) if they will make a welcome speech first. If they do then say “Thank you XXX for your introduction.”*

Good morning/afternoon. My name is XXX and I am part of the EthicalCargo team, working on XXX. My background is XXX and I've been with the EthicalCargo project since XXX.

This session is titled “Negotiation”. It's aim is to provide participants with some tips and tools for negotiating with air cargo service providers.



## Objectives

- To be aware of how negotiations will differ depending on the context
- To be aware of key questions to ask at key stages
- To understand which documents to ask for at each stage
- To understand the importance of entering into negotiations in a spirit of cooperation

## Slide 2: Objectives

The objectives of the session are for participants:

- To be aware of how negotiations will differ depending on the context
- To be aware of key questions to ask at key stages
- To understand which documents to ask for at each stage
- To understand the importance of entering into negotiations in a spirit of cooperation





## Negotiation context



## Slide 3: Negotiation context (1)

The context for negotiation varies a great deal. The scale of the need...

*NOTE: This is a picture of an Airbus Beluga, the second biggest cargo plane in the world (after the Antonov 225), but definitely the oddest looking.*



## Negotiation context



## Slide 4: Negotiation context (2)

...and the types of aircraft available are just two factors that will determine how to approach a negotiation in terms of expectations and requirements.

*NOTE: In remote locations the kind of aircrafts available may well be old (though not as old as this one.) such as Buffalos or old Russian cargo planes.*

*“Traian Vuia (Romanian pronunciation: [traˈjan ˈvuja]; August 17, 1872 - September 3, 1950) was a Romanian inventor and aviation pioneer who designed, built and flew an early aircraft. His first flight traveled about 12 m (40 feet) at Montesson, France on March 18, 1906. This was the first well-documented takeoff and landing on a level surface by an engine-driven monoplane with a wheeled undercarriage.” (Wikipedia - [http://en.wikipedia.org/wiki/Traian\\_Vuia](http://en.wikipedia.org/wiki/Traian_Vuia))*



## Negotiation context

- Short-term emergency procurement
- Short-term non-emergency procurement
- Long-term framework agreements



## Slide 5: Negotiation context (3)

The needs of the client, the size of the air cargo operator, the use of a broker or freight -forwarder and the technical experience of the client will all have an impact on how the negotiations will unfold.

We consider three main contexts for negotiation:

- Short-term emergency procurement – charters of planes in the field, charters of planes from regional HQs, emergency charters through brokers
- Short-term non-emergency procurement
- Long-term framework agreements globally, regionally or in-country (particularly for disaster preparedness) – long-term partnerships with brokers, freight forwarders or cargo operators themselves

The larger or more “professional” the company, the more you should expect from them in terms of being able to meet your organisation's requirements.

*NOTE: This is a good time to ask participants what contexts they have procured air cargo services in and what challenges they found.*

If negotiating with smaller companies in the field, particularly in a conflict environment, the likelihood of receiving offers from air cargo operators involved in destabilizing commodity flows is very high. It is important to be aware of this risk and to understand that such operators may well not respond kindly to investigative questions. Use common sense and always standardise questions as part of a formal procurement process and make it clear that you are following organizational policy.

It is important for head-quarters to provide field staff with “policy backup” - clear statements of what an organisation deems to be ethical or unethical.

It is important to remember that the EthicalCargo project is not about black-listing or white-listing, it is about transforming behaviour. Therefore the point of an ethical procurement policy is not simply to block out suspect air cargo operators, but also to make the air cargo business world pay attention to a consumer market for air cargo services that can adhere to high ethical standards, making it an incentive for a company NOT to participate in unethical practices.



## Non-confrontational!



## Slide 6: Non-confrontational!

When negotiating – whether with a small cargo operator in the field in Africa or a large broker in Europe – do not be confrontational. You are not trying to “catch them out” but determine which supplier can provide you with the right services at the right time in the right place.

This is particularly important in the field for the reasons we have just discussed.

You need above all to be clear as to what your needs are and do this before approaching a supplier. This will avoid misunderstandings and ensure that the supplier is able to provide the appropriate form of transport for what you need to move from A to B for a price that is reasonable.





## Follow organizational procedures

- This training is intended to complement, not replace, organizations' procedures
- Changes to terms and conditions need approval
- Check with the donor about their approach to ethical procurement



## Slide 7: Follow organisational procedures

- This training is intended to complement, not replace, organisations' procedures
- Changes to organisational terms and conditions will most likely need to be approved by senior staff.
- Check with the donor about their approach to ethical procurement. Some donors make it clear that they expect high ethical standards in transport procurement, others are less clear. Determine what the conditions are for justification of supplier selection and be clear on your organisation's own line on this



## Key stages in negotiation

- Preparation phase
- Negotiation phase
- Post-negotiation phase

## Slide 8: Key stages in negotiation

There are three main phases in negotiation:

- Preparation phase
- Negotiation phase
- Post-negotiation phase



## Preparation phase

- Use a due diligence clause if time is limited.
- When creating a list of potential suppliers (inc. brokers and freight forwarders) include ethical transport criteria.
- Create a list of questions based on feedback to ethical criteria.
- Open tender documentation should include the organizations' ethical procurement policy



## Slide 9: Preparation phase

In general, planning is the key to success. Be clear about what specifics you want to negotiate about. Make sure you are negotiating with the right people who can in fact commit the organisation with which you are negotiating.

Set out an agenda and build a rapport with your counterpart using phone calls, faxes, e-mails, and even informal meetings beforehand. Pick a mutually agreeable time and venue for the negotiations. Most importantly, get as much information as you can about the individual, the company and the company's track record.

- Use a due diligence clause if time is limited that allows for checks to be made after the shipment has been carried out
- Prepare all the relevant questions that are required to be asked in the tender process

*NOTE: covered in the Documentation training module*

- Make suppliers aware at all stages of the tender process that your organisation has an Ethical Transport Procurement Policy

*NOTE: covered in the Documentation training module*

- Analyse tender submissions according to ethical criteria

*NOTE: A Risk Assessment Matrix is provided as part of the Documentation training module*

- Draw up a list of questions based on ethical criteria in addition to the usual questions your organisation asks, including:
  - Are your aircraft used for the transportation of arms?
  - Have your aircraft ever been used for the transportation of arms?
  - Where have your aircraft operated?
  - Have your aircraft been re-registered recently?

Such questions help to inform a risk assessment. The legal carriage of arms does not, of course, automatically mean involvement in trafficking.

*NOTE: This is covered in more detail in the Documentation training module.*

*NOTE: Allow discussion on the different challenges in these situations. Be sure to emphasize that the humanitarian imperative is paramount and on some situations there is no choice – refer to other training modules.*

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## Negotiation phase

- If not an open tender, direct price quote should include ethical transportation conditions.
- Questions that were developed in the preparation phase should be provided in advance to allow time to respond.
- When entering into detailed discussion:
  - Emphasize importance of ethical procurement
  - Discuss any divergences. Note refusals to provide info.
  - When satisfied with responses, move to “agreeing the details”

# Slide 10: Negotiation phase

Negotiation has two phases – conceptualisation of the agreement and then agreeing on details.

In the air transport industry you get what you pay for. Be very wary of offers which are significantly below market norms.

## **Conceptualization**

Be clear about what you should and should not be prepared to compromise. The aim is to reach an agreement which is even-handed and fair to both parties. You need a service provider who meets your ethical criteria and provides the service you want, when and where you want it for a reasonable price.

- If not an open tender, direct price quote should include ethical transportation conditions.
- Questions that were developed in the preparation phase should be provided in advance to allow time to respond.

When entering into detailed discussion:

- Emphasize importance of ethical procurement before discussing prices.
- Discuss any divergences. Note refusals to provide info.
- Ask for company to suggest who they might demonstrate their commitment to ethical transportation.

Make a final assessment according to ethical criteria based on the suppliers' feedback

*NOTE: A Risk Assessment Matrix is provided as part of the Documentation training module*

- If the responses are deemed satisfactory to your organization, proceed to other issues of negotiation, such as price, quantities, location and other factors - "agreeing the details".

## **Agreeing the Details**

This phase sees the completion of the agreement. Here you need to be sure that your Request for Quotation is fulfilled and the technical solution is workable. The fine detail about how many flights are needed, who pays for what in terms of ground handling charges, fuel, crew accommodation and

transport, etc. Where possible, avoid open-ended costs as these can escalate; brokers and freight forwarders usually get paid a fixed percentage of contract value and they look to enhancing this income on the marginal costs. This phase is where expectations of both sides are clarified and finalised.

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## Post-negotiation phase

- **If sensitive, you do not need to give a detailed reason for rejection of a bid**
- Draw attention to the ethical procurement policy
- Emphasize that your organization prefers to do business with companies who have high ethical standards
- Agree on action to be taken to improve standards



# Slide 11: Post-negotiation phase

If sensitive, you do not need to give a detailed reasons for rejection of a bid.

*NOTE: Handout sample “Regret Letter” from the Logistics Operational Guide.*

Whilst transparency and openness are aspirations we all uphold, in some circumstances it may be wiser to find a convenient reason for rejection. It is good policy not to state a reason unless asked for one. Do not debate the reasons for rejection of a bid – you are in control. If asked, then price or change in requirement are always convenient reasons to use against which there is little valid argument.

Justification for an auditor/donor is also a concern. In general when a company shows a high risk of being involved in destabilizing commodity flows they will normally perform poorly on other requirements such as safety records, being able to give satisfactory answers to concerns about company solvency or insurance, meeting environmental standards etc.

When the only reason is suspicion of involvement in trafficking, this can usually be backed up by references to open-source information should a donor or auditor require this. Use EthicalCargo's services to get the information necessary to make an informed decision.

The contract or Service Level Agreement should include:

- A covering letter drawing attention to ethical transportation conditions
- The ethical transportation conditions themselves
- Emphasize that your organization prefers to do business with companies who have high ethical standards – this does not just mean trafficking, but transparent business practices, environmental awareness etc.
- Agree on action to be taken by the company on any areas where they need to improve their performance



## Activity - role play

There are four roles in two different contexts.

Context 1 – final round of selection of a European broker

- Role (a): HQ logistician (client)
- Role (b): Large air charter broker representative (supplier)

Context 2 - final round of selection of an air cargo operator

- Role (c): Field logistician
- Role (d): Air cargo operator representative (supplier)



# Slide 12: Exercise

We will deal with some of the issues raised in an exercise.

## ACTIVITY

*NOTE: Participants should already have a copy of the sample Ethical Transport Procurement Policy from a previous training session. Check if all participants have a copy with them now. If not, distribute now as it will be used as a reference in the role play.*

*Also distribute the other handouts from the Logistics Operational Guide to be used for reference.*

There are four roles in two different contexts.

Context 1 – final round of selection of a broker to provide air chartering services on a long-term agreement. Three brokers are left, all based in a capital city of a European country.

- Role (a): HQ logistician (client)
- Role (b): Large air charter broker representative (supplier)

Context 2 - final round of selection of an air cargo operator to make a one-off delivery of non-food items in a country where a peace deal is about to be struck between the government and rebel forces. There are only three possible operators in the area, so all three have made the final round.

- Role (c): Field logistician
- Role (d): Air cargo operator (runs two small Antonovs) representative (supplier)

*NOTE: Only 2 actual role plays will take place. If there are, say, 16 participants, divide them up into 4 groups, each group taking a role and nominating one person from their group to perform the verbal part of the role play. The rest of the group should consider themselves as the team behind the client or supplier.*

The client groups should take a few minutes to come up with three key questions for their supplier that are based on “ethical criteria”.

While doing this the supplier groups should develop some background to their company and agree their “attitude”.



The clients hand over the questions to the suppliers, who have a few minutes to provide a written response.

Both groups then have a couple of minutes to consider the follow-up, which is a face-to-face meeting as the suppliers are in the final round of selection.

All participants gather back into one group so that they can watch both role plays in action.

Then the two role players in Context 1 will have a 3 minute face-to-face follow-up on the written response. The meeting has been requested by the HQ logistician and is being held in his/her agency office.

Lead a short group discussion of the positives and negatives.

Then the two role players in Context 2 will have a 3 minute face-to-face follow-up on the written response. The meeting has been requested by the field logistician and is being held in the air operator's office.

Lead a short group discussion of the positives and negatives.

*NOTE: Handout activity instructions and get one participant to read out the instructions and another to summarise them after being read out. Further details for the individual roles can be developed in advance if so wished.*

Key things to think about when leading the group discussions:

- The concept of “transformative behaviour”
- Being “polite but firm”
- The importance of being clear about demands
- The importance of being well-prepared in terms of information, particularly on policy issues

*NOTE: Write down useful points on a flip-chart and include these in the training report.*

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## Summary

- Agency staff should not put themselves in confrontational situations with air transport suppliers
- Companies may provide false documentation
- Contact EthicalCargo for support



# Slide 13: Summary

- Agency staff should not put themselves in confrontational situations with air transport suppliers under any circumstances. As the buyer you decide with whom you wish to trade. Be polite but firm.
- Companies may provide false or incomplete documentation.

*NOTE: See the Documentation training module for more on this.*

- Contact EthicalCargo for support.



## Questions?

**Contact:**

NAME OF PRESENTER: xxx@sipri.org



# Slide 14: Questions?

Please take a minute to complete the anonymous training evaluation forms.  
We appreciate your honest responses in order to make sure the training is the best it can be.

Thank-you. Contact: XXX XXX@SIPRI.org