

**TEAM CODE: 16**

**5<sup>TH</sup> HSF-NLUD NEGOTIATION COMPETITION 2018**

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PRELIMINARY ROUND I

**THE RUB OF THE GREEN WHEEL**

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*Negotiations Between*

**GREENWHEELS LTD. (“GREENWHEELS”)**  
HONG KONG

&

**PIONEER MOTORS LTD. (“PIONEER”)**  
UNITED KINGDOM

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*Negotiation Plan for*

**GREENWHEELS**

## OBJECTIVES

- A. Immediately address issue of catalytic converters and ensure entire fleet is ready before May 2020. Decide proportion of division of liability of replacement cost of converts.
- B. Potential modifications in the Supply Agreement to provide for better utilization of upcoming business opportunity at the Tokyo Olympics in light of faulty converters.
- C. Understanding the root cause of the failure of catalytic converters to assess future roadmap between GreenWheels and Pioneer. Make a plan for similar contingencies and recommend better internal management at Pioneer.

## NEEDS

### GREENWHEELS

1. To ensure the full size of the fleet is ready and repaired before May 2020.
2. To avoid any controversy about poor emissions and maintain clean image as a green operator to retain customer base and tax benefits.
3. Re-Negotiate the Supply Agreement to either make terms more attractive or get new vendors on board to reduce dependency on Pioneer. Better attribute product liability and incorporate indemnity clause.

### PIONEER (*likely*)

1. Retain GreenWheels as a client and ensure it meets obligation of purchase of additional 150 vehicles.
2. Ensure healthy cash flow by charging full price of replacement converters to GreenWheels.
3. Ensure no third party is authorized to carry out repairs to maintain secrecy over patented technology and protect IPR. Additionally, retain a future business expansion opportunity in repairs.

## STRENGTHS & WEAKNESS

### *Strengths*

### GREENWHEELS

### *Weakness*

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| <ol style="list-style-type: none"><li>1. Generates over 10 Million Dollars annually in revenue for Pioneer, about 25% of its valuation.</li><li>2. Enjoys exclusive purchase clause in all jurisdictions for CarbonFree technology.</li><li>3. Legally can exit the contract and sue for damages on account of gross material defects while Pioneer can not afford to lose such a lucrative contract.</li><li>4. Has potential ability to buy stake in Pioneer to regulate its internal workings</li></ol> | <ol style="list-style-type: none"><li>1. Lack of existing alternate vendor who can supply a product as efficient in emissions as Pioneer. High cost of developing new vendors in small time.</li><li>2. Legal Obligation to get repairs done from Pioneer. Huge cost of replacement.</li><li>3. Acute shortage of time and huge risk to business if timely resolution not reached.</li><li>4. Huge PR and image fallout for dropping Pioneer.</li></ol> |
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## PIONEER

### *Strengths*

1. Patented CarbonFree technology is the bedrock of GreenWheels' present and future business model and there exists no perfect replacement of the product.
2. GreenWheels is legally obliged to purchase additional 150 vehicles and get all repairs from Pioneer.
3. No legal duty to replace converters due to Expiry of 2 years from purchase date.

### *Weakness (likely)*

1. High financial dependence on Pioneer due the exclusivity clause and huge financial value of contract.
2. Lack of Adequate infrastructure to timely repair the entire Tokyo Fleet.
3. Potential Future problems caused by other installed catalytic converters.

## CONFLICTING INTERESTS

Price of the replacement converters and determination of the party liable for replacement costs (A). Fear of future possibility of default of other converters (B). Inability to carry out repair work in the stipulated period (C).

## VIABLE AND CONCILIATORY OPTIONS

- A. GreenWheel pays lump sum amount in advance to provide capital for additional repair infrastructure and said amount is adjusted against future purchase of cars. In exchange of this interest free influx of funds, Pioneer provides free replacement of converters.
- B. Investing to purchase a stake in Pioneer at a very reasonable valuation using soon to expire Supply contract and growing future of electric cars as leverage.
- C. Using HSBC fund to finance the replacement converters at a lower price provided Pioneer indemnifies for any such defect that arises in future.
- D. Permitting full or part outsourcing of repair to third party vendors while continuing exclusivity clause for purchase. AutoTech can easily be used to repair the 125 cars that Pioneer will be unable to repair before Tokyo Olympics.

## BATNA

### GREENWHEELS

Using HSBC credit facility to finance the repairs at the cost specified in Schedule to Supply Agreement.

### PIONEER (*likely*)

Provide new catalytic converters at a discounted price to maintain commercial relationship.

## WATNA

### GREENWHEELS

Investing in new relationship with AutoTech to provide converters. Sue for material defects to justify violation of exclusivity clause.

### PIONEER (*likely*)

Sue for specific performance of the contract and explore to provide converter technology to rivals of GreenWheels in Asian markets.

END.