

NLU DELHI – HSF INTERNATIONAL NEGOTIATION COMPETITION 2018

National Law University, Delhi

TEAM CODE: 23

NEGOTIATION PLAN FOR: AIRCOACH PLC

IN THE MATTER OF:

AIRCOACH PLC (“AIRCOACH”)

&

HIGH DRONES INC. (“HIGH DRONES”)

Strengths and Weaknesses of Parties

Strengths of AirCoach

- Pre-existing Networks: AirCoach is a public listed company which has established itself as a key player in the aeronautical products market globally. Its client base comprises of the biggest players in the aeronautical market.
- Industry Expertise: Through its many years of manufacturing and selling, AirCoach has gained industry expertise and has developed world class factories for manufacturing, selling and testing products.
- Capital and Securities: AirCoach is valued at around US\$ 700 million, and has sufficient assets to provide securities for loans taken for production or R&D.
- Right to appoint Chairman: According to the SHA, AirCoach has the right to appoint the Chairman of the Board of Directors for AC Hailicopter Ltd. (AHL).

Weaknesses of AirCoach

- Lack of IPR: AirCoach does not possess the Intellectual Property rights over the revolutionary technology used to make Hailicopter.
- Inability to develop new technology: AirCoach does not have a team of people which can develop the software required for Hailicopter and to put it into commercial use such as 'auto-piloting' mechanisms et al.
- Investor Pressure: AirCoach, being a public listed company, has to ensure that its investors agree with all its commercial developments. Moreover, any significant purchase that the company makes has to be made public knowledge.

Strengths of High Drones (Perceived)

- Intellectual Property and Patents: High Drones has developed the Hailicopter technology by itself and hence owns complete control over its licensing and intellectual property. No one can use the technology for a commercial purpose without High Drones' prior permission.
- Highly Qualified Team: High Drones has a highly qualified team of engineers, proficient in innovating, and is led by a group of engineers itself. It also has the support and guidance of industry leader, Pratt & Martin.

Weaknesses of High Drones (Perceived)

- Lack of Capital: High Drones is a small company with limited resources and assets. It is unable to invest as much capital in AHL as is proportionate to its share.
- Industry Inexperience: High Drones is a relatively new company in the aeronautical products market and hence does not command a lot of respect in the market. It neither has a lot of networks nor successful deals/products to inspire confidence in the other players.

Interests and Objectives of AirCoach

1. Higher Shareholding: AirCoach intends to have a higher shareholding in AHL. This will allow it to invest more in AHL, which will enable AHL to develop and integrate the Hailicopter technologies to suit the market requirements better.
2. Control over the Board: AirCoach wishes to have more representatives in the Board of Directors of AHL, to increase its decision-making power in the company and resolve any policy deadlocks in its favour. 4
3. Amendment of the SHA: AirCoach's interest lies in preventing the leak of the Hailicopter technology information and hence wants to introduce non-compete and non-solicit provisions for AHL employees. Further, it wishes to introduce restrictions on sale of shares to certain individuals and organisations.
4. Disclosure of Romper Contract: In light of the agreement AirCoach entered into with Romper GmbH, AirCoach wishes to disclose the details of the contract to High Drones and bring it on the same page to avoid unnecessary expenses and delays.
5. Expedited Modification: AirCoach needs AHL to start earning profits at the earliest and hence needs the Interline deal to materialise. Its interest lies in an agreement between AHL and Interline, for which it will be willing to provide the required capital.
6. Change AHL Policy: AirCoach needs to change AHL's policy to suit its own interests, instead of its competitors' interests. This will require the company to work on incorporating the software of Hailicopter to work as an 'auto-piloting' technology.
7. Stringent IP policy: AirCoach needs to ensure that the technologies that AHL develops are not given to competing companies, such as Pratt & Martin. To avoid this leaking of information, it needs to make AHL's patent rules and IP policy more stringent.

BATNA & WATNA

BATNA for AirCoach

- Ensure that AHL is able to land the deal with Interline for the 500 air taxis and help AHL raise the capital required for the requisite modifications, without any transfer of shares.

WATNA for AirCoach

- High Drones may sell part of its share to a competing firm in order to raise the capital required for the Interline deal.

Negotiation Strategy

It is in the interest of both the parties to raise the capital required for the Interline deal by themselves, without any external funding, since this will protect their ownership rights. AirCoach will offer to buy 25% shares of AHL from High Drones in return of higher investment into AHL as High Drones is in no position to invest enough capital by itself. It

will also try to introduce amendments into the SHA and will disclose the details of the Romper contract.