

Contract Negotiations



❖ Objectives

‘In a negotiation, interested parties to the contract typically share an overall objective but **disagree** on some issues. A goal of negotiation is to reach a **compromise** on those differences and arrive at an outcome that is **agreeable to all parties**’

❖ Main Reasons for Project Delays

- Faulty design
- Non-fixation of milestones
- Frequent changes in scope of work
- Delay in handing over of project site
- Quality compromises
- Complexities in project
- Non-fixation of CPM
- Delay in Government / Statutory approvals

❖ Consequences of Project Delays

- Time over run
- Cost over run
- Debt restructuring
- Public inconvenience
- Revenue losses
- Dent in public image
- Project creditability
- Risk of contract termination



How to avert a risk of project delays?

❖ **Process of Negotiation**

- To analyze the points of disagreement
- To suggest creative / workable solutions
- Reviewing the contract
- Defining goals / objectives
- Analyzing the understanding of the other party – reputation, negotiation style, authority level, financial history etc.
- To obtain legal expert opinion

❖ **Negotiation Steps**

- Developing negotiation strategies
- Decide on negotiation team
- To look at the interest of all parties to the agreement
- To assess leverage – hurry to implement will put pressure into signing a less than perfect deal
- Willingness to give up something in exchange of successful negotiation
- To set up negotiation agenda, circulate it with date of negotiation meeting
- Minutes of the meeting – clear schedule for implementation

❖ **Re-negotiation of a Contract in a changed market scenario**

- Legal Provisions in the contract
- Price variation clause
- Early termination of the existing contract & execution of fresh contract
- Shorter duration contracts



Thank You