Requirement:

week 2 assign.

Chapter 4 in "Essentials" explains ten specific steps for effective planning. (see pp. 97-110)

Address the third step in detail as to the Twin Lakes Mining Company, Exercise 18, ("Readings, Exercises and Cases" pp.547-549.) This step calls for assembling the issues, ranking their importance, and defining the bargaining mix. You are describing how you would plan the negotiation if you were the lead negotiator for the Twin Lakes Mining Company.

3. Assembling the Issues, Ranking Their Importance, and Defining the Bargaining Mix

The next step in planning is to assemble all the issues that have been defined into a comprehensive list. The combination of lists from each side in the negotiation determines the bargaining mix (see Chapter 2). In generating a list of issues, negotiators may feel that they put too much on the table at once or raise too many issues. This may happen if the parties do not talk frequently or if they have lots of business to transact. As we noted in step 2, however, introducing a long list of issues into a negotiation can make success more, rather than less, likely—provided that all the issues are real. Large bargaining mixes allow many possible components and arrangements for settlement, thus increasing the likelihood that a particular “package” of components will meet both parties’ needs and therefore lead to a successful settlement. At the same time, large bargaining mixes can lengthen negotiations because they present so many possible combinations of issues to consider, and combining and evaluating all these mixes can make valuing the deal very complex.

After assembling issues on an agenda, the negotiator next must prioritize them.

Prioritization includes two steps:

1. Determine which issues are most important and which are less important. Once negotiation begins, parties can easily be swept up in the rush of information, arguments, offers, counteroffers, trade-offs, and concessions. For those who are not clear in advance about what issues are more or less critical, it is easy to lose perspective and agree to suboptimal settlements or to get distracted by long debates over points that are relatively unimportant. When negotiators do not have priorities, they may be more likely to yield on those points aggressively argued by the other side rather than to yield based on their own priorities.

Priorities can be set in a number of ways. One simple way is for the negotiator to rank-order the issues by asking, “What is most important?” “What is second most important?” and “What is least important?” An even simpler process is to group issues into categories of high, medium, or low importance. When the negotiator represents a constituency, it is important to involve that group in setting priorities.

Priorities can be set for both interests and more specific issues. A third, more precise method is to award a total of 100 points to the total package of issues and then to divide the points among the issues in proportion to each issue’s relative importance.

If the negotiator has confidence in the relative weighting of points across the issues, then trading off and “packaging” possible settlements together becomes more systematic.

It is also important to set priorities (and possibly assign points) for both tangible and intangible issues. Intangible issues are often difficult to discuss and rank-order, yet if they remain subjective and not quantified, negotiators may overemphasize or underemphasize them. It is easy to push such issues aside in favor of concrete, specific, numerical issues—and negotiators must be careful not to let the “hard bargaining” over numbers drive out more ephemeral discussion of intangible issues and interests. More than one negotiator has received a rude shock when his or her constituency has rejected a settlement because it ignored the intangibles or dealt with them sub optimally in the final agreement.

Finally, negotiators may also wish to specify a bargaining range for each issue in the mix. Thus, not only would a “best possible” and “minimally acceptable” package be specified, but also a target and minimally acceptable level would be specified for each issue in the mix. Sometimes, assigning points to each issue, based on the issue’s relative importance to the others, can help a negotiator “keep score” as various elements of the bargaining mix are assembled.

2. Determine whether the issues are linked together or separate. If the issues are separate, they can be easily added or subtracted (here is where points can help); if connected, then settlement on one will be linked to settlement on the others and making concessions on one issue will inevitably be tied to some other issue. The negotiator must decide whether the issues are truly connected— for instance, whether the price he will pay for the house is dependent on what the bank will loan him—as opposed to simply being connected in his own mind for the sake of achieving a good settlement.

The above content is the method that we you need to use in next. Follow it to finish this negotiation.

**CASE**

Twin Lakes Mining Company

Introduction

In this role-play you will have the opportunity to negotiate a serious problem—a conflict between a mining company and the government of a small city regarding an environmental cleanup. While the issues in this scenario have been simplified somewhat for the purpose of this role-play, such conflicts between industry and governmental groups are typical throughout the country. Try to introduce as much realism into this situation as you can, based on your own personal experiences.

Background Information

The Twin Lakes Mining Company is located in Tamarack, Minnesota, in the northern part of the state. It was established there in 1961. The city of Tamarack has a year-round population of approximately 18,000. Although there is a growing revenue that accrues to the city as a result of heavy summer tourism (summer homes, fishing, etc.) and several cottage industries, Tamarack is basically a one-industry city. Twenty-five hundred people, 60 percent of whom live within city limits, work for the Twin Lakes Mining Company; 33 percent of the city’s real estate tax base of about $5 million consists of Twin Lakes Mining Company property and operations. Both in terms of direct tax revenue and indirect contribution to the economic stability of the local population, Tamarack is strongly dependent on the continued success of the Twin Lakes Mining Company.

The Twin Lakes Mining Company is an open-pit, iron ore mine. Open-pit mining consists of stripping the topsoil from the ore deposit with the use of power shovels. Train rails are then laid, and most of the ore is loaded into railroad cars for transportation to a central collecting point for rail or water shipment. As mining operations progress, rails are relaid or roads constructed to haul ore by truck. The ore is transported to a “benefication plant” located on the outskirts of Tamarack. Benefication of ore involves crushing, washing, concentration, blending, and agglomerating the ore. In the early days of ore production, such treatment was unnecessary; however, benefication is necessary today for several reasons. First, transportation costs of rejected material (gangue) are minimized.

The crude ore may lose as much as one-third of its weight in grading, and, in addition, impurities are removed at a much lower cost than if removed during smelting. Second, ores of various physical and chemical properties can be purified and blended during this process. Finally, fine ore materials, which previously may have been rejected as a result of smelting problems, can now be briquetted and pelletized to increase their value. After the ore proceeds through this process of cleaning and agglomerating into larger lumps or pellets, it is shipped by railroad car to steel mills throughout the Midwest. Rejected materials are returned to “consumed” parts of the mine, and the land is restored.

Twin Lakes’ benefication plant is located approximately five miles outside of

Tamarack. As a result of the expansion of the residential areas of the city, summer home development, and various Twin Lakes operations, the plant has become a major problem for local citizens. For years, the Tamarack City Council has been pressing the company to clean up the most problematic operations.

While most of these discussions have been amicable, Twin Lakes has done little or nothing to remedy the major concerns. Now, as a result of more stringent environmental laws and regulations, Twin Lakes has come under pressure from both the state of Minnesota and the federal government for environmental cleanup. Both the state and the federal

Environmental Protection Agency have informed Twin Lakes that the company is in major violation of water and air pollution quality standards, and that immediate action must be taken. Twin Lakes’ estimates indicate that total compliance with the cleanup regulations will cost the company over $36 million. Because Twin Lakes is now mining relatively low-grade ore and because foreign competition in the steel market has significantly eroded the demand for ore, environmental compliance may seriously influence the profitability of the company. Many local citizens, as individuals and through the local chapter of the United Mineworkers Union, are putting significant pressure on the City Council to help the Twin Lakes Company in its environmental cleanup operations.

The imposition of the environmental controls on Twin Lakes, and the resulting pressure from all segments of the community, have led to renewed discussions between company officials and the City Council. As a result of these discussions, the following environmental issues have emerged:

1. Water quality: The Twin Lakes plant requires large amounts of water to wash the crushed ore. In addition, much of the highest-quality ore is reduced to an almost powder like texture after washing and is being lost in the washing operation. As a result, the company has built a series of settlement recovery ponds alongside Beaver Brook near the plant. Water that has been used for washing ore is allowed to stand in these ponds; they are periodically drained and the ore recovered. Nevertheless, granules of iron ore and other impurities continue to wash downstream from the plant. The environmental agents have insisted that the effluent from the plant and the ponds be cleaned up. Estimates for the cost of a filtration plant are $20 million. Twin Lakes claims that it cannot afford to build the plant with its own revenue. Since Tamarack has periodically talked about Beaver Brook as a secondary water source for the city (and residential development makes this a more pressing concern in two to three years), the Twin Lakes officials hope that they might interest Tamarack in a joint venture.

2. Air quality: The entire process of mining, transporting, and crushing ore generates large amounts of dust. This has significantly increased the levels of particulates in the air. In addition, during the dry summer months, the operation of many large trucks along dirt roads intensifies the problem considerably. Twin Lakes believes that it can control a great deal of the dust generated immediately around the plant at a cost of approximately $8 million. The most significant debate with the city has been over a series of roads around the city outskirts. Approximately half of the roads are city owned; the rest have been specially constructed for the transportation of ore and material. Estimates for paving all the roads are $4.8 million, with a yearly maintenance cost of $600,000; periodic oil spraying of the roads, to keep down the dust, would run approximately $800,000 annually, but an agreement to do this as a short-term measure may not satisfy the environmental agencies.

3. Taxation of company land: The land for the mine itself is outside city limits.

However, the plant lies within city boundaries, and current taxes on the city land are $800,000 annually. The company has always felt that this taxation rate is excessive. In addition, several of the railroad spurs used to move ore into the plant, and out to the major railway line, cross city land. The city has continued to charge a flat rate of $400,000 annually for right-of-way use. It has occasionally offered the land for sale to the company at rates varying from $2.2 million to $2.4 million. Again, the company has felt that this rate is excessive.

Both the company and the city believe that if some resolution could be obtained on these three major issues, the remaining problems could be easily resolved, and Twin

Lakes would agree to keep the mine open.