

**WHAT IS THE COST OF A PIECE OF
SANDPAPER?**

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Or was it a piece of yellow sticky tape? Either way, as a long-suffering England cricket supporter I've been an interested observer of the travails of the Australian cricket team on their tour of South Africa. Initially with a sense of schadenfreude, although latterly with a sense of sadness I must confess.

While I've been taken by both the front and back page news this story has created, I've also been interested in the impact on Cricket Australia's negotiation position as they try to negotiate their new TV deal. The answer to the question, 'What is the cost of a piece of sandpaper?' is estimated to be upwards of A\$200 million.

For those with no interest in cricket or not familiar with the story, a piece of sandpaper was used by an Australian player to alter the condition of the cricket ball. This is against the laws of the game and decried by many as cheating. The captain Steve Smith, the vice-captain David Warner, Cameron Bancroft the perpetrator and the coach Darren Lehman have all lost their jobs. But the impact has been even further reaching.

Cricket Australia (CA) were in the process of negotiating a new five-year TV deal. On the back of a resounding Ashes series victory over England and the success of the Big Bash League, CA were aiming to secure a jackpot A\$1 billion deal. But already sponsors have pulled out of other deals with them. Magellan, a headline sponsor, has ended a three-year contract that was estimated to be worth A\$24 million. Weet-Bix have ended their relationship with Smith, and Asics their deals with Warner and Bancroft, with more sponsors likely to follow suit. Experts now believe that the TV deal is unlikely to exceed A\$800 million - a cost of upwards of A\$200 million to Cricket Australia.

The power of CA's negotiation position has clearly been weakened. Power, or the perception of power, governs the value of everything in negotiation. Skilled negotiators are attuned to the balance of power and any circumstances that change the power balance. Those with power seek to protect (or strengthen) it at any cost. While those without it seek to shift the balance of power in any way they can. Broadcasters will now

be seeking to strike improved deals while the power has shifted in their favour.

In another example of how circumstances impact negotiations it is worth considering the Deep-Water Horizon crisis BP suffered in the Gulf of Mexico in 2010. This was the largest oil spill in American history and sadly caused the loss of 11 lives. At the height of the crisis BP were facing estimated fines of \$18 billion. The very survival of BP was under threat, with Time magazine speculating in June 2010 that the company might be forced into bankruptcy.

BP needed to raise capital and identified TNK-BP, their joint venture in Russia, as a potential realisable asset. Rosneft took over TNK-BP in a deal that gave BP \$16.7bn in cash and a 12.5% stake in Rosneft in return for its 50% stake in the TNK-BP venture. How much was the value of the deal driven by BP's requirement for cash? We can only speculate; however, we can certainly imagine that the balance of power was with Rosneft at the negotiation table.

As a negotiator it is of critical importance to be aware of how the balance of power shifts in negotiation and to negotiate from a position of strength when circumstances allow. For Cricket Australia, that position of strength must now seem a distant memory.

