

Caution: This is an example of a very good letter, but it is not perfect.

March 26, 2007

Dr. Jambo Ngambo
Minister, Ministry of the Interior
Suite 405
Government Administration Building
Mambo
Mazingira

Subject: Status report of the negotiations with Holdev

Dear Dr. Jambo Ngambo:

I was happy to hear from a friend of mine from Korea that your lecture to Asia Foundation last week was given a favorable reception from the audience. It reminded me of the days I spent with you as a student to a professor in the college. Time has passed, and now I am happy to assist you by reporting the status of our negotiations with Holdev. I hope that the following will satisfy your needs.

The general focus of negotiations has been on our proposals for Holdev's contribution to environment maintenance and employing our people in Holdev's new resort. We reached agreement on both points: Holdev will contribute a certain amount of money for a Beach Maintenance Fund and fill a suitable portion of its employees with Mazingirans.

Some background information on Mazingira's environment and the employment situation there will help you understand more clearly how they have developed. In reference to Beach Maintenance Fund, in a preparatory study, we found out that \$80,000 would be required for preserving the beaches. (See Enclosure 1.) We figured out the amount in view of the case of Pugi where Holdev opened its resort 2 years ago. In Pugi, when the number of visitors increased by 5 times, the expenses to maintain the beaches quadrupled. In Mazingira, similarly, it is expected that 5 times more foreigners than the present will visit the country and the cost of beach preserving, \$20,000 at the moment, will grow to \$80,000. As for employment, in February, Holdev announced that if it launched the project in Mazingira, it would recruit 2,000 people. It led us to make up our position to request an employment quota, because if Holdev hires at least a half of its employees from Mazingira, more than 6% of Mazingira's population will get a stable job.

Currently, negotiations have been developing in a positive way. Agreement was reached on both an environment contribution by Holdev and the inclusion of Mazingiran workers on support staff. We required that Holdev contribute \$200,000 annually for Beach Maintenance Fund, and they accepted this requirement on condition that Mazingira not charge Holdev for its use of water, electricity, and land for the first 5 years from the launch of the project. Both parties also agreed that the amount of contribution should be readjusted every 5 years. Having settled environmental matters, we moved on to employment. Both parties agreed that Holdev hire 70% of its workers from Mazingira, except for those in managerial position. We managed to convince Holdev to accept this by giving an additional offer that 30% discount on Holdev's charges on water, electricity, and land after 5 years. Although we reached agreement on the two points, there are still two remaining points to settle. In upcoming negotiations, we will discuss readjusting the amount of Holdev's contribution for the fund with concrete details such as how to organize the committee and monitoring group and when the meeting will be held. We will also decide until when the agreements which we made in these negotiations are valid.

Our assessment of the present state of negotiations is rather positive; the agreement on employment and on the environment should work out to the satisfaction of both parties. Mazingira will be able to take advantage of Holdev's contribution and experience economic

growth from the employment quota system. Mazingira will save at least \$20,000 every year from Holdev's contribution. The expected cost of beach maintenance is \$80,000 as mentioned above and the amount which we defray for the exemption from or discount on Holdev's charges is estimated to be \$100,000 at most, calculated on the basis of the case of Holdev's resort of similar scale in Pugi. As for the employment quota system, a study conducted by the Bank of Mazingira last week indicates that it will bring idle human resources to the industry, which will in turn alleviate Mazingira's unemployment problem and stimulate the economy to increase Mazingira's GNI by up to 0.5% in 10 years.

Our team has recommendations on both employment and environment to ensure that the agreement we reached results in gain for both parties. Concerning the environment, we request that our ministry set up a task force as soon as possible to design a Beach Maintenance Program, which we will then present to Holdev so that they can see how their contribution is being spent. This Program would include such concrete details as which beaches will be included, the method and frequency of cleaning, and so on. In regards to employment we have another request: we hope that you can get the Ministry of Labor present us with figures on maximum and minimum salaries that we ought to request Holdev for Mazingiran employees at each level. This should prepare us better for any further discussion that may come up.

In conclusion, we can say that negotiations have developed to the point that we feel Mazingira can go ahead with this project. Holdev will contribute a substantial amount to a Beach Maintenance Fund every year and will hire the majority of its employees (other than those in managerial positions) from Mazingira. In return, Mazingira will not charge it for its use on water, electricity, and land for an initial period of several years and will give discounts on these charges after that. We feel that the agreements we reached at our negotiations will ensure a cleaner environment for Mazingira and our resort, and will serve to stimulate Mazingira's economy. To ensure that negotiations proceed to a successful conclusion, our team requests details of a Beach Maintenance Program and salary figures for reasonable compensation of Mazingiran employees.

Everyone on the team would like to express our appreciation for your very careful guidance throughout the negotiations. If you have any questions, please call me; we'll be at the hotel until Tuesday.

Sincerely,

Kim Go-myung
Member
Mazingira National Tourism Development Board

Enclosures:

1. "Beach Maintenance Fund, Preliminary Study," Benoir Tourism Consultants, 2007.