

## Avoiding rate cuts by clients: anti-rate reduction letter template for contractors

Contractors facing blanket rates cuts by their clients don't have to simply roll over and accept them. There are multiple [anti-rate reduction strategies](#) to show how contractors can avoid having their rates cut by clients. A carefully worded, polite and reasoned response by email or letter can often cancel the rate cut for the individual contractor. A template is given below.

Rate cuts are not like a drop in salary, as contractors are business to business service providers, not employees. So a client's announcement of a rate cut is simply the opening gambit in a business negotiation. And it usually comes from the client's finance, procurement or human resources teams, who will not be fully aware of the nature of the contractor's actual project.

Hard-won experience shows that contractors should respond in a businesslike and professional manner, with a polite, reasoned and logical argument as to why their rates should not be cut and the consequences for the client if they are.

### Key points to communicate

Communicating negative news in a sales negotiation can be tricky but, if done well, extremely effective. Contractors should avoid any ranting or threatening behaviour: putting a client on the back foot with emotional prose will significantly reduce the chances of success.

Key points to communicate are likely to include:

If I am terminated because I will not agree to a rate reduction, the project will be negatively impacted and the deadlines won't be met (it is useful to include details of how this will affect the client's business, particularly if the effect will hit 'mission critical' projects that will harm the client's profitability or strategic objectives)

There is plenty of work available for someone with my skills and experience, so if you cut my rate, I'll move immediately

Not all contractors working on the project offer the same value. There are several contractors who could be terminated to save cash without jeopardising the project

My skills are highly specialised and my experience is quite rare. You'll have difficulty replacing me, and if you do, you'll probably end up paying more

I have received no performance related complaints during my contract. If you try to terminate me early, based on non-performance, I will take action to defend my business

Threaten me as much as you like, but I won't be bullied into a rate reduction. Business is business, so I'm going to push back. (Naturally, this needs to be carefully communicated.)

### How contractors can communicate key points in an email

Here is an example of how contractors can communicate their intentions, on behalf of their own business, in an email or letter:

Dear [Client]

Thank you for your email received on [dd/mm/yy] indicating your request that our fees be reduced by X%. Naturally, the email was received with surprise as it arrived at a critical time for the [project name] project.

As I'm sure you are aware from recent inter-departmental email communications, our services have been very much appreciated and valued on this project. We are committed to seeing the project through to completion over the next few months as we have been contracted to do.

Over the last [3/6/12 months] we made considerable investment into learning new leading edge skills, which have been shared with your team at no extra charge. With these factors in mind, together with inflation running at over X%, our proposal for the next renewal on [dd/mm/yy] was for a contract rate increase of 15%. This proposed rise in fees aligns with recent market research into contract rates and is what I am currently being offered for alternative assignments.

Whilst we appreciate your need to cut costs, we do not feel that a blanket reduction in all contract rates is a strategy that will benefit your organisation in the long term and, in my case, even in the short term. By paying below market rate you risk losing suppliers with hard to source skills, and will find it extremely difficult, if not impossible to replace them. The morale of contractors who stay will fall along with their rates, with a corresponding reduction in productivity. As an alternative, you could consider reducing contracting staffing levels by X%, thus retaining the most highly skilled and productive contractors on the team.

Client satisfaction is at the top of our priority list, but we view your rate reduction request to be unreasonable and without grounds. As a business, I'm sure

“  
A client's announcement of a rate cut is simply the opening gambit in a business negotiation  
”

you understand that when the value of our services increases, it does not make commercial sense to start charging our customers less. However, to ensure the continued smooth running of the project, and as a sign of our goodwill, we will agree to freeze our existing rate for the next XX months, until the project is completed.

[An optional paragraph if the client threatens termination.]

We will be extremely disappointed if your decision is to terminate our services before the end date of the contract. However, please rest assured that, if you decide to take this cost-cutting route, we will ensure that we continue to fulfil our contractual obligations during the contractually agreed four-week notice period.

I look forward to continuing working with you.

Kind regards

[Your name and company here]

---

Because this is the opening gambit between a contractor's business and their client, any communication with the client must be on the contractor company's letterhead or company email, not via the clients email or letterhead.

Clients impose blanket rates because they know they work with the majority of contractors. But contractors don't have to accept these cuts. A reasoned response highlighting the business benefits of retaining the contractor, and the business risks of not doing so, can ensure a contractor maintains their rate. In some cases, it could even be the start of a negotiation for a rate increase.

Published: Wednesday, December 7, 2011

© 2016 All rights reserved. Reproduction in whole or in part without permission is prohibited. Please see our [copyright notice](#).



ABCe verified website - last audit confirmed 134,482 monthly unique visitors

© Copyright 2016 Byte-Vision Limited UK. All rights reserved [Copyright notice](#)