

DATE: APRIL 8, 1992

TO: SAM CELUM, LEIGHTON WORKS, ED PETRU, C. HERBER,
MARTY HAIBACH

FROM: JIM CLINE *JJC*

SUBJECT: OUR PHILOSOPHY ON THE USE OF CONTRACT PERSONNEL

I HAVE BEEN ASKED BY DAVE LAMP SEVERAL TIMES ABOUT WHAT IS OUR PHILOSOPHY ON THE USE OF CONTRACTORS. I HAVE STRUGGLED WITH THIS AND NOT GIVEN DAVE A VERY GOOD ANSWER. AFTER THINKING ABOUT IT FOR SOME TIME I CAME UP WITH THE FOLLOWING THOUGHTS:

- 1) IF WE NEED CONTRACTORS ON A CONSTANT BASIS, WE SHOULD BE MAKING EFFORTS TO MAKE THEM KOCH EMPLOYEES. PRIOR TO DOING THIS WE SHOULD RECOGNIZE THAT WORK CAN EXPAND TO FILL THE TIME, THEREFORE WE SHOULD VERIFY THE FOLLOWING:
 - A) THE WORK LOAD HAS INCREASED AND WILL NOT LIKELY DECREASE;
 - B) WORK SAMPLING SHOWS PRODUCTIVITY IS HOLDING CONSTANT OR INCREASING; AND,
 - C) OVERTIME IS ABOVE 6% AND HOLDING CONSTANT OR INCREASING.
- 2) WE SHOULD USE CONTRACTORS FOR THE SHORT TERM ONLY, i.e., TURNAROUNDS, SPECIAL PROJECTS, UNIQUE JOBS REQUIRING UNIQUE SKILLS AND/OR TOOLS LIKE HYDROBLASTING, REFRACTORY, STOPPLING, ETC. AN EXCEPTION IN THE LONG TERM SENSE MIGHT BE PROJECTS LIKE ASBESTOS ABATEMENT WHERE WE KNOW THERE IS A DEFINITE END TO IT AND WE WOULD BE LEFT WITH A SURPLUS OF PEOPLE WHEN THE PROJECT IS CONCLUDED.
- 3) COST/BENEFIT ANALYSIS SHOULD BE EVALUATED AND CONVEYED TO MANAGEMENT ALONG WITH ANY RECOMMENDATION TO ELIMINATE CONTRACT FORCES AND TO ADD KOCH EMPLOYEES.
- 4) WHEN CONTRACT EMPLOYEES ARE USED, WE SHOULD FIND A WAY TO MINIMIZE OUR LIABILITY, i.e., WE WANT TO USE THEM ON WELL-DEFINED TASKS WHERE THE CONTRACT EMPLOYEES ARE WORKING UNDER THEIR OWN CONTRACT SUPERVISION.

WHETHER THIS IS OUR PHILOSOPHY OR NOT, I DO NOT KNOW; BUT THIS IS PROBABLY HOW WE SHOULD BE HANDLING CONTRACTORS. TO ACCOMPLISH THE ABOVE, WE NEED TO DEVELOP GUIDELINES AND A SYSTEM TO MANAGE OUR CONTRACT RESOURCES SO THAT WE OPTIMIZE THEIR USE. I AM NOT SURE WHAT THE CORRECT SYSTEM IS, BUT I DO LIKE THE MAINTENANCE PLANNING AND CONSTRUCTION SYSTEM CONCEPT THAT IS BEING USED AT PINE BEND.

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THE BENEFITS THAT I SEE IN THE PINE BEND SYSTEM ARE AS FOLLOWS:

- 1) IF STRUCTURED CORRECTLY, IT CREATES A MANAGEMENT SYSTEM FOR CONTRACT MANPOWER.
- 2) IT CREATES A CAPTIVE WORKFORCE WITH A JUSTIFIABLE NUCLEUS THAT FLOATS BACK AND FORTH BETWEEN CAPITAL AND EXPENSE WORK. THIS SHOULD CREATE SYNERGISM BETWEEN MAINTENANCE AND ENGINEERING PROJECTS.
- 3) IT CREATES A WORKFORCE THAT CAN BE ROLLED OVER INTO MAJOR TURNAROUNDS LIKE THE FCCU OR THE CCR/HYDROCRACKER. THIS WOULD BE A WORKFORCE THAT WOULD BE KNOWLEDGEABLE IN OUR WORK PRACTICES/PROCEDURES AND SAFETY REQUIREMENTS. THEY SHOULD HAVE NO INCENTIVE TO DRAG OUT OUR TURNAROUNDS AS WE SAW IN OUR LAST FCCU TURNAROUND.
- 4) IT CREATES AN INDEPENDENT CONTRACTOR CONCEPT WITH THEIR OWN SUPERVISION WHICH WILL ELIMINATE SOME OF THE THREAT OF LAWSUITS THAT WE NOW FACE.
- 5) IT SHOULD SHORTEN THE TIME REQUIRED TO COMPLETE CAPITAL PROJECTS MANY OF WHICH HAVE HIGH PAYOUTS.
- 6) IT CAN LEAD TO DEVELOPMENT OF SCORECARDS THAT CAN BE USED IN ANALYZING OTHER CONTRACTORS.
- 7) IT CREATES A PARTNERING RELATIONSHIP WITH CONTRACTORS WHICH SHOULD LEAD TO REDUCED CONTRACTOR OVERHEAD MARKUPS DUE TO LONG TERM ASPECTS AND REDUCED FEAR OF "WHERE WILL THEY WORK NEXT WEEK".
- 8) SHOULD ALLOW MAINTENANCE TO MOVE INTO ZONES OR BUSINESS TEAMS WITHOUT OVERSTAFFING BUT YET HAVE A RESOURCE AVAILABLE FOR WORK LOAD FLUCTUATIONS.
- 9) MIGHT PUT US IN A POSITION TO PROVIDE SUPPORT SERVICES TO KOCH CARBON RATHER THAN KOCH CARBON UTILIZING US FOR LOAD LEVELING OF THEIR MANPOWER.

THIS SYSTEM DOES CONTRADICT SOMEWHAT THE STATEMENT ON PAGE 1 THAT SAYS IF WE HAVE CONTRACTORS HERE CONTINUOUSLY THEY SHOULD BE KOCH EMPLOYEES. BUT, IN A WAY, YOU COULD LOOK AT THIS TYPE OF USE AS A NUMBER OF SHORT TERM PROJECTS AND IF OUR GROWTH EVER SUBSIDED OR WE MET ECONOMIC HARDTIMES THIS WOULD BE A GROUP YOU COULD DISSOLVE WITHOUT LAYING OFF KOCH EMPLOYEES.

I INTEND TO TAKE A SERIOUS LOOK AT THE PINE BEND MP&C SYSTEM TO SEE HOW WE COULD UTILIZE IT HERE. I SOLICIT ANY COMMENTS YOU MAY HAVE CONCERNING OUR PHILOSOPHY ABOUT THE USE OF CONTRACTORS OR YOUR THOUGHTS ABOUT THE MP&C SYSTEM BECAUSE WE CAN NOT CONTINUE USING CONTRACTORS THE WAY WE DO NOW.

CC: D. LAMP

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