

ARTHUR BROTHERS

INCORPORATED

HIWAY 77 BYPASS
KINGSVILLE, TEXAS 78363

PLAINTIFF'S EXHIBIT

CEL-1394

August 15, 1989

HOECHST-CELANESE CORPORATION
ENGINEERING PLASTICS DIVISION
P. O. Box 428
Bishop, Texas 78343

ATTN: Mr. Merrick Saucier

RE: 1989 Maintenance and Construction Services Agreement

Dear Merricks:

Arthur Brothers, Inc. recognizes the necessity of staffing our projects at the Bishop Facility as our top priority to you, our customer. Our meeting with Hoechst-Celanese management on August 8, 1989 has been of vital importance in determining staffing requirements and needs for projects over the coming months. Arthur Brothers, Inc. is indeed in a very precarious position in regards to your needs, area personnel needs, and those of balancing needs of our workforce. We can achieve project schedules through the end of the year, as we know them, with very few additions to our current levels of personnel. It should be noted that we are experiencing difficulties in obtaining qualified combination heli-arc welders at this time to accomplish our schedules on a forty hour week. Staffing will become increasingly more difficult at present levels of pay as projects in the area begin to kick off and/or expand present levels. Current expectations in the general area include two projects which, by themselves, will saturate local and outside personnel demands. The Dupont-Occidental Petroleum (OxyChem) Project in Ingleside will peak between 2500 and 3500 craftsmen during the first and second quarter of 1990. Beacon Construction is paying \$ 13.50/hr. for heli-arc combination welders. Carpenters are being paid \$ 12.00/hr. with other crafts paying between these two rates. The Formosa Plastics Project, located near Point Comfort, Texas, will peak between 6000 and 8000 people in the third and fourth quarter of 1990. This is a multi-contractor project and prevailing wage rates at the top level are in the \$ 13.50/hr. range at this time. Brown & Root, at the Phillips Plant in Old Ocean, is paying top scale of \$13.50/hr. The Mundy Companies at the HCC Plant in Bay City are paying a top scale of \$ 13.50/hr. Locally, Fish Construction is currently paying heli-arc combination welders \$12.75/hr., carbon steel welders \$12.34/hr., pipefitters and electricians \$12.30/hr. and carpenters \$12.00/hr. at the Javelina Project in Corpus Christi, Texas.

Higher pay rates alone will not guarantee that we will be able to attract additional people to our organization, as proposed projects indicate will be needed beginning the second quarter of 1990. Higher pay rates will help in maintaining our current levels and expanding somewhat on an immediate basis, as the area is only in the beginning stages of personnel expansion. Of key concern to our organization is the predicted 30% cutback of construction personnel at our facility beginning in January.

16589

August 18, 1989

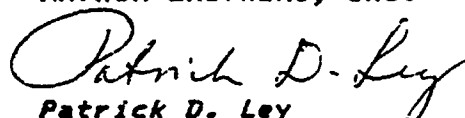
and continuing through the first quarter. This must be prevented through better distribution of projects in the coming year, with more projects planned for start in the first quarter to negate the cutback in personnel. If we lose people, even with a modest increase in pay at this time, they will go to other projects in the area paying more. Attracting them back will then simply be a matter of paying the highest wage. We do not care to get into a bidding war with other contractors, as this would be disastrous to all. Wages must be controlled and increased and/or decreased in small incremental steps, as opposed to large steps as has occurred in the past. Too much is lost by either customer or employee when this occurs. The contractor also suffers in the area of credibility because of his middle position - trying to balance the needs of his customer from a cost and productivity standpoint and that of his employees from a "fairness to all people" and valuable resource viewpoint. We at Arthur Brothers, Inc. believe that to have the most productive workplace, the process needs side and the employee's needs sides must be balanced. Win-win situations must be preserved at all times.

We are, therefore, proposing a modest increase in wage rates at this time as per attached SCHEDULE A, effective September 11, 1989. We propose to move our current levels of heli-arc combination welders into the category of technician, with a pay scale of \$ 12.25/hr. The technician rate allows us flexibility to move this classification without a general contract approval (local approval only). This rate represents an increase in our top rate of 6.52% over current levels. Other rates have been increased from 2.08% at the lowest level (SC Classification) on a progressive basis to a high of 4.35% (MA Classification). The rate increase represents an overall composite 4.45% increase based on our current staffing levels and a 40 hour work week. We have also increased the low and high ends of our salaried scales reflecting a 10% increase in allowable pay ranges.

Please acknowledge your acceptance of this proposal in the space provided below, keeping the original for your files and returning a signed copy to us.

Thank you for your consideration in this matter.

Very Truly Yours,
ARTHUR BROTHERS, INC.


Patrick D. Ley
Vice-President

Acknowledgements:

By: _____

Title: _____

Date: _____

cc: H. Hilbeth
D. Siemonsma

16590

SCHEDULE "A"

Effective date - September 11, 1989

Page 1 of 3

Classifications, Pay Rates and Pay Practices

A. Salaries

Range

Superintendent
General Foreman
Foreman

44,000/59,400
34,650/49,500
28,600/40,150

*also see
adjust
final 1989
amount*

B. Standard Hourly Rates

1. General

Administrative Assistant	9.00 - 11.00
Technician	12.00 - 20.00
Mechanic A	12.00
Mechanic B	11.36
Mechanic C	10.72
Mechanic D	10.29
Utility A	9.80
Utility B	9.40
Utility C	8.99
Helper A	8.59
Helper B	8.19
Helper C	7.79
Utility Service A	7.29
Utility Service B	6.80
Utility Service C	6.49
Service A	6.09
Service B	5.80
Service C	5.40
Clerical	3.50 - 9.50
Field Buyer	9.00 - 11.50
Leadman	.50 above craft supervised
Temporary Foreman	1.00 above craft supervised

SCHEDULE "A"

Effective Date - September 11, 1989

<u>2. Warehouse</u>	<u>Rotating Shift</u>	<u>St. Day</u>	<u>St. Evening</u>
Utility Service A	7.63	7.29	7.63
Utility Service B	7.14	6.80	7.14
Utility Service C	6.83	6.49	6.83
Service A	6.43	6.09	6.43
Service B	6.14	5.80	6.14
Service C	5.74	5.40	5.74

3. Engineering

Engineer	12.00 - 30.00
Draftsman	6.00 - 20.00
Estimator	6.00 - 20.00
Planner/Scheduler	6.00 - 20.00

C. Premium Hourly Rates

Premium Hourly Rates shall be paid at the rate of one and one-half (1-1/2) the employees Standard Hourly Rates. Premium time shall be defined as all hours worked in excess of eight hours (8) in a work day or in excess of forty hours (40) hours in a work week.

D. Pay Practices

(1) Holiday, Sick Leave, Vacation and Jury Duty.

The following shall be recognized hereunder a contractor's Holidays.

July 4	Thanksgiving
Labor Day	Christmas

- (a) Hourly Employees - Company shall pay Contractor for any such holiday at 1-1/2 times the standard time pay rates however, Contractor shall not be paid for hours not worked, such as any illness, vacation or jury duty, for any of Contractor's hourly employees except with the written approval of the Company representative.

SCHEDULE "A"

September 11, 1989

- (b) Salaried Employees - Company shall pay Contractor for all salaried employees at a weekly rate of 1/52 their annual salary except for sick leave which extends beyond three (3) days, all vacations and the four recognized Contractor holidays.

(2) Call Out Pay

Company shall pay contractor for work on a "call out" basis at Company's request, outside the Contractor's employees regular scheduled shift at 1-1/2 times standard rate for hours actually worked; however, if work extends into regular hours, then call out pay applies only to hours worked outside the regular scheduled shift. If Contractor's employee called out works less the four (4) hours and hours worked do not extend into the regular shift, Contractor will be reimbursed for four (4) hours at the standard rate or for hours actually worked at 1-1/2 times the standard rate, whichever is greater.

(3) Show Up Pay

Company shall pay Contractor two (2) hours "show up" pay, at the standard rate, for any contractor employee who reports for his regular scheduled shift but is prohibited from working for any cause beyond Contractor's control.

ABI SALARIES HISTORY

NAME/POSITION	% OF RANGE		
	1986	1987	1988
J.J. STARKS/SUPT	83.7%	97.7%	96.9%
V. GARCIA/GEN.FMN	NA	NA	36.3%
E.D. GRIFFITH/GEN.FMN	46.2%	62.7%	53.6%
K.J. HAJEK/GEN.FMN	46.2%	62.7%	57.5%
F. SHAFER/FMN	60.8%	60.8%	61.9%
R. PENA/FMN	60.8%	60.8%	57.0%
A. BRYANT/FMN	60.8%	60.8%	54.5%
J. GONZALEZ/FMN	60.8%	60.8%	57.0%
R. WILSON/FMN	60.8%	71.5%	69.3%
E. CASTOR/FMN	60.8%	71.5%	74.3%
J. GONZALEZ/FMN	60.8%	60.8%	54.5%
M. SANCHEZ/FMN	39.5%	55.5%	49.5%
R. BROWN/FMN	31.5%	31.5%	17.3%
S. SAENZ/FMN	31.5%	31.5%	29.7%
P. LONEY/FMN	31.5%	31.5%	17.3%
A. BALDERAS/FMN	31.5%	31.5%	27.2%
J. REYES/FMN	7.5%	7.5%	-5.0%
S. MORALES/FMN	7.5%	7.5%	5.0%
E. GUTIERREZ/FMN	7.5%	7.5%	9.9%

P. O. BOX 782

D. D. Simonson
TELEPHONE 582-6416

ARTHUR BROTHERS

INCORPORATED

HIWAY 77 BYPASS
KINGSVILLE, TEXAS 78363

HOECHST-CELANESE CORPORATION
ENGINEERING PLASTICS DIVISION
P.O. Box 428
Bishop, Texas 78343

September 5, 1989

ATTN: Mr. Merrick Saucier

RE: 1989 Maintenance and Construction Services Agreement dated 5/1/89
: Arthur Brothers, Inc. Proposal dated 8/15/89

Dear Merrick:

Please find herewith enclosed, as per attached EXHIBIT "A", our current proposal for wage rate increases for your Bishop facility. Please note that Arthur Brothers, Inc. has added a new class description of "Mechanic SA" to our previous class descriptions. The class description will cover specialized crafts, i.e. heliarc combination welders, or such crafts which, due to general area conditions and workload, are in short supply.

The wage increase reflects a 6.52% increase over current levels in our top craft description. Other rates have been increased from 2.08% at the lowest level (SC Classification) on a progressive basis to 4.35% (MA Classification). The rate increase proposal, if accepted, represents an overall 4.41% increase based on our current staffing levels and a 40 hour work week. See attached PAY RATE ANALYSIS, dated September 5, 1989.

Arthur Brothers, Inc. has also increased the high end of our salaried scale for our "Superintendent" classification by a factor of 10%.

Please acknowledge your acceptance of this proposal in the space provided below, keeping the original for your files and returning a signed copy to us.

Thank you for your consideration in this matter.

Very Truly Yours,
ARTHUR BROTHERS, INC.

Patrick D. Ley
Patrick D. Ley
Vice-President

cc: H. Wilmoth
D. Simonsma

Acknowledgement:

By:

Darrell L. Pausky

Title:

HCC Facility Manager Bishop

Date:

Sept 8, 1989

16595

Bishop
EXHIBIT "A"

Effective date - September 18, 1988

Page 1 of 3

Classifications and Pay Rates

A.	Salaries	Range
	Superintendent	40,000/60,000
	General Foreman	31,500/45,000
	Foreman	26,000/36,500
B.	Hourly Rates	
1.	General	
	Administrative Assistant	9.00 - 11.00
	Technician	12.00 - 20.00
	Mechanic SA	12.25
	Mechanic A	12.00
	Mechanic B	11.36
	Mechanic C	10.72
	Mechanic D	10.29
	Utility A	9.80
	Utility B	9.40
	Utility C	8.99
	Helper A	8.59
	Helper B	8.19
	Helper C	7.79
	Utility Service A	7.29
	Utility Service B	6.80
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	Clerical	3.50 - 9.50
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Bishop
EXHIBIT "A"

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D. Pay Practices

(1) Holiday, Sick Leave, Vacation and Jury Duty.

The following shall be recognized hereunder a contractor's Holidays.

July 4	Thanksgiving
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- (a) Hourly Employees - Company shall pay Contractor for any such holiday at 1-1/2 times the standard time pay rates however, Contractor shall not be paid for hours not worked, such as any illness, vacation or jury duty, for any of Contractor's hourly employees except with the written approval of the Company representative.

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Bishop
EXHIBIT "A"

Effective September 18, 1989

- (b) Salaried Employees - Company shall pay Contractor for all salaried employees at a weekly rate of $1/52$ their annual salary except for sick leave which extends beyond three (3) days, all vacations and the four recognized Contractor holidays.

(2) Call Out Pay

Company shall pay contractor for work on a "call out" basis at Company's request, outside the Contractor's employees regular scheduled shift at $1-1/2$ times standard rate for hours actually worked; however, if work extends into regular hours, then call out pay applies only to hours worked outside the regular scheduled shift. If Contractor's employee called out works less the four (4) hours and hours worked do not extend into the regular shift, Contractor will be reimbursed for four (4) hours at the standard rate or for hours actually worked at $1-1/2$ times the standard rate, whichever is greater.

(3) Show Up Pay

Company shall pay Contractor tow (2) hours "show up" pay, at the standard rate, for any contractor employee who reports for his regular scheduled shift but is prohibited from working for any cause beyond Contractor's control.

Class Descriptions and Qualifications

Mechanic SA.

Skilled, experienced, capable and responsible to perform all phases of one or more crafts. This craft designation shall be used as top rate to attract those specialized crafts, i.e. Heliarc combination welders, or such crafts which, due to general area conditions and workload, are in short supply.

Mechanic A.

Skilled, experienced, capable and responsible to perform all phases of one or more of the following crafts: Instrument Mechanic, Electrician, Machinist, Pipe Welder (carbon & alloys), Pipefitter, Rigger, Boilermaker, Equipment Operator (heavy), Diesel engine mechanics, Insulators, Painter, Carpenter and Iron Workers

Mechanic B.

Gradient of Mechanic A. Skilled, experienced, capable and responsible to perform all phases of one or more of the following crafts: Carpenter (rough), Painter (brush), Pipe Welder (carbon), Iron Worker/Welder (Structural), Iron Worker (rebar).

Mechanic C.

Gradient of Mechanic A & B. Skilled, capable, and responsible to perform as craftsman with moderate experience.

Mechanic D

Gradient of Mechanic A, B & C. Capable and responsible to perform as craftsman with minimal experience.

Utility A

Positions demanding considerable skill and responsibility i.e., Tool room attendant, Water blaster, Warehouse receiving clerk, Equipment operator (light), Dispatcher, Gauger, Etc.

Utility B

Gradient of Utility Man A.

Utility C

Gradient of Utility A & B

ARTHUR BROTHERS, INC.

WAGE RATE ANALYSIS

HOESCHT-CELANESE CORPORATION - Bishop Facility

September 5, 1989

CURRENT LEVELS

PROPOSED LEVELS

Classification	Current Number	Current Hrly. Pay	Current Tot. Pay	Proposed Number	Proposed Hrly. Pay	Proposed Tot. Pay
Hourly Foreman	4	12.50	50.00	4	13.25	53.00
Asst. Foreman	2	8.59	17.18	2	8.79	35.16
SA-Leadman	0	.00	.00	6	12.75	76.50
SA	0	.00	.00	21	12.25	257.25
HA-Leadman	6	12.00	72.00	0	12.50	0.00
HA	87	11.50	1000.50	66	12.00	792.00
HB-Leadman	1	11.40	11.40	1	11.86	11.86
HB	29	10.90	316.10	29	11.36	329.44
HC	14	10.30	144.20	14	10.72	150.08
HD	8	9.90	79.20	8	10.29	82.32
UA-Leadman	1	9.95	9.95	1	10.30	10.30
UA	3	9.45	28.35	3	9.80	29.40
UB	2	9.07	18.14	2	9.40	18.80
UC	6	8.69	52.14	6	8.99	53.94
HA	14	8.32	116.48	14	8.59	120.26
HB-Leadman	5	8.44	42.20	5	8.69	43.45
HB	15	7.94	119.10	15	8.19	122.85
HC-Leadman	2	8.06	16.12	2	8.29	16.58
HC	15	7.56	113.40	15	7.79	116.85
USA-Leadman	16	7.59	121.44	16	7.79	124.64
USA	23	7.09	163.07	23	7.29	167.67
USB	11	6.62	72.82	11	6.80	74.80
USC	24	6.33	151.92	24	6.49	155.76
SA	4	5.95	23.80	4	6.09	24.36
SB	18	5.67	102.06	18	5.80	104.40
SC	38	5.29	201.02	38	5.40	205.20
TOTALS	348		3042.59	348		3176.87

CURRENT AVERAGE HOURLY PAY = $3042.59/348$ = \$ 8.74307 per hour

PROPOSED AVERAGE HOURLY PAY = $3176.87/348$ = \$ 9.12893 per hour

PER CENT INCREASE = $3176.87/3042.59 \times 100$ = 4.41334 %

BID SUMMARY

<u>Straight Time Wages</u>	<u>Mundy</u>	<u>FD</u>	<u>ABI</u>
Payroll insurance, taxes, benefits	22.68%(a)	19.61%(a)(b)	26.7%(c)
Offsites, indirects, profit and overhead	10.0%	11.9%	8% ($\leq$ \$8MM) 7% ($\leq$ \$12MM) 6% ($\leq$ \$12MM) >
Benefit wage cost	3.53%	3.02%	Included Above
Workers Compensation	Included Above	8.02%	Included Above
Fee to supervise other contractors	0.0%	2.5%	0.0%
Total straight time fee	36.21%	45.05%	34.7% 33.7% 32.7%
<u>Premium Time Wages</u>			
Payroll Taxes	8.13%	11.01%	7.5%
Fee	0.00%	0.00%	1.0%
Total	8.13%	11.01%	8.5%

a) Not including benefit wage cost.

b) Not including workers compensation insurance.

c) Includes ~ 4.3% SUI and ~ 0.4% FUI billed quarterly.

PROCESS

Evaluation of Maintenance Contractors by Site Representatives

WHY

- * Current contract with ABI expires April 30, 1989
- * Potential Regional and National contract cost benefits
- * Concern about Arthur Brothers:
 - financial stability - 3 fee increases since orig contract of 1985
 - client base - 90% HC
 - organizational growth - tools to manage their business
 - employee development - skills training

GOAL

- * Select the lowest "total cost" contractor

EVALUATION DEVELOPMENT PROCESS

- * Organized evaluation team - *Shawley*
- * Identified potential contractors - 7 - *site report 6 TX locations*
(Xsect - small, large) - *BrR, Austin, FD,*
Jacobs, Zachry, Mundy,
ABI
- * Appraisal visit with each contractor - *gather info on fit*
- * Contractors rated - *give examples of rating criteria*
- * Identified contractor bid list - 3 - *FD*
Mundy
ABI
- * Evaluated contract bids
- * Selected contractor of choice
- * Reviewed and revised contract - *did this along the way*

*pl't
site
visits*

RECOMMENDATION

Contractor of Choice: Mundy Company

REASONS

- * ABI bid - profit questionable - *based on bid tab comparisons & track record.*
- * Skill mix management - *Mundy proven track record on crew mix*
- * Culture - Safety
- Quality
- Productivity *> 1) described in front office
2) verified in field*
- * Current client base - *ABI - only Celanes
Mundy: 40% HC + growth opportunities with others*
- * Organizational growth
- * Employee development

TRANSITION PLAN

<u>Action Item</u>	<u>Date</u>
* Bishop decision	4/5/89
* Bishop Facility Management decision communication	
- EPD management	4/5/89
- Facility Managers Texas sites	to
- T.R. Shandley	4/9/89
- ^a Arron Starks	4/10/89
* T.R. Shandley notify Mundy	4/10/89
* Texas sites contractor(s) decision announcements	
- ^a Arron Starks to ABI	4/11/89
- HR to Hoechst Celanese	to
- Mundy representative on-site	4/14/89
* Execute Mundy transition plan	4/11 thru 4/30/89
* Mundy assumes new contract	5/1/89