

ARTHUR BROTHERS

INCORPORATED

HIWAY 77 BYPASS
KINGSVILLE, TEXAS 78363

PLAINTIFF'S EXHIBIT

CEL-1418

September 23, 1987

Celanese Chemical Company, Inc.
P.O. Box 47320
Dallas, Texas 75247

AFS:26

Attention: Mr. T. R. Shandley
Purchasing Manager

Re: Plant Maintenance and Construction Services Agreement

Dear Rogers,

As we near completion of the second year of the referenced agreement, continually increasing payroll taxes and the high cost of insurance, over which we have no control, continues to drive our cost of supplying labor services in excess of the fees for which we are currently contracted.

Attached as enclosure (1) is a chart outlining our tax and insurance cost (as per cent of straight time wages) from 7-85 (date bid submitted) to 1-88 (date of next tax increase). This chart indicates that for eight (8) months (12-30-85 to 9-8-86) we experienced increased insurance cost of 1.419%, for which no fee increase was requested. From 9-8-86 to 9-6-87 we experienced both tax and insurance cost increases totaling 5.118% for which we received the 3% fee increase of 9-8-86. Now, for the period 9-7-87 to 9-4-88 (with the tax increases of 1-88) we will experience a tax and insurance cost increase totaling 6.788% over the percentages used in our bid preparation of 7-85.

Attached as enclosure (2) is a chart outlining our tax cost (as per cent of premium portion of overtime wages) from 7-85 (date bid submitted) to 1-88 (date of next tax increase). This chart indicates that we will experience, in this portion of our payroll, a tax increase of 1.66% over the percentages used in our bid preparation of 7-85. Therefore; and regretfully, we must ask for a fee increase of 4% in the straight time portion of our payroll and a fee increase of 1.70% in the premium portion of overtime wages.

Attached as enclosure (3) is the proposed amendment to Article 10 of the referenced agreement. We respectfully ask that this amendment be made retroactive to 9-7-87.

Thank you for your understanding in this matter.

Very Truly Yours,
ARTHUR BROTHERS, INC.

Aaron F. Starks
Aaron F. Starks
Vice-President

16883

RECEIVED

SEP 28 1987

AFS/vlc
Enclosures (1) (2) (3)

Tax and Insurance Cost Comparison
As Percent of Straight Time Wages

	*7-85	**9-85	Cost Increase 7-85 - 9-85	9-86	Cost Increase 9-85 - 9-86	1-88	Cost Increase 7-85 - 1-88
F.I.C.A.	7.05	7.05	---	7.15	.10	7.51	.46
S.U.T.	3.08	3.08	---	4.18	1.10	4.28	1.20
F.U.T.	.40	.40	---	.40	---	.40	---
Work.Comp.	1.57	2.016	.446	2.67	1.10	3.92	2.35
Gen.Lia.	.492	.604	.112	.909	.417	1.11	.618
Umbrella	.240	1.101	.861	2.641	2.401	2.4	2.16
TOTALS	12.832	14.251		17.95		19.62	
Total Cost Increase			1.419		5.118		6.788

* July 1985 - Date current agreement proposed.

** September - Date for notification of annual insurance premium.

Enclosure (1)

16884

Tax Cost Comparison
As Percent of Premium Portion of Overtime Wages

	*7-85	1-88	Cost Increase 7-85 to 1-88
F.I.C.A.	7.05	7.51	.46
S.U.T.	3.08	4.28	1.20
F.U.T.	.40	.40	—
	10.53	12.19	1.66

* Date current agreement proposed.

Enclosure (2)

16885

ARTICLE 10. CONTRACTOR'S FEE. (a) For providing labor and supervision therefore Contractor shall be paid in addition to the amount provided in Article 9 hereof, a Fee, which consists of three components, of 34.5% of the direct wage cost attributable to (i) actual straight-time hours worked (ii) the straight-time portion of any overtime hours worked.

The Fee consists of three components (i) 29% for all payroll costs, employees benefits and small tools (ii) 2.0% for profit and overhead, and (iii) 3.5% for General and Umbrella Liability Insurance Coverage, as per the following schedule:

SEPTEMBER 7, 1987 THRU SEPTEMBER 4, 1988

Total Annual Direct Wage Cost (Exclusive of Premium Portion of Overtime)

\$10,000,000 or less

Payroll costs, employee benefits, and small tools	29.0%
General and Umbrella Liability Insurance Coverage (Renegotiated each like period thereafter)	3.5%
Overhead and Profit	2.0%
Total Fee:	34.5%

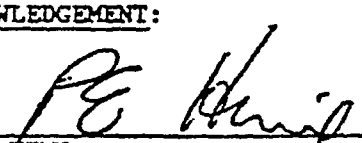
\$10,000,000 or more

Payroll costs, employee benefits, and small tools	29.0%
General and Umbrella Liability Insurance Coverage	.5%
Overhead and Profit	2.0%
Total Fee:	31.5%

Contractor shall be paid a markup equal to 12.5 percent of that portion of Contractor's total direct wage cost attributable to the premium portion of wages paid for overtime hours worked by its authorized employees on authorized work hereunder.

It is understood that Company may, in the future, wish Contractor to perform similar work at other Company plants. Such other plants may be added to this Agreement using the same conditions and percentage Fee and markups described herein. The annual period for the work performed at such other plant shall be deemed to have the same commencement date as the annual period hereunder.

ACKNOWLEDGEMENT:


P. E. HIME

Enclosure (3)

16886