PLAINTIFF'S EXHIBIT

UC-1764

AMENDMENT OF MAINTENANCE CONTRACT FOR BROWNSVILLE AND SEADRIFT, TEXAS PLANTS UNION CARBIDE CHEMICALS COMPANY

TO APPROPRIATIONS COMMITTEE:

Appropriations Committee approval is requested to enter into an amendment modifying the existing cost plus percentage fee contract with Brown & Root, Inc. covering maintenance labor requirements at the Brownsville and Seadrift, Texas plants. The present contract commenced on January 2, 1963 and expires on January 1, 1964, and was approved by the Committee on December 11, 1962 based on our letter of December 7, 1962.

The modifications to the contract were proposed by Brown & Root, and are as follows:

1. Change the contract period from one year to open-end, which will extend the contract for an indefinite period.

2. Change the provision for ninety-day notice of termination by either party to 120-day notice.

3. Change the schedule of fee percentages retroactive to January 2, 1963 as follows:

Annual Direct Labor Cost	Present % Fee	Proposed % Fee
Less than $1,300,000	31.1	29.1
From $1,300,000 but less than $1,400,000	30.5	28.5
" 1,400,000 " " " 1,500,000	29.5	27.9
" 1,500,000 " " " 1,600,000	28.5	27.3
" 1,600,000 " " " 1,700,000	27.5	26.7
" 1,700,000 " " " 1,800,000	26.5	26.0
" 1,800,000 " " " 1,900,000	25.5	25.0
" 1,900,000 " " " 2,000,000	24.0	24.0
" 2,000,000 " " " 2,100,000	24.0	23.0
$2,100,000 and over	24.0	22.0

25.95%

The adjustment in fee schedule would result in a reduction of about $22,000 for the year 1963 based on the estimated direct labor expenditure of about $1,100,000 indicated in our December 7, 1962 letter. On the basis of projecting actual direct labor expenditures for the first quarter of 1963 to an indicated annual basis of nearly $1,900,000, the reduction may be nil. If total annual direct labor expenditures should exceed $2,100,000, a reduction of $40,000 or more could accrue.

Brown & Root's proposal to change the contract period to open-end is apparently based on eliminating the traditional annual or bi-annual evaluating and negotiating of a new contract. This open-end concept will provide a more stabilizing influence within Brown & Root regarding continuity of the work, even considering the termination privilege which will remain in the contract.

(R)

BRF 0122

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To date Central Purchasing has not developed open-shop competition to Brown & Root for this work which is acceptable to the Chemicals Company. This is because of the satisfactory and proven open-shop working controls exhibited by Brown & Root to date.

As Brown & Root's performance under the present contract is still satisfactory and effective, and no acceptable alternative has been developed, the Central Purchasing Department concurs with the recommendation of the Union Carbide Chemicals Company for acceptance of the above-outlined contract modifications proposed by Brown & Root.

We trust that this recommendation will receive favorable consideration by the Appropriations Committee.

REQUEST PREPARED BY H. R. MITCHELL
FOR CENTRAL PURCHASING DEPARTMENT

for Director of Purchases

DATE: June 3, 1963

APPROVED BY
UNION CARBIDE CHEMICALS COMPANY

APPROVED BY THE
APPROPRIATIONS COMMITTEE

DATE: 6-11-63

REVIEWED BY THE LAW DEPARTMENT

db

BRF 0123

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June 3, 1963

TO APPROPRIATIONS COMMITTEE:

Mr. D. B. Benedict
Mr. A. L. Foscue
Mr. W. M. Haile
Mr. K. H. Hannan
Mr. A. S. Johnson
Mr. H. D. Kinsey
Mr. B. Mason, Jr.
Mr. K. Rush
Mr. B. Helmer, Secretary (2)

Fee is a sliding scale per cent per page

cc: Mr. H. S. Bunn
Mr. John Shacter
Mr. J. F. Shanklin
Mr. W. S. Sneath
Mr. J. A. Willis

I am attaching a copy of a request for the Appropriations Committee's approval of an amendment to the existing cost plus a percentage fee contract between Union Carbide Chemicals Company, Division of Union Carbide Corporation and Brown & Root, Inc. covering maintenance labor requirements at the Brownsville and Seadrift, Texas plants.

If the Committee gives its formal approval for this amendment, we shall appreciate it if Mr. Borden Helmer will sign one copy and return it to us.

for H. K. Intemann

HKI:db

BRF 0121