PLAINTIFF'S EXHIBIT

UC-1767

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

TO: APPROPRIATIONS COMMITTEE

Appropriations Committee approval is requested to negotiate and enter into a cost plus percentage fee contract with Brown & Root, Inc. covering maintenance labor requirements at the Brownsville and Seadrift plants commencing January 2, 1963 and continuing for one year with an option on our part to renew for a second year. This proposed contract would be similar to the existing contract for such services which will expire January 1, 1963. The estimated annual cost will be about the same as in 1962, or approximately $1,500,000.

The reasons we propose to negotiate this contract with Brown & Root are as follows:

1. To date we have not been able to develop effective competition to Brown & Root that is fully acceptable for work at these locations.

2. Brown & Root's performance under the present contract has been effective and satisfactory. They have provided competent labor and supervision, and have coordinated their activities with our plant operations.

Brown & Root has proposed a contract term of two years. However, we plan to negotiate on the basis of a one-year period and, if necessary, provide an option on our part to renew for a second year if costs remain basically the same. This approach will provide flexibility for alternative action planned for next year if acceptable competition to Brown & Root can be developed in time.

Brown & Root's proposal represents a 6.9% increase in fee costs, equivalent to about $20,000 annually. Approximately 50% of the fee increase is due to increased statutory taxes. We will attempt to reduce this proposed increase at final negotiations. The remaining costs ($1,100,000) consist of wages and salaries for labor, which are subject to adjustment by mutual agreement. Wages and salaries are normally maintained by Brown & Root below those of comparable Union Carbide employees in our plants, and are increased in the same proportion as wage increases are provided our own employees.

Union Carbide trial exhibit UC-1767: Request to Appropriations Committee for Approval of Brown & Root Maintenan… Published by AsbestosClaims.Law
ACL Doc 16838 · Page 1 of 5 asbestosclaims.law/library/16838/1

Our evaluation of Brown & Root's services and costs indicate that potential savings and increased benefits for Union Carbide can be achieved only through effective competition. The lack of an acceptable open shop contractor to compete with Brown & Root for the existing contract was reflected in letters to the Appropriations Committee dated February 17 and March 9, 1961. Thereafter, a program was started to develop an acceptable competitor for both maintenance and construction work in Texas.

A review of open shop contractors who could be considered revealed that Hudson Engineering Company of Houston, Texas has an organization fully capable of meeting our requirements. This review further indicated that significant savings may accrue on major construction work now under consideration for the Texas area.

Our estimates indicate about $115,000 per year saving would be gained under the maintenance contract alone if Hudson Engineering were engaged for this work. The attached Exhibit "A" shows an estimated cost comparison for the maintenance work at both plants for 1963 based on anticipated work load levels. The costs for Brown & Root are based on their proposals. The costs for Hudson Engineering are based on preliminary cost discussion with their president, and represent their normal price structure. This comparison does not reflect inefficiencies associated with changing contractors during the first year.

Our program further contemplated the step-wise introduction of Hudson Engineering in 1963 to our work by starting them on the maintenance work at Seadrift only. Such action could establish them as proven competition to Brown & Root for maintenance and construction work in the Texas area.

However, last minute developments have deferred our plans to consider Hudson Engineering at this time. Apparently, a major client of Hudson Engineering Company has objected to their doing such work for Union Carbide and other similar companies. As insufficient time now remains to work out this complication with Hudson Engineering it is necessary to proceed with Brown & Root.

We intend to continue a program to develop acceptable open shop competition to Brown & Root for our maintenance and construction work in Texas, and will further attempt to resolve the complications with Hudson Engineering.

It is the joint recommendation of the Union Carbide Chemicals Company and the Central Purchasing Department that a contract be negotiated with Brown & Root, Inc. on the aforementioned basis.

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ACL Doc 16838 · Page 2 of 5 asbestosclaims.law/library/16838/2

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

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

R. F. Maurer
for Director of Purchases

DATE: Dec 7, 1962

APPROVED BY
UNION CARBIDE CHEMICALS COMPANY

K. A. Rowland
Vice President

APPROVED BY THE
APPROPRIATIONS COMMITTEE

Gordon Nelson

DATE: 12-11-62

REVIEWED BY LAW DEPARTMENT

J R Peake

db

BRF 0130

Union Carbide trial exhibit UC-1767: Request to Appropriations Committee for Approval of Brown & Root Maintenan… Published by AsbestosClaims.Law
ACL Doc 16838 · Page 3 of 5 asbestosclaims.law/library/16838/3

EXHIBIT "A"
COST COMPARISON FOR 1963
MAINTENANCE WORK
AT SEADRIFT AND BROWNSVILLE, TEXAS

ITEM	ESTIMATED COST BROWN & ROOT	HUDSON ENGR.
A. Seadrift		
1. Direct labor wages	$ 350,000	$ 350,000
2. Supervision costs not included in 1. above	3,600	12,000
3. Travel expense	---	---
4. Fee to cover insurance, taxes, benefits, overhead & profit	108,400	67,000
Subtotal A - Seadrift	$ 462,000	$ 429,000
B. Brownsville		
1. Direct labor wages	$ 750,000	$ 750,000
2. Supervision costs not included in 1. above	---	12,000
3. Travel expense	8,000	8,000
4. Fee to cover insurance, taxes, benefits, overhead & profit	233,000	140,000
Subtotal B - Brownsville	$ 991,000	$ 910,000
C. Total Cost of A & B above	$ 1,453,000	$ 1,339,000

BRF 0131

DEC 7 1962

May 31, 1963

December 7, 1962

TO: APPROPRIATIONS COMMITTEE

A-3

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)

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

I am attaching an amendment to the existing copy of a request for the Appropriations Committee's approval of a 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 ~~purchase~~ amendment, we shall appreciate it if Mr. Borden Helmer will sign one copy and return it to us.

For H. K. Intemann

HRM:db

BRF 0127

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