Michele Cerullo

From: BC Antitrust
Sent: Wednesday, February 26, 2003 5:36 PM
To: Michele Cerullo; Patricia Jones
Subject: Fwd: FTC File No. 021-0040, Docket No. C-4058

Header (1 KB)

-----Original Message-----
Date: 02/19/2003 11:15 am (Wednesday)
From: "Jonathan D Jeffery" <Jonathan.D.Jeffery@conocophillips.com>
To: FTC.SERIUS("antitrust@ftc.gov")
Subject: FTC File No. 021-0040, Docket No. C-4058

February 19,

2003

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Daniel P. Ducore
Federal Trade Commission
Office of Secretary
600 Pennsylvania Ave, N.W.
Washington, DC 20580

Dear Daniel P. Ducore:

Subject: FTC File No. 021-0040, Docket No. C-4058

In regards to the benefits plan overviews that were presented by Holly Corp. for the Woods Cross Business Unit, there are some concerns as to the competitiveness when compared with current ConocoPhillips benefits plans. The new plan has several items which may positively or adversely affect the Woods Cross Business Unit employees. I will not go into every detail, but would like to focus on the issue of matching contributions for retirement investment vehicles.

The current ConocoPhillips Savings Plan matches 1.25% in the 401K portion and targets 8% for the ESOP portion (the ESOP portion can increase or decrease depending on stock price changes over the semi-annual contribution periods). This is a total match of 9.25% which only require 2.25% employee contributions to receive. Holly Corp matches up to 4%. This is a difference of 5.25%. To figure a dollar value this represents to an average employee, a conservative average salary of $60,000 per year can be assumed. This represents a loss of $3,150 per year in benefit matching. If you consider the other benefits there is absolutely nothing that on the aggregate will make up this difference. There are a few small positive differences and several small negative differences, but nothing that can makeup for this significant loss.

My personal estimate is that when you factor all benefits (not all pricing has been provided on insurance yet) the decrease on the aggregate for benefit value will fall in the range of 6-10% of annual base salary. I would be interested in seeing how the general population of employees can be found to have comparable benefits under these plans. This is a competitive issue since the employee total compensation packages will not be comparable with their peers in the industry.

In addition to the benefits plans, there is also the concern with the projected payout for the incentive/profit sharing plan. Currently the ConocoPhillips incentive plan targets 7.5% of base pay. Holly Corp has indicated that they have not determined the proposed plan for the Woods Cross Business Unit. In December, Holly did discuss the way they handle incentive based pay at their other facilities. They said that the typical targeted payout is 4% of base pay at their Artesia, NM facility. I would imagine that Holly will likely not target more than the 7.5%, but may choose to target 4% like their other facilities. If this is the case, there could be an addition loss of 3.5% of annual base salary.

Sincerely,

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