



RETRAINEE - JOB CREATION

Training Proposal for:

BAE Systems San Diego Ship Repair, Inc.

Agreement Number: ET16-0102

Panel Meeting of: June 26, 2015

ETP Regional Office: San Diego

Analyst: K. Campion

PROJECT PROFILE

Contract Attributes:	Critical Proposal Job Creation Initiative Priority Rate Retrainee	Industry Sector(s):	Manufacturing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	San Diego	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 5,423	U.S.: 40,000	Worldwide: 88,000
<u>Turnover Rate:</u>	9%		
<u>Managers/Supervisors:</u> (% of total trainees)	10%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	=	(High Earner Reduction)	Total ETP Funding
\$834,160		\$0		\$0	\$834,160

In-Kind Contribution:	100% of Total ETP Funding Required	\$1,138,022
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TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee Critical Proposal Priority Rate Job Creation Initiative	Mfg Skills, Continuous Impr, Business Skills, Computer Skills, OSHA 10/30, HazMat, HAZWOPER	200	8-200	0	\$2,000	\$13.28
				Weighted Avg: 100			
2	Retrainee Critical Proposal Priority Rate	Mfg Skills, Continuous Impr, Business Skills, Computer Skills, OSHA 10/30, HazMat, HAZWOPER	603	8-200	0	\$720	\$15.93
				Weighted Avg: 40			

Minimum Wage by County: Job Number 1 (Job Creation): \$13.28 per hour for San Diego County; Job Number 2: \$15.93 per hour for San Diego County.

Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: Yes No Maybe

Although employer provides health benefits, they are not being used to meet Post-Retention Wage.

Wage Range by Occupation

Occupation Titles	Wage Range	Estimated # of Trainees
JOB NUMBER 1 - JOB CREATION RETRAINEES		
Production Worker		200
JOB NUMBER 2 - RETRAINEES		
Production Worker		442
Administrative/Professional Staff		81
Supervisor/Manager		80

Critical Proposal

This proposal for BAE Systems San Diego Ship Repair, Inc. (BAE-SDSR) is designated as a "Critical Proposal," as defined in Title 22, California Code of Regulations (CCR) 4402.2, by the Governor's Office of Business and Economic Development (Go-BIZ). BAE-SDSR is expanding its workforce due to the expansion of its shipyard and significant increases in its work capacity. This project will assist BAE-SDSR employees with development of job skills. It will be funded in FY 2015/16 consistent with the new caps.

INTRODUCTION

Located on San Diego Bay, BAE-SDSR repairs and refurbishes marine vessels for government and commercial customers (www.baesystems.com). The majority of shipyard work at BAE-SDSR center on the U.S. Navy fleet, Navy destroyers, Military Sea Lift Command landing platform docks, and dock landing ships. It also has commercial customers including cruise ships, tankers, and barges. BAE-SDSR's ship-repair capabilities include structural and piping modifications, machinery repairs and alterations, combat systems and electronics upgrades, ship conversions, and modernizations. The Company employs 1,600 full-time workers at its shipyard in San Diego, the site of the proposed training.

PROJECT DETAILS

The US Navy recently began implementing its "Pacific Pivot" strategy, planning to move 60% of its fleet and assets to patrols in the Pacific. The Navy has begun to boost the number of warships home-ported in San Diego from 60 to 79. In order to increase its capacity to dock more Navy ships, BAE-SDSR must increase its footprint in San Diego Bay. To do that, the Company has constructed a new 415 foot pier that was completed March 2015. This pier is projected to increase the Company's overall production capacity by 25%.

Additionally, BAE-SDSR purchased a new floating dry dock (one of the largest in the nation at 950 feet) which will be towed into San Diego Bay in mid-2016. This \$100 million expenditure will almost double the Company's production capacity to repair larger ships and will allow BAE-SDSR the flexibility to work on many new types/classes of ships. (Currently, BAE-SDSR can only dock 3 of the 7 classes of Navy Ships. With the new dry dock it will be able to dock 6 of the 7 classes of Navy Ships.) Further, the new dry dock will allow BAE-SDSR the capacity to repair larger commercial vessels, such as cruise ships, a market that was previously unreachable. BAE-SDSR's business expansion coupled with the current and forthcoming challenges associated with repairing new classes of ships requires critical new training for its workforce in new ship systems and technologies.

Retrainee - Job Creation

In support of Job Creation, the Panel is offering incentives to companies that commit to hiring new employees (higher reimbursement rate and a lower post-retention wage). Trainees must be hired within the three-month period prior to Panel approval or during term of contract.

BAE-SDSR is expanding its footprint in San Diego Bay and increasing its work capacity 25 – 50% over the next two years. Consequently, the Company is currently in a critical hiring mode. Its strategic hiring plan calls for the addition of 250 – 300 production workers on payroll by the end of 2015, and an additional 200 to be hired in 2016, for a total of 500 full-time workers hired over the next two years. Of the 500 projected employees, 200 are included in this proposal (Job Number 1).

Training Plan

This will be BAE-SDSR's fifth Agreement. In this proposed Agreement, the majority of training topics are in new materials, new technologies, and new manufacturing processes specifically related to new classes of ships. A few training courses from the prior ETP Agreement will be offered again in this proposed Agreement, but only for newly hired job creation trainees or incumbent workers who were not trained in the prior Agreement. There will be no duplication of training delivered in prior contracts for the same trainees.

In the prior ETP Agreement (ET14-0190), BAE-SDSR needed training to comply with new stringent quality and safety requirements imposed by the U.S. Navy for the modernization of its vessels. Additionally, the Company needed to train Job Creation workers in manufacturing and welding skills. This proposal will focus on critical and immediate training to prepare workers for the repair and refurbishment of new classes of ships, new ship systems, and new technologies and to provide necessary skills to supervisors and managers to lead the changes at the organization. Newly-hired workers must immediately receive critical training in shipyard processes, procedures and technical work. Incumbent Production Workers (Job Number 2) need to become proficient in advanced manufacturing processes and need new skills to be able to effectively repair new and different classes of ships. All training will be delivered via class/lab and is scheduled to commence in mid-July 2015 in the following:

Manufacturing Skills (55%) – Training will be provided to Production Workers. Trainees must learn new production processes to understand shipboard terminologies and item specifications found in different classes of ships. Some workers will be trained in Advanced Manufacturing topics such as Ship Navigation Systems; Wireless Technologies, and Advanced Welding techniques. Others will be trained in Rigging, Welding and Structural Shipfitting with the goal to move trainees to a higher level in the areas of production quality control and workmanship.

Continuous Improvement (20%) – Training will be provided to all occupations to meet new job set-up requirements and work process controls for different ship classes. Trainees will learn how to streamline processes in work teams and learn Lean Six Sigma skills, root-cause analysis, and critical-thinking skills. Additionally, with an expanding workforce, the Company must train more Supervisors and Managers, the majority of whom will be promoted from within.

Business Skills (5%) – Training will be provided to selected Administrative/Professional Staff and Supervisor/Managers based on job functions. These courses are designed to effectively support production workers by providing skills to ensure work estimates and projects are written and managed. Training will also provide critical finance and accounting skills.

Computer Skills (5%) – Training will be provided primarily to Administrative/Professional Staff and Supervisor/Managers, but will also include select Production Workers based on job functions. Trainees will receive Enterprise Resource Planning skills to effectively navigate the Company's Information Management systems. Some will also receive financial software skills.

Hazardous Materials Handling (5%) – Training will be provided to Production Workers and Supervisor/Managers who handle hazardous waste. This training is designed to ensure newly-hired and incumbent workers have the skills to work in a shipyard hazardous environment.

Certified Safety Training

OSHA 10/30. (5%) This training will be provided to Production Workers and selected Supervisor/Managers. OSHA 10/30 is a series of courses "bundled" by industry sector and occupation. It consists of 10 hours of classroom training for journey-level workers and 30 hours for frontline supervisors. The coursework is geared to construction work, and also manufacturing. Completion of the training results in a certificate that expands employment opportunities. The coursework must be approved by Cal-OSHA, and the instructors must be certified by Cal-OSHA.

Hazardous Waste Operations and Emergency Response Standard (HAZWOPER). (5%) This training will be provided to selected Production Workers and Supervisor/Managers. It is a series of courses specifically designed for workers who handle hazardous substances as first-responders, or clean-up as needed at a hazard disposal or emergency site. It consists of 40 hours of classroom training, for workers stationed at the hazard site; and 24 hours for workers

who visit the site (e.g., engineers). Field training is also required, although not funded by ETP. Completion of the training results in a certificate that expands employment opportunities. Each certification requires an 8-hour annual refresher course. This coursework must be approved by Cal-OSHA, and the instructors must be certified by Cal-OSHA.

Substantial Contribution (Critical Proposal)

BAE-SDSR is a repeat contractor with payment earned in excess of \$250,000 and had a former Substantial Contribution imposed at the 15% level, at the San Diego facility, within the past five years. Critical Proposal regulations state that the Panel may modify the Substantial Contribution requirement when “a California business proposes to expand an existing facility by adding and training new employees for a new product line or business function.” (Title 22, California Code of Regulations (CCR), Section 4402.2(b)(1).)

BAE-SDSR requests and Staff recommends that the Panel waive the Substantial Contribution requirement (currently the Substantial Contribution would be 30% totaling \$130,248) for Job Number 2 incumbent workers, in accordance with Critical Proposal regulations based on project details above. (Job Number 1 is Job Creation and is not subject to Substantial Contribution.) Waiving the Substantial Contribution will allow the Company to concentrate more funds towards expansion. It will also assist the Company in meeting its hiring and training goals, enhancing the skills sets of its Production Workers, and assisting the Company in effectively increasing work capacity at the shipyard.

Commitment to Training

The Company’s current training budget is approximately \$1.2 million annually for its workforce in courses such as new employee orientation, benefits training, fire-watch, forklift certification, harness certification, ethics, heavy metal abatement, First Responder, crane safety, confined space, asbestos removal, aerial lift, Lockout/Tagout, and welding certifications. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

BAE-SDSR has a dedicated Training Manager and Training Administrator to schedule and oversee all company-wide training. ETP project administration will be provided by a subcontractor.

RECOMMENDATION

Staff recommends approval of this proposal.

ACTIVE PROJECTS

The following table summarizes performance by BAE-SDSR under an active ETP Agreement:

Agreement No.	Approved Amount	Term	No. Trainees (Estimated)	No. Completed Training	No. Retained
ET14-0190	\$286,670	10/28/2013– 10/27/2015	362	289	219

BAE-SDSR completed training on 2/13/2015. Based on the ETP tracking system, 19,747 reimbursable hours have been tracked (100% of the Agreement amount). The Contractor projects 100% earnings when the closeout invoice is processed by ETP.

PRIOR PROJECTS

The following table summarizes performance by BAE-SDSR under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET11-0105	San Diego	3/07/2011– 2/06/2013	\$249,480	\$87,660 (35%)

ET11-0105 – BAE-SDSR reports two reasons for not meeting its ETP funding performance goals in this Agreement. First, the Company's in-house Training Administrator, responsible for the day-to-day operation of the ETP project, left the Company. The lack of oversight and knowledge of the ETP administrative processes caused training schedules to slip and the processing of ETP attendance rosters to be delayed. Consequently, the lack of project management resulted in lower than expected training numbers.

Secondly, during the term of the Agreement, BAE-SDSR shifted its training focus from Manufacturing Skills to Literacy Skills to ensure that all workers could communicate (read and speak) in basic English and follow printed ship-board signs. The Company provided over 10,000 hours of Literacy Skills training, but only received reimbursement for a portion of that amount due to ETP's Literacy Skills limitation of 45% of a trainee's total job skills training. Due to the time, effort and resources allocated to Literacy Skills, the Company was unable to complete the planned Manufacturing Skills training, resulting in fewer earnings than planned.

Corrective Actions Taken: 1) The incumbent worker funding amount (Job Number 2) for the subsequent ET14-0190 project was right-sized in to the dollar amount of ET11-0105; and 2) the Company brought in more oversight of the project with the help of the General Manager, Training Administrator and a third-party project administrator. These changes were in effect for ET14-0190 and were directly responsible for good performance for this Agreement.

DEVELOPMENT SERVICES

BAE-SDSR retained Bright Training Solutions (BTS) in San Diego to assist with development of this proposal for a flat fee of \$5,000.

ADMINISTRATIVE SERVICES

The Company also retained BTS to perform administrative services in connection with this proposal for an amount not to exceed 6% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum**Class/Lab Hours**

8–200

Trainees may receive any of the following:

MANUFACTURING SKILLS

- ✚ Ships Navigation Systems
- ✚ New Technologies Supporting Large Ship Classes
- ✚ Fluid Systems
- ✚ Wireless Technologies
- ✚ Work Item Interpretation
- ✚ Machining Alignment Techniques
- ✚ Rigging
- ✚ Welding – Levels I through V
- ✚ Pipe Fitting/ Pipe Bending
- ✚ Visual Inspection Techniques
- ✚ Blueprint
- ✚ Navy Standard Items
- ✚ Structural Shipfitting
- ✚ Structural Burning
- ✚ Volumetric Testing
- ✚ Burntable Programming
- ✚ Material Identification
- ✚ Wave Guide Testing
- ✚ Connector/Fiber Optic Training

CONTINUOUS IMPROVEMENT

- ✚ Root Cause Analysis
- ✚ Critical Thinking
- ✚ Lean Six Sigma
- ✚ Advanced Communication Skills
- ✚ Leadership Skills for Managers and Non-Managers
- ✚ Motivational Skills
- ✚ Team Skills
- ✚ Expanded Process Control Procedures (EPCP)
- ✚ Work Certification Processes (WCP)
- ✚ Time Management
- ✚ Leading Change
- ✚ Managing Conflict
- ✚ Project Management Skills

BUSINESS SKILLS

- ✚ Business Writing Skills
- ✚ Finance Skills
- ✚ Assessing Risk
- ✚ Accounting Skills
- ✚ Contracts Management
- ✚ Information Technologies Management
- ✚ Purchasing Processes and Procedures
- ✚ Estimating Skills
- ✚ System Reporting Skills
- ✚ Inspection Deficiency Reporting

COMPUTER SKILLS

- ✚ Financial Software
- ✚ Enterprise Resource Planning Skills/Information Management System (IMS)
- ✚ Advanced Microsoft Office Skills

OSHA 10/30 (OSHA Certified Instructor)

- ✚ OSHA 10 (requires completion of 10 training hours)
- ✚ OSHA 30 (requires completion of 30 training hours)

HAZARDOUS MATERIALS

- ✚ Ship and Shop Safety
- ✚ Hazardous Materials

HAZWOPER (OSHA Certified Instructor)

- ✚ HAZWOPER

Safety Training cannot exceed 10% of total training hours per-trainee, with the exception of OSHA 10/30 and HAZWOPER.

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery.