



Training Proposal for:
Bottling Group, LLC dba Pepsi Beverages Company
Agreement Number: ET15-0162

Panel Meeting of: July 25, 2014

ETP Regional Office: North Hollywood

Analyst: M. Webb

PROJECT PROFILE

Contract Attributes:	Retrainee Priority Rate	Industry Sector(s):	Manufacturing
			Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Riverside	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: 5,000	U.S.: 60,000	Worldwide: 275,000
<u>Turnover Rate:</u>	18%		
<u>Managers/Supervisors:</u> (% of total trainees)	9%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$163,134		\$0	\$0		\$163,134

In-Kind Contribution:	100% of Total ETP Funding Required	\$441,342
-----------------------	------------------------------------	-----------

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 Priority Rate	Continuous Improvement, Manufacturing Skills	159	8-200	0-100	\$1,026	\$16.50
				Weighted Avg: 57			

Minimum Wage by County: Job Number 1: \$14.90 in Riverside 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		
Production/Warehouse Staff		35
Manufacturing Staff		95
Office/Resource Staff		14
Supervisor/Manager		15

INTRODUCTION

The Bottling Group, LLC dba Pepsi Beverages Company (PBC), founded in 1999, is a wholly-owned subsidiary of the international conglomerate PepsiCo (www.pepsico.com) and is seeking funding for retraining. In February of 2010 PepsiCo acquired five California bottling plants which include facilities in Buena Park, Riverside, Fresno, Sacramento and Hayward. PBC has previously submitted proposals for ETP training at all five locations, under three separate contracts. This proposal targets incumbent workers at the plants in Riverside.

PBC uses the plants in Sacramento and Hayward to bottle, market and distribute non-alcoholic beverages under the PepsiCo trademark (various PepsiCo brands). The beverages include soft drinks, teas, juices and bottled water. PBC beverages are distributed to grocery stores, retail establishments and restaurants.

PBC is in the process of purchasing and installing \$1,000,000 in equipment at Riverside continuing from 2013 through 2015. This includes an Evap Condenser, Tritator laboratory equipment, and an upgraded Crusher Area. The Riverside facility is also scheduled to launch two additional production lines. As a result, training in new processes and equipment operation must be provided to Production/Warehouse and Manufacturing Staff.

Total Productive Manufacturing training (TPM), will also be provided as a continuation of training from the last Agreement. TPM will be administered in four phases to establish Autonomous

Maintenance for all production lines. These lines include a can line, multi-change bottle line and direct blow fills. Through TPM training, PBC will develop sustainable performance with employee involvement, in step with objectives of the parent corporation.

Need for Training

For the PBC Riverside plant to remain competitive, PBC has decided to institute a Total Productive Maintenance (TPM) phase based training program. The objective is to institute a work environment with 100% employee involvement with Zero Loss. This initiative is designed to reach: zero loss in scrap and waste, zero safety incidents, zero product quality issues, zero customer complaints, and zero adverse environmental impacts.

TPM will focus on line efficiency and other areas of process improvement in specific topics, such as:

- Autonomous Maintenance,
- Planned Maintenance,
- Focused Improvement,
- Safety,
- Quality,
- Early Management,
- Environment Sustainability,
- Organization Capability

TPM training is currently in progress at the Riverside plant. In the TPM training plan there are 4 Phases and each phase builds on the previous. The timetables for each phase have been planned and scheduled. Phases 1–3 will be in place for a total of three years. Phase 4 is designed to be for ongoing improvement, once the first three phases are completed.

PROJECT DETAILS

Training Plan

Manufacturing Skills (60%) – This training will be offered to Production, Warehouse, and Manufacturing Staff. Trainees will participate in courses to enhance skill sets in Lean Manufacturing, Maintenance and Technician Processes, and Warehouse Automation.

Continuous Improvement (30%) – This training will be offered to all occupations to improve efficiency. Staff will receive training in Communication Skills, Business Performance, and Process improvement.

Computer-Based Training (CBT) (10%)

Trainees may receive up to 100 hours in Computer Based Training. These courses include Basics of Refrigeration, Boiler Control, Electrical Control Equipment, and Mechanical Seals.

Prior Performance

The Company's Riverside and Buena Park facilities participated in training under the prior Agreement ET12-0279. At the start of that Agreement, the plant managers at both locations were transferred. This caused a delay in administration of the ETP contract.

Six months later, a new director was hired at both facilities; however, a substantial amount of time was lost to have accumulated eligible training hours. During this transition, the management team was schooled in ETP requirements to ensure they were capable of training delivery and record keeping. [Note: PBC anticipates that 95% of final earnings from the prior Agreement will be allocated to the Riverside location.]

Commitment to Training

All departments of PBC will continue to receive safety training outside of this ETP project. Following this Agreement, the Company will continue to provide job specific training to its employees in an on-going effort to enhance skill sets amongst departments.

PBC represents that ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

➤ Training Infrastructure

Staff members have been assigned to coordinate with the plant supervisors to administer and collect proper documentation to track training hours. According to the Contract Representative, monthly meetings will take place to report progress and work with plant teams to ensure all funding is earned in this Agreement. PBC has also hired a third party consultant to assist with administration duties.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

Due to prior performance, the requested funding amount under this proposal has been “right sized” to **\$163,134** based on earnings attributable to the Riverside plant under its prior contract (ET12-0279).

There were three contracts with PBC over the past five years, all of which began after the acquisition of the five bottling plants. Although owned by the same parent, each plant is under separate management.

Management at Riverside are working on TPM training, and the “Zero Defect” initiative, with a greater emphasis on advanced planning. The plant has a dedicated point-of-contact, working in collaboration to share best practices in training and documentation.

The Sacramento and Hayward plants were not included in the most recent contract (ET12-0279), although the following table summarizes performance under all three prior contracts. Earnings attributable to Sacramento are identified separately in the footnote.

[Note: The Fresno plant will be applying for funding at the August panel meeting.]

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET12-0279	Riverside/Buena Park	02/06/12-02/05/14	\$498,780	\$197,820 (40%)
ET12-0221	Sacramento/Fresno	12/26/11-12/25/13	\$448,920	\$275,346 (61%)
ET12-0220	Hayward	12/31/11-12/30/13	\$249,390	\$171,045 (69%)

ET12-0279: This was the first ETP Agreement held by the Riverside and Buena Park facilities, after the merger of Pepsico and Bottling Group. The plants were set to begin the new training program in-line with that of the other plants under PBC. Unfortunately, the funding amount granted was greater than the amount of training that would be provided over the two year contract term. The Riverside plant also had Director changes which caused setbacks in the administration process. The current proposal has been **right-sized to Riverside's earnings of \$162,135** (excluding Buena Park's earnings of \$35,685).

ET12-0221: The Bottling Group's approved amount was \$448,920. Under this Agreement only trainees at The Bottling Group's Fresno and Sacramento facilities were to receive training. The earned amount of this Agreement totaled \$275,346 for a 61% completion rate. Although the Agreement contained 1 Job Number, which showed the performance total for both facilities, it was the intention of the Bottling Group to allocate \$224,460 to each facility.

The ETP Substantial Contribution History Report was used to determine the earned amount per facility under this Agreement. The report showed that Fresno earned \$89,427 for a completion rate of 40% of their allocated funds while Sacramento earned \$185,925 for a completion rate of 83% of the allocated funds. The poor performance was attributed to not having a strong infrastructure at both facilities to support ETP training, compliance, and documentation. The Bottling Group also did not develop a structured training plan for either facility.

ET12-0220: Earnings of approximately \$171,000 equate to 69% in performance. This contract started at approximately the same time as ET12-0221, with the same issues as discussed above. Again, in regard to the current proposal, training is already in progress and on schedule.

DEVELOPMENT SERVICES

PBC retained Training Grants Intelligence (TGII) in Suwanee, GA to assist with development of this proposal at no cost.

ADMINISTRATIVE SERVICES

TGII will also perform administrative services in connection with this proposal for a fee not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

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

8-200

Trainees may receive any of the following:

CONTINUOUS IMPROVEMENT

- Leadership Skills for Frontline Workers
- Quality Concepts
- Process Improvement
- Just-In-Time Processes
- Process Improvement
- Frontline Huddles
- Teambuilding
- Problem Solving
- Quality Good Manufacturing Practices
- Early Management
- Safety*
- Focus Improvement
- Material Improvement
- Preventative Maintenance
- Organizational Capability Continuous Improvement
- High Performance Work Teams (HPWS)
- Wow Consumers
- Productivity to Grow
- Winning Together
- Make it Here
- Business Performance/Skills Enhancement
- Communication Skills
- Project Management
- Software Skills
- Environmental Sustainability
- Systems, Applications and Products
- Best Practices

MANUFACTURING SKILLS

- Total Productive Manufacturing
- Production Equipment Operation and Maintenance
- Cross Training in Operations and Maintenance
- Autonomous Maintenance
- Operator Process/Equipment
- Lean Six Sigma
- Technician Processes
- Maintenance Processes
- Electrical & Electronic Equipment Operation, Maintenance and Repair
- Pneumatic Equipment Operation

- Electrical Systems Technology
- Warehouse Automation, Equipment and Processes
- Kronos Overhaul Training
- Seamer Line Equipment

Safety Training is capped at 10% of a trainee's total training hours

CBT Hours

0 – 100

MANUFACTURING SKILLS

- PepsiPro: Equipment & Process Training:
 - Sidel Blow Molding (1.5 hrs)
 - TwinStack (1hr)
 - Voice Pick Manager's Version (1.25 hrs)
 - Winning Edge (1 hr)
 - Labeler (1 hr)
 - Basics of Plant Refrigeration (1 hr)
 - Beverage Processing (1.5 hrs)
 - Theory of Filling (1.5 hrs)
 - Fleet Forklift (1 hr)
 - Kisters Changeover (1.5 hrs)
 - Kisters (1hr)
 - 600C (1hr)
- PepsiPro: Maintenance Skills Training:
 - AC and DC Motors Library (4 hrs)
 - Electrical Control Equipment (8 hrs)
 - Programmable Controllers for Analog Control (APCAA) (6 hrs)
 - Air Compressor Repair (4 hrs)
 - Bearings – Reducing Failure Rate (4 hrs)
 - Centrifugal Pump Repair (4 hrs)
 - Hand Tools and Measuring (4 hrs)
 - Industrial Lubrication (4 hrs)
 - Mechanical Seals (2 hrs)
 - Pneumatic Power (2 hrs)
 - Rigging and Lifting (2 hrs)
 - Rotating Equipment Predictive Maintenance and Alignment (8 hrs)
 - Statistical Process Control (4 hrs)
 - Boiler Control (6 hrs)
 - Control Valves (4 hrs)
 - Electronic Maintenance (10 hrs)
 - Fundamentals of Industrial (16 hrs)
 - Measurement
 - Instrumentation and Control (2 hrs)
 - Interpreting Process Control Diagrams (6 hrs)
 - Pneumatic Maintenance (12 hrs)

- Process Operations (18 hrs)
- Test Instruments and Devices (24 hrs)
- Troubleshooting (18 hrs)

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery. CBT is capped at 50% of total training hours, per trainee.