



Training Proposal for:
Bottling Group, LLC dba Pepsi Beverages Company
Agreement Number: ET15-0181

Panel Meeting of: July 25, 2014

ETP Regional Office: Sacramento

Analyst: M. Mazzone

PROJECT PROFILE

Contract Attributes:	Retrainee Priority Rate	Industry Sector(s):	Manufacturing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Counties Served:	Alameda, Fresno, Sacramento	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Union(s):	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No USW District 12 (Fresno Plant) USW Local 565 (Sacramento Plant)			
Number of Employees in:	CA: 5,000	U.S.: 50,000	Worldwide: 275,000	
Turnover Rate:	10%			
Managers/Supervisors: (% of total trainees)	11%			

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$446,976		\$0	\$0		\$446,976

In-Kind Contribution:	100% of Total ETP Funding Required	\$948,750
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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 Priority Rate	Computer Skills, Continuous Improvement, Manufacturing Skills	172	8-200	0-100	\$1,080	\$16.50
				Weighted Avg: 60			
2	Retrainee Priority Rate	Computer Skills, Continuous Improvement, Manufacturing Skills	159	8-200	0-100	\$1,080	\$16.50
				Weighted Avg: 60			
3	Retrainee Priority Rate	Computer Skills, Continuous Improvement, Manufacturing Skills	113	8-200	0-100	\$792	\$16.00
				Weighted Avg: 44			

Minimum Wage by County: Job Number 1: \$15.59 per hour for Sacramento County; Job Number 2: \$16.25 per hour for Alameda County; \$14.90 per hour for Fresno 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
Fleet Staff		6
Production Staff		98
Warehouse Staff		168
Manufacturing Staff		62
Supervisor/Manager		57
Administrative Staff		53

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 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 Sacramento, Fresno and Hayward.

PBC uses the plants in Sacramento, Fresno 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.

Need for Training

For the PBC Sacramento, Fresno and Hayward plants 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 topics such as:

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

TPM training is currently in progress at the Sacramento and Hayward plants and the Fresno plant will begin TPM training August 2014. 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.

PBC recently invested approximately \$3,000,000 in new equipment between the Sacramento, Fresno and Hayward plants. Production staff will require training on each piece of equipment, including: bottle labeler, blow molder, filler/capper, hi-cone case packer, PSP wrap packer, palletizer, cap- line seamer and stretch wrapper.

PROJECT DETAILS

Each trainee will receive between 8 – 200 hours of Classroom/Laboratory training and 0 - 100 hours of Computer Based Training (CBT). CBT will be a major component of the training due to PepsiCo having standardized many aspects of the training into a CBT format.

PBC Sacramento and Hayward propose to train their employees in the following:

Manufacturing Skills (35%) - This training will be offered to all occupations, excluding Fleet Staff and Administrative Staff, to support the continued dedication to the TPM training plan. The comprehensive training program will continue to emphasize the Company's goal of increasing production, reducing costs, eliminating waste, improving quality, and reducing their reliance on limited resources. Training will include TPM subjects such as Production Equipment Operation and Maintenance, Cross Training in Operations and Maintenance, Autonomous Maintenance, Lean Six Sigma, Seamer Line Equipment and Technician Processes.

Continuous Improvement (35%) - This training will be offered to all occupations to support the continued dedication to the TPM training plan. The comprehensive training program will continue to emphasize the Company's goal of increasing production, reducing costs, eliminating waste, improving quality, and reducing their reliance on limited resources. Training courses will include TPM subjects such as Process Improvement, Just in Time Processes, Teambuilding, Focus Improvement, Project Management, Communication Skills, Preventative Maintenance and Problem Solving.

Computer Skills (2%) – This training will be offered to all staff, excluding Fleet Staff, to assist with the integration of new processes throughout the business. Changes in the Company's processes and procedures will require staff to be trained to become more efficient with their work. Training will focus on intermediate and advanced Microsoft Office.

Computer Based Training (CBT) - Manufacturing Skills (28%) – This training will be offered to all occupations to support the continued dedication to the TPM training plan. The comprehensive training program will continue to emphasize the Company's goal of increasing production, reducing costs, eliminating waste, improving quality, and reducing their reliance on limited resources. Training courses will include training in TPM subjects such as Electrical Control Equipment, Air Compressor Repair, Industrial Lubrication, Maintenance and Realignment, Boiler Control, Troubleshooting and Pneumatic Maintenance. PBC staff state that CBT training will not exceed 50% of an individual's training hours.

Commitment to Training

Prior to their acquisition The Sacramento, Fresno and Hayward PBC training programs at the plants were limited to mandatory safety training. Recently, PBC increased ongoing training in the following areas: new employee orientation; manufacturing on-the-job training; safety and hazardous materials training; management skills; forklift training; basic computer skills; and anti-harassment training. The Company estimates that the current training budget for all three plants is approximately \$300,000 annually.

PBC's commitment to training its workers will continue to be a significant goal for the Sacramento, Fresno and Hayward plants. Company representatives report that in order to improve and remain competitive, it is imperative that PBC invest in training on the newest technologies and quality improvement processes.

PBC represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

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 **\$446,976** based on earnings attributable to the Sacramento and Hayward plants under two prior contracts (ET12-0220 and ET12-0221).

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 Hayward, Fresno and Sacramento are working closely together on TPM training, and the **Zero Defect** initiatives, with a greater emphasis on advanced planning. Each of these three plants has a dedicated point-of-contact, working in collaboration.

The Sacramento, Fresno 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 and Fresno are identified separately in the footnote.

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: The Bottling Group's approved amount was \$498,780. In this Agreement only trainees at the Bottling Group's Riverside and Buena Park plants were to receive training. The earned amount of this agreement totaled \$197,820 for a 40% completion rate.

The ETP Substantial Contribution History Report was used to determine the amount earned per facility under this agreement. The report showed that Riverside earned \$162,135 and Buena Park earned \$35,685. During the term of the agreement, the Riverside plant underwent director changes which caused setbacks in the administration process. In addition, the amount of funding requested was too great as there was not a structured training plan for either facility. [Note: Neither of the two plants under this contract are in the current proposal.]

ET12-0221: The Bottling Group's approved amount was \$448,920. Under this Agreement, only trainees at The Bottling Group's Fresno and Sacramento plants were to receive training. The earned amount of this Agreement totaled \$275,346 for a 61% completion rate. Although the Agreement contained one 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 **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: The Hayward plant earned \$171,045, which equates 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 TGII in Suwanee, Georgia to assist with development for no fee.

ADMINISTRATIVE SERVICES

TGII will also perform administrative services for a fee of 13% of ETP funds earned.

TRAINING VENDORS

To Be Determined

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

8 – 200

Trainees may receive any of the following:

COMPUTER SKILLS

- ❖ Intermediate & Advanced Microsoft Office

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 cannot exceed 10% of total training hours per-trainee

CBT Hours

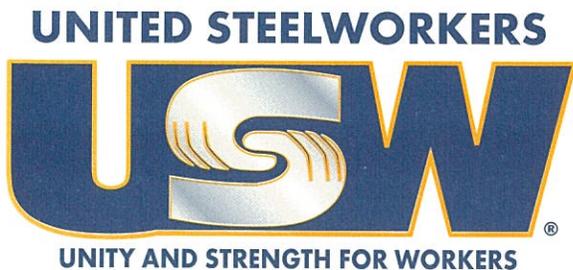
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MANUFACTURING SKILLS

- ❖ 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)
- ❖ AC and DC Motors Library (4 hrs)
- ❖ Electrical Control Equipment (8 hrs)
- ❖ Programmable Controllers for Analog (4 hrs)
- ❖ 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 (2 hrs)
- ❖ 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 (4 hrs)
- ❖ Instrumentation and Control (2 hrs)
- ❖ Interpreting Process Control (4 hrs)

- ❖ 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.



District 12

Robert LaVenture
District Director

Chris Youngmark
Assistant to the Director

Ron Espinoza
Sub-District Director

July 1, 2014

Employment Training Panel
1100 J Street
Sacramento, CA 95814

Dear Panel Members,

We understand that Pepsi Beverages Company is requesting an Employment Training Panel contract with your office. The training curriculum proposed by Pepsi Beverages Company will significantly help to increase the capability of their employees. We do not want our members left behind because their skills may be lacking.

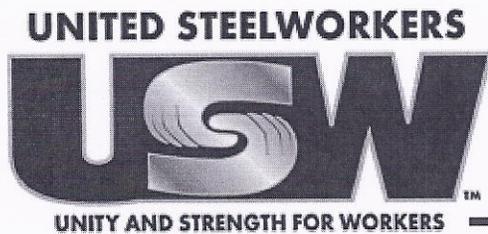
The contract with your office is exactly what is needed to help these employees gain the new skills required to operate in a continuous improvement environment. We believe that these kinds of cooperation arrangements between Labor, Management, and the Public Sector are beneficial to all parties and we fully support them and your efforts. We also have reviewed the proposed training plan and determined it to be in furtherance of both Union and Corporate objectives.

If I can be of further assistance, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink that reads 'Steve Sullivan'.

Steve Sullivan
USW Staff Representative



Local 565

April 11, 2014

Employment Training Panel
1100 J Street
Sacramento, CA 95814

Dear Panel Members,

We understand that Pepsi Beverages Company is requesting an Employment Training Panel contract with your office. The training curriculum proposed by Pepsi Beverages Company will significantly help to increase the capability of their employees. We do not want our members left behind because their skills may be lacking.

The contract with your office is exactly what is needed to help these employees gain the new skills required to operate in a continuous improvement environment. We believe that these kinds of cooperation arrangements between Labor, Management and the Public Sector are beneficial to all parties and we fully support them and your efforts. We also have reviewed the proposed training plan and determined it to be in furtherance of both Union and Corporate objectives.

If I can be of further assistance, please do not hesitate to call or contact me.

Sincerely,



Greg Kreiter
Local 565 Union
President

Gregkreiter7@gmail.com
Cell: 209.747.2893