

**DELEGATION ORDER**



**Training Proposal for:  
Cummins Pacific, LLC**

**Agreement Number: ET16-0358**

**Approval Date:** February 4, 2016

**ETP Regional Office:** San Diego

**Analyst:** K. Campion

**PROJECT PROFILE**

Contract Attributes:	Retrainee SET HUA	Industry Sector(s):	Wholesale Trade Services  Priority Industry: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Counties Served:	Orange, Los Angeles, Ventura, San Diego, Alameda, Humboldt, Shasta, Yolo, San Bernardino, Kern, Fresno	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No IMAW, District Lodge 947; IMAW, East Bay Automotive Machinists Lodge, No. 1546		
Number of Employees in:	CA: 628	U.S.:27,000	Worldwide: 61,000
<u>Turnover Rate:</u>	17%		
<u>Managers/Supervisors:</u> (% of total trainees)	0%		

**FUNDING DETAIL**

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	<b>Total ETP Funding</b>
\$99,000		\$0	\$0		\$99,000

<b>In-Kind Contribution:</b>	<b>100% of Total ETP Funding Required</b>	<b>\$197,950</b>
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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 SET	Business Skills, Commercial Skills, Computer Skills, Continuous Impr.	75	8 - 200	0	\$495	\$28.37
				Weighted Avg: 33			
2	Retrainee SET HUA	Business Skills, Commercial Skills, Computer Skills, Continuous Impr.	125	8 - 200	0	\$495	\$15.60
				Weighted Avg: 33			

**Minimum Wage by County:** Job Number 1: \$28.37 per hour SET Statewide Average Hourly Wage; Job Number 2: \$15.60 per hour for San Bernardino, Kern, and Fresno Counties, and \$16.46 per hour for San Diego County (SET HUA).

**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

Up to \$3.97 per hour may be used to meet the Post-Retention SET Wage for Job 1 trainees;

Up to \$2.61 per hour may be used to meet the Post-Retention SET HUA Wage for Job 2 trainees

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
<b>JOB NUMBER 1</b>		
Distribution Staff		4
Engineering/Technican Staff		49
Service/Support Staff		10
Sales/Marketing Staff		5
Field Service Supervisor		7
<b>JOB NUMBER 2</b>		
Distribution Staff		15
Engineering/Technican Staff		65
Service/Support Staff		15
Sales/Marketing Staff		12
Field Service Supervisor		18

## **INTRODUCTION**

Cummins Pacific, LLC (Cummins) ([www.cumminspacific.com](http://www.cumminspacific.com)) serves as the exclusive distributor and repair provider in California for Cummins diesel engines above 50 horsepower. Cummins markets, distributes and provides maintenance services for diesel and natural gas engines found in medium and heavy-duty vehicles, such as trucks, buses, recreational vehicles and emergency vehicles. The Company provides maintenance and repair services, and offers new and remanufactured parts for Cummins diesel and natural-gas engines. Cummins also offers emission reducing particulate filter technologies in its engines and provides a wide range of electrical power for RV, boat and home owners as well as public utilities and commercial facilities.

Headquartered in Irvine, Cummins has additional California facilities in Downey, Santa Fe Springs, Ventura, El Cajon, Arcata, San Leandro, Redding, West Sacramento, Bloomington, Bakersfield, and Fresno, all training sites under this proposal. Cummins is eligible for ETP funding under Special Employment Training (SET) provisions for frontline workers.

This is the third project between Cummins Pacific and ETP. In the first Agreement, Cummins Cal Pacific (which subsequently merged to form Cummins Pacific) focused on certification training for Technicians on the products the Company serviced at that time, as well as Customer Service training throughout the organization. The second Agreement, which included additional facilities, focused on new company requirements and processes resulting from the Company's recent merger.

Cummins has new, critical training needs propelling the Company to return to ETP for a third agreement. There will be no duplication of training for the same trainees under the proposed Agreement. In order to provide state-of-the-art products and services to its customers using the most current technology and sustainable practices, Cummins is rolling out new products in 2016 and 2017. It will be critical for the frontline workforce to fully understand the fundamentals and mechanics of the new products and to effectively and efficiently provide troubleshooting, diagnostics and service. This requires training for frontline staff.

### **New Products/Technology**

The focus of this proposal is training on new company products. Cummins has developed and recently released *Connected Diagnostics*, a new application designed to work seamlessly with leading telematics systems ("black box" technologies) to transmit data in real time back to an organization. Cummins Connected Diagnostics full production release occurred in 2015, and the Company must ensure its frontline workforce has the necessary knowledge and skills to sell, service, and support engines with this new technology

In addition, Cummins recently unveiled a revolutionary, proprietary new system for its engines that brings the fuel economy benefits of stop-start technology to conventional buses. One-hundred buses were planned to be in service in the fourth quarter of 2015 with the full production launch scheduled for March 2016. Technicians must be trained in how to maintain and service these new bus engines.

The Company has additional new, proprietary engine products that are in the design phase that will also be rolled out in 2016-17. This will result in the need for extensive training for Cummins' frontline workforce throughout the term of the ETP Agreement.

## Training Plan

Cummins' complex engine, transmission and power generation systems demand high-quality interactive classroom and hands-on technical training. The Company's employees require extensive, customized training to understand Cummins' state-of-the-art equipment, repair procedures, and live engine transmission and generator troubleshooting. The majority of the training will be delivered via classroom and structured, hands-on laboratory training. To ensure that training is provided consistently at all training locations around the state, Cummins projects that a small percentage of training may be delivered via "virtual classroom" e-learning.

**Business Skills** (15%) – This training will be provided to all occupations and will include topics such as Advanced Communication Skills, Cross Functional Collaboration Skills, and New/Redesigned Cummins Product Skills. Trainees will learn these skills and use them to promote the Company's products and service offerings.

**Commercial Skills** (60%) – This training will be provided to Distribution Staff, Engineering/Technician Staff, and Field Service Supervisors who need technical job skills to develop and support the Company's products and customers. This training will help trainees stay up to date on the newest Cummins technology and processes to enable them to provide the best quality and service to customers.

**Computer Skills** (5%) – This training will be provided to all occupations based on job functions.

**Continuous Improvement** (20%) – This training will be provided to all occupations. The goal of this training is to increase job skills and performance in the areas of Business Process Design/Management, Decision Making Skills, Goal Setting Skills, and Increasing Team Efficiency and Time Management Skills.

## HUA Wage Modification

The 125 trainees in Job Number 2 work in a High Unemployment Area (HUA). This is a region with unemployment exceeding the state average by 15%. Four of the Company's locations qualify for HUA: El Cajon in San Diego County, Bloomington in San Bernardino County, Bakersfield in Kern County, and the Fresno facility. The trainees at these locations qualify for the ETP Minimum Wage rather than the Statewide Average Hourly Wage.

## Frontline Worker

The Company requests to train Field Service Supervisors under SET. This occupation is non-exempt from overtime and trainees spend 75% of their time in frontline workers activities. Field Service Supervisors meet the Panel's definition of frontline workers, and as such, qualify for SET funding.

## Union Support

In this proposal, Distribution and Engineering/Technician Staff at the Downey, Bloomington, Santa Fe Springs, and San Leandro facilities are represented by the International Association of Machinists and Aerospace Workers (IAMAW). The East Bay Automotive Machinists Lodge No. 1546 and the District Lodge 947 have submitted letters of support for this proposal.

## Commitment to Training

ETP funds will not displace the company's 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. The Company's annual California training budget is approximately \$800,000 and covers topics such as new employee orientation, anti-harassment, diversity, basic

computer skills, basic compliance and safety training, human resources and financial policy and procedure training, and CPR training and recertification.

There will be no duplication of training for any trainee who also participated in prior ETP Agreements. The proposed training is geared toward new and emerging technologies, and engineering design and development. It will allow Cummins to implement new curriculum, related to the new products and technologies described herein and will allow it to expand the amount of training it can provide to its frontline workforce, absent ETP funding.

This project will be overseen by the VP Human Resources with assistance by the Manager of Training and Development who will be responsible for managing the scheduling, delivery, and documentation of training. All original training records will be maintained in Irvine. Cummins will utilize a subcontractor to assist with ETP project administration.

### **RECOMMENDATION**

Staff recommends approval of this proposal.

### **ACTIVE PROJECTS**

The following table summarizes performance by Cummins Pacific under an active ETP Agreement:

<b>Agreement No.</b>	<b>Approved Amount</b>	<b>Term</b>	<b>No. Trainees (Estimated)</b>	<b>No. Completed Training</b>	<b>No. Retained</b>
ET14-0258	\$98,550	2/03/14 – 2/02/16	195	149	11

All training ended on 11/04/15. Based on ETP Systems, Cummins Pacific has tracked in excess of 8,000 reimbursable training hours for potential earnings of \$98,550 (100% of approved amount). The Contractor projects final earnings of 100%.

### **PRIOR PROJECTS**

The following table summarizes performance by Cummins Pacific under an ETP Agreement that was completed within the last five years:

<b>Agreement No.</b>	<b>Location (City)</b>	<b>Term</b>	<b>Approved Amount</b>	<b>Payment Earned \$ %</b>
ET12-0219	Irvine, Downey, Ventura, El Cajon and Bloomington	12/26/11 – 12/25/13	\$99,120	\$98,662 (95%)

### **DEVELOPMENT SERVICES**

Cummins Pacific retained Training Funding Partners (TFP) of Fountain Valley to assist with development of this proposal for a flat fee of \$6,800.

**ADMINISTRATIVE SERVICES**

Cummins Pacific also retained TFP to perform administrative services in connection with this proposal for an amount not to exceed 12% of payment earned.

**TRAINING VENDORS**

To Be Determined

**Exhibit B: Menu Curriculum****Class/Lab & E-Learning  
Hours**

8 – 200

Trainees may receive any of the following:

**BUSINESS SKILLS**

- Advanced Communication Skills
- Customer Facing Skills
- Cross Functional Collaboration Skills
- Inventory Control/Management
- New/Redesigned Cummins Product Skills

**COMMERCIAL SKILLS**

- Cummins Engine Mechanical Qualification Skills
- New Engine/Equipment Diagnostics/Service Skills
- Warranty/Audit Process Skills

**COMPUTER SKILLS**

- Cummins Proprietary System Skills
- Quickserve System Skills
- EPiC Customer Service Communication System for Service Business
- PowerPac Customer Service Communication for Power Generation Business

**CONTINUOUS IMPROVEMENT**

- Business Process Design/Management
- Business Process Troubleshooting/Reengineering
- Decision Making Skills
- Coaching/Emerging Leadership Skills
- Goal Setting Skills
- Increasing Team Efficiency
- Time Management Skills

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



**IAMAW** DISTRICT LODGE 947

535 W. Willow St. • Long Beach, CA 90806 • (562) 427-8900 • Fax (562) 427-1122

December 1, 2015

Employment Training Panel

Ms. Diana Torres

5353 Mission Center Rd., Suite 110

San Diego, CA 92108-1350

Re: Application to Employment Training Panel for Cummins Pacific, LLC.

Ref# 15-0671

Dear Ms. Torres:

The International Association of Machinists and Aerospace Workers District Lodge 947 represents employees at the following Cummins Pacific, LLC facilities:

- 9520 Stewart and Gray Road, Downey, CA 90241
- 3161 S. Riverside Avenue, Bloomington, CA 92316
- 11725 Willake Street, Santa Fe Springs, CA 90670

We support the training of the workforce as it improves upon the skills of the workers we represent. Therefore, the International Association of Machinists and Aerospace Workers DL 947 supports Cummins Pacific's application for funding from the Employment Training Panel.

Best regards,

James Perks, Business Representative/Organizer

IAMAW District Lodge 947

535 W. Willow Street

Long Beach, CA 90806

562-427-8900 x104



## EAST BAY AUTOMOTIVE MACHINISTS LODGE No. 1546

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

10260 MACARTHUR BOULEVARD, OAKLAND, CALIFORNIA 94605  
AREA CODE 510 638-6705 • FAX 510 638-1840



Affiliations:

California Conference of Machinists  
Northern California  
Automotive Machinists Coordinating Committee  
East Bay Automotive Council  
Northern California United Food & Drug Council

Affiliations:

Machinists Automotive Trades District Lodge #190  
of Northern California  
California Labor Federation AFL-CIO  
Alameda County Central Labor Council  
Contra Costa County Central Labor Council

November 30, 2015

Employment Training Panel  
Ms. Diana Torres  
5353 Mission Center Rd., Suite 110  
San Diego, CA 92108-1350

Re: Application to Employment Training Panel for Cummins Pacific, LLC  
Ref#15-0671

Dear Ms. Torres:

The Machinists Automotive Trades District Lodge No. 190 of Northern California, Local Lodge 1546 represents employees at the following Cummins Pacific, LLC facilities:

- 14775 Wicks Blvd, San Leandro, CA 94577

We support the training of the workforce as it improves upon the skills of the workers we represent. Therefore, the Machinists Automotive Trades District Lodge No. 190 of Northern California, Local Lodge 1546 supports Cummins Pacific's application for funding from the Employment Training Panel.

Best regards,

Steve Older  
Business Rep/Organizer  
Machinists Automotive Trades District Lodge No. 190 of Northern California  
Local Lodge 1546  
10260 McArthur Blvd.  
Oakland, CA 94605