RETRAINEDE - JOB CREATION
Training Proposal for:
United Parcel Service, Inc.
Agreement Number: ET15-0342

Panel Meeting of: January 22, 2015
ETP Regional Office: San Diego Analyst: K. Campion

PROJECT PROFILE

<table>
<thead>
<tr>
<th>Contract Attributes:</th>
<th>Critical Proposal</th>
<th>Priority Rate</th>
<th>Retrainee</th>
<th>Job Creation Initiative</th>
<th>HUA</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry Sector(s):</th>
<th>Transportation/Logistics Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Priority Industry: Yes No</td>
</tr>
<tr>
<td>Counties Served:</td>
<td>Statewide</td>
</tr>
<tr>
<td></td>
<td>Repeat Contractor: Yes No</td>
</tr>
<tr>
<td>Union(s):</td>
<td>Yes No</td>
</tr>
<tr>
<td></td>
<td>International Brotherhood of Teamsters, Western Region Local 104</td>
</tr>
</tbody>
</table>

Number of Employees in: CA: 18,507 U.S.: 171,754 Worldwide: 201,450

| Turnover Rate: | 2% |
| Managers/Supervisors: (% of total trainees) | 20% |

FUNDING DETAIL

<table>
<thead>
<tr>
<th>Program Costs</th>
<th>(Substantial Contribution)</th>
<th>(High Earner Reduction)</th>
<th>Total ETP Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>$749,576</td>
<td>$0</td>
<td>$0</td>
<td>$749,576</td>
</tr>
</tbody>
</table>

In-Kind Contribution: 100% of Total ETP Funding Required $1,350,194
TRAINING PLAN TABLE

<table>
<thead>
<tr>
<th>Job No.</th>
<th>Job Description</th>
<th>Type of Training</th>
<th>Estimated No. of Trainees</th>
<th>Range of Hours</th>
<th>Average Cost per Trainee</th>
<th>Post-Retention Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Retraineew</td>
<td>Commercial Skills, Management Skills</td>
<td>447</td>
<td>8 - 200</td>
<td>0</td>
<td>$1,008</td>
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<tr>
<td></td>
<td>Critical Proposal Priority Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$18.75</td>
</tr>
<tr>
<td>2</td>
<td>Retraineew</td>
<td>Commercial Skills</td>
<td>325</td>
<td>8 - 200</td>
<td>0</td>
<td>$920</td>
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<td>Critical Proposal Priority Rate</td>
<td></td>
<td></td>
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<td></td>
<td>$18.75</td>
</tr>
<tr>
<td></td>
<td>Job Creation Initiative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Minimum Wage by County:  
**Job Number 1:** $16.44 per hour Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties; $15.97 in Los Angeles County; $16.02 in Orange County; $15.93 in San Diego County; $15.75 in Sacramento County; $15.56 in Alpine County; and $15.07 in all other counties;  
**Job Number 2 (Job Creation Wage):**  
$13.70 per hour in Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, and Santa Cruz counties; $13.31 in Los Angeles County; $13.35 in Orange County; $13.28 in San Diego County; $13.13 in Sacramento County; $12.97 in Alpine County; and $12.33 in all other counties.

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

<table>
<thead>
<tr>
<th>Occupation Titles</th>
<th>Wage Range</th>
<th>Estimated # of Trainees</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOB NUMBER 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Package Driver</td>
<td></td>
<td>293</td>
</tr>
<tr>
<td>Supervisor/Manager</td>
<td></td>
<td>154</td>
</tr>
<tr>
<td>JOB NUMBER 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Package Driver</td>
<td></td>
<td>325</td>
</tr>
</tbody>
</table>

Critical Proposal

This proposal for United Parcel Service, Inc. (UPS) is designated as a “Critical Proposal” (see Title 22, California Code of Regulations (CCR) 4402.2.) by the Governor’s Office of Business and Economic Development (Go-BIZ).
UPS is spending over $200 Million in the building and expansion of facilities across California. The Company is expanding its Menlo Park facility to include a new West Coast Regional Driver training center, called Integrad. In addition, due to significant increases in shipping volume, UPS is building a new West Coast International Air Hub in Ontario, is expanding its facilities in Richmond; and has leased a large customer-logistics facility in Mira Loma for its Supply Chain Solutions division. As a result, the Company projects to add over 700 full-time workers across California in the next two years.

INTRODUCTION

UPS is a global leader in logistics, offering a broad range of solutions including: transportation of packages and freight; facilitation of international trade, and deployment of advanced technology. UPS also provides industry-specific customer solutions in the areas of healthcare and e-commerce. UPS services 1.5 million pick-up customers and 7.9 million delivery customers daily. Headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide. The Company has approximately 90 California locations (small-package facilities) and over 18,000 full-time California workers.

UPS currently has two Integrad Package Driver training centers in the United States, located in Maryland and Illinois. Integrad is a driver training program that incorporates technology in the form of virtual reality and simulations, allowing trainees to learn by doing. Sending California employees to Maryland or Illinois is cost prohibitive, thus UPS made a decision to establish a center on the West Coast. This state-of-the-art training facility will help support the Company’s planned expansion projects by providing skills for Package Drivers and Supervisor-Managers.

All training under this proposal will be conducted at the new Integrad facility in Menlo Park. Newly-hired and incumbent trainees will come from UPS facilities across California to attend the training. UPS will reimburse all travel expenses.

In the most recent ETP project, ET13-0238, UPS needed training to improve job skills for the launch of new services such as UPS My Choice, UPS Returns Exchange and UPS Returns Pack and Collect. Additionally, UPS needed to upgrade the skills of its sales and marketing force in the areas of high tech, retail, industrial and automotive, services, and healthcare. The Company reported that the majority of the training provided under that Agreement was in Sales and Marketing Skills and Commercial Skills.

There will be no duplication of training topics from ET13-0238. Any training in those topics will be provided at Company expense under this Agreement. For example, UPS will now fund previously ETP-funded Business Skills training in Sales & Marketing Techniques, and training in new Business Services, as well as its standard Commercial Skills Driver training.

Retrainee - Job Creation

In support of job creation, the Panel is offering incentives to companies that commit to hiring new employees. Under the Retrainee-Job Creation program, training for newly-hired employees will be reimbursed at a higher rate and trainees will be subject to a lower post-retention wage.

To support the aforementioned growth of its California shipping volume and expand its existing business capacity in California, UPS has been hiring newly-hired employees to existing functions. The Company projects to hire approximately 700 workers in the next two years, of whom 325 are included in this proposal, as shown in Job Number 2. UPS represents that the Job 2 trainees will be hired into “net new jobs” as a condition of contract. Of the total 325 Job 2 trainees, 155 are “off the street” new hires and 170 trainees have been recently promoted (in the last 90-days) from part-time loader/unloader to full-time Package Drivers. The change from
part-time to full-time is considered a new job under Panel guidelines for Retrainee-Job Creation. This policy favors retention and promotion within the employers' organization.

To be eligible for reimbursement under this Job Number, Job 2 trainees must be hired within the four-month period prior to Panel approval or during the term of contract; or have been promoted from part-time to full-time work during the three-month period prior to Panel approval, or during the term of the contract. [Note: The usual date-of-hire “window period” for this program is three months. In this case, because the proposal was held over due to cancellation of the Panel meeting in December 2014, and the Company has already started hiring, staff recommends extending this period by one additional month.]

**PROJECT DETAILS**

UPS has discovered that hands-on experience, combined with real-time feedback is critical to an effective Package Driver training program. The Integrad class/lab training methods of *Teach Me, Show Me, Let Me*, have improved overall operations by decreasing accidents, reducing Driver turnover rates from 11% to 3%, and reducing overtime. As a result of these successes, UPS will not only send newly-hired trainees to training, but incumbent workers as well.

**Training Plan**

All training will be conducted in a classroom or in a simulated, hands-on laboratory. This includes the use of learning stations in a “mock town”, and in-car virtual reality simulations. Package Drivers will receive five consecutive days of training (46 training hours) and Supervisor/Managers will receive nine consecutive days of training (90 training hours). Trainees earn a certification at the successful completion of the course.

**Commercial Skills** (93%) – This training will be provided to Package Drivers and Supervisor/Managers with a trainer to trainee ratio of 1:6. There are 4 key areas targeted as part of the Integrad training: 1) Methods and Procedures; 2) Service Performance; 3) Customer Focus; and 4) UPS Professionalism. Trainees will learn proper package delivery methods, ways to improve efficiency, and proper operating methods. Trainees will have hands on Integration Station training in a mock UPS town. Other topics include new skills in technology and upgrades to the Delivery Information Acquisition Device (DIAD), and On Road, Integrated & Optimization Navigation System (ORION), and Customer Service Strategies.

**Management Skills** (7%) – This training will be provided to Supervisor/Managers in how to improve operations, increase customer service, reduce costs and increase efficiencies. Trainees will also be provided leadership skills for working with employees.

**High Unemployment Area**

Some trainees in both Job Numbers work in a High Unemployment Area (HUA), areas with unemployment rate exceeding average 15%. However, the Company is not asking for a wage or retention modification.

**Commitment to Training**

UPS reports that ETP funds will not displace existing commitments to training. The Company spends approximately $8.5 million per year on training for its California workforce that is outside ETP funding including new hire orientation, safety training, sexual harassment prevention, diversity training, ethics, product knowledge training, and on the job training. Additionally, UPS projects spending of approximately $900,000 per year for hotel and meal reimbursement for California workers who attend the Integrad training.
The training in this proposal will be in new skills and delivered by new methods, not previously provided in California. Training is scheduled to begin in early January 2015. The ETP program will be administered by UPS' Regional Tax Department in Anaheim. All attendance rosters will be maintained in Anaheim. This Tax Department has administered ETP contracts in prior years and is familiar with the program. The Department has a staff of three responsible for enrolling trainees, tracking, coordination of training rosters, and meeting with ETP staff.

**Substantial Contribution**

UPS is a repeat contractor, but has not earned at least $250,000 at any one facility in California during the last five years. Therefore, there is no substantial contribution applied on this project.

**RECOMMENDATION**

Staff recommends approval of this proposal.

**ACTIVE PROJECTS**

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

<table>
<thead>
<tr>
<th>Agreement No.</th>
<th>Approved Amount</th>
<th>Term</th>
<th>No. Trainees (Estimated)</th>
<th>No. Completed Training</th>
<th>No. Retained</th>
</tr>
</thead>
<tbody>
<tr>
<td>ET13-0238</td>
<td>$599,616</td>
<td>1/28/13 – 1/27/15</td>
<td>1,388</td>
<td>824</td>
<td>431</td>
</tr>
</tbody>
</table>

All training ended on 10/27/14. All 824 trainees who have completed training are projected to complete the 90-day retention period by 1/27/15. The Contractor has documented over 39,000 hours of class/lab and CBT training in the ETP on-line tracking system which equates to earnings in excess of the agreement amount of $599,616. Therefore, the Contractor projects to earn 100% of the Agreement amount, once the retention period is complete.

**PRIOR PROJECTS**

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

<table>
<thead>
<tr>
<th>Agreement No.</th>
<th>Location (City)</th>
<th>Term</th>
<th>Approved Amount</th>
<th>Payment Earned</th>
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<tbody>
<tr>
<td>ET09-0275</td>
<td>Statewide</td>
<td>10/27/08 – 10/26/10</td>
<td>$1,334,869</td>
<td>$165,784 (12%)</td>
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</table>

The Company reports that the term of this Agreement was at the onset and peak of the economic downturn. Shortly after the Agreement was executed in January 2009, all but the most critical training was put on hold because of cost containment issues, UPS experienced a significant and substantial decrease in package volume beginning in early 2009, and continuing until the first quarter of 2012. As a result, trainees were unable to be released for all but the most critical training and the Company earned 12% of the Agreement amount.

UPS did not have the same cost containment issues in the subsequent ETP Agreement (ET13-0238).
DEVELOPMENT SERVICES
N/A

ADMINISTRATIVE SERVICES
N/A

TRAINING VENDORS
To Be Determined
Exhibit B: Menu Curriculum

Class/Lab Hours

8 – 200  Trainees may receive any of the following:

COMMERCIAL SKILLS

- Integrad Driver Service Provider Workshop Skills and Procedures
  - New Integrated Delivery Information Acquisition Training (DIAD)
  - Package Selection Methods/Procedures
  - Customer Service/Package Handling
  - Scheduling/Planning Skills
  - UPS Services/Customer Strategies
  - Integration Stations/mock town deliveries and pickups
  - New Telematics/Technology Skills
  - New On Road Integrated & Optimization Navigation (ORION) Skills
  - New Next Generation Small Sort (NGSS) Technology Skills

MANAGEMENT SKILLS  (for Supervisor/Managers only)

- Managing Performance for On Road Management
  - Communication Skills
  - Conducting Assessment/Coaching
  - Management Tools training/loop dispatch/work measurement/operations systems

Safety Training cannot exceed 10% of total training hours per-trainee

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery.
Employment Training Panel  
5353 Mission Center Dr, Suite 110  
San Diego, CA 92181  

Re: UPS ETP Training Program  

November 4, 2014  

Dear Sir or Madam:  

I am the Western Region Director of the International Brotherhood of Teamsters (IBT) Package Division. Many local unions affiliated with the IBT represent UPS employees throughout California and ten other western states.  

The Teamsters are ardent supporters of employee training and we recognize the importance and crucial role that the ETP Training Program plays in the development of our members.  

We support UPS in its efforts to secure funding for this training. Specifically, the training done with our members who are full-time package car and tractor-trailer drivers provides them with the knowledge and skills necessary to compete in this very difficult and competitive business environment.  

Should you have any questions, please call me at 602-524-1277.  

Sincerely,  

Andrew A. Marshall  
Western Region Director  
Package Division  
International Brotherhood of Teamsters