



**Training Proposal for:
Abbott Vascular, Inc.
Agreement Number: ET10-0288**

Panel Meeting of: **October 23, 2009**

ETP Regional Office: **San Diego** Analyst: R. Swier

PROJECT PROFILE

Contract Type: Priority/Retrainee Industry Sector(s): Biotechnology/Life Sciences

Counties Served: Riverside Repeat Contractor: Yes No

Union(s): Yes No Priority Industry: Yes No

No. Employees in CA: 7,091 No. Employees Worldwide: 66,000

Turnover Rate	Manager/Supervisor
4%	9%

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding	In-Kind Contribution
\$713,790	\$214,137	\$499,653	\$937,000

TRAINING PLAN TABLE

Job No.	Job Description (by Contract Type)	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Priority/Retrainee	Business Skills, Computer Skills, Continuous Improvement, Manufacturing Skills, Management Skills	721	24-200	0	\$693	\$13.00
				Weighted Avg: 55			

Minimum Wage by County: \$13.00 per hour for 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

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

Wage Range by Occupation	
Occupation Title	Wage Range
Administrative Staff	
Engineers	
Scientist	
Supervisor	
Managers	
Production Workers	

INTRODUCTION

In this proposal, Abbott Vascular, Inc. (AV) seeks funding for retraining as outlined below:

AV is a wholly-owned subsidiary of Abbott, the 120 year old corporation whose principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products. AV, established in April 2006, researches and manufactures coronary, vessel closure, and endovascular (procedures done through the arteries) products, which are used in treating patients with coronary artery and peripheral vascular disease. Left untreated such disease leads to stroke and heart attacks. AV products include stents and guidewires used in angioplasty and stent implementation. Stents are small devices inserted into the arteries to keep them open and increase blood flow.

The first AV project at the Temecula location was approved by the Panel at the December 2007 Panel meeting and training commenced on January 6, 2008. As of July 31, 2009, all training funds have been earned, resulting in 100% performance six months in advance of the two year term date. AV's workforce in California has grown by over 1,000 workers since the start of the

first ETP contract and company representatives report that future growth and product demand will stay high. AV's Xience V stent was approved by the Federal Drug Administration (FDA) and launched in July 2008, resulting in sales that more than doubled to \$383 million. AV began large-scale hiring in 2008 and currently there are 5,000 employees at the Temecula manufacturing facility.

AV representatives report that the manufacture of its products is a highly exacting and complex process due to strict regulatory requirements imposed by the FDA. To be successful, the company must have a workforce that can understand and follow specific industry quality protocols and manufacturing procedures, while at the same time work efficiently. Under this proposal, AV will deliver training to expand employee skills to meet these demands, adapt to changing business requirements, manufacture new products, and improve their productivity. Specifically, AV will train employees in a spectrum of skills all in an effort to achieve the following objectives:

1. Improve "time to new product execution", a critical business initiative underlying AV's core strategy.
2. Standardize processes, procedures, and protocols to improve both the quality and reliability of AV products.
3. Control product quality in design, development, testing, and manufacturing processes; and, transfer product knowledge from the laboratory bench to customer facing employees.

AV, Inc. is eligible for standard retraining under the Out-of-State Competition Provisions, outlined under Title 22, California Code of Regulations, Section 4416(i)(1), for industrially-classified manufacturers retraining current employees.

PROJECT DETAILS

In order to meet the above objectives and produce the most advanced coronary, vessel closure, and endovascular products, the company is requesting the Panel's assistance to provide between 24 -200 classroom/laboratory hours in the following areas:

Continuous Improvement The introduction of new products under FDA requirements puts increasing pressure to improve design cycles, reduce factory ramp time, and increase product quality. AV's goal in fiscal 2010 will be to build on the success of its current continuous improvement programs by implementing the next stages of its quality measurement and analysis processes and tools. Titled "Business Excellence", the next stage will include courses in Class A, Six Sigma, and LEAN manufacturing techniques that will teach production workers, engineers, scientists, and supervisors how to reduce costs, how to become more effective in their job, how to find root causes of problems, and utilize other tools in running an efficient manufacturing operation.

Computer Skills AV is implementing the IT systems to support the increased manufacturing volume and training will be provided on a variety of corporate systems, ranging from desktop applications such as advanced levels of the Microsoft .Net, java, C++, and visual basic applications, to its in-house business computer applications for inventory, account management, and manufacturing control for administration staff, engineers, and scientists. Training will also cover the implementation of an upgraded ERP/SAP system. All basic desktop training such as Microsoft Word, Excel, and PowerPoint allowed under the previous ETP project will now be delivered at AV's own expense.

Business Skills are necessary for many of the company's employees who currently lack the skills to successfully introduce new products. Such skills include for administrative staff, engineers, and scientists: how to manage projects, develop new business, reduce costs, and prepare effective oral and written presentations for customers. FDA regulations, including the complexity of AV's products and business transactions, dictate that on-time delivery and order accuracy must also be achieved. The proposed business skills training will improve the company's service, delivery time, and order accuracy. Product knowledge and marketing techniques training will also be delivered to selected employees to better market the company's products to its growing global customer base.

Manufacturing Skills In addition to providing production workers updated tools and techniques to manufacture new products in accordance with customer and FDA requirements, AV must ensure that all its manufacturing employees are cross-trained on every item of manufacturing equipment to ensure product quality and reliability for production workers, engineers, scientists, and supervisors. Employees will also be trained on new manufacturing procedures involving new equipment, tools, and techniques.

Management Skills AV reports its practice has been to promote from within the organization, including scientists, chemists, engineers, and other administrators to management positions. Many frontline workers need management skills training in order to coach and communicate with their staff. Training will provide managers and supervisors with leadership, coaching, facilitation, and conflict management skills to help create a high-performance workplace which involves frontline workers in decision-making and problem-solving.

Commitment to Training

AV representatives state that ETP funds will not displace its existing financial commitment to training. The company's current training budget for California non-ETP related training is in excess of \$4 million. Further, the proposed ETP-funded training is different in content and format than the company's on-going training. The classroom/laboratory training outlined in this proposal will focus on a variety of new technologies to enhance product innovations while meeting stringent FDA requirements. The proposed customized curriculum will build on, but not overlap, basic instruction and orientation training already provided by the company. In addition, AV currently funds all training in OSHA and FDA-mandated safety regulations, sexual harassment prevention, rudimentary job skills, basic desktop training in Microsoft Word, Excel, and PowerPoint, and executive development programs. AV will fund all training over 200 hours at its own expense, including all on-the-job training for line staff. Lastly, reading comprehension, math, and ESL programs for its direct labor force will be delivered outside of the ETP Agreement. Basic skills training will be customized for each employee based on a skills assessment and other placement tools.

AV represents that ETP funds will not displace its existing financial commitment to training. Indeed, AV anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment in this area.

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

Substantial Contribution

AV is a repeat contractor with payment earned in excess of \$250,000 at the Temecula facility within the past five years. (See Prior Project Table.) Accordingly, reimbursement for trainees at

the Temecula facility will be reduced by 30% to reflect the company's \$214,137 Substantial Contribution to the cost of training. The Panel's September 25, 2009 action requires that applicants be assessed the maximum Substantial Contribution.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal.

PRIOR PROJECTS

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

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned
ET08-0300	Temecula	12/31/07- 12/30/09	\$1,470,600	1,470,600

DEVELOPMENT SERVICES

The company retained Herrera & Company in Stockton to assist with development of this proposal for a flat fee to be determined.

ADMINISTRATIVE SERVICES

The company also retained Herrera & Company to perform administrative services in connection with this proposal not to exceed 13% of payment earned.

TRAINING VENDORS

N/A

Exhibit B: Menu Curriculum

Class/Lab Hours

24-200

Computer Skills

Management and Manufacturing Control Systems
Single-Vendor Enterprise Resources Planning
Customer Relationship Management Systems
Operating System Programming Language
Advanced Desktop Applications
Materials and Logistics Software Development

Business Skills

Technical Presentations
Customer Communications and Awareness
Communicating Across Cultures
Market Validation and Decision Modeling
Sales and Negotiation Skills
Finance and Accounting Skills
Marketing Promotion and Position

Manufacturing Skills

Lean Manufacturing
Manufacturing Process Cross-Training
Machine Operations, Calibration, and Maintenance
FDA Manufacturing Procedures and Protocols
AV Production Line Tools and Techniques

Management Skills

Effective Change Management Skills
Technology for Creating Ideas
Team Development
Keys to Technical Leadership
Technical Business and Finance Management
Effective Leadership and Teambuilding

Continuous Improvement

Quality Management Systems (QMS) Procedures
Manufacturing Quality and Reliability
Process and Capability Mapping
Six Sigma
Quality Fundamentals/Core Skills
Process Improvement Training
Problem Solving Tools and Techniques

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