

ARTICLE III MANAGEMENT RIGHTS

[Proposing to Move Here from OLD Article I, Section 6]

Section 6 1 – Right to Manage Plant

The Company has and will retain the right and power to manage the plant and direct the working forces, including the right to hire, to suspend or discharge for just cause, to promote, demote and transfer its employees (**department and/or shift**), subject to the provisions of this Agreement. ~~Any claim that the Company has exercised such right and power contrary to the provisions of this Agreement may be taken up as a grievance.~~

Proposing to insert the following new Sections 2 and 3 and delete the following provisions of the current Agreement and/or memorandums of understandings between the parties:

- Article I, Section 14: Subcontracting
- Letter 49: Facilities Subcontract Review Meetings
- Letter 58: Maintenance Subcontracting Agreement
- September 15, 2003 MOU regarding Maintenance Subcontracting

Section 2 – Subcontracting and Outsourcing

(a) The hundreds of maintenance tasks unilaterally subcontracted each year, including but not limited to tasks such as painting the plant, survey and analysis of utility use, concrete replacement, construction/remodeling of buildings, replacing of lighting fixtures, use of heavy equipment, etc., are performed by outside vendors where we do not possess the equipment, the capability and the experience to do these jobs internally and/or economically. Routine maintenance of our working facilities must likewise be done as efficiently and economically as possible to aid in our competitive position. Nothing in this Agreement is intended to alter and/or change this practice.

Maintenance tasks (repair or preventative maintenance of infrastructure and production equipment) other than described above shall be permitted to be subcontracted in the following instances.

- (1) Where peculiar skills or specialized equipment are involved which are not available within the Company.
- (2) Where short-term or peak requirements necessitate the need for additional assistance because of an insufficient number of employees then available possessing the necessary maintenance

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skills to perform such work operations within the time required.

(3) Where unusual or one-shot jobs are required which are not usually performed by the Company.

(4) Where the volume of work on any particular job precludes the possibility of its completion within scheduled time limits

(5) Where it would be more cost effective.

(b) Upon request, the Company shall meet with the applicable Union Steward in the event of the subcontracting of work that augments tooling and/or production work performed by bargaining unit.

(c) The Company shall meet with the Union regarding decisional and effects implications of work performed by the bargaining unit, except as set forth in this Section 2 above or in Section 3 below.

Section 3 – Make or Buy Responsibilities

The Company is primarily engaged in the design, development, production and support of major air systems and products. Programs for such products require widespread subcontracting in the sole determination of the Company including but not limited to decisions to make or buy parts, components, or assemblies, which are crucial to the Company's manufacturing philosophy and customer expectations.

While Make or Buy decisions typically number in the thousands, such decisions usually consist of considerations, none of which is weighted more heavily than others not in and of itself determinative, with respect to:

- best design
- best quality
- best delivery
- lowest cost
- lowest risk
- capacity
- supply base capability

Since the Government is legitimately interested in obtaining our products at the lowest possible cost, they frequently check our costs against other sources. Whenever, in their judgement, our costs may be higher than outside sources, they encourage or direct us to subcontract to obtain a lower

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price for a given part or component. Additionally, the Company will execute Make or Buy decisions that support the effective and efficient operation of the business.

Make or Buy decisions must be viewed with consideration of the total line of business and Aeronautics Business Area in its entirety. The Company's obligations with respect to sales, schedules, quality, and cost must all be taken into consideration. Frequent changes in both planning and execution are necessary as design and manufacturing problems are encountered and as customer redirection is received. Flexibility and fast reaction are essential.

Make or Buy decisions must comply with public law, government requirements, supply base considerations, or direction from the customer and must be responsive to the government's concern with respect to small business, labor surplus areas, the Company's assessment of an effective and efficient approach to managing its operations, as well as the utilization of government facilities.

In consideration of these Make or Buy decisions, upon request, the Company will meet with the Union to entertain questions regarding Make or Buy decisions made by the Company that effectively and efficiently address the operational dynamics at the Marietta facility as set forth above.

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