

ARTICLE III MANAGEMENT RIGHTS

Section 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, discipline, suspend or discharge for just cause, 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.~~

~~The Company shall notify the employee when written notations of oral criticisms are recorded on the personnel records maintained in his or her department files. Henceforth, as agreed, supervision of all departments will prepare a memorandum in the form of a written document which will be delivered to employees receiving oral reprimands or criticisms which will be recorded in their file. This should not be construed to mean that all oral criticisms would be recorded; as in the past, supervision may continue to issue oral criticisms as necessary which are not recorded on personnel records. The document issued to an employee should only state, "This is to notify you that a posting has been made to your file regarding a discussion on (SUBJECT)."~~

Proposing to insert the following new Section 2 and deleting the following provisions of the current Agreement:

- *Article I, Section 13: Subcontracting*
- *Article I, Section 14: Maintenance Subcontracting Review System*
- *Letter 2014-18: Use of Toolmaking and Factory Production Personnel; Highway Transportation – Garage/Traffic; Graphic Arts Department Personnel; and Photo, Reproduction and Microfilm Personnel*

Section 2, Make or Buy and Subcontracting

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.

A. Make or Buy

While Make or Buy decisions typically number in the thousands, such decisions usually consist of considerations, none of which is more heavily weighted than others nor 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 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 Palmdale facility as set forth above.

B. Subcontracting

The hundreds of major maintenance tasks routinely subcontracted each year including, but not limited to such tasks as painting the plant, survey and analysis of utility use, concrete replacement, construction and modification of buildings, replacing of lighting fixtures, etc., are chosen where the Company does not possess the equipment, the capability and the experience to do these jobs internally and economically. Routine maintenance of the Company's working facilities must likewise be done as efficiently and economically as possible to aid in its competitive position. Nothing in this Agreement is intended to alter and/or change this practice.

Maintenance or janitorial tasks 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 demand requires additional assistance because of an insufficient number of employees then available possessing the necessary maintenance 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 job precludes the possibility of completion within scheduled time limits.
5. Where it would be more cost effective.

C. The use of outside sources may be used to augment tooling and factory production personnel, subject to the following conditions:

1. Employees will be offered overtime in accordance with the overtime provisions of this Agreement before outside personnel are offered overtime.

2. Employees with recall rights in accordance with the seniority and recall provisions of this Agreement have been recalled to the classification within which the work is to be performed.
 3. Employees with promotion rights in accordance with the promotion provisions of this Agreement have been promoted to the classification within which the work is to be performed.
 4. The Company is unable to hire enough employees to perform the required work.
 5. The Company has reviewed with the Union the circumstances requiring such action.
- D. The Company shall meet with the Union regarding decisional and effects implications of work performed by the bargaining unit, except as otherwise set forth in this Section 2.
- E. Upon request, after the Company has exercised its right to subcontract as stated above, the Company shall provide information to the Union Steward regarding the outsourcing of work with regard to the following: Highway transportation; garage mechanics; and, work performed by the media and graphic arts organization, including graphics, photography, **and** reproduction, **and** **microfilm**.