

**Statement of
W. Nicholas Howley, Chairman
TransDigm Group, Incorporated
Before the Committee on Oversight and Reform, U.S. House of Representatives
Hearing on January 19, 2022**

Chairwoman Maloney, Ranking Member Comer, and distinguished Members of the Committee:

Good morning and thank you for the invitation to appear at today's hearing. I am Nick Howley, Chairman and founder of TransDigm Group, and I served as the CEO until 2018. Since retiring, I focus much of my time working with the Howley Foundation, a charitable foundation that began in 2003 and focuses exclusively on providing improved education opportunities for economically disadvantaged inner-city students. As an example, in 2022 alone, we provide roughly 750 students with scholarships and related support to attend grade school, high school and colleges - in addition to funding and managing various other inner city education programs.

I am here today to speak about the aerospace industry and the work TransDigm businesses do every day to provide highly engineered, aircraft components for our commercial and government customers.

TransDigm is an American manufacturing company with over 100 manufacturing plants. We provide well-paying jobs to roughly 13,000 individuals, most of whom are in the United States and many of whom are union members. In an era when the domestic supply chain is vulnerable and the Government is spending billions to incentivize companies to bring manufacturing back to the U.S., our businesses continue to domestically produce quality products that are essential to keeping America strong.

We are primarily a commercial company with well over 90% of our revenue going to customers other than the U.S. government. Our largest customer group is the worldwide commercial airline industry, such as United. Our next larger customers are typically Boeing and Airbus, the leading manufacturers of commercial passenger airplanes. Our companies produce a broad range of engineered aerospace components found in major commercial airplanes, including advanced cockpit avionics, cargo handling systems, engine ignition systems, communication software, and antenna systems. Each year, we introduce a range of new and improved products, primarily for commercial planes but also for defense programs. We typically fund the engineering, testing, tooling and start up of these new products at our own expense. After the September 11th attacks, we quickly developed and quickly produced a critical cockpit security door system that protects the aircraft and keeps passengers safe. We also manufactured the state-of-the-art parachute and actuators that safely landed and then helped operate the Mars Perseverance rover. In response to COVID, we are developing anti-microbial and touchless technology for commercial air travel.

The structure of the commercial and defense aerospace industry for our type of components is pretty similar across the world. Airplane manufacturers (OEMs), like Boeing and Airbus have suppliers like us compete for the original design and selection of a part. The engineering, tooling and start-up costs are borne by us. And we don't always win. Once a supplier is selected after robust competition, so long as the supplier continues to produce quality products on time, the supplier typically keeps the business. But, if the supplier does not provide the customer with adequate value, there is a commercial industry that actively tries to reverse engineer parts. This generally does not happen to us because we are a good high value supplier.

TransDigm is not primarily a defense contractor. Our direct contracts with DoD represent a small fraction of our revenue. The defense contracts for our businesses are almost exclusively through firm-fixed-price contracts. We rarely have cost plus contracts where the contractor receives a mark up on costs and the government bears all risk of increased costs. Unlike many traditional defense contractors, we shoulder the risk of delays, cost fluctuations, and other potential losses. We also take the risk that DoD will elect not to buy from us or will buy in such low quantities that the program is not economically viable. In fact, the report noted that 61 of the 107 parts in audit lacked procurement history data sufficient to perform an analysis. In many cases, DOD went more than five years between procurements.

We also work to be good corporate citizens, including supporting the provision of quality, affordable broadband for underserved neighborhoods, and establishing college scholarships for minority students interested in engineering and business.

I am proud of all that our team has done over the past 30 years and continues to do to make TransDigm a premier American developer and manufacturer.

My colleague, Kevin Stein, has already provided an overview of our company's deep concerns regarding the Inspector General audit report that is the subject of today's hearing, so I will not reiterate those points. I do want to reiterate TransDigm's dedication to being a partner with the DoD in creating long term solutions to acquisition issues. As the IG Report indicated, TransDigm Group follows all laws and regulations. And we will continue to do so. We value our work with the DoD and we are proud to provide our support.

Thank you for the invitation to appear today. I look forward to your questions.