

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

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### MEMORANDUM

May 9, 2019

**To: Members, Committee on Oversight and Reform**

**Fr: Majority Staff**

**Re: Hearing on “DOD Inspector General Report on Excess Profits by TransDigm Group, Inc.”**

On Wednesday, May 15, 2019, at 10:00 a.m., in room 2154 of the Rayburn House Office Building, the Committee will hold a hearing to examine the results of a review by the Department of Defense (DOD) Inspector General (IG) of contracts for spare parts supplied by TransDigm Group, Incorporated.

#### I. BACKGROUND

TransDigm is a public corporation that manufactures and supplies parts for aircraft used by the United States Air Force and Army. TransDigm provides components for several military platforms, including the AH-64 Apache, C-17 Globemaster III, the FF-16 Fighting Falcon, and the CH-47 Chinook.<sup>1</sup> According to the IG, from April 2012 through January 2017, DOD issued 4,942 contracts valued at \$471 million to TransDigm.<sup>2</sup>

In response to a request from Representative Ro Khanna, the IG reviewed the prices for a sample of 47 parts purchased from TransDigm under contracts awarded by the Defense Logistics Agency (DLA) and the United States Army. The IG determined that “TransDigm earned \$16.1 million in excess profit on 46 of the 47 parts it sold to the DLA and the Army for \$26.2 million between January 2015 and January 2017” with profit percentages ranging from 17 to 4,451% for the 46 parts. The IG identified 12 parts that previously had been sold to DOD by another

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<sup>1</sup> TransDigm Group, Inc., *2018 Annual Report* (Nov. 9, 2018) (online at [www.transdigm.com/investor-relations/annual-reports/](http://www.transdigm.com/investor-relations/annual-reports/)).

<sup>2</sup> Department of Defense, Office of the Inspector General, *Review of Parts Purchased from TransDigm Group, Inc.* (Feb. 25, 2019) (online at [www.dodig.mil/reports.html/Article/1769041/review-of-parts-purchased-from-transdigm-group-inc-dodig-2019-060/](http://www.dodig.mil/reports.html/Article/1769041/review-of-parts-purchased-from-transdigm-group-inc-dodig-2019-060/)).

contractor. For each part, TransDigm's prices were significantly higher than the price offered by the original manufacturer before it was acquired by TransDigm.<sup>3</sup>

## **II. PURPOSE OF HEARING**

The hearing will address issues identified in the IG's report and the IG's recommendations for reform. The Committee has jurisdiction over federal acquisition policy and management. The hearing will examine whether TransDigm is appropriately earning excess profits with taxpayer funds and whether federal acquisition regulations adequately equip contracting officers to negotiate fair and reasonable prices for spare parts from sole source manufacturers.

## **III. WITNESSES**

**The Honorable Glenn Fine**

Acting Inspector General  
U.S. Department of Defense

**Theresa Hull**

Assistant Inspector General for Acquisition  
U.S. Department of Defense, Office of Inspector General

**Kevin Stein**

Chief Executive Officer  
TransDigm

**Nicholas Howley**

Founder and Executive Chairman  
TransDigm

**Kevin Fahey**

Assistant Secretary of Defense for Acquisition  
U.S. Department of Defense

Staff contacts: Kadeem Cooper, Krista Boyd, Erinn Sauer, or Amish Shah at (202) 225-5051.

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<sup>3</sup> *Id.*