

**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 formerly served as the CEO. Since retiring, I focus much of my time working with the Howley Foundation, a charitable foundation that 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 to grade school, high school and college.

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

TransDigm is an American manufacturing company with over 60 manufacturing plants in the United States. 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 sales to customers other than the U.S. government. Our largest customer group is the worldwide commercial airline industry, such as United, Lufthansa and Delta. Our next larger customers are typically Boeing and Airbus, the large manufacturers of commercial passenger airplanes. Our companies produce a broad range of engineered aerospace components found in major commercial airplanes used by the general public, including advanced cockpit avionics, cargo handling systems, engine ignition systems, communication software, and antenna systems. Each year, we generally introduce a broad range of new products, primarily for commercial planes but also for defense programs. We typically fund the engineering, testing, tooling and startup of these new products at our own expense. In the wake of the September 11th attacks, we developed a critical cockpit security door system that protects the aircraft and keeps passengers safe. We also manufactured the state-of-the-art parachute that safely landed the Mars Perseverance rover. And now, 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 of a part. Again, the costs of associated 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 meet the customer's standards, there is a commercial industry that actively tries to reverse engineer parts. This generally does not happen to us because we are a good 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 fixed profit 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 we risk losing money. 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. This is not a sustainable customer practice for any manufacturer.

We also do critical 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 related 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.

I thank you again for the invitation to appear today and look forward to your questions.