

Congress of the United States

Washington, DC 20515

April 14, 2022

Mr. Kevin Stein
President, Chief Executive Officer, and Director
TransDigm Group Inc.
The Tower at Erieview
1301 East 9th Street, Suite 3000
Cleveland, OH 44114

Dear Mr. Stein:

We are writing to request that TransDigm Group Inc. (TransDigm) immediately repay the Department of Defense (DOD) \$20.8 million in excess profits that the company received on DOD contracts. The excess profits TransDigm received must be returned to taxpayers so these funds can be used to ensure our military has needed supplies, such as military equipment that DOD is transferring to the Ukrainian military to help them defend their country from Russian aggression.

In December 2021, the DOD Inspector General concluded a detailed review of 106 types of spare parts purchased from TransDigm and recommended that DOD request repayment from TransDigm for \$20.8 million in excess profits earned on spare part contracts that “were not obtained at fair and reasonable prices.”¹

On January 19, 2022, the House Oversight Committee held a hearing to examine TransDigm’s practice of charging DOD outrageous prices on mission-critical spare parts for aircraft. At that hearing, Committee Members called on TransDigm to repay the excess profits. We continue to uphold statements for that hearing describing TransDigm’s practices as “egregious price gouging” and emphasizing that “[o]ur tax dollars should go toward supporting the warfighter, not paying thousands of dollars for a simple spare part that costs peanuts to make.”²

¹ Office of Inspector General, Department of Defense, *Audit of the Business Model for TransDigm Group Inc. and Its Impact on Department of Defense Spare Parts Pricing* (Dec. 13, 2021) (DODIG-2022-043) (online at <https://media.defense.gov/2021/Dec/27/2002914678/-1/-1/1/DODIG-2022-043%20508.PDF>).

² House Committee on Oversight and Reform, Statement for the Record by Senator Charles E. Grassley, *Hearing on Price Gouging in Military Contracts: New Inspector General Report Exposes Excess Profit Obtained by TransDigm Group* (Jan. 19, 2022) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/UC%20-%20Maloney%20-%20Statement%20for%20the%20Record%20Senator%20Charles%20E%20Grassley%20-%20201-19-22.pdf>).

DOD agreed with the Inspector General's recommendation and "concluded that voluntary refunds are appropriate."³ During January 2022, DOD sent 31 separate letters to TransDigm and its subsidiaries requesting refunds of the excess profits received. These letters called for TransDigm and its subsidiaries to return their excess profits in order to "demonstrate a good faith effort to correct misspent taxpayer dollars."⁴

Unfortunately, TransDigm has failed to demonstrate good faith. According to DOD, as of March 17, 2022, TransDigm had not repaid DOD a single dollar or indicated that it intends to do so.

TransDigm's failure to pay back its excess profits is particularly concerning in light of the company's financial position. TransDigm's annual sales in 2021 were \$4.8 billion and net income was \$680 million.⁵ In 2020, TransDigm Founder and Executive Chairman Nicholas Howley received \$68 million in compensation.⁶ Furthermore, TransDigm has continued its practice of aggressively acquiring aerospace companies with proprietary products, such as DART Aerospace, which TransDigm purchased on March 14, 2022, for approximately \$360 million in cash.⁷

The \$20.8 million in excess profits identified by the DOD Inspector General may be only the tip of the iceberg. The Inspector General reviewed a sample of just 3% of TransDigm's contracts from January 2017 through June 2019. The Inspector General did not examine any contracts from July 2019 through the present, when DOD awarded TransDigm over \$500 million in contracts.

Please inform the House Oversight Committee by April 25, 2022, whether TransDigm will repay the \$20.8 million in excess profits, including the date these funds will be returned, and whether you will commit not to overcharge DOD in the future.

If TransDigm chooses not to repay the \$20.8 million in taxpayer funds and end its practice of charging DOD outrageous prices, the Committee needs to understand the full extent of TransDigm's overcharging and the total amount of taxpayer funds earned as a result of its unfair and unreasonable pricing.

³ Office of Inspector General, Department of Defense, *Audit of the Business Model for TransDigm Group Inc. and Its Impact on Department of Defense Spare Parts Pricing* (Dec. 13, 2021) (DODIG-2022-043) (online at <https://media.defense.gov/2021/Dec/27/2002914678/-1/-1/1/DODIG-2022-043%20508.PDF>).

⁴ Letters from Department of Defense Defense Logistics Agency to TransDigm Group Inc., et al. (Jan. 2022) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/All%20Letters%20-%2031%20%28fully%20redacted%29.pdf>).

⁵ TransDigm Group Inc., *FY 2020 10-K/Annual Report* (Nov. 16, 2021) (online at <https://transdigmgroupinc.gcs-web.com/static-files/8c786a4b-d7a6-4520-95f5-9d9535c711b6>).

⁶ TransDigm Group Inc., *Schedule 14A Proxy Statement for TransDigm Group Incorporated* (Feb. 5, 2021) (online at <https://transdigmgroupinc.gcs-web.com/static-files/f2a21f23-139c-40ff-bde0-5a5d95b49e64>).

⁷ TransDigm Group Inc., *Press Release: TransDigm Announces Acquisition of Dart Aerospace* (Mar. 14, 2022) (online at www.transdigm.com/investor-relations/news-releases/).

If you choose not to repay the funds, please produce the following documents and information to the Committee by April 29, 2022, for the time period from July 1, 2019, through the present:

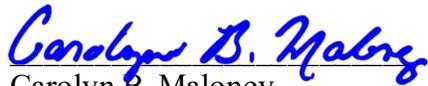
1. A searchable, sortable, downloadable spreadsheet that contains the following information for each contract between TransDigm and any component of DOD:
 - a. contract number;
 - b. date of contract award;
 - c. DOD contracting entity / customer (e.g., DLA Aviation);
 - d. awarded entity (i.e., TransDigm or its subsidiary);
 - e. national stock number of the part being sold;
 - f. description of part;
 - g. TransDigm's manufacturing cost per unit;
 - h. contract price per unit; and
 - i. total contract value.
2. For each contract referenced in Request 1, answers to the following questions:
 - a. Was the contract a sole-source award?
 - b. Did the contracting officer request certified cost or pricing data?
 - c. Did the contracting officer request uncertified cost or pricing data and if so, what forms of certified or uncertified cost or pricing data were provided?
 - d. If a TransDigm subsidiary received the award, did the subsidiary disclose its relationship with TransDigm to DOD?
 - e. If the part is sold to non-government customers, what is the average market price for the part?
 - f. If the part is sold to non-government customers, what was the average price per unit paid during 2021?

Mr. Kevin Stein
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The Committee on Oversight and Reform is the principal oversight committee of the House of Representatives and has broad authority to investigate “any matter” at “any time” under House Rule X.

An attachment to this letter provides additional instructions for responding to this request. If you have any questions regarding this request, please contact House Oversight Committee staff at (202) 225-5051 or Senator Grassley’s staff at (202) 204-3744.

Sincerely,



Carolyn B. Maloney
Chairwoman
House Committee on Oversight
and Reform



Charles E. Grassley
United States Senator

Enclosure

cc: The Honorable James Comer, Ranking Member
House Committee on Oversight and Reform