

Written by Administrator  
Tuesday, 03 November 2009 00:00



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## How Much Will the F-35 Joint Strike Fighter Cost?

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According to various online sources and the Pentagon, the program's Estimate-at-Completion (EAC) is impacted by the assumptions used to develop it—with the JET report utilizing “pessimistic” assumptions that emphasize current production efficiencies and program spend rates, while the F-35 Program Office utilizes more optimistic assumptions that include future production efficiencies. According to [this story](#), Air Force Major General C.D. Moore (F-35 Deputy Program Manager) acknowledged that the program is currently “three to five months behind the master schedule,” but asserted that “we are seeing improved production line efficiencies.”

We should note that the JET report has not been officially released, so it is difficult to parse the facts. According to [this report](#), the JET EAC showed a \$7 billion increase, not \$15 billion.” Regardless, DOD spokesperson Geoff Morrell was quoted as acknowledging that the JET EAC “continues to raise concerns about the course the program is on. ... If the Joint Estimate Team provided especially good news, we would be trumpeting it.”

Unsurprisingly, the Lockheed Martin-led program team disagreed with the JET analysis. They released the following statement:

Lockheed Martin and our industry partners recognize the Joint Estimate Team's earnest efforts to predict F-35 program costs and schedules as part of the annual DoD budget planning process. However, we disagree with their conclusions, which we believe are driven by legacy-based assumptions regarding the time required to deliver the remaining SDD aircraft, complete development, and conduct the flight test campaign. The program is early in the flight test phase, so it is much too soon conclude that the expected payoffs will not be realized. Lockheed Martin acknowledges that modest risks to our cost and schedule baselines exist, but we envision no scenario that would justify a substantial delay to completion of development or transition to production milestones.

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Speaking of pessimistic, the folks over at the Center for Defense Information (CDI) have [posted](#) what may be the mother of all pessimistic articles, called “Combat Aviation’s Gloomy Future.” That post refers to a story on the

infamous Huffington Post [website](#) called “What Now, Icarus? Is Western Combat Aviation Falling Out of the Sky?” In the story, the authors make some alarming assertions, including this doozy: “The F-35 is unaffordable. It is a technological kluge that will be less effective than airplanes it replaces. And it will increase our own combat losses.”

Addressing the JET report’s findings, the authors assert—

Those findings address only the known problems; there’s a huge iceberg floating just under the surface. With F-35 flight testing barely three percent complete, new problems - and new costs - are sure to emerge. Worse, only 17 percent of the aircraft’s characteristics will be validated by flight testing by the time the Pentagon has signed contracts for more than 500 aircraft.

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Operational squadron pilots will have the thrill of discovering the remaining problems, in training or in combat. No one should be surprised if the final F-35 total program unit cost reaches \$200 million per aircraft after all the fixes are paid for.

Finally comes a teaser from DefenseInsider.com (the bunch that broke the original JET EAC story), reporting that “A senior Pentagon official with access to details of a closely held new cost assessment of the Joint Strike Fighter program is advising Defense Department colleagues that the F-35 development program ‘will likely breach’ a key congressionally mandated cost threshold, a step that could require dramatic remedial action for the U.S. military's costliest weapon program.” The article is referring to a Nunn-McCurdy breach.

A Nunn-McCurdy breach occurs when a program's acquisition unit cost overrun exceeds 15% (i.e., 115% of the baseline budget). When that happens, statute requires that the Secretary of Defense must notify Congress. According to the legislation, should an acquisition unit cost overrun exceed 25%, the program must be terminated, unless the Secretary of Defense provides Congress with a detailed justification as to why the program is critical to national security. A Nunn-McCurdy breach is not in any sense good news, and tends to have career-limiting impacts to those involved in programs that incur them. Moreover, as we noted, Congress and the Obama Administration have taken dim views of programs that exhibit cost growth and/or schedule delays.

Should the F-35 incur a Nunn-McCurdy breach, the timing of the reporting will be quite interesting. Had the breach been reported in the first half of 2009, it would have been more difficult to assert that the program was critical to national security, because there would have been the competing F-22 program. Now that additional production of the F-22 program has been stopped, there is no competition to the F-35 program and it is obvious the program will need to continue, regardless of cost growth. In the words of Pierre Sprey and Winslow Wheeler, the program may be deemed “too big to fail.”

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This is a critical juncture for the large international aircraft program, and time will tell who has the best at-completion estimate, the Pentagon JET evaluators or the program team.