

GAO Highlights

Highlights of [GAO-16-390](#), a report to congressional committees

Why GAO Did This Study

With estimated acquisition costs of nearly \$400 billion, the F-35 Joint Strike Fighter—also known as the Lightning II—aircraft is DOD's most costly and ambitious acquisition program. Since 2001, GAO has reported extensively on the F-35 program's cost, schedule, and performance problems. The program plans to begin increasing production rates over the next few years.

The National Defense Authorization Act for Fiscal Year 2015 contains a provision for GAO to review the F-35 acquisition program. This report assesses program (1) affordability, remaining development, and ongoing manufacturing, and (2) future modernization and procurement plans.

GAO analyzed total program funding requirements. GAO analyzed program documentation including management reports, test data and results, and internal DOD program analyses. GAO also collected and analyzed production and supply chain performance data, and interviewed DOD, program, and contractor officials.

What GAO Recommends

Congress should consider directing DOD to manage F-35 follow-on modernization, Block 4, as a separate and distinct acquisition program with its own baseline and regular cost, schedule and performance reporting. GAO included this matter for consideration because DOD did not concur with GAO's recommendation to manage Block 4 as a separate acquisition program. GAO continues to believe this recommendation is valid as discussed in this report.

View [GAO-16-390](#). For more information, contact Michael J. Sullivan at (202) 512-4841 or sullivanm@gao.gov.

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F-35 JOINT STRIKE FIGHTER

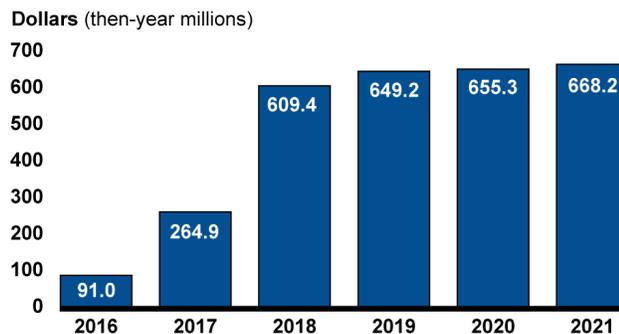
Continued Oversight Needed as Program Plans to Begin Development of New Capabilities

What GAO Found

Although the estimated F-35 Joint Strike Fighter (F-35) program acquisition costs have decreased since 2014, the program continues to face significant affordability challenges. The Department of Defense (DOD) plans to begin increasing production and expects to spend more than \$14 billion annually for nearly a decade on procurement of F-35 aircraft. Currently, the program has around 20 percent of development testing remaining, including complex mission systems software testing, which will be challenging. At the same time, the contractors that build the F-35 airframes and engines continue to report improved manufacturing efficiency and supply chain performance.

DOD plans to manage F-35 modernization as part of the existing program baseline and is exploring the use of a single contract to procure multiple lots of future aircraft. Both courses of action have oversight implications. DOD has begun planning and funding significant new development work to add to the F-35's capabilities. Known as Block 4, the funding needed for this effort is projected to be nearly \$3 billion over the next 6 years (see figure below), which would qualify it as a major defense acquisition program in its own right.

F-35 Joint Strike Fighter Block 4 Development Costs Increase Near-Term Funding Needs



Source: GAO analysis of Department of Defense data. | [GAO-16-390](#)

DOD does not currently plan to manage Block 4 as a separate program with its own acquisition program baseline but rather as part of the existing baseline. As a result, Block 4 will not be subject to key statutory and regulatory oversight requirements, such as providing Congress with regular, formal reports on program cost and schedule performance. A similar approach was initially followed on the F-22 Raptor modernization program, making it difficult to separate the performance and cost of the modernization from the baseline program. Best practices recommend an incremental approach in which new development efforts are structured and managed as separate acquisition programs with their own requirements and acquisition program baselines. The F-22 eventually adopted this approach. If the Block 4 effort is not established as a separate acquisition program, transparency will be limited. Therefore, it will be difficult for Congress to hold it accountable for achieving its cost, schedule, and performance requirements.