

# GAO Highlights

Highlights of [GAO-16-489T](#), a testimony before the Subcommittee on Tactical Air and Land Forces, Committee on Armed Services, House of Representatives

## 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—is DOD's most costly 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 annually review the F-35 acquisition program. Today's testimony is based on ongoing work for the first report under this mandate, which GAO expects to issue in April 2016. This testimony focuses on GAO's preliminary observations regarding the F-35 program's (1) future modernization (2) affordability, remaining development, and ongoing manufacturing plans.

GAO analyzed program documentation including management reports, test data and results, and internal DOD program analyses. GAO collected data on F-35 development and test progress, and analyzed total program funding requirements. GAO also collected and analyzed production and supply chain performance data, and interviewed DOD, program, and contractor officials.

In light of its ongoing work, GAO is not making any recommendations at this time.

View [GAO-16-489T](#). For more information, contact Michael J. Sullivan at (202) 512-4841 or [sullivanm@gao.gov](mailto:sullivanm@gao.gov).

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## F-35 JOINT STRIKE FIGHTER

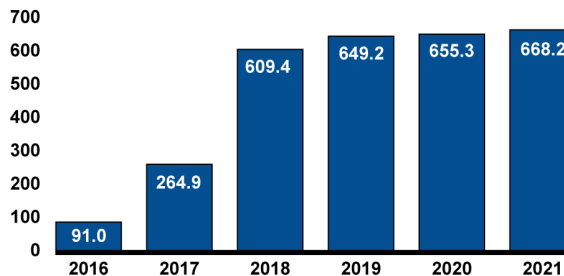
### Preliminary Observations on Program Progress

#### What GAO Found

GAO's ongoing work on the F-35 Joint Strike Fighter (F-35) program shows that the Department of Defense (DOD) has begun planning and funding significant new development work to add to the F-35's capabilities, an effort 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 Block 4 Development Costs Increase Near-Term Funding Needs

Dollars (then-year millions)



Source: GAO analysis of Department of Defense data. | GAO-16-489T

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, in which the funding and content were comingled 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 such an approach. If the Block 4 effort is not established as a separate acquisition program, cost, schedules, and the scope of the baseline and modernization efforts will be comingled. Therefore, it will be difficult for Congress to hold DOD accountable for achieving its cost, schedule, and performance requirements.

GAO's ongoing work indicates that although the F-35 total program acquisition costs have decreased since 2014, the program continues to face significant affordability challenges. 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. Program officials continued to address many of the key technical risks, but the Autonomic Logistics Information System continues to be a challenge. At the same time, the contractors that build the F-35 airframes and engines continue to report improved manufacturing efficiency and supply chain performance.