



Highlights of [GAO-08-569T](#), a testimony before the Subcommittees on Air and Land Forces, and Seapower and Expeditionary Forces, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The Joint Strike Fighter (JSF) is the Department of Defense's (DOD) most expensive aircraft acquisition program. DOD is expected to develop, procure, and maintain 2,443 aircraft at a cost of more than \$950 billion. DOD plans for the JSF to replace or complement several types of aircraft in the Air Force, Navy, and Marine Corps.

Given the program's cost and importance, it is critical that decisions are made within this program to maximize its benefit to the nation. This testimony highlights a number of those decisions and impacts. It

- (1) discusses emerging risks to the overall program, and
- (2) updates information for GAO's cost analysis of last year regarding sole-source and competitive scenarios for acquisition and sustainment of the JSF engine.

Information on the overall program is from our mandated annual report, also issued today. GAO tracked annual cost and schedule changes, reasons for changes, decisions affecting development, and compared DOD cost estimating methodologies to best practices. For the two engines, GAO updated cost data from last year's testimony and made new projections.

What GAO Recommends

This testimony does not have recommendations, but GAO's mandated report recommends revisiting the mid-course plan and improving cost estimates. DOD substantially agreed.

To view the full product, including the scope and methodology, click on [GAO-08-569T](#). For more information, contact Michael Sullivan at (202) 512-4841 or sullivanm@gao.gov.

JOINT STRIKE FIGHTER

Impact of Recent Decisions on Program Risks

What GAO Found

GAO believes recent DOD decisions, while potentially reducing near-term funding needs, could have long-term cost implications. DOD's recent plan to reduce test resources in order to pay for development cost overruns adds more risk to the overall JSF program. Midway through development, the program is over cost and behind schedule. Difficulties in stabilizing aircraft designs and the inefficient manufacturing of test aircraft have forced the program to spend management reserves much faster than anticipated. To replenish this reserve, DOD officials decided not to request additional funding and time for development at this time, but opted instead to reduce test resources. GAO believes this plan will hamper development testing while still not addressing the root causes of related cost increases. While DOD reports that total acquisition costs have increased by \$55 billion since a major restructuring in 2004, GAO and others in DOD believe that the cost estimates are not reliable and that total costs will be much higher than currently advertised. Another restructuring appears likely—GAO expects DOD will need more money and time to complete development and operational testing, which will delay the full-rate production decision and the fielding of capabilities to the warfighter.

This year, DOD is again proposing cancellation of the JSF alternate engine program. The current estimated remaining life cycle cost for the JSF engine program under a sole-source scenario is \$54.9 billion. To ensure competition by continuing the JSF alternate engine program, an additional investment of about \$3.5 billion to \$4.5 billion may be required. However, potential advantages from a competitive strategy could result in savings equal to or exceeding that amount across the life cycle of the engine. GAO's updated cost analysis suggests that a savings of 9 to 11 percent—about 2 percent less than what GAO estimated last year—would recoup that investment. Also, as we noted last year, prior experience indicates that it is reasonable to assume that competition on the JSF engine program could yield savings of at least that much. Further, non financial benefits in terms of better engine performance and reliability, more responsive contractors, and improved industrial base stability are more likely outcomes under a competitive environment than under a sole-source strategy. While cancellation of the program provides needed funding in the near term, recent test failures for the primary JSF engine underscore the importance and long-term implications of DOD decision making with regard to the ultimate engine acquisition approach.