

Lightning Rod

S the F-35 Joint Strike Fighter program simply too big to fail?

That's the question Sen. Richard J. Durbin (D-Ill.) asked top Pentagon officials just months after he took over the gavel of the Senate Defense Appropriations subcommittee.

Durbin is known more for his political skills and his close ties to President Barack Obama than for his acumen on defense issues. As such, his chairmanship of the panel, which distributes roughly half of all federal discretionary spending, marks a new era for a committee that has traditionally been led by far more hawkish lawmakers.

It is telling, then, that one of Durbin's first moves as chair was to focus intently on the international F-35 program, by far the most expensive single acquisition program in Pentagon history. The Department of Defense plans to buy 2,443 of the stealthy strike fighters through 2037 to replace old Air Force, Navy, and Marine Corps fighters. But much of the planned procurement of the F-35s dovetails with a sudden downturn in defense spending, making it a potential target for cutters either within DOD or on Capitol Hill.

The Pentagon has spent \$33.8 billion to procure the F-35 since 2007, with the total bill to both develop and buy the airplanes expected to come to nearly \$400 billion. Procurement costs will average \$12.7 billion annually over the next 23 years, a hefty sum for a military in the midst of a postwar budget crunch that has only been exacerbated by a political divide over the country's burgeoning deficit.

With other big-ticket procurement priorities on the horizon, the timing for a downturn in defense spending simply couldn't be worse for the F-35.

Still, despite a high level of scrutiny and long-term funding questions, it is clear that Congress is poised to support the Pentagon's purchase of 29 F-35s next year. After that, things get increasingly murky.

"Maintaining this level of sustained funding will be difficult in a period of declining or flat defense budgets and competition with other big-ticket items such as the KC-46 tanker and a new bomber program," read a June 19 Government Accountability Office report.

Procurement costs get the lion's share of the attention, but they represent just one piece of the overall F-35 price tag—and not even the majority of it. The Pentagon's Cost Assessment and Program Evaluation office in 2011 estimated that keeping the jets flying will cost an additional \$1.1 trillion during their anticipated 30-year life cycles. That staggering sum is in inflated then-year dollars and includes everything from related construction projects to 30 years' worth of fuel. But on top of the procurement costs, it has drawn a lot of heat on Capitol Hill.

The program office believes the operations and support costs for the F-35 will be far lower—about \$857 billion. In written answers this summer to questions posed by Durbin's committee, Lt. Gen. Christopher C. Bogdan, the F-35 program executive officer, said the CAPE estimate is nearly two years old and does not factor in lessons the program office has learned during more than 7,000 flying hours.

The sheer size of the F-35 program makes it an irresistible target for congressional cost-cutters.

Capt. Brad Matherne runs preflight checks inside an F-35 before a training mission. The budget downturn has come at a bad time for the Joint Strike Fighter.

on the Hill

By Megan Scully



USAF photo by SrA. Brett Clashman



Lockheed Martin photo by Tom Reynolds



Maj. Eric Schultz, flying a conventional takeoff and landing F-35A (the Air Force variant), conducts a weapons separation test with a 2,000-pound Joint Direct Attack Munition at Edwards AFB, Calif.

“That said, significant effort remains to continue to find cost efficiencies and reduce this number even further,” Bogdan wrote. The Defense Department will update its figure for the annual Defense Acquisition Board review of the F-35 this fall, Bogdan said.

Even if the life cycle costs drop 22 percent, as the program office expects, the total price tag for the F-35 program continues to dwarf any other in the military budget—a fact that will not escape the attention of skeptical lawmakers in this era of belt-tightening at the Pentagon.

“In the financial industry, we have this phrase, too big to fail, and I’m wondering if this project is so large in scope that it was too big to cancel?” Durbin asked at the June 19 hearing. “That it had to continue apace because of international partners, fifth generation demands? Have we reached a point when it comes to acquisitions in the

future that we have to take this into consideration?”

Durbin’s questions were fielded deftly by Pentagon acquisition chief Frank Kendall, who acknowledged that no program in the department is too big to fail. But, Kendall stressed, Pentagon officials are not considering stopping the program now that the fighter has made its way through a significant portion of its development phase, the department attempts to reduce long-term sustainment costs, and the strategic need for a fifth generation fighter grows.

“To start over, to go back 10 years, 20 years and invest \$20 billion or \$30 billion in the development of another aircraft in replacement of the F-35 just doesn’t make any sense,” Kendall said.

Congressional Support

Kendall’s arguments seem to be resonating on Capitol Hill, where even Durbin and

others who have raised questions about the F-35 are reluctant to do little more than trim around the edges of the expansive program. A steep drop in Pentagon spending, which could bring the department’s budget next year to \$52 billion below the Administration’s request, has done little to change minds in Congress about the F-35.

Months after the hearing, Durbin’s panel approved a \$594.4 billion defense appropriations bill that buys the requested 29 F-35s next year. But the committee did take issue with the Pentagon’s plans to buy 42 of the strike fighters in Fiscal 2015—a 45 percent year-over-year increase in production.

“Given the scope of issues that must be addressed in this phase of the program, a large increase in the production of aircraft is not yet warranted,” appropriators wrote in the report accompanying their bill. While flight testing has progressed smoothly in recent years, the program’s critics cite continued struggles with the program’s software development, system reliability, and development of the maintenance system.

Durbin’s committee trimmed \$48 million from the Air Force’s request for F-35 advance procurement, a move that would affect four aircraft slated for procurement in 2015. For the Navy, Senate appropriators cut \$31.5 million in advance procurement, a reduction of two aircraft. These types of moves can become self-fulfilling prophecies, as F-35 unit costs increase every time the buy is cut below efficient production levels and every time the program is stretched out.

During the Senate Appropriations Committee’s consideration of the sprawling bill



Lockheed Martin photo by Sydney Carroll

An F-35 on the assembly line at Lockheed Martin's facility in Texas. The Senate has provided funds to buy 36 of the aircraft in 2015, a modest increase in production.

have on the program, I believe that this amendment would actually increase costs, damage the supplier base, and risk over 100,000 direct and indirect jobs," Rep. Robert A. Brady (D-Pa.) wrote in an addendum to the report on the House-passed authorization bill.

In the Senate, Republican John McCain of Arizona has been sharply critical of programs that exceed original cost projections. McCain said in a statement that he is "cautiously optimistic" about the health of the F-35 program. The statement followed an Air Force decision to put three additional F-35 squadrons at Arizona's Luke Air Force Base, for a total of six squadrons and 144 aircraft at the Phoenix-area installation.

McCain, who grilled program officials on the affordability of the F-35's procurement and sustainment costs during an April hearing, urged the Defense Department in his statement to "demand excellence from the Air Force and the contractor to ensure that this critical program builds on recent contracting, technical, and manufacturing progress." But he is reserving his harshest rhetoric for other programs struggling to meet cost and schedule goals, such as the Navy's Littoral Combat Ship.

Legislative Action

Even as support remains high for the F-35, there are some fractures in Capitol Hill support for the program hinting at increased congressional scrutiny.

Among the notable critics are Rep. Adam Smith of Washington, the top Democrat on the House Armed Services Committee, and Rep. Loretta Sanchez of California, the top Democrat on the Tactical Air and Land Forces subcommittee, who voted for the Duckworth amendment withholding the F-35 funding.

During the House committee's consideration of the bill, Sanchez acknowledged progress on the development and production of the F-35s, but added that the program is seven years behind schedule and 70 percent over cost. She also cited technical concerns about the program, including the helmet-mounted display system.

"This puts pressure on Lockheed Martin and everybody that's involved in building this program. And I don't mean that in a negative way. We certainly have sat down with them. I mean it in a positive way," Sanchez said. "We need to continue to ensure that things are being met and things are coming along and the taxpayers are protected in this."

In the end, the House Armed Services Committee, whose bill passed the House in June, boosted its oversight of the program, rather than slashing or withholding funds. The bill requires the Pentagon's acquisition chief to establish an independent team of subject matter experts to review the development of F-35 software and send a report to Congress by March 2014.

The committee's report also orders a Government Accountability Office report on the costs of keeping the aircraft flying, citing "fiscal uncertainties facing the department and growing concerns related to the affordability of the F-35's long-term sustainment costs."

Aug. 1, Durbin said creating a common fighter was the right goal that turned out to be a challenge for the military, one that it sometimes failed, he said.

Despite Durbin's reservations, the Senate panel is hardly moving to gut the program, providing enough advanced procurement funding to buy 36 of the aircraft in 2015—a more modest but still significant 24 percent increase in production.

Indeed, all four of the congressional defense committees approved the Pentagon's request for 29 F-35s next year. The panels only tweaked aspects of the \$8.4 billion F-35 request (House appropriators, for instance, trimmed \$67.1 million from the \$1.8 billion request for F-35 development) or demanded new reports from the Pentagon on the program's milestones and long-term costs.

With 125,000 direct and indirect jobs sprinkled in 46 states, it comes as little surprise that the Lockheed Martin-run F-35 program enjoys strong support on Capitol Hill. This was clear during the House Armed Services Committee's consideration of the Fiscal 2014 defense authorization bill in June, when the panel soundly defeated an amendment from Rep. Tammy Duckworth (D-Ill.) that would have withheld program funds until the F-35 meets several technical requirements, including certification that all flight testing is successfully complete.

One of the 10 committee members who supported the Duckworth amendment later made an unusual public reversal, citing the economic effects of withholding F-35 dollars.

"Upon further review of the impacts that additional funding delays would



DOD photo by Erin A. Kiffe-Cuomo

Frank Kendall, undersecretary of defense for acquisition, technology, and logistics, speaks at a Center for Strategic & International Studies event. Kendall says scrapping the F-35 only to sink more money into a replacement would be foolish.



Sen. Richard Durbin, chair of the Senate Appropriations defense subcommittee, listens to Air Force Chief of Staff Gen. Mark Welsh during a hearing on the Fiscal 2014 budget. One of Durbin's first moves as chair was to focus on the F-35 program.

The Senate Armed Services Committee's version of the authorization bill, approved by the panel in June, is bullish on the F-35 and appears to support a spike in production in Fiscal 2015—marking a divide with their appropriator colleagues. The committee's report on the bill states the program has been executing close to the planned testing and development schedule and stresses that meeting the services' initial operational capability dates hinges, at least in part, on sticking to the production plan.

"With the program now achieving most testing milestones, the committee believes that the Department of Defense should seriously consider continuing with the current plan to increase production in Fiscal Year 2015 and beyond," according to the report.

The Armed Services panel, whose bill is expected to head to the Senate floor sometime this fall, does require some new oversight of the program, including a briefing on the fighter's Block 3F software following a critical design review and another briefing on the status and risk reduction efforts for four systems that have proved challenging for program officials. Those are the helmet-mounted display system, the tailhook, the fuel dumping system, and the autonomic logistics information system.

It is unclear which of these provisions and allocations the final versions of either the defense authorization or appropriations bills will include. The Senate needs to pass both measures and

then differences must be negotiated with the House's versions of the bill before going to the President's desk for signature.

Going Down

Funding levels in the final versions of the defense bills, however, may not ultimately be up to the leaders of the congressional defense committees. If the Pentagon's budget for Fiscal 2014 exceeds the mandated budget cap—and there is no other deficit-reduction deal in place to override those caps—the Defense Department would be vulnerable to another round of across-the-board sequester cuts that hit the budget in Fiscal 2013.

That means the F-35 would fall victim to the same types of reductions that would hit nearly every other military account. DOD has limited flexibility to move money to high-priority accounts through reprogramming requests, which require the approval of all four congressional defense committees. There would undoubtedly be fierce competition from every corner of the department for those limited dollars.

In late July, Rep. Jim Cooper (D-Tenn.) and Rep. Paul Ryan (R-Wis.) introduced a bill that would give the Pentagon discretion when applying cuts from sequestration. But the White House and several key Democrats don't want to give the Defense Department special treatment

when domestic discretionary spending will take a similar hit.

In the absence of a deficit-reduction deal, the other option is to actually get the Pentagon's approved budget for Fiscal 2014—as well as its requests for Fiscal 2015 and beyond—to the levels mandated by the decade-long caps.

That would avoid the painful indiscriminate cuts, but neither the Pentagon nor Congress has offered a proposal with detailed cuts to get the budget to the necessary levels.

Like the Pentagon request, both the House and Senate versions of the defense appropriations bill ignore the mandated caps.

It is indiscriminate, inefficient, and arbitrary, but in some ways it is actually easier to just let sequester happen. Automatic cuts help officials in the Pentagon and lawmakers on Capitol Hill avoid difficult decisions on specific programs such as the F-35. But it also means they can't protect top priorities.

For its part, the Pentagon has explored its options for getting below the budget caps, including one approach that would cut the size of the military to preserve high-end technical capabilities. Under that scenario, the F-35 would stand its best chance of keeping its production and testing schedule largely intact.

"We would protect investments to counter anti-access and area-denial threats, such as the long-range strike family of systems, submarine cruise missile upgrades, and the Joint Strike Fighter, and we would continue to make cyber capabilities and special operations forces a high priority," Defense Secretary Chuck Hagel told reporters July 31 at the Pentagon.

Any final decision on defense spending priorities would likely include trade-offs among the various Pentagon accounts, from personnel to procurement dollars. The F-35 could very well see its budget cut, its annual production numbers reduced, its program stretched out, and its unit costs rise—but nearly all experts expect the program to survive.

In this environment, program officials know they have to keep their eye on the bottom line and make every dollar count.

"Affordability remains my No. 1 priority, and I expect these cost estimates to continue to go down over the next several years as the program matures," Bogdan wrote in his response to Senate appropriators. ■

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