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JSF Blows Nunn-McCurdy

Posted by Bill Sweetman at 1/23/2009 7:42 AM CST

According to the Government Accountability Office, the Joint Strike Fighter program "recently declared a Nunn-McCurdy unit cost breach." This bombshell - the program has been struggling to avoid such a declaration for a couple of years - is buried in a corner of the GAO's transition website.

Outgoing program office director Maj Gen Charles Davis chose not to mention the breach in a 90-minute briefing and discussion at the Brookings Institute last week, and although several questions were asked about costs, nobody specifically used the N-word.

Davis said (noted here) that costs were likely to overrun, and stated that the average unit procurement cost was likely to be \$80 million in 2014 dollars for the F-35A, \$85-87 million for the F-35C and "a couple million more" for the STOVL F-35B. (Note: that doesn't mean that an F-35A ordered in FY14 will cost \$80m - the projection is the average across 2400+ aircraft.)

Passed in 1982, Nunn-McCurdy requires a report to Congress when a major acquisition program overruns its projected unit cost (which may or may not include development - two sets of criteria are used) by a set percentage. A 15 per cent breach requires notification.

A 25 per cent breach technically means termination - although this can be (and almost always is) avoided if the Secretary of Defense certifies to Congress that the program is critical to national security. But at that point the program is likely to be restructured, too, and it will certainly face a lot of scrutiny.

The law was also changed in 2006 to deal with "re-baselining" - that is, cases where the program was restructured and a new Nunn-McCurdy baseline set. Congress added requirements to report (30 per cent) and terminate or recertify (50 per cent) based on the original baseline cost. For JSF, this would mean the estimate at contract award in late 2001, before the weight explosion, major redesign and schedule slip in 2004-05.

(For everything you want to know about Nunn-McCurdy, see this presentation.)

The exact type of breach faced by JSF ("significant" or "critical", or against original or rebaselined costs) will be included in the end-2008 Selected Acquisition Reports (SAR), normally published at the end of March.

Since 2005-06, the JSF office has been trying to control actual and projected costs, cutting in some places to offset increases in others - in particular, increases in the cost of manufacturing the aircraft.

The GAO notes that JSF "faces considerable risks stemming from its decision to reduce test assets and the flight-test program to pay for development and manufacturing cost increases." The program office has also attempted several times to cancel the F136 engine, and to revise assumptions for support costs.

Remember all the confusion around the 2007 SAR - which was closely followed by the revelation of another one-year slip? As noted at the time, "the big good news was that there was no big bad news... The fighter dodged the incoming Nunn-McCurdy missile that everyone had predicted." Not this time. Fox Two!

Today, Pratt & Whitney is lobbying more intensively to have the F136 cancelled and the JSF program is fighting against efforts to slow the program down, which would increase unit costs. It's not hard to see why.

Welcome to the Pentagon, Mr President!