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## Did They Miss Yet Another F-35 Cost Overrun?



*F-35 Lightning in flight. Photo: USAF.*

On Thursday, April 22, two subcommittees of the House Armed Services Committee held a joint hearing on the F-35. The hearing covered multiple F-35 cost issues, but strangely, no one discussed or asked about an *apparent* \$63 billion cost overrun for the acquisition of the F-35. The data is in a Cost Assessment and Program Evaluation (CAPE) report (titled “Independent Cost Estimate” [ICE]) sent to the Committee last July and publically reported last September by Bloomberg News. The \$63 billion acquisition overrun – derived by some simple arithmetic with two data points in the ICE – suggests that F-35

acquisition could possibly have tripped the preliminary 15% growth tripwire specified in the Nunn-McCurdy Act intended to alert Congress to such cost increases.

A compressed summary of the hearing and an explanation of the apparent overrun follow.

The Joint House Armed Services Subcommittees hearing on the F-35 was summarized effectively by USNI News, Bloomberg, Breaking Defense and Defense News. The hearing started with aggressive (F-35 critical) statements from the two Democratic Subcommittee Chairmen: Rep. Donald Norcross, D-N.J., of the Tactical Air and Land Forces Subcommittee and Rep. John Garamendi, D-Calif., of the Readiness Subcommittee. (See Breaking Defense and Defense News.) Additional important content of the hearing, covered by Bloomberg and USNI News, centered on the huge and growing costs to operate and support (O&S) F-35s – currently estimated to be \$1.266 trillion in GAO’s testimony. Recurring O&S subjects in the hearing included the growing cost to update the F-35 with what are called Block 4 and Technology Refresh Three (TR 3), ongoing and future problems with the engine, inadequate spare parts and the low readiness of all variants of the F-35 as measured by Mission Capability (MC) or – better – Fully Mission Capability (FMC) rates.

The separate acquisition cost of the F-35—that is, the Research and Development (R&D), Procurement, and Military Construction (MilCon) costs to acquire F-35s and deliver them to the military services—was not discussed in any meaningful way. The acquisition cost growth information that was ignored but which is available, especially to Members and staff of the HASC, is as follows:

- 1) The existing official DOD estimate for F-35 in the latest F-35 Selected Acquisition Report from December 2020 is \$398 billion in “then-year” dollars, i.e. past, current and future appropriations. This purportedly covers all past, present and future R&D, Procurement and MilCon costs.
- 2) As reported by Tony Capaccio of Bloomberg News in September 2020, CAPE sent the Independent Cost Estimate (ICE) of the F-35 to the House and Senate Armed Services Committees in June 2020. The CAPE ICE is labeled “for official use only,” which means the information is not classified but is restricted. The cost information has been freely discussed by officials at CAPE, the press and others.
- 3) The ICE states that the total “life cycle” cost (to both acquire and operate the F-35) is \$1.727 trillion over the 65 year life of the program — in “then-year” dollars. Of that, the cost to operate and support the F-35 (all variants) is \$1.266 Trillion, also in then-year dollars; the figure was also cited by GAO for the total O&S costs.

4) That leaves \$461 billion to account for F-35 acquisition: i.e. the R&D, Procurement and MilCon costs.

5) That implies \$63 billion more than the current, official DOD acquisition cost in the December 2020 SAR: \$398 billion – in then-year dollars. This is a 16% increase.

This increase, though obvious from math implied in Tony Capaccio's article since September 2020, has attracted zero attention either from the press or at last week's hearing. On hand for months, the information did not form the basis of a single question at the hearing. Were the Members of the HASC – especially the declared skeptics – uninterested in this information? Was the information withheld from them?

Is the CAPE Independent Cost Estimate not credible? If so, why did GAO use the \$1.266 Trillion O&S data in its April 22 testimony? Why has the \$1.727 Trillion total life cycle cost estimate been repeatedly used in press articles, in other analysis, and in GAO's description of its testimony?

Is the \$63 billion growth in F-35 acquisition an insignificant amount? Hardly. The Nunn-McCurdy Act, enacted in 1982 and subsequently modified, calls for a 15% increase in acquisition costs to be reported to Congress in a special report. While the act's language calls for a unique calculation (from the "current baseline" in "base-year" dollars), the 16% increase from the current SAR as re-measured by CAPE in then-year dollars would certainly appear to be a significant issue.

And yet, it is being ignored. What is going on? So far, there does not appear to be an answer.

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