

JPO Media Statement on F-35 SAR 2016:

Quote Attributable to VADM Mat Winter, F-35 Program Executive Officer

“The annual Selected Acquisition Reports (SAR) for 2016 provides status on program cost, schedule, and performance as of June 2016, and reflects the procurement quantities approved in the 2018 U.S. President’s Budget. The F-35 program remains within all cost, schedule and performance thresholds and continues to make steady progress. The F-35 Joint Program Office is committed to the delivery of cost-effective warfighting capability across all areas of the program and is aggressively pursuing affordability opportunities within our three lines of effort -- Development, Production, Sustainment -- to further drive down total program costs now and in the future.

The SAR16 Total Program Cost Estimates are based on the latest F-35 Joint Program Office (JPO) cost estimates for Research, Development, Test, and Evaluation (RDT&E) and Procurement, and the latest U.S. Service estimates for Military Construction (MILCON). The Operations and Support (O&S) costs reflect the 2015 SAR estimate, as they were not updated for 2016 by the Office of the Secretary of Defense (OSD) Cost Analysis and Program Evaluation (CAPE). While the SAR only reports on U.S. costs, the estimates take into account the efficiencies gained through international partner and Foreign Military Sales (FMS) contributions and quantities.

Compared to last year's SAR, the program's Research, Development, Test, and Evaluation (RDT&E) costs have remained steady other than a reallocation of funds from the procurement to RDT&E account. The program’s total procurement cost estimate increased by \$11B in base year 2012 dollars (BY12\$) largely driven by the adjustments made to the U.S. planned production profile. The U.S. Air Force reduced its maximum annual rate of aircraft procured from 80 per year down to 60 per year, which extended the planned purchases by six additional years from Fiscal Year (FY) 28 to FY44. The associated reduction of annual production quantities coupled with the six year extension resulted in three deltas: 1) Total Program Cost Estimate increasing by \$11B, 2) a slight uptick in Unit Recurring Flyaway (URF) Cost Estimates over the life of the program, and 3) a slight increase in APUC/PAUC estimates. These cost increases have been partially offset by reductions made in the estimate due to the incorporation of the latest contractor actuals, settlements, rates/factors, and the latest exchange rate projections -- the F-35 Program’s actual negotiated near term URF prices continue to decline and remain below SAR estimates.

Finally, the 2016 SAR O&S cost estimate was not updated by OSD CAPE, and remains unchanged from 2015; therefore, it does not align to the O&S changes captured by the program office. The JPO 2016 life cycle O&S cost estimate increased 4% from the 2015 estimate. This increase was driven by an OSD update to the FY16 fuel escalation index that increased the BY12 fuel cost per gallon, as well as a change to the DoD beddown plans that added more than 135,000 flight hours and 63,000 operational aircraft years to the program. Without these two updates, the F-35 estimated O&S costs would have decreased by approximately \$6.2B (BY12\$) from last year's JPO estimate.”