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Subject: CHANGES TO THE JSF PROGRAM

Comment

Action Area PMNACC

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HOT ISSUE BRIEF

ISSUE: CHANGES TO THE JSF PROGRAM

SENSITIVITY: Following Secretary Gates' restructuring of the Joint Strike Fighter (JSF) Program in Feb 2010 to address slow progress in 2009, further changes to the Program announced on 7 Jan 2011 will exacerbate negative commentary.

KEY ISSUES:

- Secretary Gates announced overnight further changes to the JSF Program – aimed at reducing Program risk.
- The changes follow a six month Technical Baseline Review of the JSF Program's progress by the US Department of Defense.
- As anticipated, flight test will be extended and the early aircraft production rate reduced.
- The US will fund costs associated with extended JSF design and test activity.
- The changes require further consideration by Congress before any changes are formalised.

- The changes are unlikely to affect Australia's current schedule.
- Progress of the Australian variant, the F-35A – the least expensive variant and with the lowest development risk –exceeded planned 2010 testing targets.
- The changes will mainly affect the F-35B variant for the US Marines which has experienced technical difficulties and will be delayed by up to two years.

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Date issued: 7 Jan 2011

BACKGROUND: CHANGES TO THE JSF PROGRAM

A six month review of the JSF Program by the US Dept of Defense (US DoD) looked at the remaining development tasks and the resources and time required to complete them. From the review, Secretary Gates has directed the following changes to the Program:

For the System Design and Development (SDD) Phase

The development of the Short Take Off & Vertical Landing (STOVL) F-35B will be decoupled from that of the Conventional Take Off & Landing (CTOL) F-35A – the version Australia is buying – and the Carrier Variant (CV) for the US Navy.

An extra US\$4.6B will be added to SDD by the US DoD (no extra cost to partner nations) – to be used for additional testing (and to replace some testing that had been taken out of JSF over time) and to cover underestimation of SDD costs.

SDD will not be completed until early 2016 (was 2015 after the Feb 2010 reprogram).

Block 2 software completion will be delayed from end 2012 to end 2014. However, Block 3 software (which the US services and us are very interested in for IOC considerations) will only be delayed a year.

All services (USMC, USN and USAF) will review their Initial Operational Capability (IOC) dates. While dates remain speculative:

the USMC will likely slide the F-35B IOC by 2 years; and

there is likely at least a one year delay in USAF/USN IOCs.

For the Production Program

The US budget for 2012 will reflect a buy of 32 aircraft (down from the planned 42).

The F-35B STOVL will be put on 'probation' by being held at a production rate of six aircraft per year in FY12 and FY13.

In Summary

Very much what we expected. Not good for the STOVL, but we aren't buying that variant. Essentially at least a year delay for CTOL (RAAF variant) but we should still have a (very) small schedule buffer. The US funding additional SDD costs means no immediate increase in costs.

TALKING POINTS

- I am aware that Secretary Gates has directed further changes to the JSF Program.
- As anticipated, the flight test will be extended and the early aircraft production rate reduced.
- Changes to the US-led program are still being finalised, however, and require further consideration by Congress before any changes are formalised.

- I understand that the changes Secretary Gates announced will mainly affect the F-35B variant for the US Marines which has experienced some technical difficulties and will now be delayed by up to two years.
- Progress of the Australian variant, the F-35A – the least expensive variant and with the lowest development risk – has been pleasing, and in 2010 exceeded planned testing targets.
- Overall, the Australian Government welcomes the changes to the Program as a means of reducing risk on the JSF Program through stricter oversight of the Program's management. This is critical for Australia's planning.
- Defence remains confident Australia has adequate buffers in place to withstand these latest changes to Program cost and schedule.
- Australia has always adopted a conservative approach to JSF cost estimates and has explicitly included contingency funds and buffers to the schedule.
- In recent discussions with senior US officials it has been stressed that for Australia's decision in 2012 to commit to the bulk of our JSF aircraft, the Government needs confidence that the Program is making good progress.

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