

4/26  
1030



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

OFFICE OF THE  
SECRETARY OF DEFENSE

2005 APR 25 PM 4:37

INFO MEMO

April 22, 2005, 5:00 PM

Paul Butler: SECRETARY OF DEFENSE

4/26  
PWB

FROM: Michael W. Wynne, Under Secretary of Defense (Acquisition, Technology and Logistics)

SUBJECT: Joint Strike Fighter (JSF) Cost Estimate

- You asked about the article which suggested a cost overrun in the JSF program.
- I requested a Cost Analysis Improvement Group (CAIG) update to the JSF development estimate. The CAIG's analysis is not released yet, but is projected to be \$5.1B more than the Joint Program Office's (JPO) estimate for the System Development and Demonstration (SDD) phase, and significantly higher for production. The cost delta is the result of differences in methodologies and assumptions used for the analyses. The attachment at TAB A explains the differences and the mitigation plan.
- If the CAIG assumptions are correct, their estimate highlights a potential to overrun the current program budget. There are near-term events that will confirm whether the assumptions are correct. These include actual costs, contract negotiations and awards, agreed test plans, software productivity, and the February 2006 Critical Design Review (CDR).
- The program is fully funded in FY06. I have asked the JPO and CAIG to continue to work on the differences through the summer to refine any FY07 budget adjustment. The CAIG will update their estimate after the CDR, in time for Program Objective Memorandum (POM) 2008 planning. I will follow this closely and can provide additional detail if you desire.

Attachment: As stated

COORDINATION: Navy, Air Force, PA&E, and CAIG

MA SD	2/4/26	SMA DSD	
TSA SD	4/26	SA DSD	
EXEC SEC	M 4/20	0945	
ESR MA	E 4/26	0903	



Prepared by: Capt Scott Swift/OUUSD(AT&L)/Defense Systems(AW)/695-3015



OSD 07752-05

**TAB A**

**System Development and Demonstration TYS**

	JPO	CAIG	Delta	Explanation of Differences	Mitigation Plan
System Test	\$1.4 B	\$3.8 B	\$2.4 B	<b>CAIG:</b> Based on F-18 A/B, F-18 E/F and F-15, adjusted for content. <b>JPO:</b> Based on previous JSF estimate, leveraging common software and test for variants, and adjusted for content.	Extensive and early subsystem testing (radar and electronic warfare in labs now). Refine test plans. Track actual costs.
Mission Systems	\$6.2 B	\$7.9 B	\$1.7 B	<b>CAIG:</b> Based on updated actuals from JSF, F/A-22, and F/A-18 E/F. Assumes 30% software growth. <b>JPO:</b> Based on JSF actuals, includes schedule slip and software efficiency. Assumes 10% software growth.	Software block strategy. Significant investment in integrated software lab infrastructure. Track actual costs.
GE (F136) Engine	\$3.0 B	\$3.8 B	\$0.8 B	<b>CAIG:</b> Based on F/A-22 and primary JSF engine actuals, adjusted for content. <b>JPO:</b> Credit for pre-SDD effort.	Refining contract now for August award.
Fee on Overrun			Included above	<b>CAIG:</b> Includes 15% fee on all costs--\$1.5B total <b>JPO:</b> Excludes fee on overrun--JPO and Lockheed Martin (LM) agreement.	Scheduled to award replan contract in July with no fee.
<b>Total SDD</b>	<b>\$41.5 B</b>	<b>\$46.6 B</b>	<b>\$5.1 B</b>		

**Production BY02\$M**

Airframe			\$7 – 11M per aircraft	<b>CAIG:</b> 15% fee on all content, 6% weight margin, and labor rates based on rate agreements and OSD inflation <b>JPO:</b> 13% fee with no fee-on-fee, 3% weight margin, LM SDD fee structure, and credit for supplier rates	CDR to firm up design in early FY06. Long lead parts contracted in FY06. Track manufacturing costs during development.
Mission Systems			\$5M per aircraft	<b>CAIG:</b> Based on latest available F/A-22 and F/A-18 E/F production data. <b>JPO:</b> Based on initial F/A-22 unit cost and historical learning curves.	CDR to firm up design in early FY06. Track manufacturing costs during development.
Engine			\$2M per aircraft	<b>CAIG:</b> Based on F/A-22 data, adjusted for weight. <b>JPO:</b> Based on F/A-22 and credit for common manufacturing processes.	Track manufacturing costs during development.
<b>Unit</b>	<b>\$44.5 M</b>	<b>\$57.5 M</b>	<b>Conventional Take-Off and Landing (CTOL) variant</b>		
<b>Recurring</b>	<b>\$61.7 M</b>	<b>\$81.0 M</b>	<b>Carrier Variant (CV)</b>		
<b>Fly-away</b>	<b>\$58.7 M</b>	<b>\$70.0 M</b>	<b>Short Take-Off and Vertical Landing (STOVL) variant</b>		

