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THE HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF

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UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT

BEFORE THE

TACTICAL AIR AND LAND FORCES SUBCOMMITTEE

OF THE

HOUSE ARMED SERVICES COMMITTEE

ON

THE F-35 ACQUISITION PROGRAM

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Chairman Wittman, Ranking Member Norcross, and distinguished members of the Tactical Air and Land Forces Subcommittee, thank you for the opportunity to testify today. I am pleased to join the F-35 Joint Program Office (JPO) Program Executive Officer, Lieutenant General Michael Schmidt, and the GAO Director of Contracting and National Security Acquisitions, Jon Ludwigson, to discuss the progress of the F-35 program to deliver integrated capabilities at speed and scale, sustain the growing F-35 enterprise, and foster a resilient defense industrial base.

I represent the Department's acquisition and sustainment workforce of nearly 187,000 dedicated military and civilian professionals who deliver capability to the warfighter quickly and cost effectively. Each and every day, I am impressed by the work these dedicated professionals do to provide our warfighters the materiel solutions needed to pace the evolving threats the United States faces in an increasingly complex security environment.

With more than 900 aircraft fielded across the F-35 enterprise, our U.S. and coalition warfighters are operating true cutting-edge fighter capability, strengthening our alliances and partnerships, and building steadfast fifth-generation capacity. The F-35 exhibits superior performance in peacetime and operational missions, serving as a strong deterrent and demonstrating resiliency of the global sustainment solution. Notably in Israel, we see surging sustainment support in operations that maximizes fleet readiness with 35 of 39 Israeli Air Force F-35A aircraft and exceeds expectations in combat. In many ways, this cooperative program exemplifies best practices for incorporating allies and partners at every phase of defense planning. Coupled with the strength of F-35 capability and capacity, the F-35 enterprise's international teaming construct, with a growing number of countries, sends a powerful message

to our adversaries. This holistic approach continues to provide integrated deterrence and enduring advantage for our joint forces.

As the Department's senior acquisition official, I am pleased to share updates on F-35 in the context of its next major acquisition milestones, modernization priorities, and improvements in affordability and readiness posture.

Milestone C and Full Rate Production Decisions

The Department appreciates the subcommittee's continued support for the F-35 acquisition program over the years. We acknowledge the ongoing imperative to control cost, meet schedule commitments, and demonstrate required performance of the weapon system. Program milestones serve as critical gates to assess the status of cost, schedule, and performance before proceeding to the next phase of the acquisition. As the Milestone Decision Authority for the F-35 acquisition program, I work with the enterprise to ensure the program meets criteria and satisfies statutory requirements ahead of the Milestone C and Full Rate Production decisions.

In September 2023, the F-35 enterprise completed the Joint Simulation Environment (JSE) F-35 mission trials. The final report is anticipated upon completion of further data analysis and adjudication of the test results. These trials represent advanced threats and densities and have produced data necessary to inform evaluation of F-35 mission effectiveness as part of the overall Initial Operational Test and Evaluation (IOT&E). Once the IOT&E report is complete and pending the finalization of other program milestone documentation, I project that the program will be ready to have the F-35 Milestone C and Full Rate Production decisions considered in March 2024.

Technology Refresh 3 and Block 4 Upgrades

Our nation's threats are not static and continue to evolve. We acknowledge many instances where adversaries' technologies and capability development rival our own weapon systems – challenging our national security. To counter these challenges, it is vital that we modernize our systems by delivering integrated capabilities at speed and scale. The F-35 Technology Refresh 3 (TR-3) and Block 4 upgrades are key to these efforts. The TR-3 upgrade consists of new computer processors and displays that increase computational power, serving as the foundation to host many of the Block 4 capabilities that improve electronic warfare systems, communication equipment, weapons integration, and other mission systems.

Over the past eighteen months, TR-3 development has accomplished many goals, although progress has been slower than desired. Many TR-3 hardware component qualifications were completed. The first flight of an aircraft configured with TR-3 occurred earlier this year. The flight test campaign has executed more than 150 TR-3 test flights, with a focus on closing out test objectives to demonstrate safety, stability, core mission capabilities, and new capabilities. However, the current version of software has not been approved for operational use and requires more verification before delivery to the fleet. As a result of software development delays, the TR-3-configured aircraft, currently in production, will be stored by the contractor until the aircraft are determined to be operationally acceptable by the partnership governments. The F-35 enterprise is laser focused on executing the priority integration activities required to resume aircraft deliveries as soon as possible.

Similar to TR-3, the Block 4 software development is behind schedule as the F-35 enterprise works to address challenges with design maturity and system integration. I recently directed an independent group of technical experts from the Military Departments to work with

the F-35 JPO to perform a Technical Baseline Review and provide recommendations on improvements related to the modernization schedule, development infrastructure, software tools, and workforce capacity. I expect to be briefed on the findings early in calendar year 2024. The F-35 enterprise team is exploring all opportunities to mitigate further delays to TR-3 and Block 4 and ensure the most lethal and capable fighter aircraft is in the hands of our joint warfighters at higher capacity and on quicker timelines.

Propulsion and Power Thermal Management System Upgrades

The Department is grateful for congressional support to begin initial design development for the F135 Engine Core Upgrade (ECU). Once fielded, the ECU will restore F135 engine life, provide performance improvements, leverage the existing integrated global sustainment network, and interface with power thermal management system upgrades to provide cooling for future F-35 modernization capabilities. The ECU effort is on track to have a preliminary design in early 2024. The F-35 JPO is assessing acquisition strategy details for power thermal management system upgrade options. Due to interdependencies, both subsystem development activities will be managed as one government effort under the title of Engine and Power Thermal Management System Modernization (EPM).

Test Aircraft

To accomplish all the planned modernization activities, the F-35 enterprise must recapitalize the program's test infrastructure. Software labs have not adequately represented the operational flight environment, and limited lab capacity prevents concurrent development of

multiple software configurations. Presently, the F-35 JPO and industry are innovating ways to mitigate the lab capacity challenge, such as using production-line aircraft to reduce some software risk.

Additionally, the current F-35 test aircraft fleet is aging, presenting additional challenges for the program. The Department thanks the Subcommittee for supporting efforts to procure additional flight sciences aircraft. These test aircraft will be required to test flying characteristics of many Block 4 capabilities, new weapons and stores, and the F135 ECU. Additional developmental test assets will help relieve pressures on the operational test fleet that are currently used to supplement development activities.

Affordability and Readiness

Section 141 of the Fiscal Year (FY) 2022 National Defense Authorization Act (NDAA) requires the Military Departments to provide Congress with updated FY2027 sustainment affordability constraints by October 1, 2025. The U.S. Air Force recently completed analysis for their updated FY2027 F-35A affordability constraint. Details regarding the approach to meeting those constraints will be documented in an update to the F-35 Life Cycle Sustainment Plan. The F-35 JPO is addressing F-35 affordability concerns via a PEO-led initiative called “The War on Cost.” The effort is reemphasizing a culture of cost consciousness and cost control, creating a new way of thinking and operating to drive cost out of the F-35 program. The Military Department’s affordability constraints and targets will set the context for specific initiatives to reduce operations and sustainment costs, timelines, resource requirements, assumptions, and risks.

I fully support the PEO's "War on Readiness" focus on driving government and industry collaboration and accountability to meet warfighter readiness expectations, and commitment to increasing mission capable rates by an additional ten percent by April 2024. To enable additional readiness improvements, the Department has prioritized depot activation funding of approximately \$800M within the last Lot 15-17 contract award to accelerate depot repair activations. Increased depot repair capacity will improve both repair velocity and overall readiness performance.

Furthermore, in support of our National Defense Strategy and fostering a more resilient defense ecosystem, I tasked my Sustainment team – in collaboration with the Joint Staff – to sponsor F-35 sustainment tabletop exercises that stress our current sustainment strategy in a contested logistics environment. The lessons learned from these exercises have led to deliberate actions to ensure our sustainment enterprise is survivable, flexible, and responsive to combatant command wartime surge requirements.

Sustainment Strategy

The Department remains committed to ensuring contracts fairly and effectively motivate industry behavior to meet fleet readiness requirements. Historically, annualized sustainment contracts with F-35 prime contractors have not always yielded desired availability and mission capability. In 2020, the F-35 JPO, Lockheed Martin, and the U.S. Military Services determined a five-year Performance-Based Logistics (PBL) contract would improve Non-Mission Capable – Supply rates, supply chain response time, and gross issue effectiveness at lower or similar cost compared to existing contract methodologies. Section 356 of the FY2022 NDAA prohibited

entry into a supply chain PBL sustainment contract until DoD submits a report certifying that a PBL will reduce cost or increase readiness performance. As a result of review undertaken because of this certification requirement, the Department has already benefitted from valuable cost and performance insights and opportunities to improve data quality that underpin current and future sustainment contracts.

The F-35 JPO and Lockheed Martin faced challenges in PBL contract alignment within the range of the statute's cost and readiness parameters. Lockheed Martin's PBL proposal, submitted in June 2023 and updated in October 2023, was not within the cost or performance ranges to enable the Government to proceed to formal contract negotiation.

In close coordination with DoD and U.S. Military Service senior leadership, the F-35 JPO paused its path to a system-level PBL with Lockheed Martin. The F-35 Joint Program Office and Lockheed Martin agreed to extend the FY2023 annual recurring sustainment contract through March 2024, and the parties are working an additional extension through June 2024. The Government and Lockheed have a joint focus to ensure no breaks in contractual coverage for sustainment support, while also providing more time for the JPO and Lockheed Martin to plan and negotiate long-term contractual coverage. Our immediate priority is maintaining fleet support coverage as we work to update the air vehicle supply chain strategy to meet warfighter readiness requirements at a reasonable cost. Longer term, the F-35 enterprise will update the program's sustainment strategy, consistent with transition planning in the Department's response to Section 142 of the FY22 NDAA.

Conclusion

In closing, the Department recognizes and appreciates the continued support from Congress that has enabled tremendous progress by the government and industry teams to deliver and sustain the most advanced fighter weapon system to date. Most importantly, I remain fully committed to the critical work required to advance the F-35 program in conjunction with Congress, DoD stakeholders, and our industry partners. I appreciate the opportunity to have collaborative discussions with this Committee as we work together to strengthen the F-35 enterprise and continue providing safe, reliable, and capable aircraft for our warfighters and international coalition partners.