THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-3010

ACQUISITION
AND SUSTAINMENT

NOV 02 2020

The Honorable Carolyn B. Maloney
Chairwoman
Committee on Oversight and Reform
U.S. House of Representatives
Washington, DC 20510

Dear Madam Chairwoman:

I would like to correct a data point from my written testimony submitted in advance of the July 22 hearing before the Committee. At the bottom of page three into page four, the submitted statement cited an increase in F-35 fleet Full Mission Capable (FMC) rate from 40 percent at the beginning of 2020 to nearly 50 percent in June. That data is actually the trend for the F-35A fleet; across all variants, the FMC rate has increased from below 35 percent at the beginning of the year to nearly 40 percent in June.

I regret the error and ask that the committee update my statement for the record with the corrected version.

Sincerely,

Ellen M. Lord

Enclosure:
As stated

cc:
The Honorable James Comer
Ranking Member

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THE HOUSE COMMITTEE ON OVERSIGHT AND REFORM

STATEMENT OF

HONORABLE ELLEN M. LORD

UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT

BEFORE THE

HOUSE COMMITTEE

ON

OVERSIGHT AND REFORM

JULY 22, 2020

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THE HOUSE COMMITTEE ON OVERSIGHT AND REFORM

Chairwoman Maloney, Ranking Member Comer, and distinguished members of the Committee: Thank you for the opportunity to update you on the Department's F-35 sustainment efforts to improve F-35 Ready-For-Issue Parts for the warfighter and to ensure comprehensive oversight of our contractor support.

I am pleased to be joined by the Program Executive Officer for the F-35 Joint Program Office, Lieutenant General Eric Fick; the Government Accountability Office Director of Defense Capabilities and Management, Ms. Diana Maurer; the Department of Defense Inspector General Assistant IG for Audit Acquisition, Contracting and Sustainment, Ms. Theresa Hull, and the Vice President and General Manager, F-35 Program, at Lockheed Martin, Mr. Gregory Ulmer. I am here today to talk about how the Department is working to enable our operators and maintainers to work as efficiently and affordably as possible to provide the capability the warfighter needs.

The F-35 program is a key enabler of all three pillars of the National Defense Strategy (NDS): first, rebuilding military readiness as we build a more lethal Joint Force; second, strengthening alliances as we attract new partners; and third, reforming the Department's business practices for greater performance and affordability. The fifth-generation capabilities that the F-35 brings, primarily stealth and battlefield networking capabilities, are helping us to deliver the lethality needed to meet Warfighter requirements. The international partner nations and Foreign Military Sales (FMS) customers who have chosen the F-35 to be at the core of their future airpower planning are strengthening our cooperative relationships through increased interoperability. And the F-35 program is a focus of the Department's reform efforts, in order to ensure that the Warfighter gets capability that is affordable.

Today, I would like to focus my remarks on three main topics: increasing accountability within the F-35 sustainment enterprise; the Department's management response to the DoD Inspector General's report on Ready-For-Issue parts; and my efforts to promote effective oversight within the F-35 program.

Accountability

A core focus area of my tenure as Under Secretary for Acquisition & Sustainment has been increasing accountability within the acquisition system, and particularly for the F-35 enterprise. Our efforts have been directed on two major fronts: reducing the cost of sustaining the fleet to meet the affordability constraints defined by the Services, and increasing fleet availability to meet Warfighter needs. The issue at hand today affects both of those key metrics.

The Department has made significant improvements in fleet availability over the past year, due to a collaborative effort among OSD, the Services, the F-35 Joint Program Office (JPO), Industry, and other key stakeholders as part of the ongoing F-35 Life Cycle Sustainment Plan initiatives. The Department currently uses two main measures of fleet availability for the F-35: Mission Capable rate and Full Mission Capable rate. Mission Capable rate describes the percentage of the fleet capable of performing at least one of its assigned missions, while Full Mission Capable Rate describes the percentage of the fleet capable of performing all of its assigned missions. For the F-35, a multi-role aircraft, Full Mission Capable aircraft ensure that we provide advanced, low-observable stealth capabilities for our operators.

The Department has increased the overall Mission Capable fleet rate for the F-35 from roughly 60 percent at the beginning of the year to nearly 70 percent in June, driven by significant increases for the A- and B-models. The Department has similarly improved Full Mission Capable fleet rate, from below 35 percent at the beginning of the year to nearly 40 percent in

June. While more work remains to be done to meet warfighter needs, these improvements in fleet availability, driven primarily by improvements in maintainability and supply chain efficiency, show that the Department's efforts are having a significant and measurable impact.

On the Ready-for-Issue parts concerns raised by the DoD Inspector General, their July 2019 report found that the Department did not ensure that the contractor was providing spare parts in a Ready-for Issue state. The report also identified that the Department did not ensure that payments to Lockheed Martin were properly tied to performance against Ready-for-Issue metrics. To be Ready-for-Issue, a part must be ready for aircraft maintenance personnel (maintainers) to install on the aircraft, and have an Electronic Equipment Logbook (EEL) assigned. EELs are electronic files assigned to spare parts that include information such as part history and remaining life measured in hours. The Department concurred with all of the DODIG's recommendations, and is aggressively executing corrective actions based on a recommended follow-up status report provided to DODIG in January 2020.

The issues raised in the Department of Defense Inspector General's (DODIG) report are primarily issues of electronic records management, related to known deficiencies in the ability of the F-35 Autonomic Logistics Information System's (ALIS) ability to accurately and reliably track and transmit EEL files. ALIS is a system of systems that serves as the primary logistics tool to support F-35 operations, mission planning, and sustainment; it is the system through which EELs are maintained, transmitted, and accessed across the fleet. The Department is taking near-term actions to address key degraders of Ready-For-Issue (RFI) rate, but the long-term solution to the problem depends on the already-underway effort to replace ALIS with a more stable, capable system. I recognize the impact of an electronic records system that does not meet Warfighter needs; my staff and I are engaged with unit commanders to ensure that we have a

clear understanding of the challenges they are facing and what they need in order to address those challenges.

Since the release of the DODIG's report and the Department's official recommendation follow-up status update in January 2020, we have been working closely with Lockheed Martin, Pratt & Whitney, and the Services in order to identify the root causes of non-RFI parts, share data, and implement solutions. As a result, the Department has increased the RFI rate at Hill Air Force Base (AFB), Luke AFB, and Marine Corps Air Station (MCAS) Yuma from 43 percent in February, to exceeding the RFI threshold metric rate of 70 percent in every month since April, achieving a high of 83 percent in June. The Department has also reduced the number of action requests to Lockheed Martin asking for resolution of an EELs issue, from 1,147 in March 2020 to 363 (below the threshold metric of 389) in June, as well as the backlog of action requests to be resolved, from over 800 in March 2020 to 469 in June.

Similar concerns were also raised in the Government Accountability Office's (GAO) March 2020 audit of ALIS; the Department concurred with all recommendations from that audit. The Department submitted its initial Corrective Action Plan in response to the GAO's recommendations earlier this month, but work is already well underway to address recommendations from both the GAO and DODIG audits through the development of plans for an ALIS replacement system.

Management Responses on DoDIG Recommendations

In May, this committee spoke to unit commanders from the three Services about the effects that Ready-For-Issue parts issues were having on the units under their command. I am working in close coordination with my Service counterparts to ensure that their concerns are heard, and that corrective actions result in a system that meets Warfighter needs, and enables our

maintainers to spend their time keeping aircraft available, rather than manually working around a flawed electronic records system. For example, the F-35 JPO is setting up regular meetings with Service unit leaders to discuss status on RFI issues.

The Department has been working over the past year to address the issues raised by the Services and by the DODIG's report. On January 14, 2020, I announced to the House Armed Services Committee members the transition from the ALIS system to a new, government-owned system, Operational Data Integrated Network, called ODIN. Built upon a more stable, more scalable, and more deployable hardware and software infrastructure, ODIN will address key Warfighter concerns and deliver promised capabilities to meet Warfighter needs. ODIN will support improved logistics data quality, tracking, and integration, and it will be a key cog in the Department's plans to improve fleet availability and reduce sustainment cost. The Department will introduce the first tranche of ODIN capability fleet-wide by the end of 2021. In the interim, the Department is working to develop solutions to the legacy ALIS system to improve EELs accuracy, tracking, and transmission performance to reduce maintenance workarounds and to mitigate potential risks to the fleet.

The ALIS-to-ODIN transition, as well as a number of other key initiatives pushing towards increased availability and reduced sustainment cost, is being driven through the F-35 Life Cycle Sustainment Plan (LCSP) Maintenance System Performance-to-Plan process. The LCSP is a key program document that defines the approach and resources necessary to develop and integrate sustainment requirements, and details the development of a product support package and how it contributes to meeting the Warfighter's mission requirements. The LCSP process brings together stakeholders from across OSD, the Services, and the F-35 JPO in order to drive increased fleet availability and reduced sustainment cost across twelve lines of effort. The goal

of these initiatives is to deliver a high quality, user-centric system that increases maintenance efficiency, decreases aircraft turnaround time, and rapidly responds to changing Warfighter requirements at a sustainable cost. One initiative that is a key enabler to a number of sustainment improvement efforts, including the transition from ALIS to ODIN, is securing delivery of appropriate technical data. While the Department recognizes Industry's interest in protecting their intellectual property, there is technical data that the Department has rights to, and needs in order to enable effective organic sustainment.

The DODIG's report also identified that existing contract terms were not sufficient to hold the prime contractor accountable for the EELs deficiencies. Recommendations 1 and 2 in the DODIG's audit called for the F-35 Program Executive Officer (PEO) to work with the Defense Contract Management Agency (DCMA) to pursue reimbursement for non-Ready-For-Issue parts delivered since 2015, and to add language to future sustainment contracts to allow collection of that reimbursement. DCMA is working closely with the F-35 JPO to negotiate fair consideration to the Government from the prime contractor for these deficiencies. DCMA notified Lockheed Martin of its intent to seek consideration on April 2, and formal discussions began on May 7. DCMA's task is to seek consideration for non-RFI parts delivered between 2015 and April 30, 2020, and to incorporate terms into the next annualized sustainment contract. The F-35 JPO is also working to negotiate more comprehensive contract terms in future sustainment contracts to ensure that the contract has defined EEL and RFI metrics to measure performance.

Recommendation 3 from the DODIG's report calls for the F-35 PEO to direct the lead contracting officer representative (COR) to update their plans for conducting quality assurance oversight of contractors, and to collect and provide monthly information on contractor performance. The JPO plans to put on contract and implement a system to enable improved

quality assurance monitoring of contractors, and to collect the required data. Both of these tasks are currently projected to be completed in Fiscal Year 2020. Recommendation 4 calls for the F-35 PEO to direct the lead COR to assign CORs at all F-35 sites and collect contractor performance data; the Services are actively appointing CORs to cover additional F-35 sites, and expect to complete appointment and training of CORs across the F-35 enterprise by the end of Fiscal Year 2021.

This effort is happening in the context of a broader effort to reevaluate how the Department contracts for sustainment for the F-35. Currently, we are negotiating a three-year sustainment contract, covering FY21-23, which will reflect lessons learned from our analysis of key availability degraders and cost-drivers.

Oversight

As we work to negotiate contracts that better align incentives with performance and accountability, the Department recognizes the need to enable more robust and effective oversight on major issues that decrease availability and increase cost. My key staff and I are personally engaged on these issues in a number of venues. I am meeting weekly with F-35 JPO, Service, and other key stakeholder leadership to ensure management oversight. Furthermore, I am meeting monthly with the Vice-Chairman and military Service leaders to drive performance improvements. I also meet regularly with the CEO of Lockheed Martin to directly address key issues facing the F-35 enterprise.

I am keenly aware of Congressional interest in the F-35 program, and my staff has been working closely with the Congressional defense committees to ensure that they receive timely information on key issues of interest. My staff provides quarterly updates to the Congressional

defense committees on a range of F-35 development, production, and sustainment issues, including the status of the ALIS-to-ODIN transition.

I appreciate the opportunity to have these meaningful discussions with this Committee as we resolve the complex issues of F-35 sustainment. Thank you very much for your time and I look forward to answering your questions.