

Lockheed Credits Trump as Price Per Jet Falls in Latest F-35 Batch

dodbuzz.com/2017/02/03/lockheed-credits-trump-price-per-jet-falls-latest-f-35-batch/

By Oriana
Pawlyk

2/3/2017



The Defense Department announced an \$8.2 billion deal for the latest batch of F-35 Joint Strike Fighters on Friday, known as Low Rate Initial Production 10.

President Donald Trump on Monday said he has been negotiating with Lockheed Martin Corp. officials to bring the cost down significantly since he became president-elect. “I got involved in that about a month ago,” he said during a meeting with business leaders at the White House. “There was no movement, and I was able to get \$600 million approximately off those planes.”

In total, the latest contract represents a \$728 million reduction from LRIP 9, Defense Department officials said.

The deal for 90 new Joint Strike Fighters marks the first time the price per **F-35A** variant for the **Air Force** will fall below \$100 million, according to the announcement, **first reported by Reuters**.

The unit price for the service was reduced seven percent from the last batch of aircraft, amounting to \$95 million per plane, the announcement said.

The **Marine Corps’ F-35B** and **Navy’s F-35C** variant price tags were reduced to \$123 million and \$122 million (roughly seven and eight percent, respectively) per aircraft in comparison to LRIP 9, announced in November, according to the Pentagon’s statistics.

Lockheed spokesman Bill Phelps on Friday said, “President Trump’s personal involvement in the F-35 program

accelerated the negotiations and sharpened our focus on driving down the price.

“The agreement was reached in a matter of weeks and represents significant savings over previous contracts. This is a good deal for the American taxpayer, our country, our company and our suppliers,” he said.

Deliveries of 90 aircraft are set to begin in 2018, the DoD announcement said.

“The LRIP-10 contract is a good and fair deal for the taxpayers, the U.S. Government, allies, and Industry,” said Lt. Gen. Chris Bogdan, F-35 program executive officer, in a statement. “We continue to work with Industry to drive costs out of the program.”

The stealth jet’s cost had been widely debated even before Trump began voicing concerns about the program’s cost overruns. [Trump tweeted](#) on Dec. 22, “Based on the tremendous cost and cost overruns of the Lockheed Martin F-35, I have asked Boeing to price-out a comparable F-18 Super Hornet!”

Last week, Defense Secretary James Mattis [ordered separate reviews](#) of the F-35 and Air Force One programs with an eye toward reducing program costs. The review for the F-35, however, will solely focus on the Navy’s C model.

“Now that we know [Trump meant] just the C [version] ... that’s been reality for years now,” Richard Aboulafia, vice president and analyst at the Teal Group, told Military.com on Jan. 27.

“The Navy hasn’t bought more than a tiny token ... of Cs, and four times as many [Super Hornets](#) and [Growlers](#). You do the math ... It’s a single digit percentage of the total program at best,” Aboulafia said.

The total C requirement is a 260-unit buy for the Navy, Lockheed spokesman Michael J. Rein told Military.com There have been 26 carrier variants delivered to the Navy as of December 2016, he said.

But the F-35’s cost has been steadily declining in recent years, even though it will make the history books as the Pentagon’s largest acquisition effort to date at nearly \$400 billion to buy about 2,500 of the single-engine fighters for the Air Force, Navy and Marine Corps.

In a recent [analysis by DefenseOne](#), the F-35A, for example, has dropped from an average cost of \$241 million per plane first ordered in 2007. That price translates to roughly \$279 million today.

The LRIP 10 contract will distribute 44 F-35As to the Air Force, 9 F-35Bs to the Marine Corps and 2 F-35Cs to the Navy, with other planes going to the United Kingdom, Norway, Australia, Turkey, Japan, Israel and South Korea.

The Pentagon in November [handed down a unilateral contract action](#), dubbed LRIP 9, of \$6.1 billion for 57 more F-35s after months of negotiations — a move that disappointed Lockheed officials.

“We didn’t agree on this contract, but the government just handed this on us,” an industry official close to the 18-month-long negotiated deal told Military.com at the time. “The government needs to recognize what an F-35 really costs for a fair fee.”

The government and Lockheed hadn’t signed a deal for a full batch of F-35s since 2014 before LRIP 9, which was also supposed to include LRIP 10. The source said the decision did not address fundamental issues in manufacturing the F-35s, such as risk assessment and delivery schedules.

Lockheed had a chance to appeal the decision by Jan. 31 — but let it slip by.

“We did not file an appeal under the Armed Services Board of Contract Appeals in the 90 days,” Rein said in an emailed statement [to DefenseOne](#). Rein added the company still has other options — to file a claim under the Contract Disputes Act, for example — but said a decision has not been made to pursue such alternatives,

DefenseOne reported.