October 2010

DEFENSE ACQUISITIONS

DOD Needs to Reassess Joint Cruise Missile Costs before Starting New Production Phase

GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-11-112, a report to congressional committees

Why GAO Did This Study

Over the past two and a half decades, the Department of Defense (DOD) has invested heavily to acquire a cruise missile capable of attacking ground targets stealthily, reliably, and affordably. After abandoning an earlier, more expensive missile and a joint service effort, the Air Force began producing the Joint Air-to-Surface Standoff Missile (JASSM) in 2001. After that, the program (1) encountered many flight test failures, (2) decided to develop an extended range version, and (3) recognized significant cost growth. The production decision for the JASSM-ER is planned for November 2010. Also, the Secretary of Defense has recently announced a major initiative to restore affordability and productivity in defense spending. This initiative is expected to, among other things, identify savings by conducting needed programs more efficiently.

As DOD faces the initial production decision on JASSM-ER, GAO was asked to assess (1) most recent test results, correction of causes of previous flight test failures, and efforts to improve JASSM's reliability; and (2) JASSM cost changes, efforts to control costs, and additional cost risks for the program.

What GAO Recommends

GAO recommends that the Secretary of Defense reevaluate the JASSM program's affordability and cost-effectiveness before making the decision to produce the JASSM-ER. DOD partially concurred with GAO's assessment, but believes the JASSM-ER should begin production in November 2010. GAO believes that it is incumbent upon the department to reexamine JASSM before making the production decision to ensure that the program is structured as efficiently as possible and is still a good investment given the other demands DOD faces.

View GAO-11-112 or key components.
For more information, contact Mike Sullivan at (202) 512-4841 or sullivanm@gao.gov.

What GAO Found

Since 2007, design changes and other corrective actions by the Air Force have improved the baseline JASSM's test results significantly—the missile has now demonstrated 85 percent success versus 58 percent achieved previously and before the corrections. The JASSM-ER variant has done well thus far, with no failures during the first seven flight tests. These results reflect the Air Force's enhanced oversight of the program and significant investments made to improve reliability. These efforts also identified many of the root causes for flight test failures. While baseline JASSM missile reliability has improved, it is not expected to achieve the Under Secretary of Defense for Acquisition, Technology and Logistics' required level of 90 percent until 2013. Tests conducted thus far of the improved baseline JASSM and the JASSM-ER variants have been developmental—or controlled—in nature. Neither the improved JASSM baseline missile nor the JASSM-ER has been demonstrated in operationally realistic testing or in a combat operation.

JASSM Estimated Costs and Quantities Through 2025

	Dec. 1998	May 2008	Dec. 2009
Quantities to be produced	2,400	4,900	4,900
Total Program Cost (millions)	$2,232.5	$6,641.4	$7,129.4
Program Unit Cost (thousands)	$907.0	$1,327.0	$1,421.0
Procurement Unit Cost (thousands)	$515.0	$1,073.0	$1,160.0

Source: GAO analysis of Department of Defense data.

Note: Fiscal year 2010 dollars.

JASSM costs have increased by over seven percent since the program was restructured in 2008. As the table shows, since 1998, JASSM quantities have more than doubled and estimated program costs have grown from $2.2 billion to a $7.1 billion. The Air Force has taken several steps to control JASSM costs, but options to reduce costs at this point appear limited. In fact, several factors suggest additional cost growth is likely. First, the Air Force has not been able to provide enough funding to produce the missiles at planned rates. That has led to a less efficient production process, a longer production period, and higher costs that have not yet been reflected in the $7.1 billion estimate. Second, the Air Force's potential plans to retrofit existing missiles with the reliability improvements may not be feasible, given the missile's sensitivity to being reopened. If retrofits prove infeasible, new replacements may have to be purchased; if they are feasible, the Air Force may have to provide additional funding to retrofit all existing missiles. Finally, since the Air Force last compared JASSM to possible alternatives, the unit cost was assumed to be about 40 percent less than currently expected and that now could make alternatives more competitive in terms of cost and/or capabilities. A reevaluation of the JASSM program, given that most of its costs have yet to be incurred, is warranted before the decision to produce the JASSM-ER is made.