



By: TA Analysis

# The new F-35 contract brings new aircraft, but not a repair solution



The **Pentagon and Lockheed Martin** unveiled a framework on 22 October to buy at least 850 F-35 fighter jets for the US military over ten years, including parts, modernisation and maintenance. The company announced at least \$7 billion of its own **investment** in the programme.

The predictable **deal** should allow suppliers to expand facilities and shorten repair times, but neither the overall price nor the expected savings have been disclosed. A recent agreement for two production runs, covering nearly 300 aircraft, was worth \$24.3 billion.

Washington is trying to use long-term orders to fix a system whose weaknesses were detailed in June by the US Government Accountability Office, the GAO.

The audit shows that additional funding and increased capacity are not enough to deliver the required fleet readiness without changes to maintenance organisation and contractual incentives.

## Congress has not yet decided which contracts the Pentagon can award

The budget request for fiscal year 2027 calls for 85 F-35 aircraft, the annual average under the new ten-year plan. Only 32 aircraft were proposed through the **regular budget**, and the remaining 53 depend on a special appropriations bill that Congress has not yet passed.

Without that funding, procurement would fall to 32 aircraft, down from 47 in 2026. The current **interim funding law** retains last year's budget conditions and specifically limits the start of multi-year procurements that would buy large quantities of materials in advance.

Defence bills in both houses call for a multi-year purchase of the F-35. The bill in the **House of Representatives**, adopted in July by a margin of four votes, requires confirmation by the Secretary of Defence that the contract

includes all initial spare parts and additional equipment, as well as evidence of savings of at least five per cent compared with annual contracting.

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The Senate has not yet taken up its proposal. The House stipulates that the Pentagon must buy all the spare parts it needs from the outset, together with the new aircraft.

Previously, the Pentagon bought aircraft, but there was often not enough money for parts and maintenance.

Neither the Senate proposal nor the House proposal specifically authorises a multi-year aircraft maintenance contract.

The Pentagon has already tried to enter into such a five-year contract, but failed because it could not demonstrate that it would reduce costs or increase the number of serviceable aircraft.

Lockheed is now again seeking a long-term job guarantee, and the Pentagon has not yet indicated what it would receive in return.

If Congress approves only the purchase of new aircraft, that will solve only part of the problem. An aircraft bought at a discount is worth little if there is no money to repair it when it breaks down; it then sits in the hangar waiting for parts instead of flying.

## The contract allowed for a bonus even in the event of poor results

The Pentagon measures aircraft readiness in two ways. The first measure shows how long an aircraft was able to perform at least one of its tasks, such as reconnaissance, even when some of its combat systems were not working.

The second shows how long the aircraft was fully serviceable and ready for all missions, including air combat and attacks on ground targets.

According to the first benchmark, **American F-35s** were ready 67 per cent of the time in 2021, but only 44 per cent in 2025. According to the second benchmark, they were fully ready 38 per cent of the time in 2021, and only a quarter of the time in 2025.

The US Air Force partly explains the decline in full readiness by the fact that it received new aircraft with incomplete software, which could not perform all tasks immediately after delivery. Other reasons are a lack of spare parts and lengthy inspections and repairs due to corrosion.

Lockheed received more than \$114 million in bonuses from 2020 to 2023, out of a total of about \$269 million it could have earned for aircraft readiness and spare parts deliveries. The contract allowed the measured results to be corrected retrospectively.

In 19 of the 39 cases, the correction resulted in a larger bonus for the company, even though the aircraft's actual full readiness either did not improve or improved only slightly.

Bonuses for full aircraft readiness exceeded \$55 million and, without corrections, according to the auditor's assessment, would have amounted to about \$30 million.

The contract permitted such corrections. Problems caused by the military itself, such as delayed maintenance, could be excluded from the assessment of Lockheed's performance. GAO auditors determined that the justifications for these corrections were consistent with the contract.



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The Pentagon agreed to terms that protect the manufacturer from other parties' mistakes, even though the military still does not have enough operational aircraft.

For 2024, the Pentagon also reduced the target for timely delivery of spare parts from 82 to 77 per cent, and paid Lockheed more than \$3 million in bonuses.

The auditors also found omissions in the records. The Pentagon office that manages the F-35 programme calculated the bonuses differently from what is written in the contract, without a written explanation, and gave auditors three different versions of the same calculation.

That mistake cost Lockheed about \$3.7 million in bonuses compared with what it would have received under the contract. The GAO concluded that the Pentagon did not have accurate data on how many bonuses it paid between 2021 and 2023.

The new contract, covering the period from 2025 to 2028, awards Lockheed bonuses only for deliveries of spare parts.

There are no longer bonuses for aircraft readiness or maintenance quality. The Pentagon explains this by saying that the manufacturer can more easily control the delivery of parts than the condition of the aircraft, which is also influenced by the

military itself.

The GAO warns that Lockheed also carries out important maintenance work and suggests that the Pentagon consider penalties for poor performance, change the terms of the bonuses, or eliminate them altogether.

Of the 46 F-35 maintenance recommendations made by the GAO since 2014, the Pentagon had implemented 14 by March this year. The House of Representatives, in its defence bill, requires the Pentagon to implement the GAO's recommendation on the bonuses.

## Funding for fleet recovery has yet to be secured

The Pentagon is already implementing a support system change called the GSS Reset. The aim is for the fleet to be capable of at least one task 80 per cent of the time and all tasks 65 per cent of the time by 2030, compared with the current 44 and 25 per cent.

The GAO estimates that an additional \$13.7 billion is needed from fiscal years 2026 to 2031. Of that amount, \$2.2 billion is required for measures under the new plan.

The remaining approximately \$11.5 billion is to cover funding that the US Air Force, Navy and Marine Corps had not previously budgeted for aircraft maintenance, even though it was needed.

The programme office told auditors that the 2027 budget request provides 97 per cent of the money needed for maintenance from 2027 to 2031. The bigger problem comes later.

The GAO predicts that by the mid-2030s, annual maintenance costs will exceed the amounts the military branches designate as acceptable by more than \$1 billion each year. The final aircraft from the ten-year framework will arrive at exactly that time.

Of the additional \$13.7 billion, about \$7.3 billion is for parts and repair materials, and the

programme office depends on industry to supply those parts.

Lockheed's pledge of at least \$7 billion represents the company's announced investments in support of the programme, with no publicly explained purpose.

Without data on the purpose and timing of those investments, it is not possible to assess how well they will alleviate the fleet support shortfalls identified by the GAO.

### For years, the Pentagon, US Air Force, Navy and Marine Corps underinvested in maintenance

Supplier capacity is also a limitation. A 2025 industry study cited by the GAO found manufacturing capacity shortages for 48 types of parts, including cockpit canopies, which are one of the main causes of aircraft malfunctions.

**Smaller suppliers** often use the same workers and machines to produce new components and repair existing ones. Part of the announced investments is intended for dedicated repair lines.

Greater capacity is not the only requirement for faster repairs. The GAO warns that the new support plan does not resolve the long-standing problem of access to technical data.

Personnel at military repair centres cannot carry out certain repairs without the manufacturer's help because they do not have the rights to the necessary data.

As a result, the Pentagon is gradually building its own repair capacity. The House of Representatives devoted a **specific clause** to this problem in its draft defence bill.

The situation is better with the engines. According to the GAO, engine maker Pratt & Whitney has been meeting contractual maintenance targets since 2022.

The problems lie with the aircraft itself. In

addition to parts shortages and slow repairs, the Pentagon office that runs the F-35 programme cites several other reasons.

For years, the Pentagon, US Air Force, Navy and Marine Corps underinvested in maintenance, and it was poorly organised.

Parts were ordered only when they ran out, and inspections were carried out individually rather than all at once. The aircraft also have problems with corrosion. In addition, there are multiple versions of the F-35 in service, each requiring different parts and maintenance.

## Foreign buyers are questioning both the cost of, and dependence on, the American programme

Lockheed will still produce 156 F-35s per year. If the United States takes an average of 85, that leaves about 70 aircraft per year for all other buyers.

According to Lockheed, the new deal does not change how those aircraft are allocated among countries. **The allies** still have not answered the question of how many planes they can afford, and at what price.

**Switzerland** has already encountered this problem. In the 2020 referendum, voters approved 6 billion francs for new fighter jets. Switzerland planned to buy 36 F-35s, but the price has risen and, with the approved funding, it can no longer buy that many.



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In December 2025, the government decided to buy as many aircraft as the funding would allow. The 6 billion francs was calculated at 2018 prices, so by the end of 2025, adjusted for inflation, that amount was around 6.4 billion francs.

On 15 September, parliament approved an additional 394 million francs, still short of the required amount, and rejected a proposal to buy all 36 aircraft regardless. According to an estimate from February, there is funding for about 30 aircraft.

The final number will depend on the price that the US government agrees with the manufacturer for the next production runs. The Swiss government had previously claimed that the price of the planes was fixed by contract, but eventually had to cut the number.

Canada is reconsidering the F-35 purchase for another reason. Prime Minister Mark Carney ordered a review of the planned acquisition of 88 planes in March 2025 because the government was concerned that Canada was becoming overly dependent on the US military industry, at a time when relations with Washington had worsened due to a trade dispute.

Canada is only obliged to pay for the first 16 aircraft and is considering the possibility of Swedish Gripen jets forming part of the fleet.

Defence Minister David McGuinty said in early September that the government would take the time required to make the right decision.

In the meantime, Canada has begun paying for parts for another 14 planes, which are being ordered in advance so as not to lose its place in production.

## Procurement has a clearer path than maintenance

After the elections, Congress returns to work on 9 November. It has until 11 December to provide funding for the federal government, and the two chambers have yet to agree on a defence bill.

Buying new planes has a much clearer path through Congress than securing a long-term contract to maintain them.

**The Pentagon and Lockheed have not yet announced the price or terms of the deal**

It is most likely that the Pentagon will get approval for the aircraft first, while maintenance will continue to depend on short-term contracts and existing bonuses.

The Pentagon and Lockheed have not yet announced the price or terms of the deal. Consequently, no one can say whether \$7 billion and longer contracts will result in more operational aircraft.

The success of the agreement will be measured by the number of aircraft that units can reliably use, and the number delivered is not a sufficient indicator of this.