



DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
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IN REPLY REFER TO

CJ&A 16-282-350386

CLASS JUSTIFICATION AND APPROVAL
FOR USE OF OTHER THAN FULL AND OPEN COMPETITION

1. Contracting Activity.

Naval Air Systems Command
Joint Strike Fighter Contracts Division (AIR-2.6)
c/o F-35 Joint Program Office
[REDACTED]

2. Description of the Actions Being Approved.

This Class Justification and Approval (CJ&A) authorizes and approves the issuance of contract actions on a sole-source basis to Lockheed Martin Corporation, Lockheed Martin Aeronautics Company (LM Aero), Fort Worth, TX, for Lots 12-14 F-35 aircraft and associated supplies and services. Authority to act under this CJ&A expires on 31 December 2022.

3. Description of Supplies/Services.

Lot 12

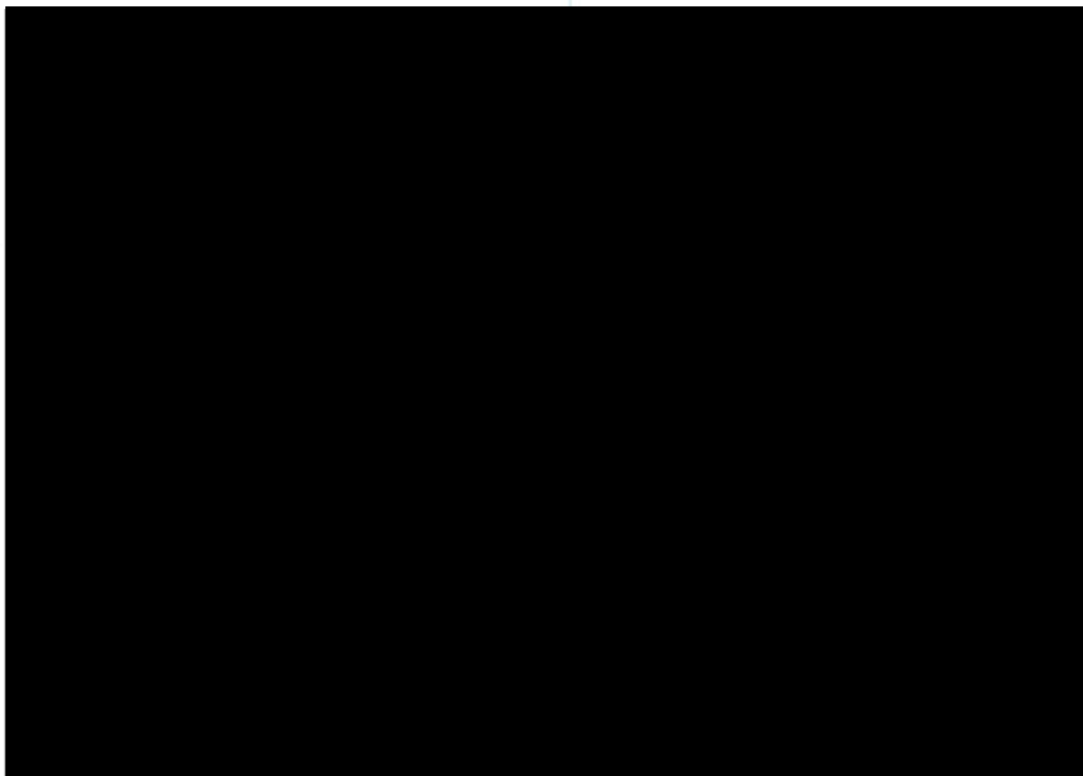
Supplies and services acquired under the anticipated Lot 12 contract actions will commence on or about October 2017 and end on or about December 2020. United States, British, Italian, Australian, Turkish, Norwegian, [REDACTED] Danish, Netherlands, [REDACTED] aircraft deliveries are estimated to commence in January 2020 and complete in December 2020. The contemplated contract actions will provide for the following supplies and services:

- Forty-four (44) F-35A aircraft for the United States Air Force (USAF), or other such quantities as may be authorized and appropriated by Congress;
- Six (6) F-35C aircraft for the USMC and United States Navy (USN), or other such quantities as may be authorized and appropriated by Congress;
- Twenty (20) F-35B aircraft for the United States Marine Corps (USMC), or other such quantities as may be authorized and appropriated by Congress;
- Three (3) F-35B aircraft for the British Royal Navy (RN), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Two (2) F-35A aircraft for the Italian Air Force (IAF), or other such quantities or variants as may be authorized by the Ministry of Defence;

- One (1) F-35B aircraft for the Italian Navy (IN), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Fifteen (15) F-35A aircraft for the Royal Australian Air Force (RAAF), or other such quantities or variants as may be authorized by the Department of Defence;
- [REDACTED]
- Two (2) F-35A aircraft for the Royal Danish Air Force (RDAF), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Eight (8) F-35A aircraft for the Royal Netherlands Air Force (RNLAf), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Six (6) F-35A aircraft for the Norwegian Air Force (NAF), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Eight (8) F-35A aircraft for the Turkish Air Force (TAF), or other such quantities or variants as may be authorized by the Ministry of National Defense;
- Twelve (12) F-35A aircraft for the [REDACTED], or other such quantities or variants as may be authorized by the [REDACTED];
- Six (6) F-35A aircraft for the [REDACTED] or other such quantities or variants as may be authorized by the [REDACTED];
- Six (6) F-35A aircraft for the [REDACTED] or other such quantities or variants as may be authorized by the [REDACTED];
- Long lead-time materials, including long lead-time materials for a subsequent lot of Italian and Netherlands aircraft to be assembled in Italy at the Final Assembly and Checkout Facility, and for a subsequent lot of [REDACTED] aircraft to be assembled in [REDACTED] at the Final Assembly and Checkout Facility;
- Ancillary Mission Equipment (AME) including Pilot Flight Equipment (PFE);
- Production non-recurring (PNR) activities to support the F-35 production ramp rate, including affordability, producibility, and production transition initiatives, special tooling, special test equipment, production aids, production equipment, manufacturing support equipment, support labor, diminishing manufacturing sources (DMS) management and redesign, and technical assistance;
- Ferry of aircraft;
- Engineering changes;
- Technical, financial, and administrative data; and
- Ordering line items to allow for additional supplies and services for DMS procurements, Participant-directed procurements of country-unique F-35 requirements, and government-furnished equipment (GFE) maintenance and repair originally procured under previous contracts with LM Aero.

Estimated Dollar Value in Millions

The total dollar value allocated for the Lot 12 contract actions is estimated to be [REDACTED] broken out as follows:

Lot 13

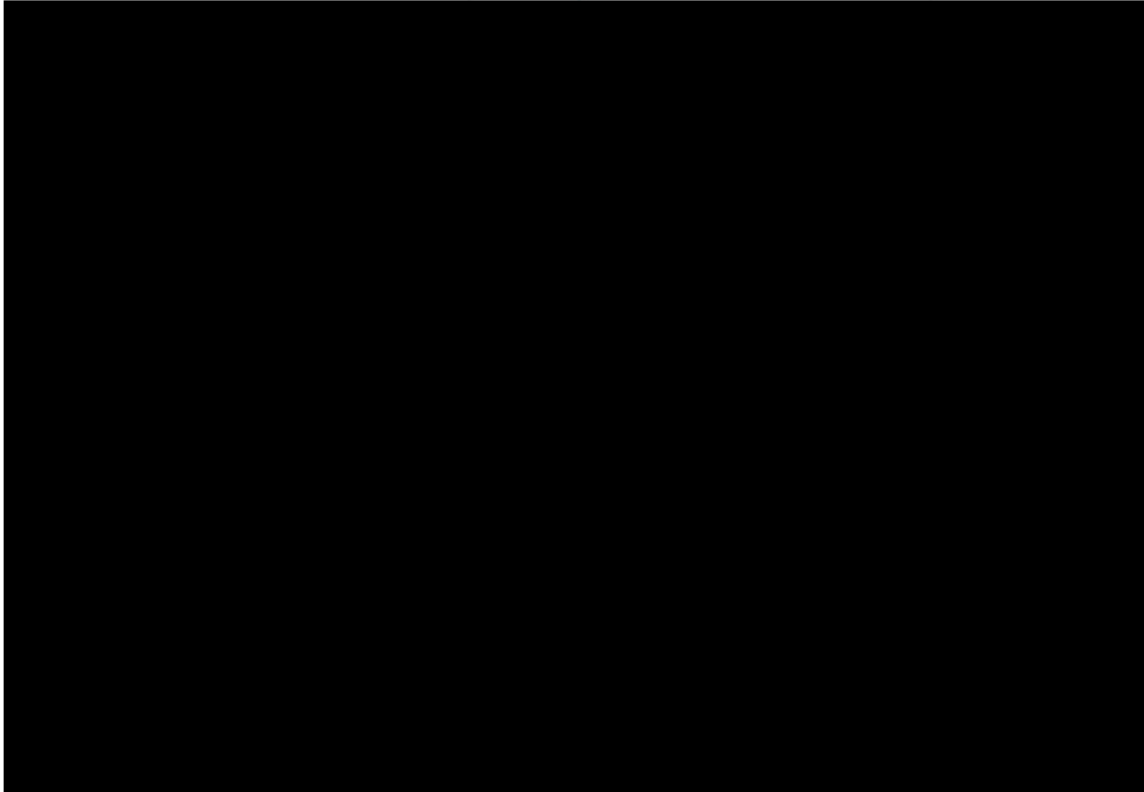
Supplies and services acquired under the anticipated Lot 13 contract actions will commence on or about October 2018 and end on or about December 2021. United States, British, Italian, Australian, Turkish, Norwegian, [REDACTED] Danish, Netherlands, [REDACTED] aircraft deliveries are estimated to commence in January 2021 and complete in December 2021. The contemplated contract actions will provide for the following supplies and services:

- Forty-eight (48) F-35A aircraft for the United States Air Force (USAF), or other such quantities as may be authorized and appropriated by Congress;
- Twelve (12) F-35C aircraft for the USMC and United States Navy (USN), or other such quantities as may be authorized and appropriated by Congress;
- Twenty (20) F-35B aircraft for the United States Marine Corps (USMC), or other such quantities as may be authorized and appropriated by Congress;
- Six (6) F-35B aircraft for the British Royal Navy (RN), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Two (2) F-35A aircraft for the Italian Air Force (IAF), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Three (3) F-35B aircraft for the Italian Navy (IN), or other such quantities or variants as may be authorized by the Ministry of Defence;

- Fifteen (15) F-35A aircraft for the Royal Australian Air Force (RAAF), or other such quantities or variants as may be authorized by the Department of Defence;
- [REDACTED]
- Four (4) F-35A aircraft for the Royal Danish Air Force (RDAF), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Eight (8) F-35A aircraft for the Royal Netherlands Air Force (RNLAf), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Six (6) F-35A aircraft for the Norwegian Air Force (NAF), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Eight (8) F-35A aircraft for the Turkish Air Force (TAF), or other such quantities or variants as may be authorized by the Ministry of National Defense;
- Twelve (12) F-35A aircraft for the [REDACTED], or other such quantities or variants as may be authorized by the [REDACTED];
- Six (6) F-35A aircraft for the [REDACTED], or other such quantities or variants as may be authorized by the [REDACTED];
- Six (6) F-35A aircraft for the [REDACTED], or other such quantities or variants as may be authorized by the [REDACTED];
- Long lead-time materials, including long lead-time materials for a subsequent lot of Italian and Netherlands aircraft to be assembled in Italy at the Final Assembly and Checkout Facility, and for a subsequent lot of [REDACTED] aircraft to be assembled in [REDACTED] at the Final Assembly and Checkout Facility;
- Ancillary Mission Equipment (AME) including Pilot Flight Equipment (PFE);
- Production non-recurring (PNR) activities to support the F-35 production ramp rate, including affordability, producibility, and production transition initiatives, special tooling, special test equipment, production aids, production equipment, manufacturing support equipment, support labor, diminishing manufacturing sources (DMS) management and redesign, and technical assistance;
- Ferry of aircraft;
- Engineering changes;
- Technical, financial, and administrative data; and
- Ordering line items to allow for additional supplies and services for DMS procurements, Participant-directed procurements of country-unique F-35 requirements, and government-furnished equipment (GFE) maintenance and repair originally procured under previous contracts with LM Aero.

Estimated Dollar Value in Millions

The total dollar value allocated for the Lot 13 contract actions is estimated to be [REDACTED] broken out as follows:

Lot 14

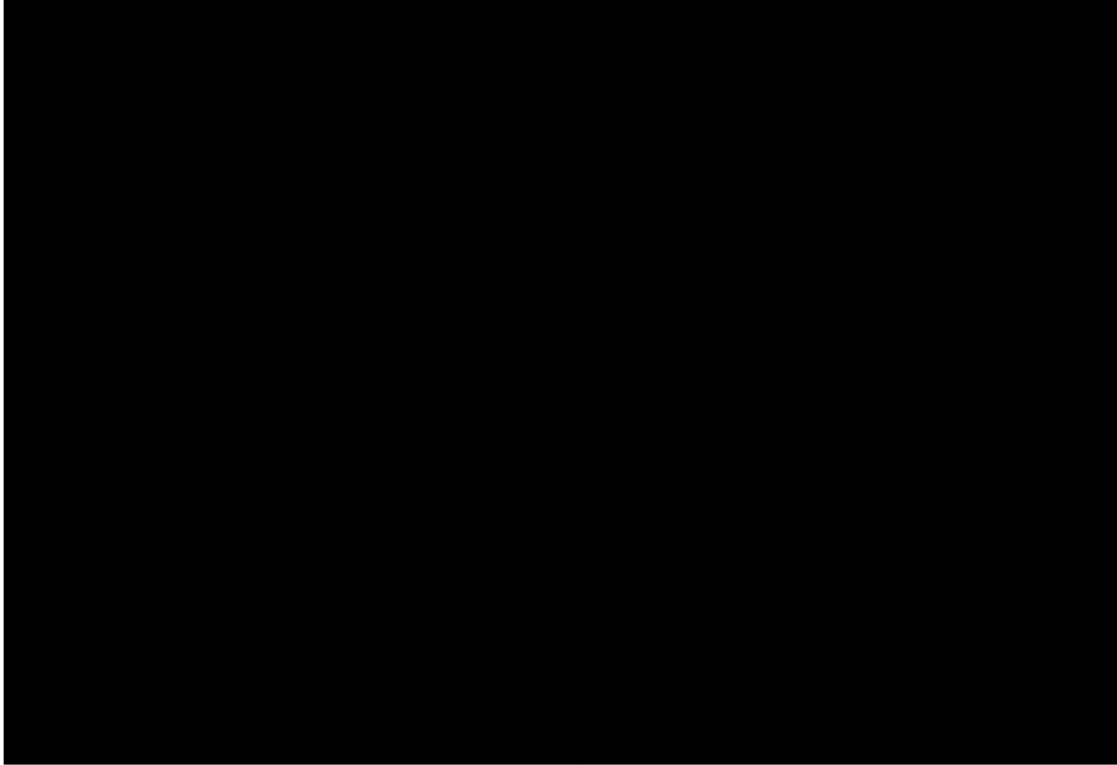
Supplies and services acquired under the anticipated Lot 14 contract actions will commence on or about October 2019 and end on or about December 2022. United States, British, Italian, Australian, Turkish, Norwegian, [REDACTED] Danish, Netherlands, [REDACTED] aircraft deliveries are estimated to commence in January 2022 and complete in December 2022. The contemplated contract actions will provide for the following supplies and services:

- Forty-eight (48) F-35A aircraft for the United States Air Force (USAF), or other such quantities as may be authorized and appropriated by Congress;
- Eighteen (18) F-35C aircraft for the USMC and United States Navy (USN), or other such quantities as may be authorized and appropriated by Congress;
- Twenty (20) F-35B aircraft for the United States Marine Corps (USMC), or other such quantities as may be authorized and appropriated by Congress;
- Eight (8) F-35B aircraft for the British Royal Navy (RN), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Four (4) F-35A aircraft for the Italian Air Force (IAF), or other such quantities or variants as may be authorized by the Ministry of Defence;

- Five (5) F-35B aircraft for the Italian Navy (IN), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Fifteen (15) F-35A aircraft for the Royal Australian Air Force (RAAF), or other such quantities or variants as may be authorized by the Department of Defence;
- [REDACTED]
- Eight (8) F-35A aircraft for the Royal Danish Air Force (RDAF), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Eight (8) F-35A aircraft for the Royal Netherlands Air Force (RNLAf), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Six (6) F-35A aircraft for the Norwegian Air Force (NAF), or other such quantities or variants as may be authorized by the Ministry of Defence;
- Eight (8) F-35A aircraft for the Turkish Air Force (TAF), or other such quantities or variants as may be authorized by the Ministry of National Defense;
- Six (6) F-35A aircraft for the [REDACTED], or other such quantities or variants as may be authorized by the [REDACTED];
- Long lead-time materials, including long lead-time materials for a subsequent lot of Italian and Netherlands aircraft to be assembled in Italy at the Final Assembly and Checkout Facility, and for a subsequent lot of [REDACTED] aircraft to be assembled in [REDACTED] at the Final Assembly and Checkout Facility;
- Ancillary Mission Equipment (AME) including Pilot Flight Equipment (PFE);
- Production non-recurring (PNR) activities to support the F-35 production ramp rate, including affordability, producibility, and production transition initiatives, special tooling, special test equipment, production aids, production equipment, manufacturing support equipment, support labor, diminishing manufacturing sources (DMS) management and redesign, and technical assistance;
- Ferry of aircraft;
- Engineering changes;
- Technical, financial, and administrative data; and
- Ordering line items to allow for additional supplies and services for DMS procurements, Participant-directed procurements of country-unique F-35 requirements, and government-furnished equipment (GFE) maintenance and repair originally procured under previous contracts with LM Aero.

Estimated Dollar Value in Millions

The total dollar value allocated for the Lot 14 contract actions is estimated to be [REDACTED] broken out as follows:



4. Statutory Authority Permitting Other Than Full and Open Competition.

10 U.S.C. 2304(c)(1), Only one responsible source and no other supplies or services will satisfy agency requirements.

5. Rationale Justifying Use of Cited Statutory Authority.

Lockheed Martin Aeronautics Company is the original designer, developer, and manufacturer of the F-35 aircraft and is the only source with the requisite knowledge, experience, and technical expertise to produce the F-35 aircraft at the required ramp rate and within the required delivery schedule. Furthermore, LM Aero is the only source with the facilities and capabilities required to provide the associated air system for the Lots 12-14 requirements. Technical data packages suitable for full and open competition are not available at this time to permit sources other than LM Aero to perform the contemplated contract efforts. Following the successful Milestone II DAB review, a cost-plus-award-fee contract for System Development and Demonstration (SDD) was awarded to LM Aero to develop the F-35 Air System on 26 October 2001. Since the initial competitive award of the SDD contract, all LRIP air vehicle contracts have been awarded to LM Aero on a sole-source basis.

Pursuant to the F-35 Lightning II JSF Acquisition Strategy, approved on 20 January 2016 by the Acting Under Secretary of Defense (Acquisition, Technology, and Logistics), competition for the type of work to be performed under the LRIP and Full Rate Production (FRP) contracts is not considered practical. The Government has spent the past fifteen years and has committed approximately [REDACTED] on the SDD contract to develop and qualify the F-35 aircraft. Delaying the Lots 12-14 procurement to identify, develop, and qualify another source would negatively impact the operational capabilities of the USAF, USMC, and USN, as well as the non-U.S. DoD Participants in the F-35 Program.

The National Defense Research Institute and RAND conducted an independent study in 2001 entitled "Assessing Competitive Strategies for the Joint Strike Fighter," which concluded that "the establishment of a competitive production line for part or all of the JSF would require a front-end investment, together with increases in recurring costs, that would probably not be recovered through price reductions that might result from competitive forces." Additionally, based on historical data from the SDD program, developing and qualifying an alternative manufacturer would take roughly seven to nine years and cost approximately [REDACTED] for nonrecurring engineering, tooling, nonrecurring equipment, testing, support, and training.

6. Description of Efforts Made to Solicit Offers from as Many Offerors as Practicable.

The proposed contract actions were synopsisized on the Federal Business Opportunities (FedBizOpps) website between 16 Jun 2016 and 01 Jul 2016. The synopsis requested interested parties to submit their capability statements for purposes of determining whether to initiate a competitive procurement, and one response was received. However, the response was not responsive to the requirements addressed in the synopsis because the submitted capability statement did not pertain to determining whether to initiate a competitive procurement. The Government did not conduct additional market research because it is not practicable, for the reasons discussed in paragraph 5 above, for any company other than LM Aero to provide the required LRIP Lot 12 - 14 supplies and services.

In accordance with DFARS PGI 206.302-1, a waiver from posting sources sought notice was approved on 2 Jun 2016.

7. Determination of Fair and Reasonable Cost.

In accordance with FAR 15.402, the Contracting Officer shall ensure that all supplies and services provided under these contract actions are procured at a fair and reasonable price. Lockheed Martin Aeronautics Company will submit a formal proposal with sufficient information, including certified cost or pricing data, to support the accuracy and reliability of the proposed prices in accordance with FAR 15.403. Experienced technical analysts and contract specialists, with the aid of necessary field pricing support, will perform analyses of the contractor's proposed price in accordance with FAR 15.404. The Defense Contract Management Agency (DCMA) and Defense Contract Audit Agency (DCAA) at LM Aero will be requested to provide input. In addition, the results of prior DoD-led "should-cost" analysis and any information from combined LRIP Lot 6/7 negotiations, LRIP Lot 8 negotiations, LRIP Lot 9/10 negotiations, and LRIP Lot 11 negotiations will inform negotiations in Lots 12-14. Each subsequent Lot's negotiations will be informed by negotiations of all previous Lots. The Contracting Officer will use these analyses to determine and negotiate a fair and reasonable price.

8. Actions to Remove Barriers to Future Competition.

In accordance with the approved Acquisition Strategy, the Government did not acquire technical data suitable for competition for the baseline F-35 or its subsystems under the competitively awarded SDD contract. The acquisition of technical data suitable for competition would be prohibitively expensive and would not result in a commensurate return on the investment. Furthermore, due to the level of concurrency in the baseline program – SDD, LRIP, and initial sustainment – the complexity and risk of introducing configurations that may deviate from the established configuration baseline are too great a programmatic and financial stress prior to delivery of the ORD-threshold-compliant F-35 Air System for competition in the near-term.

In addition, the Industrial Participation and Objectives sections of the JSF Production, Sustainment, and Follow-On Development (PSFD) Memorandum of Understanding (MOU) provide that, subject to the submission of best value offers, the industries participating in SDD will normally be awarded subcontracts for production, related sustainment, and follow-on development work. Currently, LM Aero fosters a competitive environment among subcontractors to the maximum extent practicable, particularly for airframe commodities, such as machined or composite parts where numerous qualified sources exist. The Government promotes competition for subcontract opportunities on the FedBizOpps website by directing expressions of interest to the LM Aero Subcontracts Department.

Notwithstanding, where appropriate and consistent with the provisions of the MOU and the bilateral supplements thereto, statute, and policy, planning for follow-on procurements will include data rights/data management strategies that will support, to the extent practical, the option for competition through the remainder of the program lifecycle. The F-35 Program continually assesses the merits of acquiring current and future technical data in order to support future competition through the lifecycle.

CERTIFICATIONS AND APPROVAL

