

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

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June 18, 2020

Mr. James D. Taiclet
President and Chief Executive Officer
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

Dear Mr. Taiclet:

The Committee is investigating Lockheed Martin's failure to deliver spare parts to the Department of Defense (DOD) that were ready for installation on the F-35 aircraft.

During a recent Committee briefing and multiple bipartisan staff delegations to military bases with F-35s, the Committee learned troubling information about how unresolved issues with F-35 spare parts lead to excess costs for the military because DOD must divert personnel to troubleshoot these issues and use extensive workarounds to keep F-35 planes flying. The DOD Inspector General (IG) reported that DOD estimates that it has spent more than \$300 million in additional labor costs since 2015 as a result of receiving defective spare parts from Lockheed Martin, and DOD will continue to pay up to \$55 million a year if Lockheed Martin does not resolve issues related to defective spare parts for the F-35 going forward.¹

Investigations Confirm Ongoing Issues with F-35 Sustainment

In June 2019, the DOD IG found that "DOD did not receive RFI [ready for issue] F-35 spare parts in accordance with contract requirements" and that Lockheed Martin "has been providing non-RFI spare parts to F-35 sites since 2015."²

In late 2019 and early 2020, Committee staff visited and interviewed F-35 maintenance personnel at multiple F-35 sites. During these visits, DOD personnel confirmed that bases continue to receive spare parts without electronic equipment logs (EELs). For example, the commander at Luke Air Force Base reported that, from June through November 2019, 60% of the parts received had EEL issues. One commander warned that EEL issues are "pervasive" and that time spent resolving them is a "massive manpower suck."

¹ Department of Defense, Office of Inspector General, *Audit of F-35 Ready-For-Issue Spare Parts and Sustainment Performance Incentive Fees* (June 13, 2019) (online at <https://media.defense.gov/2019/Jun/17/2002145901/-1/-1/1/DODIG-2019-094.PDF>).

² *Id.* "Ready for issue" (RFI) means that spare parts are ready for aircraft maintenance personnel to install on the aircraft and have an electric equipment log "EEL" assigned, which includes information such as part history and remaining life (hours).

In March 2020, the Government Accountability Office (GAO) reported that users at five military locations disclosed to GAO that “electronic records are frequently incorrect, corrupt, or missing” at their sites. As a result, maintenance personnel must decide whether to ground aircraft at their sites. At one location, F-35 maintainers told GAO that during one six-month period in 2019, they experienced up to 400 issues per week of inaccurate or missing electronic logs.³

Spare Part Issues Compromise Warfighter Readiness and Increase Safety Risks

Faulty EELs force maintenance personnel in the Air Force, Navy, and Marine Corps to make difficult decisions. They must choose between reducing readiness by grounding aircraft they believe are unsuitable to fly and ignoring warning alerts that certain parts are missing EELs. GAO reported that F-35 users said that by continuously ignoring alerts in the Autonomic Logistics Information System (ALIS) caused by missing or inaccurate data, squadrons could be at risk of ignoring an alert for legitimate aircraft issues.⁴

During the Committee staff delegations, military leaders expressed concerns that deficiencies with EELs will grow and become even more challenging to address as the F-35 fleet grows. The risks incurred from faulty electronic records and spare parts may compound as more F-35 squadrons deploy on combat missions. For example, a commander who spoke to GAO said that while his current policy is to require maintenance personnel to fix any electronic record data issues prior to a flight, “in a wartime scenario, his squadron will carry out missions with inaccurate or missing ALIS data and assume the subsequent risk that this may entail.”⁵ Committee staff heard similar concerns during their site visits.

According to staff in the Joint Program Office, DOD is working with Lockheed Martin to reduce the total number of F-35 parts that require EELs by 45%. Reducing the number of parts that require electronic logs would decrease the potential for EELs to go missing or become corrupt. At a briefing with Committee staff, Lockheed Martin officials were unwilling to affirm their commitment to reducing the number of F-35 spare parts with EELs.

DOD Spends Millions Every Year to Overcome Spare Part Issues

DOD pays Lockheed Martin incentive fees on sustainment contracts based on the overall performance of the F-35 fleet. However, the true aircraft availability of F-35s is inflated because of local policies that allow bases to fly F-35s despite missing electronic logs. According to the DOD IG, the military “potentially overpaid \$10.6 million in performance incentive fees” to Lockheed Martin because parts that failed to meet contract requirements were used to fly and perform assigned missions.⁶

³ Government Accountability Office, *Weapon System Sustainment: DOD Needs a Strategy for Re-Designing the F-35's Central Logistics System* (Mar. 6, 2020) (online at www.gao.gov/assets/710/705154.pdf).

⁴ *Id.*

⁵ *Id.*

⁶ Department of Defense, Office of Inspector General, *Audit of F-35 Ready-For-Issue Spare Parts and Sustainment Performance Incentive Fees* (June 13, 2019) (online at <https://media.defense.gov/2019/Jun/17/2002145901/-1/-1/1/DODIG-2019-094.PDF>).

According to the IG, since 2015, Lockheed Martin has failed repeatedly to deliver spare parts that meet contract requirements for the F-35 program. From December 2015 to June 2018, DOD personnel submitted more than 15,000 requests to Lockheed Martin to resolve issues related to defective spare parts. DOD estimates that it has spent more than \$300 million in additional labor costs since 2015 as a result of receiving defective spare parts from Lockheed Martin, and it will continue to pay up to \$55 million a year if Lockheed Martin does not resolve issues related to defective spare parts for the F-35 going forward.⁷

DOD personnel are reassigned at bases to correct problems with spare parts. At Luke Air Force Base, base commanders told Committee staff that approximately 30 personnel have been reassigned from other duties on base to troubleshoot issues related to missing EELs. The DOD IG reported that Eglin Air Force Base in Florida and Marine Corps Air Station Beaufort in South Carolina also reassigned personnel to correct issues with spare parts.⁸ Military personnel are forced to develop extensive workarounds to keep F-35s flying.

GAO reported that users at one base estimated that they spend an average of 5,000 to 10,000 hours per year manually tracking information that should be automatically and accurately captured in ALIS.⁹ Lockheed Martin profits off the efforts of DOD personnel to keep aircraft in the sky through these workarounds.

Committee Request for Documents and Information on EELs and ALIS

As the F-35 fleet grows, it is critical that ongoing issues related to EELs and the shortcoming of ALIS are addressed to prevent continued degradation of warfighter readiness. Lockheed Martin reported that issues with F-35 spare parts have declined, but according to military officials, Lockheed Martin does not adequately document all instances when EELs go missing or become inaccurate or corrupt. Without government access to Lockheed Martin's tracker, the data cannot be independently verified.

The Committee is examining Lockheed Martin's actions with respect to its failure to provide F-35 spare parts that meet contract requirements and its failure to ensure ALIS accurately and reliably maintains F-35 spare part data.

To assist the Committee with this investigation, please provide the following documents and communications on behalf of Lockheed Martin by June 30, 2020:

1. Internal and external presentations, analyses, schedules, or other documents and communications regarding Lockheed Martin's participation in the Joint Program Office EEL Improvement Team efforts to reduce the number of F-35 parts with EELs;
2. Internal and external presentations, analyses, documents, and communications related to the DOD IG report "Audit of F-35 Ready-For-Issue Spare Parts and

⁷ *Id.*

⁸ *Id.*

⁹ Government Accountability Office, *Weapon System Sustainment: DOD Needs a Strategy for Re-Designing the F-35's Central Logistics System* (Mar. 6, 2020) (online at www.gao.gov/assets/710/705154.pdf).

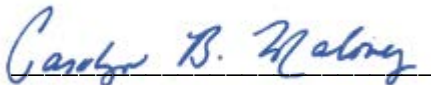
Sustainment Performance Incentive Fees,” including documents and emails related to Lockheed Martin’s strategy to respond to or mitigate the impact of the DOD IG recommendations;

3. Internal and external presentations, analyses, documents, and communications from January 1, 2016, to the present related to the investments Lockheed Martin has made to reduce EEL defects, including:
 - a. whether the government or Lockheed Martin paid for the investments; and
 - b. Lockheed Martin’s process for determining which improvement efforts are paid for by Lockheed Martin and which require government funding; and
4. A copy of Lockheed Martin’s web-based EEL Issue Tracker used to count the number of "non-ARs" processed for EEL issues, as of the date of this letter, including documentation of the process followed to populate and manage this tool and documentation on employee access to the tool.

The Committee on Oversight and Reform is the principal oversight committee of the House of Representatives and has broad authority to investigate “any matter” at “any time” under House Rule X.

An attachment to this letter provides additional instructions for responding to the Committee’s request. If you have any questions regarding this request, please contact Committee staff at (202) 225-5051.

Sincerely,



Carolyn B. Maloney
Chairwoman
Committee on Oversight and Reform



Stephen F. Lynch
Chairman
Subcommittee on National Security



Jackie Speier
Member
Committee on Oversight and Reform



Ro Khanna
Member
Committee on Oversight and Reform

Enclosure

cc: The Honorable Jim Jordan, Ranking Member
Committee on Oversight and Reform
The Honorable Glenn Grothman, Ranking Member
Subcommittee on National Security

Responding to Oversight Committee Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.
2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committee.
3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, the request shall be read also to include that alternative identification.
4. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.
5. Documents produced in electronic format should be organized, identified, and indexed electronically.
6. Electronic document productions should be prepared according to the following standards:
 - a. The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - b. Document numbers in the load file should match document Bates numbers and TIF file names.
 - c. If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - d. All electronic documents produced to the Committee should include the following fields of metadata specific to each document, and no modifications should be made to the original metadata:

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH, PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE, SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM, CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,

INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,
BEGATTACH.

7. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, zip file, box, or folder is produced, each should contain an index describing its contents.
8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committee's letter to which the documents respond.
10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.
11. The pendency of or potential for litigation shall not be a basis to withhold any information.
12. In accordance with 5 U.S.C. § 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.
13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.
14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.
16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.
17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
19. All documents shall be Bates-stamped sequentially and produced sequentially.
20. Two sets of each production shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2105 of the Rayburn House Office Building.
21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, mail, releases, electronic

message including email (desktop or mobile device), text message, instant message, MMS or SMS message, message application, or otherwise.

3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.
4. The term “including” shall be construed broadly to mean “including, but not limited to.”
5. The term “Company” means the named legal entity as well as any units, firms, partnerships, associations, corporations, limited liability companies, trusts, subsidiaries, affiliates, divisions, departments, branches, joint ventures, proprietorships, syndicates, or other legal, business or government entities over which the named legal entity exercises control or in which the named entity has any ownership whatsoever.
6. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual’s complete name and title; (b) the individual’s business or personal address and phone number; and (c) any and all known aliases.
7. The term “related to” or “referring or relating to,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.
8. The term “employee” means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.
9. The term “individual” means all natural persons and all persons or entities acting on their behalf.