

Opening Statement of Chairman Steve Knight (R-CA)
Subcommittee on Contracting and Workforce
Hearing: “No Man’s Land: Middle-Market Challenges for
Small Business Graduates”
April 26, 2018

AS PREPARED FOR DELIVERY

Good morning. This hearing will come to order.

Before we begin today’s hearing I’d like to thank our witnesses for taking the time to share your thoughts with us. I look forward to your testimony.

We are here today to continue examining the challenges facing advanced small or mid-size businesses. To start, it is important to recognize the critical, yet undervalued role mid-size firms play in the national economy. Mid-size firms are significant job creators and foster much-needed competition for industry leaders. The benefits they bring to the economy are similarly applicable to the federal procurement system.

Unfortunately, mid-size contractors, particularly emergent or newly-graduated firms, face a dilemma. They are no longer eligible to compete for small business government contracts yet must compete against companies across the entire middle market spectrum, which can consist of companies many times their size, up to and including the titans of industry.

Firms facing this daunting prospect end up considering the following choices: first, to compete in the open market against competitors in a different weight class; secondly, to sell their companies to large firms, resulting in net job losses to the economy; third, to reorient their business models to focus on subcontracting which inhibits growth; or deliberately limit their progress so they remain small and therefore eligible for small business set-aside contracts. None of these options promote economic growth, spur job creation, or foster competition.

Part of the problem is that we have little information about what happens after these companies are no longer considered small. Because there is no requirement to track the path of these formerly-small firms, Congress cannot fully assess how effective the Small Business Administration’s contracting programs have been in preparing small businesses to engage in the open marketplace. In addition, federal procurement strategies are evolving in ways that make competition increasingly illusory for small and emergent mid-size firms.

However, we begin this conversation with the clear understanding that our primary responsibility is to small businesses. We must take the greatest care to uphold and protect small businesses ability to compete and succeed. I hope, through the testimony of our witnesses, that we discover ways to ensure the sustainability of small firms as they continue to mature, without unduly harming existing small businesses.

I now yield to the Ranking Member, Ms. Murphy, for her opening statement.

