

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

December 12, 2023

The Honorable Lloyd J. Austin
Secretary
U.S. Department of Defense
1000 Defense Pentagon
Washington, DC 20301

Dear Secretary Austin:

The Committee on Small Business writes to inquire about how the Department of Defense (DoD) could better integrate small businesses into the defense industrial base. Over the last ten years, the number of small businesses in the defense industrial base has decreased by 40 percent.¹ This represents a substantial decrease in the number of small businesses currently involved in the defense industry and an amount of consolidation that the DoD states poses “national security and economic risk to the nation that could lead to a decline in key domestic capabilities.”²

While small businesses are currently serving a vital role in the defense industrial base, the 21st century has been marked by fewer and fewer small businesses receiving contracts from the DoD.³ This is in stark contrast to the 20th century where the rapid changes in the nature of combat required agile production lines and rapid innovation. Many of the same needs are reemerging due to the rapid changes taking place in the realm of computing, AI, and electronic warfare. The DoD’s need for agility and innovation presents an opportunity to bolster small businesses participation in both strategic defense efforts and the economy.

In its 2018 National Defense Strategy, the DoD noted that future of American conflict will be defined by “(n)ew technologies including advanced computing, “big data” analytics, artificial intelligence, autonomy, robotics, directed energy, hypersonics, and biotechnology,” and that these are “the very technologies that ensure we will be able to fight and win the wars of the future.”⁴ This general position was reaffirmed by the DoD in 2022 but concerns still exist that the DoD’s acquisition process needs adjusted to account for the rapid evolution of technology.⁵

¹ U.S. DEP’T OF DEFENSE, STATE OF COMPETITION WITHIN THE DEFENSE INDUSTRIAL BASE, 14 (Feb. 2022).

² *Id.*

³ LUKE A. NICASTRO, CONG. RESEARCH SERV., R47751, THE U.S. DEFENSE INDUSTRIAL BASE: BACKGROUND AND ISSUES FOR CONGRESS, 28 (Oct. 12, 2023).

⁴ U.S. DEP’T OF DEFENSE, SUMMARY OF THE 2018 NATIONAL DEFENSE STRATEGY OF THE UNITED STATES OF AMERICA, 3 (Jan. 2018).

⁵ LUKE A. NICASTRO, CONG. RESEARCH SERV., R47751 THE U.S. DEFENSE INDUSTRIAL BASE: BACKGROUND AND ISSUES FOR CONGRESS, 3 (Oct. 12, 2023).

The majority of modern technological development is driven by the private sector.⁶ Small businesses produce 16.5 times more patents than large companies on average, making a stronger connection between the DoD and small entities vital to the DoD's goals of evolving with the progression of technology.⁷ It would also minimize any lag between private sector introduction of products and technologies and DoD's utilization of such technologies and capabilities. The DoD stated itself "[t]he ingenuity, agility, and capabilities of [small businesses] are inextricably tied to the nation's national and economic security."⁸

The Committee appreciates the Department's efforts to identify and address barriers to entry for small businesses, including through the implementation of its most recent Small Business Strategy and understands there are existing programs such as SBIR, Army R&D marketplace, Project Spectrum, and the xTech Prime Competition that are intended to assist small businesses participating in the defense industry. However, the continual decline of small business participation remains concerning.

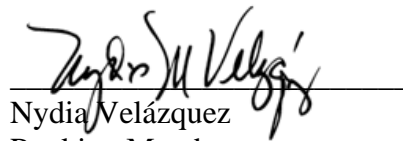
The Committee seeks input from the DoD regarding how both it and Congress could better integrate small businesses in the Defense Industrial Base. In particular, the Committee would appreciate an update on the Department's actions to address the issues identified in the Small Business Strategy including: bundling and consolidation of contracts; subcontracting plan accountability; and size standards revisions for NAICS codes. Additionally, the Committee would like an update on the DoD's progress in creating additional market synergies and market intelligence tools, as well as any regulations or policies it identified that were unduly burdensome to small businesses.

We therefore request a staff level briefing on the changes needed to expand small business participation in the Defense Industrial Base as soon as possible but no later than December 22, 2023. To schedule the briefing or ask any related follow-up questions, please contact the Committee on Small Business Majority Staff at (202) 225-5821. The Committee on Small Business has broad authority to investigate "problems of all types of small business" under House Rule X. Thank you in advance for your cooperation with this inquiry.

Sincerely,



Roger Williams
Chairman
Committee on Small Business

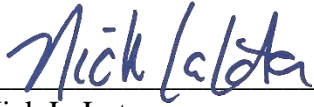


Nydia Velázquez
Ranking Member
Committee on Small Business

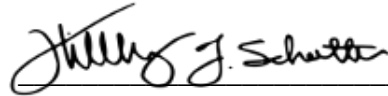
⁶ Jesse Hamilton, et al., *Military Procurement in a Digital Age*, DELOITTE (last visited Nov. 7, 2023), <https://www2.deloitte.com/us/en/insights/industry/public-sector/future-of-warfighting-in-a-digital-age/military-procurement-digital-age.html>.

⁷ U.S. DEP'T OF DEFENSE, STATE OF COMPETITION WITHIN THE DEFENSE INDUSTRIAL BASE, 13 (Feb. 2022).

⁸ *Id.*



Nick LaLota
Chairman
Subcommittee on Contracting
and Infrastructure
Committee on Small Business



Hillary Scholten
Ranking Member
Subcommittee on Contracting
and Infrastructure
Committee on Small Business