

<https://www.ft.com/content/45da39f2-4e05-46f1-96f4-813fbbba79b16>

Silicon Valley chiefs urge Pentagon procurement overhaul

Open letter designed to apply pressure on US government to open up \$886bn defence budget to start-ups



A Palantir Skykit, which incorporates the company's software along with a UAV drone, trail camera, battery packs and a SpaceX Starlink terminal into a self-contained defence intelligence package © Patrick T Fallon/AFP via Getty Images

Founders and investors of Silicon Valley defence technology companies have urged the US government to overhaul the way it procures military systems from private groups, warning in an open letter that the country risks rapidly losing ground on the “technological battlefield”.

The letter, sent to defence secretary Lloyd Austin on Friday, was signed by marquee [venture capital](#) firms that have invested hundreds of millions of dollars into fledgling defence tech companies over recent years.

The signatories include Lux Capital, Kleiner Perkins and General Catalyst, as well as the heads of some of the most valuable start-ups in the sector, such as Anduril, Palantir and Applied Intuition.

The move is an attempt to apply further pressure on the government to open up its huge Pentagon budget, worth \$886bn for 2024, to start-ups backed by leading Silicon Valley investors.

The letter suggests the government’s process for buying military technology was “antiquated” and had “drastically limited” its access to cutting-edge [defence and weapons systems](#).

“While most critical technologies being developed today reside in the commercial sector, they are not being leveraged at the speed and scale required for us to maintain advantage relative to our competitors,” it reads.

The signatories propose a series of recommendations for reforming defence procurement, such as \$20bn in additional

spending towards corporate research and development projects and the creation of a \$250mn “bridge fund” to help companies further develop technology that has been proved to work. It said adopting these changes “will dramatically improve the ability of Silicon Valley to deliver the world’s best technologies to the war-fighter”.

Venture capital investment into defence tech companies has boomed in recent years as the war in Ukraine and geopolitical [tensions with China](#) have fuelled hopes that the US government will give contracts to start-ups producing innovative systems. US investment in defence start-ups surged from less than \$16bn in 2019 to \$33bn in 2022, PitchBook data shows.

As many as six defence tech unicorns — start-ups valued at more than \$1bn — have emerged from the flood of funding: Shield AI, HawkEye 360, Anduril, Rebellion Defense, Palantir and Epirus. The companies provide the US military with technology ranging from artificial intelligence-powered fighter pilots and automated drones to satellite mapping.

However, large government contracts of the scale required to manufacture complex systems remain rare. Many start-ups have failed due to the long gap — dubbed the “valley of death” — between developing a prototype and being awarded a government contract.

“We now face extremely technologically-sophisticated nation states as adversaries,” said Bilal Zuberi, an investor at Lux Capital. “We need tech to win the [next generation of]

warfare, and that tech is available in the tech sector, but we don't have a mechanism to get it into the government."

He said that the Department of Defense has been "log-jammed by bureaucracy" for decades that had prohibited reforms to procurement, which has traditionally favoured established defence contractors. Lux has invested "hundreds of millions" in defence and national security companies, Zuberi added.

Meanwhile, General Catalyst, which has \$33bn under management, launched a "global resilience" practice in April to back defence and intelligence companies.

"The time required to develop critical technologies to meet the threat later this decade is no longer the obstacle; it is our inability to scale already-developed commercial technologies into production," the open letter to defence secretary Austin reads. "Our window to act decisively is closing every day."