

State, Local Governments Help Businesses Navigate Homeland Market

By Caitlin Harrington, CQ Staff

Some state and local governments are helping businesses navigate the slow-growing — but potentially lucrative — market for homeland security products.

Last spring, for example, Illinois Gov. Rod R. Blagojevich launched an initiative worth at least \$75 million to spur the state's businesses and universities to develop homeland security technology.

And in 2003, Maryland's Anne Arundel County began funding a "homeland security incubator" for companies making security technology. Six other such incubators have since sprung up nationwide, funded by governments, universities and private sources.

"This is really going to target people doing innovative products . . . to help them develop the product and get it to the next level where they can create a significant number of jobs," said Jack Lavin, director of the Illinois Department of Commerce and Economic Opportunity.

"[The results are] going to show up not a year from now, but three or four years from now, when a number of these entrepreneurs are going to become big successful companies," Lavin said.

Illinois officials opened a homeland security innovation center at Northwestern University that provides grants of up to \$150,000 to help businesses with patents, legal matters, marketing and capital investments. The state has heard from a diverse group of grant applicants, including a company that makes a handbook on weapons of mass destruction and a professor who makes sensors that can detect biological weapons.

Anne Arundel County spends about \$500,000 a year to fund one-third of the budget for the Chesapeake Innovation Center, a public-private partnership. Companies in the network make everything from biodefense medicines to computer security software. So far, the center has created 120 jobs, according to its CEO, Bill Badger.

Targeting the Private Sector

Badger and other officials say makers of the new technologies will target other private companies as potential buyers. The private sector owns about 85 percent of the nation's critical infrastructure, and, officials say, companies are starting to purchase goods to protect their assets from terrorist attacks.

In Illinois, for example, trucking and rail companies have expressed interest in technology that would help them track cargo, Lavin said. And food-processing

companies such as Archer Daniels Midland are investigating ways to monitor food for contamination.

Product manufacturers also will target the federal government.

Anne Arundel County, for instance, is home to the National Security Agency (NSA), the largest single employer in the county. Badger, of the Chesapeake Innovation Center, said several companies are working on software to filter intelligence — exactly the kind of work that is done at the NSA.

Debate Over Market Size

Both Illinois and Maryland officials say they are optimistic about the potential market for homeland security products.

Lavin, director of the Illinois commerce department, estimates the market is worth about \$45 billion. Badger says it could be worth closer to \$100 billion.

But security industry analyst Jack Mallon said government investment in the market probably would not yield huge gains for state and local governments in terms of job growth or business relocation.

Mallon, managing director of Mallon Associates — an investment bank servicing the global security industry — said much of the federal homeland security budget is tied up in government operating costs and rarely filters down to the private sector. Even when it does, he said, technology companies tend to create fewer jobs than the labor-intensive service industry.

“The market has not been the bonanza that a lot of security people anticipated,” Mallon said. “I think its impact will be minimal . . . for states [and] the security industry.”

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