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Fort Meade as Cyber Hub Turns Maryland Into a Startup Hot Spot

By Nishad Majmudar

Jan. 30 (Bloomberg) -- Bill Anderson passed up Silicon Valley and opened his technology startup in central Maryland, even though it lacked the prestige and signature names such as Apple Inc. and Google Inc.

One draw for the founder of Oculis Labs Inc. four years ago was the growing market for cybersecurity and intelligence work connected to Fort Meade, the Army base that is Maryland's biggest employer and home to the National Security Agency. The opportunities have multiplied with the additions of the U.S. Cyber Command in 2010 and the Defense Information Systems Agency last year.

The hub has attracted hundreds of companies, including dozens of startups, seeking a share of the federal government's increased spending on cybersecurity, Rick Geritz, chief executive officer of Cyberhive.org, a website that tracks the state's technology companies, said in an interview. Federal spending on cybersecurity is expected to rise 40 percent to $14 billion in 2016 from an estimated $10 billion this year, according to Deltek Inc., a Herndon, Virginia-based research company.

"I don't know if this business would have been successful if we had done it anywhere else," Anderson, a 45-year-old cryptologist whose company has gone from three employees to 10 since 2010. "We don't have to think about whether the meeting is going to pay off. We just get in the car and go down the road. There's a bunch of potential."

Northrop Partnership

Anderson previously worked for SafeNet Inc., an information security company in Belcamp, Maryland. He said in an phone interview that he wanted to locate his own company, Oculis Labs, near skilled workers and potential customers, including the agencies at Fort Meade. He put it in Hunt Valley, about 40 miles from the base, a sprawling 5,000-acre complex between Baltimore and Washington with about 42,000 military and civilian employees, including more than 12,000 contractors.

Oculis is also close to partner Northrop Grumman Corp., which is helping to market Oculis software that detects computer eavesdropping. Northrop, based in Falls Church, Virginia, works with the University of Maryland at Baltimore County to commercialize startup technologies, including Oculis's product.

Much of the cybersecurity spending, which is largely classified, will pass through Fort Meade, John Slye, a senior analyst at Deltek, said in a phone interview.

Startups aren't the only companies competing for that revenue, one of the few opportunities in a federal budget facing the possibility of $1.2 trillion in cuts during the next decade. Consultants SAIC

Inc. and Booz Allen Hamilton Holding Corp., both based in McLean, Virginia, are among the prominent government contractors that have opened offices near Fort Meade.

Escalating Threats

The Defense Department created the Cyber Command in 2009 to consolidate efforts to protect the military's critical networks and weapons programs from escalating cybersecurity threats, including those originating in Iran and China.

China has made industrial espionage a key part of its economic policy, U.S. intelligence officials said in a report released in November.

Lockheed Martin Corp., the Bethesda, Maryland-based maker of the F-35 jet, was offered government assistance after a cyber attack affected the company's network.

The world's largest defense company has said the May 21 incident resulted from a data breach at RSA, part of Hopkinton, Massachusetts-based EMC Corp. RSA sells SecurID tokens that are used by government agencies and companies such as Lockheed to shield against hacking.

In December, Iran claimed it was able to bring down the Lockheed Martin RQ-170 spy drone by hacking into it.

Fort Meade Move

Security experts have confirmed that work by Northrop Grumman, Raytheon Co. and General Dynamics Corp. is helping the U.S. government develop the capacity to spy on or disable other countries' computer networks, Bloomberg Businessweek reported in a July 21 story.

The Defense Information Systems Agency moved to Fort Meade last year from Arlington, Virginia, as part of the Base Realignment and Closure program, or BRAC. The U.S. Army Corps of Engineers is planning to build a data center at the base.

Between 2007 and 2015, the number of new jobs directly tied to the base may reach 27,000, said Bob Leib, special assistant to the Anne Arundel County executive for BRAC.

"Fort Meade is without a doubt the most important economic center of the state today," Leib said in a phone interview. "These are family-supporting jobs."

Technology Buffer

Technology already has provided a buffer to Maryland's economy. The sector's employment rose 3.3 percent in the state between 2001 and 2008, while it fell 17 percent nationwide, according to Maryland data.

Even so, Maryland has been slower to recover from the recession compared to most states. It ranked 37th among the states and the District of Columbia for its economic health improvement from June 2009 through September 2011, according to the Bloomberg Economic Evaluation of States. The index factors in changes to personal income, tax revenue, employment, home prices and mortgage delinquencies, among other data.

Maryland faces competition from Virginia, home to the Pentagon and Central Intelligence Agency, and California, the heart of the U.S. technology sector. In 2010, California had about 931,000 technology jobs paying an average of $110,560 and Virginia had 278,000 jobs paying $95,925 a year, according to TechAmerica, an industry group. Maryland's 170,000 technology workers earned an average of $90,300.

'Fertile Ground'

"There definitely are other areas of the country that have more experience developing and growing product companies," said Eric Fiterman, a former cyber-crimes agent for the Federal Bureau of Investigation who founded Rogue Networks LLC last year in Catonsville, Maryland, to build network-monitoring software.

"This a very fertile ground in terms of people and knowledge," he said in a phone interview. "The folks in the government have been dealing with security problems for a long time."

Maryland has been trying to address a shortage of cybersecurity workers, a gap that's estimated to be a high as 30,000 in the U.S., according to a 2010 study by the Center for Strategic and International Studies that cited an NSA estimate.

The state is boosting the number of college students in computer science and mathematics degree programs, said Ellen Hemmerly, executive director of a research park affiliated with the University of Maryland's Baltimore County campus. The park runs an incubator for 15 startup cybersecurity companies, including Oculis and Rogue Networks.

Security Clearances

Among the challenges is finding technology workers with security clearances, said Rick Gordon, chief operating officer of Lookingglass Cyber Solutions Inc., a young company in Baltimore.

Others include securing meetings with agencies that operate in the classified world, and getting considered as one of the government's trusted suppliers, said Eric Chapman, associate director of the University of Maryland's Cybersecurity Center.

"We need to get to the visionaries, the higher placed executives in these agencies," said Oculis's Anderson, who had the advantage of personal contacts in the cryptology field. "It's about relationships, and that's a cumulative process."