GSA Business 6-7-09 - 6-21-09

Military spends billions with Upstate companies

by **SCOTT MILLER**
smiller@scbiznews.com

A contract with the U.S. Department of Defense has pushed Greenville-based SensorTech beyond the startup phase and into expansion mode.

The company, which launched in 2007 under the wing of research from Clemson University, is using funds from a defense contract to expand its product beyond industrial applications and into the medical field.

"We've set forth the goal of having more than $1 million in sales this year and we're on pace. In five years, we plan to be a $33 million company with 25 to 30 employees," said Executive Vice President Brent Buckner.

Federal defense spending fuels not only the state's knowledge economy, but the larger economy as a whole. And while lacking in military bases, the Upstate is a military-industrial powerhouse through companies like Michelin North America and Lockheed Martin, among others.

Michelin is the official tire maker for the U.S. military, inking a 10-year, $1.7 billion contract in 2007 to manage the government's military tire program. That's in addition to another $700 million contract to provide aircraft tires. Lockheed Martin has 14 hangars and 26 bays on 161 acres in Greenville where it performs aircraft maintenance and has performed nearly $1.5 billion in work locally for the government, according to an online database compiled by federal agencies.

This decade, the Army, Navy, Air Force, State Department and Defense Logistics Agency have contracted more than $3 billion in work with Greenville companies, according to government records.

"You don't necessarily think of us having a defense industry but we certainly do," said Kevin Landmesser, vice president of the Greenville Area Development Corp. "I think it presents a big growth opportunity if you think about what we're doing in advanced material, aviation and automotive."

American Titanium Works, which is building a $422 million plant in Laurens and an accompanying R&D center at the Clemson University International Center for Automotive Research, could develop defense applications for its titanium, for example, Landmesser said.

Meanwhile, the adage that defense jobs are recession-proof is being put to the test. President Barack Obama signed legislation last month to reform the way the Pentagon purchases major weapons systems, noting that 70% of the Pentagon's 96 biggest weapons programs were over budget last year.

Already, Lockheed-Martin has announced layoffs at other facilities because of proposed cuts in the federal defense budget for fiscal year 2010. The company has not made any such announcements for its Greenville facility and did not respond to questions about operations here.

see **MILITARY**, *page* **9**

MILITARY, *continued from page* **8**

Any cuts to defense spending shouldn't cause much bleeding in the Upstate because the budget knife is aimed at weapons programs, said Bill Mahoney, executive director of the S.C. Research Authority, which traces about 60% of its $110 million in annual revenue to the Department of Defense.

"What we're seeing is that the cuts in the Department of Defense are not going to be in the R&D lines," Mahoney said. "It's really going to be in the maintenance and operations budget. We do a little bit in the maintenance and operations but not much."

In addition, most Upstate companies with defense contracts have deep roots in the private industry and aren't as dependent on military contracts, Landmesser said.

But the impact of U.S. defense spending stretches far beyond military contracts as the money trickles beyond the initial government contractor. Mauldin-based Innegrity LLC, for example, produces high-performance fibers used in military armor.



Brian Morin hold a helmet made from his company's fibers. (Photo/James T. Hammond)

SCRA's client base in the defense industry and many more will in the future.

"The more in-state companies that can take advantage of our defense contracts, the happier we'll be," Mahoney said.

SensorTech developed "smart plastics" that measure force and pressure. The Office of Naval Research intends to use SensorTech's product to help fit prosthetic limbs. Currently, the company has contracts with manufacturers, Buckner said. The defense contract will fund the research that will allow SensorTech to expand from that industrial market into the private medical field.

"We really value that contract," Buckner said. "It's really put us on the map as a company."

It sells to fabric manufacturers, which sell to armor companies, which sell to the military. Innegrity shipped its first order in February.

"In terms of sales, we are two or three steps removed, but the military is integral to our business," said founder and CEO Brian Morin, who has a PhD in physics and spent 10 years in R&D at Milliken. "We expect them over time to be about half of our business."

Like SensorTech, Innegrity is a growing product of the state's knowledge economy.

"Five years ago we didn't exist. Six months ago we didn't have any production," Morin said.

Innegrity occupies 120,000 square feet off Interstate 385 in Mauldin. Work is conducted on one machine, but it plans to add eight to 10 more machines in three to four years and increase its work force from 25 to more than 100.

Innegrity and SensorTech also share a common bond with Mahoney and the SCRA. Both received $200,000 investments from SCLaunch, an affiliate of the SCRA.

Buckner credited SCLaunch and the SCRA with SensorTech's defense contract. Mahoney said many South Carolina startups have been able to leverage



Michelin North America supplies tires for military heavy equipment. (Photo/Furnished)