Applied Science

BY WILLIAM WILLIAMS

Anderson County scores a billion-dollar international headquarters relocation

Tennessee scored some major new corporate residents in 2008, with a Volkswagen facility announced for the Chattanooga area and Hemlock heading to Clarksville.

Yet somewhat overshadowed by the higher-profile announcements is San Diego-based Science Applications International Corp.'s (SAIC) announcement of its intention to relocate the international headquarters operations of its Shared Services Division to an existing Oak Ridge office. Transaction-based functions associated with human resources, finance and corporate purchasing already have moved from SAIC's McLean, Va., and San Diego offices to the new headquarters.

Known for handling military contracts, SAIC bills itself as the nation's largest employee-owned research and engineering company, providing information technology, systems integration and eSolutions to commercial and government customers. Company officials report annual revenues of $6.1 billion (some media reports say it's closer to $8 billion), while SAIC and its subsidiaries have more than 45,000 employees in more than 150 offices worldwide.

Oak Ridge government and economic development officials say landing SAIC's Shared Services Division headquarters is a major coup for both the city and Anderson County. They note the initial creation of 150 new jobs (bolstering the previous 800 SAIC jobs), an average annual wage twice that of the county average and a $10 million capital investment. Perhaps most importantly, the officials foresee the headquarters as creating strong growth opportunities.

"SAIC has a history of IT support for cutting-edge issues like homeland security, energy research and environmental science," says Jim O'Connor, Oak Ridge city manager. "Oak Ridge is fortunate to host several federal facilities (Oak Ridge National Laboratory, Y-12 National Security Complex, and the National Oceanic and Atmospheric Administration, for example) that attract companies like SAIC."

In addition, O'Connor says SAIC has always been a "community-oriented company whose employees invest in civic organizations."

"The expansion here is tremendously beneficial for Tennessee and will enhance Oak Ridge's reputation as the heart of the Tennessee Valley Corridor," he adds.

With the division headquarters addition, SAIC will become Oak Ridge's fifth largest employer. Already, SAIC ranks among the city's top 15 property taxpayers and top five local business taxpayers, according to 2008 City of Oak Ridge tax records. The company has maintained a presence in Oak Ridge for more than 30 years.

Kim Denton, president of the Oak Ridge Economic Partnership, says behind-the-scenes work to lure the SAIC headquarters

PHOTO COURTESY OF SCIENCE APPLICATIONS INTERNATIONAL CORP.

Tip of the Headquarters: The Shared Services Center is just the most visible manifestation of SAIC's $10 million capital investment.

(code-named Project Alignment) began in February 2008.

"Since Oak Ridge is not a typical city of 28,000, I don't think it is unusual for [the city] to be home to a large division of an international company," says Denton, who describes Oak Ridge as an "international city" because of its business climate and high-tech entities.

As part of the move, SAIC is renovating its Laboratory Road office building, elevating its space to Class A status. Renovations to Floor 1 (of four) are completed.

Denton says both the City of Oak Ridge and Anderson County are prepared to offer a payment-in-lieu-of-tax (PILOT) incentive should SAIC apply. About a dozen companies operating in Anderson County have taken advantage of PILOT, Denton adds.

Denton says establishment of the SAIC headquarters "sends a strong message" to other high-profile companies considering either relocating to Tennessee or having a regional/national presence within the state.

Laura Luke, SAIC vice president of media relations, declines to say how much the company is spending on the consolidation or how much it expects to save as a result. She says the company likes Oak Ridge because of its "stable work force, modern telecommunications infrastructure and favorable business environment."

While Oak Ridge officials are pleased with the SAIC headquarters, the company's increased presence within Anderson County may come with heightened scrutiny from those critics who contend that SAIC receives preferential federal government treatment and, even worse, that it does unacceptable work.

Previous reports from media outlets such as *Vanity Fair* and National Public Radio have noted conflict-of-interest concerns related to contracts rewarded to SAIC, particularly related to the war in Iraq. The University of Southern California Center on Public Diplomacy Web site notes in a 2004 story that SAIC, after winning a contract from the Pentagon to oversee Iraq's state-run television station, caught heat from station employees for failure to provide updated equipment. *Newsweek*, in a Feb. 8, 2006, article on SAIC's work on the National Security Agency's Project Trailblazer, described SAIC as taking a "clunky top-down solution."

> "**SAIC** has a history of IT support for **cutting-edge issues** like homeland security, energy research and environmental science."
>
> **Jim O'Connor**
> Oak Ridge City Manager

"The NSA cancelled the project after very strong congressional criticism," says Tim Shorrock, the Washington, D.C.-based author of *Spies for Hire: The Secret World of Intelligence Contracting* and an expert on defense and intelligence contracting.

Such criticisms and setbacks have done little to blunt the company's success in winning more work. In 2008 alone, SAIC secured about $4.9 billion in IT-related government contracts, according to WashingtonTechnology.com. And ultimately, it's SAIC's ability to keep business booming that will matter to the bottom line of Anderson County's economic development. **tn**

▸ feedback: ruble@businesstn.com