Securing a major deal

Infoglide in the hunt for federal contract to aid air traffic security

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A large air traffic security project could put Austin's Infoglide Software Corp. on the high tech map and in the nation's airports.

The Transportation Security Administration, established after the Sept. 11 terrorist attacks as part of legislation that federalized airport security, has tapped Infoglide to participate in a pilot program to improve airport security.

The multimillion-dollar program, called the Computer Assisted Passenger Prescreening System, or CAPPS, will look at data given by passengers when they buy their tickets and determine whether they are likely security risks.

Infoglide's software -- which takes information from numerous databases and searches the data for exact names or similar names -- already is used by corporate clients such as Reston, Va.-based Global InfoTek Inc. and Herndon, Va.-based Language Analysis Systems Inc.

Mike Shultz, president and CEO of Infoglide, says his company is one of four companies the Transportation Security Administration has mentioned as participating in the program. But a June 7 report in the Wall Street Journal lists only two -- Infoglide and San Diego-based HNC Software Inc.

"The most important aspect of this deal is not that $45 million could fall into our pocket, but that we have been able to demonstrate our technology in an arena where the risk of failure is high," Shultz says. "That makes sure we keep Austin, Texas, on the map when it comes to developing new software and technology."

The Transportation Security Administration declines to comment on the CAPPS program, agency spokeswoman Deirdre O'Sullivan says, including when the pilot program would end or whether Infoglide is involved.

If Infoglide is only up against HNC, it means the local company, which reported revenue of less than $500,000 in 2001, is lined up against a company that reported $226 million in sales for the same year. Shultz says Infoglide should generate $6 million to $8 million in 2002, excluding the CAPPS deal.

Right now, Infoglide's software is part of a pilot program that should conclude in July. Before the beginning of the federal fiscal year in September, the Transportation Security Administration should decide which companies will obtain the final contract, Shultz says.

The Transportation Security Administration is seeking $45 million in next year's budget to finance CAPPS. O'Sullivan says the money will cover the cost of carrying out the project, including vendor fees and extra workers.

As a 31-employee company, Infoglide's size raises the question of whether it can handle the government project, which would cover the country's 141 hub airports.

In defense of his company's technology, Shultz says Infoglide's software is capable of searching hundreds of million of records in a fraction of a second. However, even with its technical prowess, Infoglide wouldn't tackle the project alone, Shultz says. If the company receives the federal contract, several systems integrators and other technology vendors would be involved.

Right now, Infoglide's largest customer isn't a federal agency. New York-based Metropolitan Life Insurance Co. has installed Infoglide software that fields up to 12 million requests on a monthly basis. By comparison, the Federal Aviation Administration estimates 600 million U.S. passengers will have flown during the fiscal year ending Sept. 30.

Ramping up for the federal project could be fueled by about $5 million in funding that Infoglide expects to reap in the next few weeks. To date, Infoglide has raised $21.6 million in venture capital from investors such as New York City-based Marsh and McLennan Capital Inc. and College Station-based AM Funds LP.

One of the challenges facing a company like Infoglide is obtaining a security clearance to work on a classified project such as CAPPS. Ed Jones, president of Austin's Export Management Services Inc., says a company needs a government advocate to initiate the clearance process.

"It's kind of like a chicken-and-egg situation for a company, because in order to get the contract, you need the security clearance. But in order to get the clearance, you need the contract," Jones says.