

## April 15, 2008 - High-tech Takeover: Region's Economy Shifts with the Times

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High-tech takeover: Region's economy shifts with the times

By SHAWN PIATEK

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— Dave Angeletti smiles each day because he's been able to remain in Johnstown — not only because he's been able to find employment here, but gainful employment in his chosen career path.

That doesn't mean that the 40-year-old, an executive vice president at Conference Archives in Johnstown, has always physically worked in this region. At one point during the 1990s, Angeletti more often than not found himself traveling many miles while working for himself.

Angeletti's one-man company offered software training services to businesses. He helped the employees of clients to become knowledgeable concerning cutting-edge computer applications.

Few businesses in the Johnstown area had use for Angeletti, as they were slow then to adopt new technology. He has seen changes since that time, but knows that the region is still somewhat behind the technology curve.

"We're still in a toddler stage, in my mind," Angeletti said.

"At the same time, I don't think the business community is walking around wearing sandwich boards. You can see new efficiencies and changes in the business community here as we've become more technologically adept."

The region has made up considerable ground on the technological front, said Bill Findley, retired state work-force analyst.

Few people could claim to have followed the economies of Cambria and Somerset counties as closely as Findley during the past 40 years. Findley was hired by the Center for Workforce Information and Analysis in 1968 and was placed in the organization's Johnstown office, where he charted jobs and employment until his retirement last year.

When Findley started, steelmaking and its related industries such as coal mining employed about 40,000 people in Cambria and Somerset counties, about half of the total work force in the region.

Today, the two counties have about 13,000 people engaged in goods-producing industries overall.

There were several key moments that noted the demise of big steel in region, Findley said. The most notable were the aftermath of the 1977 flood, the region holding the highest unemployment rate in the nation, about 25 percent, in the early 1980s and the final departure of Bethlehem Steel in 1991.

But what in Findley's mind marked the change of the region going from old economy to new?

"It was probably the birth of CTC," Findley said of the 1987 event. "It was the presence and the growth of that company that soon had many following suit."

"Bethlehem ran Johnstown";

To understand why the birth of technology-based companies was such a significant development for the region, it's necessary to understand what a single industry once meant to the two counties.

Not only did steel and its supporting industries supply roughly half of the jobs in the area, it established the mindset for the region. Jobs in steel and coal were once so plentiful, particularly during the 1950s and '60s — what Findley calls the region's peak economic time — that many people essentially accepted that working in a mill or mine was almost predestined.

"What strikes me about back then, there was the dominance of steel and also the mindset that it wasn't going anywhere — that we were going to be a steel capital for the next 100 years," Findley said. "There was very little emphasis on moving in a different direction. 'Why should we do anything else?' seemed to be the thinking."

The collapse of the steel industry here and across the country is well documented.

But the effects of the fallout seemed to be felt more acutely here than elsewhere.

Bethlehem wasn't the only steel company in town. U.S. Steel also had a significant presence, but it could not measure up to the influence Bethlehem held in the region.

U.S. Rep. John Murtha, D-Johnstown, said it was the control that Bethlehem wielded over the region that made its collapse so hard to overcome. That influence and power left the region in a very vulnerable position when steel died.

"Bethlehem ran Johnstown," Murtha said. "They controlled the water, the work force, the country club. They spent so much money here that everything revolved around them.

"Guys didn't even need to go to high school because they knew the job was waiting."

"A black hole"

When Dan DeVos arrived in Johnstown in 1988 to assume the role of president and CEO of a company that later became CTC, the region was still mired in old technology and the old economy.

High schools in the region barely had any computers, unemployment was still over 20 percent, and DeVos said the people still identified with steel and coal. In those early days, CTC had to plug into computers at Pitt and Carnegie Mellon University to perform the complex computations it needed because none were available here.

"Johnstown was a black hole," DeVos said. "We got the utility companies to run a T-1 line here and we were the sole user.

"Then we started working with the schools to bring them into the technology age. We were the first Internet provider in the area, and it stayed that way for some time. Fortunately, we were one of the first companies to establish a bulk monthly rate for Internet usage, which was unheard of at the time, and it encouraged a lot of people to get connected."

At the time, CTC was the only defense contracting company in the region. Through the 1990s, the company experienced meteoric growth, tripling in size between 1993 and 1997.

Its success served as a catalyst to technology growth in the region.

Soon other companies — such as Kuchera Defense Systems, MTS Technologies, MountainTop Technologies and Laurel Technologies — followed suit and by the latter part of the '90s a defense sector was budding in the region.

During this decade, the defense sector exploded with the addition of such companies as Martin-Baker Aircraft, JWF Defense, Northrop Grumman and Kongsberg Defense. The two-county region is now home to more than 100 companies certified to do business with the Department of Defense.

Johnstown has also become home to one of the more important trade shows in the defense industry, Showcase for Commerce. Murtha and others in the local defense industry credit the event with putting Johnstown on the international defense map.

“The Showcase is really the centerpiece for what we’re doing,” Murtha said. “We get the buyers in here.

“The biggest corporations in the world are there looking for things to buy. What people forget is that the smaller companies can do it less expensively than the bigger companies because the overhead structure just isn’t the same.”

#### Diversification days

While defense has a prominent presence in the region, it doesn’t have the dominance once held here by the steel industry. In fact, the largest employer in the region is Conemaugh Health Systems.

When the steel and coal markets collapsed, Johnstown was essentially granted a blank slate to start over. Findley said leaders in the region were careful to plan a future economy that was more diverse and as a result stronger, with more opportunities.

“It’s really challenging to have to depend upon one industry,” Findley said. “The diversification just opened this area up to be more in line with what’s going on across the state and the country.

“It took away that fear that one day this industry is going to go away and then what happens. That’s pretty much what we went through.”

The region has seen great growth in medicine and medical technology. Conemaugh has led the way in this regard by establishing a Level One trauma unit and a neuroscience and pain institute among many other accomplishments.

But Conemaugh is hardly alone. Windber Hospital's Windber Research Institute established a bioscience research presence in the region.

Now, Johnstown is developing what it hopes will be a bioscience corridor in its Kernville neighborhood. Local startup ITSI Biosciences is slated to be the first such company in that area and hopes are it will be an anchor to further development — linked to the downtown by Conemaugh's new technology park along the Stonycreek River.

The commercial technology sector, such as the information technology field, is in about the same stage where defense was 15 years ago. Small, entrepreneur-led companies such as In-Shore Technologies, digital.iway, Horizon Information Systems, Precision Business Solutions and Problem Solutions have sprung up and are growing.

Linda Thomson, president of Johnstown Area Regional Industries, said that without the death of the dominant industries of old, such diversification and innovation would likely never have occurred in the region.

"With king steel and coal in place, the thought of going into business for yourself didn't exist except when it came to complementary businesses like retail and restaurants," Thomson said.

"We had to look at how to be more entrepreneurial and grow from the inside. That's exactly what we're seeing today."