

# The Tribune-Democrat



## Study: Freightcar exit would cost entire region

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The Tribune-Democrat

— David Passmore's "big-picture" view of the ramifications of Freightcar America potentially shuttering its Franklin Borough plant is sobering, to say the least.

Passmore, professor of education in the Workforce Education and Development program at Penn State, said Wednesday the plant's closing would cost the region more than the 450 union jobs directly lost.

In a model developed using a program called IMPLAN, an economic impact modeling system, the closure ultimately could cost the region more than 1,000 jobs.

"Manufacturing in the state has a big spinoff locally called the 'multiplier effect,'" Passmore said.

"Manufacturing typically has a higher multiplier effect than other industries because, typically, manufacturers buy more goods and services from suppliers in their areas. An accountant, for instance, does not."

The Cambria County-specific model Passmore produced projects that industries supplying Freightcar would lose another 305 jobs.

Additionally, the income from the combined 450 Freightcar and 305 supplier jobs no longer being spent in the local economy would take away an additional 277 jobs supported by that spending.

The total amount of dollars that could be lost in the community is equally staggering, at \$36.8 million.

The model showed that \$19 million in compensation for the Freightcar workers alone would be lost.

The spinoff job losses could cost the county as much as an additional \$17.8 million in lost employee pay.

The county's tax base wouldn't dodge the bullet, either.

The model estimated that \$23,000 would be lost in personal property tax, and another \$1.4 million would be lost in property tax paid by businesses.

Passmore added that the model operates on the dollar value established in 2002, meaning that, considering inflation, the estimates likely are low.

Also, he said, the model isn't exact science, meaning the actual impact could be slightly better or worse than the estimates.

"One of the things we have found that will happen in any sort of disaster like this – whether it's a natural or economic disaster – is that communities have a way of rebounding," Passmore said.

"I don't know how long it might take for Johnstown to bounce back if this happens," he said. "The loss of a manufacturing facility, though, is a bigger loss to the community than, say, a retail center, because the multiplier effect is so much stronger."

Not that it's any consolation, but Rose Baker, program manager at the Workforce Assessment Center at Penn State, said Johnstown wouldn't be alone in losing manufacturing jobs.

A manufacturing sector declining at a rate higher than the national average has plagued the state for more than a decade.

"Around 1994, service jobs in the state surpassed manufacturing jobs for the first time," Passmore said.

"Since then, we have had a persistent loss of manufacturing jobs in the state."

Attracting replacement manufacturing jobs will not be easy, Passmore said, but there are some silver linings to this potential dark cloud.

One of the problems many companies across the country face, he said, is finding employees who have technical skills such as welding or machining.

So skilled employees at the Johnstown plant shouldn't have too much difficulty in finding new work, even locally, he added.

Also, the model that created the estimates does not take into account how the community will respond. A prepared community, he said, could greatly soften the blow should the plant close.

“One of the things that happens when we do a quick analysis like this is it looks like the bottom is falling out,” Passmore said. “That isn’t the case.

“This doesn’t take into account the community response.

“It’s more like rubber-band effect than a hole in the floor. These kinds of ebbs and flows always take place in every economy. The community will bounce back, but how quickly it does depends on how prepared the community is to deal with this type of event.”

#### Potential losses

##### Job loss

Freightcar America workers: 450.

Freightcar suppliers: 305.

Additional spinoff: 277.

Total: 1,023.

Salary compensation lost  
(in 2002 dollars)

Freightcar workers: \$19 million.

Freightcar suppliers: \$11.4 million.

Additional spinoff: \$6.4 million.

Total: \$36.8 million.

Property taxes lost

Personal: \$23,000.

Business: \$1.4 million.

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