

BUSINESS

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THE PLAIN DEALER

PLAIN DEALING

SHERYL HARRIS



Card issuer controls where payments go

Q. I have a quick question for you. A while back, I took out a \$2,000 cash advance on my credit card at 20-some percent interest. I called my credit card issuer and was told that all payments get credited to the charges with the lowest APR. How convenient! I am sure it says this somewhere in their fine print. I was told I could not pay off the cash advance unless I paid off the entire balance. Is this legal?

— Kim Showalter, Bay Village

A. The quick answer is yes. Credit card contracts frequently include clauses that say the company, not you, gets to decide how to apply your payment.

If the choice was yours, you would logically want to chip away at your highest-cost credit first. Your credit card issuer, however, is trying to wring as much interest money out of you as it can.

Because it gets to set the rules, the only way for you to pay down that cash advance is to pay off your entire credit card balance — if not in one giant payment, then in a few great big bites.

Is it fair? No.

Legal? Yes.

Creditors can legally use all sorts of tricks to make it harder for you to pay off your card balance.

They can raise your interest rate and apply the new rate retroactively to your existing balance.

They can delay processing your payment so they can hit you with late fees.

They can even raise your interest rates if you miss payment to some other creditor, a vile practice known as universal default.

The rationale for universal default, by the way, is that if you default on a payment to another creditor, you may be less likely to pay on your credit card. (Here's a crazy idea: How about limiting credit to shaky customers, rather than making it harder for them to get out of debt?)

If nothing else, the never-ending mortgage meltdown has jolted regulators and Congress into the belated realization that fair play is good for the economy. After all, it's hard to keep the ol' consumer confidence high when you get beaten up every time you wander into the marketplace.

As a result, there's been a lot of talk in Washington about reining in some of the more punitive lending practices, including the one you've encountered.

There are two separate efforts that you should be aware of.

First, the Federal Reserve, the National Association of Credit Unions and the Office of the Thrift Supervision this year jointly proposed changes in lending rules that would require credit card companies to, among other things:

- Let you allocate part of your payment to higher-interest balances.

- Forgo late fees if they fail to mail your bill at least 21 days before the payment is due.

- Give you the promised interest rate on existing balances if you pay on time.



JOHN KUNTZ | THE PLAIN DEALER

Uwe T. Schmidt, president and chief executive officer of German-owned MAN Ferrostaal Inc. sees Cleveland's manufacturing culture as ideal for his company's expansion into U.S. automotive and renewable-energy markets.

Made for Cleveland

German subsidiary relocates to U.S. to pursue manufacturing

JOHN FUNK
Plain Dealer Reporter

A little-known U.S. subsidiary of a German industrial giant is refocusing its North American mission.

And that's good news for Cleveland. MAN Ferrostaal Inc., which for decades has operated as a steel trading company, has moved its U.S. headquarters to the area. But not to pursue that business.

The first objective of MAN Ferrostaal's new U.S. focus will be the construction of large solar thermal power plants at a cost of more than \$1 billion each.

The projects would be built in the sun-drenched American Southwest. The parts, as well as the engineering, could easily originate in Cleveland, the company says.

The second objective is to break into the just-in-time, sequenced subassembly market for auto makers.

Parent company MAN Ferrostaal AG, of Essen, Germany, operates a \$20 billion subassembly business at 12 such plants in Europe, putting together everything from drive trains to windshields to dashboards and entire cockpits at plants adjacent to the car maker's final assembly lines. Clients include European subsidiaries of Ford and GM.

It's easy to see why Cleveland would make sense for the automotive gambit. The region is full of auto plants, and Chief Executive Uwe T. Schmidt says there is as much as \$1 billion of potential outsourcing for U.S. automakers.

"We are looking at buying a company, probably somewhere in Northeast Ohio, Detroit, Pennsylvania," Schmidt said. "We have a number of targets we want to buy."

But solar thermal?

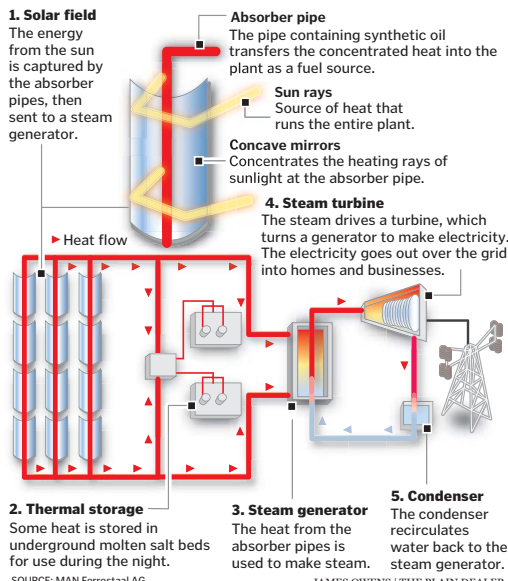
Schmidt says Cleveland is a good fit for that as well.

"You have surplus manufacturing capacity. It's a question of parts, fasteners, boilers," he said. And all of that involves steel and metal working.

"In one solar plant, the steel component is huge," said Schmidt. "It may be about 30 percent in steel and related parts, steel framing, fasteners, all types of screws.

Solar thermal: Mirrors without the smoke

The boiler in a solar thermal power plant gets heat from sunlight rather than burning coal or gas. A mirrored trough in the shape of a parabola reflects the sunlight onto a glass pipe through which synthetic oil is pumped to absorb the heat. Reaching temperatures of 700 degrees, the oil is piped into a steam generator, where its heat is transferred to water that becomes steam. The superheated steam drives a turbine, just as it would in a coal-fired plant, to turn a generator.



GERMAN

FROM D1

Subassembly market could reach \$1 billion

"They've got to be built somewhere," he said. And they can't be built as easily in the desert, he added, because the manufacturing culture is not there.

Schmidt has not announced his company's plans to state or local officials, though he likes Gov. Ted Strickland's administration's emphasis on developing renewable energy industries.

The Ohio Department of Development has not received a grant or loan application from MAN Ferrostaal, a spokeswoman said.

And bank analysts contacted for this article knew of the company as a steel trading company but did not know Schmidt was moving its headquarters here.

Schmidt said they soon will.

Schmidt likes Cleveland's location — its proximity to New York, Washington and Chicago by air; its rail and highway infrastructure; and especially its long steel-making tradition.

He sees a manufacturing culture in Northeast Ohio that is still intact, with a labor pool of skilled machinists and technicians and a professional staff, backed by strong engineering schools.

And what will be most startling to native Clevelanders who have lived through the constriction of the region's economy: Schmidt likes the place. Thinks it's beautiful. And sees a renaissance in its boarded-up factories.

"Frankly, I feel quite comfortable here," Schmidt said in an interview he requested to unveil just a little of his plans.

"It reminds me of the Ruhr Valley," he said, referring to the heart of Germany's industrial might for more than two centuries, a region that has managed a transition from dependence on only heavy industrial to a diversified economy based on high-technology and service industries.

Schmidt said the same transition can happen here.

"We need a new hub. My board members said they had no preference on place. We might as well go where the CEO is happy."

The solar thermal industry is

booming, Schmidt said, because the technology has been commercially proven.

"In the next five years, we see at least 30 [concentrated solar power] plants in the United States," he said.

Each plant would require 7½ square miles of equipment, produce 200 megawatts and cost \$1.2 billion to \$1.5 billion.

"There is no single market that is more interesting to us than the United States," Schmidt said. "No country consumes more energy. This is a very big opportunity."

And the company has not wasted any time getting started.

"We have a number of negotiations," Schmidt said. "We have secured land out West already. We have approached a California development team. We have a number of engineers quite active."

MAN Ferrostaal Inc.'s long-term U.S. business objectives go beyond solar and automotive. The company appears to want to mirror the activities of its German parent.

MAN Ferrostaal's marine propulsion division has built high-horsepower and high-torque tug boats, and its defense group offers up-armored but fast military vehicles.

MAN Ferrostaal AG operates an engineering and construction division that has built more than 5,000 industrial complexes in some 60 countries, everything from factories to power plants to ethanol and oil refineries. And, of course, solar thermal power plants.

"Nobody else engineers, procures the materials, constructs and will operate the project," Schmidt said.

"We are adept at multiple technologies. We are not a one-pony show. We can arrange the funding. And we would be willing to take equity partners."

Look for all of that to eventually crop up on the U.S. subsidiary's menu.

MAN Ferrostaal Inc.'s steel trading business, now nearly 30 years old, will continue to operate from its headquarters in Houston. But when the phone rings, its employees now identify themselves as Coutinho & Ferrostaal.

The company is a new spin-off created by the merger of another German steel trader, Coutinho Caro and Mexican steelmaker

Grupo Villacero. Each partner has a one-third interest in the new company.



MAN FERROSTAAL, INC.

Miles of parabolic mirrors focus sunlight on a vacuum-insulated glass pipe at a solar thermal power plant in Kramer Junction, Calif. The synthetic oil in the pipe can reach 700 degrees before it is pumped into a steam generator. MAN Ferrostaal Inc., a Cleveland-based U.S. subsidiary of a German company with a global reach, is planning to build more of these power plants in the American West. Components could be manufactured here.

"In the next five years, we see at least 30 [concentrated solar power] plants in the United States,"

Uwe T. Schmidt,
Chief Executive
of MAN Ferrostaal Inc.



MAN FERROSTAAL, INC.

Just-in-time sequenced modular assembly of automotive subsystems is widely used in Europe, where MAN Ferrostaal AG of Essen, Germany, operates at 12 sites. Customers include GM and Ford, U.S. automakers that MAN Ferrostaal wants as clients here.

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