German company sees manufacturing promise in industrial Cleveland

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MAN Ferrostaal Inc.

MAN Ferrostaal Inc., a Cleveland-based U.S. subsidiary of a German company, could build parts here for solar thermal power plants.

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.

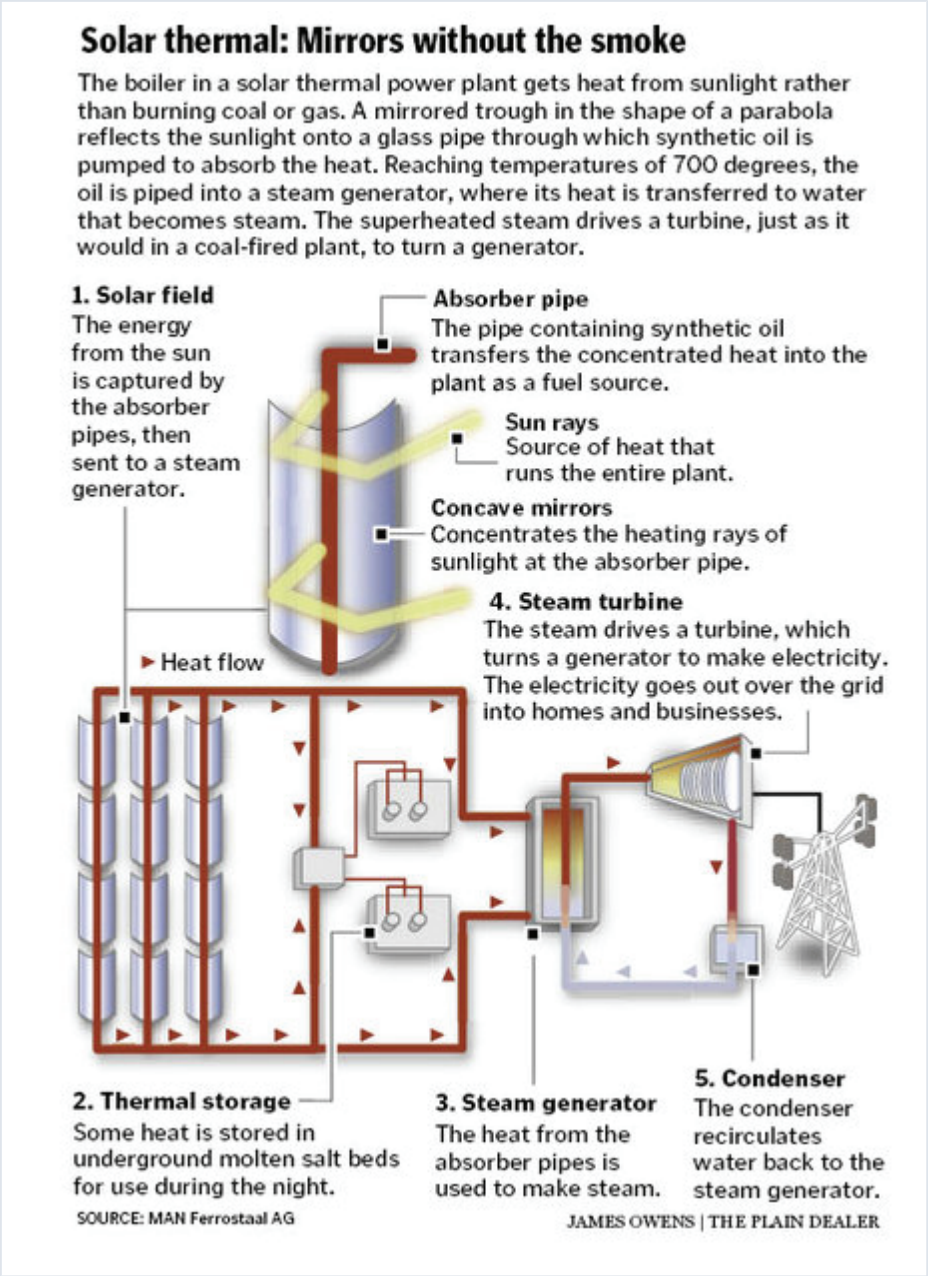
The second objective is to break into the just-in-time, sequenced subassembly market for auto makers.

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.

"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.

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.

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.

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.

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.

Schmidt is co-chair and still maintains an office in Houston.

He is also a member of the management board of MAN Ferrostaal AG and travels to Germany every few weeks.