
Texas-Portuguese Partnership

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San Angelo wind manufacturing venture expects to bring 225 jobs

Like them or loathe them, wind farms have become a common sight on ridges and plains across West Texas.

Typically, their towers, turbines and blades arrive on ships from Europe or Asia and are trucked to their destination for assembly. But by December, a new joint venture in San Angelo will begin manufacturing wind towers in Texas.

Local Government Tools that Made the Difference

Development Incentives

Martifer selected San Angelo, in part, because of an incentive package that made the city of 95,000 an attractive location.

Incentives offered:

San Angelo Development Corp. incentive amount

Site Purchase \$280,000

Site Development \$1,000,000

Job Creation \$1,350,000

Total \$2,630,000

City of San Angelo incentive amount

Utility Connections \$200,000

Permit Fee Waiver \$30,000

Tax Abatement \$4,430,396*

Freeport Exemption \$2,491,913*

Total \$7,152,309

Property Owner incentive amount

Landscaping \$20,000

Storm Water Retention \$45,000

Street Extension \$36,000

Total \$101,000

State incentive amount

Skills Development

Fund \$337,500 (est)

Enterprise Zone \$562,500

Ballinger Bridge \$3,200,000

State & Lo. Sales Tax \$1,403,000

Enterprise Fund \$1,000,000

Total \$6,503,000

incentive amount

Total offer \$16,386,309

*Estimated 10-year value

Portuguese company Martifer has teamed up with Hirschfeld Industries, a San Angelo company, to form Martifer-Hirschfeld Energy Systems. The new enterprise is building a 170,000- square-foot manufacturing plant on a 42-acre site in northeast San Angelo.

According to Martifer-Hirschfeld board chairman Dennis Hirschfeld, the development will occur in two phases: The initial \$30 million phase is scheduled for completion by the second quarter of 2010. The second phase will take the total investment to \$40 million and bring the factory to a production capacity of 400 towers a year.

By 2013, the manufacturing plant should bring 225 new jobs to San Angelo, says Martifer-Hirschfeld spokesman John Wittig. Hiring for factory floor and office staff needed in the first phase will begin in November.

Local Experience Joined With Overseas Expertise

Originally, Martifer's entry to the U.S. market was to be a solo affair, when the company decided in 2008 that San Angelo would become the site for a wind tower production facility. The city of San Angelo, the San Angelo Development Corp. (SADC) and the state of Texas provided the company with incentives for the project.

Hirschfeld's interest in the wind business began in 2003, says Wittig, who joined Hirschfeld in January to develop its renewable energy strategy. He facilitated the conversations that ultimately led to the Martifer-Hirschfeld partnership. The new enterprise's board comprises three members.

"We saw the opportunity to reduce our cost of entry and to team up with a known European commodity in the tower manufacturing industry coming into our back yard," Wittig says. The timing is good for Martifer-Hirschfeld, he says.

Wind's Place in Texas' Power Plan

Thousands of windmills have dotted up on Texas' open land. The American Wind Energy Association (AWEA) reports Texas wind power generating capacity at 8796 MW in June 2009, with an additional 660 MW under construction. That's slightly less than 7 percent of AWEA's estimate for potential wind capacity in Texas.

Although generating capacity from wind has increased dramatically in the past few years, it remains a small percentage of Texas power supply. Realizing the anticipated potential of wind energy brings other challenges: West Texas wind farms are located in sparsely populated areas and require hundreds of miles of transmission lines to

transport electricity to consumers.

Like other renewable power resources, it's less predictable than coal, gas or nuclear power sources, for example – when the wind doesn't blow or the sky is overcast, those generating capacities are out of the equation. The Electric Reliability Council of Texas (ERCOT) plans on the wind farms producing 8.7 percent of their full capacity when Texans consume the most power, during peak summer hours.

Currently, ERCOT is considering applications to build an additional 48,000 MW of wind power generating capacity – almost half of the new generating capacity being sought by developers.

State Targets Renewable Energy Industries

Tower fabrication is just beginning in the U.S., while facilities are being developed to produce turbines, such as TECO Westinghouse in Round Rock, as well as the wind tower blades, Wittig says.

Alternative

Energy

Wind

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A target industry study by SADC several years ago determined that manufacturing investment should be its primary recruitment focus.

"The follow-up study in 2009 pointed to a focus on renewable energy manufacturing," says SADC Interim Director LeeAnn Richardson. "This is also one of the Governor's target industry clusters. We felt with what is going on in the West Texas region related to wind, we want to follow state initiatives.

"It is helping to revitalize some of our rural areas that don't always get big manufacturers, and to diversify the

Concho Valley's economy," she says. "The area's historically major economic generators, oil and agriculture, is that they go up and down every few years. It's exciting to bring wind energy in and relieve some of that fluctuation in the oil industry."

For economic development officials, it is satisfying to see a local company combine its business experience in the U.S. steel industry with the manufacturing expertise Martifer brings from the European wind industry.

"Both brought in what they knew best and paired up that knowledge," Richardson says. "It gives Martifer a sense of security for doing business in the United States and gives Hirschfeld the chance to test what they know about manufacturing in a new industry."

"I don't know if people understand the impact or if we've done a good job showing the public what the return on investment will be," she says. "But as we move forward and prove the return, I can guarantee it will be very exciting and give new opportunities to expand on."

Martifer-Hirschfeld's Progress

About 100 construction workers started working on the facility in mid-June. Wittig says the first tower sections are expected off the production line in December 2009. The first phase of the factory is a 1,600-foot-long building. Initially, trucks will deliver tower parts, while negotiations continue with Texas Department of Transportation and Texas Pacifico Railroad to expand a rail line from San Angelo. Distribution to sites further than 400 or 500 miles is more cost-effective by rail, he says.

Wittig says classroom and on-site training conducted in conjunction with Howard College's San Angelo center will begin when the local staff is hired. Portuguese staff with industry-specific skills will be brought in to train new employees on the factory floor. American lean manufacturing principles will be employed, and Martifer-Hirschfeld aims to achieve ISO 9001 quality management and ISO 14001 environmental management system designations within two years. TR