

City to sue Martifer-Hirschfeld over wind turbine venture

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SAN ANGELO, Texas - The city of San Angelo has filed a lawsuit against Martifer-Hirschfeld Energy Systems and affiliated companies, relating to a once-promising venture for a wind turbine plant that never blossomed.

Martifer's San Angelo endeavor began with much fanfare but progressively lost the wind from its sails as Texas' wind-energy industry weakened.

"The taxpayers did not get what they bargained for," said Todd Harlow, of Dallas law firm Cowles and Thompson, who is representing the city and the City of San Angelo Development Corp. in the suit against Martifer-Hirschfeld.

After meeting for a special executive session Wednesday, the City Council approved a resolution for the city and COSDADC to file the suit against Martifer-Hirschfeld Energy Systems LLC, Hirschfeld Wind Energy Solutions LLC and Hirshfeld Holdings Management Co. LLC.

The lawsuit stems from two contracts, from 2009 and 2010, when Martifer-Hirschfeld agreed to build and operate a two-phase renewable energy plant for 10 years, create jobs and hire local residents, said Harlow, a specialist in commercial litigation who has handled renewable energy-related suits in Midland.

"The city values Hirschfeld's contributions to the community over time," Harlow said of the long-established local steel company, but noted that pledges related to the Martifer-Hirschfeld wind tower plant venture did not materialize despite the company receiving about \$2.3 million in incentives from the city and COSADC.

A TOWERING PROMISE

In 2008 the Martifer Group, a Portugal-based global conglomerate, announced that it would build a \$40 million plant on the northern edge of San Angelo to manufacture wind turbine towers, promising hundreds of high-paying jobs and significant economic impact.

City, county, state and other agencies made significant investments — more than \$22 million in incentives and tax breaks — to entice the global construction giant to pick San Angelo as the base of its North American energy-industry operation.

Martifer promised in 2008 the plant would bring in about 225 jobs by the end of 2011, starting with an average annual salary of \$31,500. Representatives also pledged that the company would start producing wind towers in 2009 and grow its production to about 400 per year beginning in 2013.

“The decision ... brings the first significant influx of well-paying specialized manufacturing jobs to the Concho Valley in more than 20 years,” the Standard-Times wrote in 2008, “and recasts San Angelo as the regional hub for the burgeoning wind-energy industry.”

At that time, the city agreed to give \$5.6 million in incentives to Martifer — for tax abatements, land acquisition and construction of a rail spur.

The Texas Department of Transportation widened a bridge to accommodate shipments of the massive towers until the rail lines were upgraded. The Obama administration also awarded the project \$3.5 million in tax credits.

In June 2009, Hirschfeld Industries partnered up with Martifer in the wind turbine plant venture.

That same month, new partners Martifer-Hirschfeld announced that construction would begin on the plant at Old Ballinger Highway.

“In the long run, our plan is to double the capacity of this plant and possibly add other plants,” Richard Phillips, then-president of Hirschfeld, told the Standard-Times in 2009.

It wasn't until summer 2011 — more than a year after the facility's completion — that the company completed its first section of a wind turbine tower.

Phillips said he was “cautiously optimistic” after a dramatic downturn in the wind industry in 2010 impeded the company's initial, optimistic plans. The manufacturer even began building tanks for a few oil and natural gas companies to bring in some revenue from the facility.

AND THEN THERE WAS ONE

Hirschfeld was left high and dry when Martifer pulled out of the venture in April 2012.

Hirschfeld bought out the remaining 50 percent of the joint venture, and COSADC approved another \$230,000 tax rebate and \$6,000 for every position making \$31,500 to \$38,600 until 2015 to allow “for the kind of rearrangement that Hirschfeld Energy Systems has undergone,” city officials said in a 2012 Standard-Times article.

At the time, Hirschfeld Industries said 125 people were working at the 175,000-square-foot facility, the first phase of the plant, where it made wind towers.

Since then, things have gone quiet — until now.

Officials have seen little to no effort in building phase two of the wind turbine plant, Harlow said, which Hirschfeld had pledged to complete by December 2013.

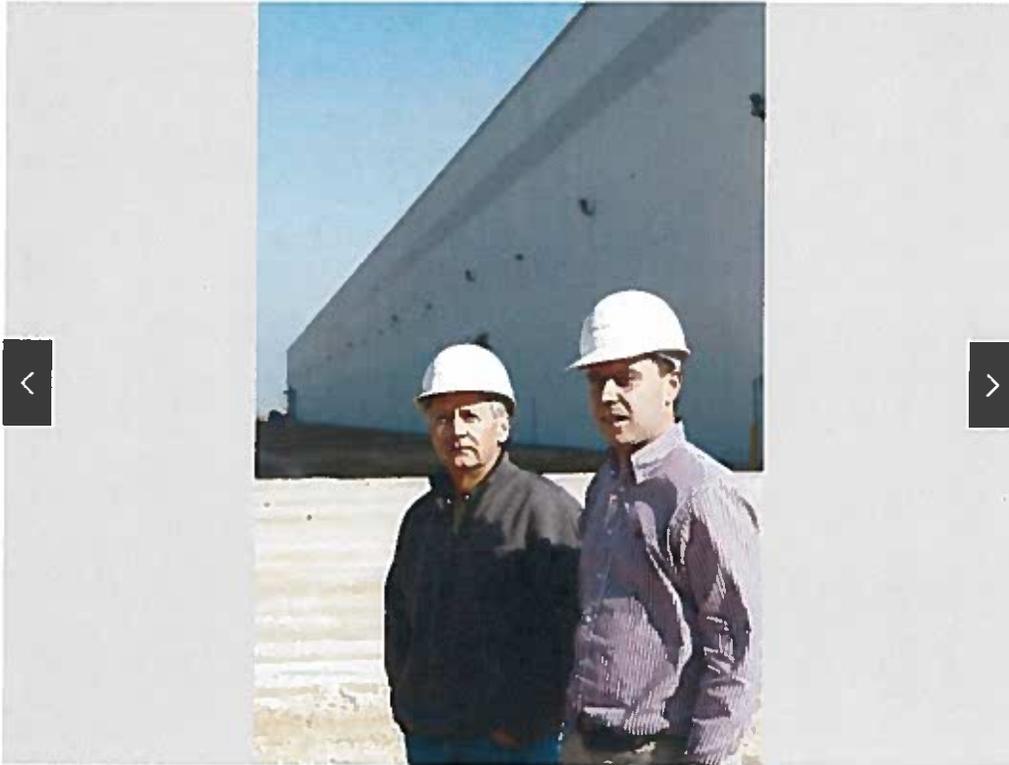
The suit against Martifer-Hirschfeld and its affiliated companies was filed Wednesday afternoon, Harlow said, but the case had not been assigned to a court yet.

Dennis Hirschfeld, CEO of Hirschfeld Industries, could not be reached by telephone Wednesday afternoon. The previously listed number for Martifer-Hirschfeld was not functional.

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Photo by Cynthia Esparza/Standard-Times Pablo Prieto does internal welding on part of a windmill tower at the Martifer-Hirschfeld Energy Systems plant in north San Angelo. The plant is producing tower parts and employs about 100 workers.



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Dennis C. Hirschfeld (left), chairman of the board, and Pedro Dinis, CEO of Martifer-Hirschfeld Energy Systems LLC, visit the plant in North San Angelo.



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A wind tower is worked on inside the Martifer-Hirschfeld Energy Systems LLC plant in North San Angelo.