

CHARTING A NEW COURSE:

Gallery Furniture's Jim McIngvale and wife Linda have moved into an apart-



ment at their Westside Tennis and Fitness club. **PAGE 2A**

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Bauer enters U.S. via Conroe

German manufacturer could employ up to 700 at new campus complex

BY FORD GUNTER
HOUSTON BUSINESS JOURNAL

A 200-year-old German company that manufactures equipment to build the foundations for some of the world's largest construction projects has chosen Conroe as the site of its first manufacturing facility in the Americas.

Bauer Manufacturing Inc. inked a deal this week to buy 80 acres of undeveloped land in Conroe Park North, a city-owned heavy industrial park on Highway 3083, and will begin clearing trees the first week of July.

Phase I will involve about 210,000 square feet of space — and 300 new jobs — but the entire area could be built out to as much as 700,000 square feet, depending on growth



CRAIG HARTLEY/HBJ

SEE BAUER, PAGE 62A

Sebastian Bauer of Bauer Manufacturing: 'We've been running out of our equipment.'

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BAUER: Foundation equipment manufacturer chose Conroe over several other sites

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the first few years.

"We have a master plan, but we will see how the business is developing," says Sebastian Bauer, president of Bauer Manufacturing and managing director of Bauer AG, the parent holding company that is publicly traded in Europe under the ticker symbol B5A.

Houston-based KDW Inc. will handle design, build and development for the campus, for an estimated price tag of \$25 million to \$30 million, Bauer says.

"This is another notch in the belt of the Conroe Industrial Park," says Keith Dalton, president of KDW.

The Conroe facility will be Bauer's 11th global manufacturing site.

Bauer officials decided another plant was needed about two years ago, and looked into siting it next to existing Bauer facilities in China, Malaysia or Russia, but political instability and the desire to be in a market tied to the U.S. dollar brought the search westward.

"Now, there's such a big change between the dollar and the Euro, we wanted to go somewhere in the dollar area," Bauer says.

Weaker unions, cheaper labor and better year-round climate narrowed the search to southern states, and Texas eventually won out over Georgia, Alabama and Florida based on the central location and proximity to Central America and South America, which Bauer calls "very important future markets for us."

The company plans to keep all manufacturing in the Americas in Conroe, but hopes to establish regional sales of-

fices throughout the two continents.

"There are more Spanish-speaking people here to use later in Central America and South America," Bauer said this week from the North Houston offices of Pileco Inc., a locally based subsidiary and lone Bauer outpost in the Americas.

Houston's low cost-of-living index also factored in, and Harris County, Waller County and other locations in Montgomery County were all considered before the Conroe area.

"We started talking to them last summer," says Tom Stinson, director of the Greater Conroe Economic Development Council. "I think they had some difficulties with the land purchase wherever they were looking. The Greater Houston Partnership introduced us to them when they couldn't make the arrangements they wanted to make in Houston."

Stinson credits Conroe's incentive package and the Freeport Inventory Tax Exemption, which negates all taxes on goods brought into the state, manufactured or manipulated in some way and then exported back outside the state within 175 days.

Beginning in 2010, Conroe will give Bauer a "pay-as-you-go" cash incentive totaling \$1.6 million over seven years based on reaching benchmarks tied to such requirements as inventory volume and job creation.

In addition to the creation of 300 new jobs during Phase 1 (90 percent of which Bauer says will be new hires), the

economic impact to Conroe will be significant.

"They're going to invest in the neighborhood of \$270 million in machinery, equipment, building and taxable inventory in Phase 1," Stinson says. "If this operation is successful, the size of it will come close to doubling."

Part of the two-part master plan includes parking to accommodate between 600 and 700 employees.

FOUNDATION FOR GROWTH

Bauer says the manufacturing will initially center on products that are the most common, like drilling equipment to secure offshore oil platform and bridge foundations, as well as a welding shop to build tools and accessories, but will include almost all of the Bauer family lines within five years.

"There's a good business need in the world for all our equipment," Bauer says. "We've been running out of our equipment."

Demand from rapidly growing industrial nations like China, India and Russia, as well as oil-rich nations like Venezuela and a number of West African countries has caused the short supply. Another factor is the continued population growth across the globe, which means less buildings are being built outward and more are being built downward into the ground and upward into the sky, requiring deeper foundations and more underground amenities such as parking.

"The denser the world is getting, the more foundation you need," Bauer says. "Usually half of the countries in the world have good business and half



Stinson



THE WORLD OVER

The Bauer AG family of companies is involved in some of the biggest construction projects in the world, including the world's tallest building and the most expensive privately funded construction project in U.S. history. In 2005, Bauer supplied the equipment for and built the foundation of the Burj Dubai, which is already the tallest building in the world at 160-plus stories and 2,000-plus feet but could grow even taller by its September 2009 completion date.

Bauer Managing Director Sebastian Bauer says the Schrobenhausen, Germany-based company has 8,000 employees and boasts 70 percent to 90 percent of the market share in Dubai, which is currently one of the most lucrative construction markets in the world. Bauer is also involved in MGM Mirage's CityCenter project in Las Vegas, a 68-acre multi-use development along the Vegas Strip that's ever-growing price tag most recently stood at \$9.2 billion. CityCenter will have its own fire station and an onsite power plant, and hopes to achieve LEED certification from the U.S. Green Building Council.

Ford Gunter

have bad business. Right now, almost all countries have good business."

Bauer expects the new facility to be up and running by July 2009, but his company has rented space in the area to begin manufacturing until the first phase in Conroe Park North is complete. ■