

The



DIESEL MACHINERY, INC

Difference

A PUBLICATION FOR AND ABOUT DMI CUSTOMERS • 2007 No. 3

Featured in this issue:

NEW MIDSIZE DOZERS

**Komatsu D51EX-22 and
D51PX-22 maximize visibility,
productivity and control**

See article inside...



KOMATSU

A MESSAGE FROM THE CHAIRMAN



DIESEL MACHINERY, INC

Dear Equipment User:

The 2007 construction season is going more or less according to form. It was expected that this would be a transition year, and by most accounts, the transition is a fairly smooth one.

Housing is down nationwide. We knew it would be. But remarkably, nonresidential building has increased, as has public construction activity. The total volume of construction at the midway point of the year will likely be down slightly from a year ago, but following double-digit gains for several years running, it's not all bad to be able to catch our breath a bit and let supply do some catching up with demand.

As for the future, many industry experts believe that housing either already has, or will soon reach bottom, and will begin to tick back up later this year and next. With that, another round of significant growth could be in store.

At Diesel Machinery, Inc., we're excited about the present and the future of our industry. We look forward to working closely with you to have the products and services you need to be successful, regardless of the type of market we're in.

One such product we're very excited about is Komatsu's new mid-size hydrostatic dozer, the D51EX/PX-22. At roughly 28,000 pounds and 130 horsepower, it's bigger, stronger and more productive than its predecessor, the D41. It's also highly fuel-efficient. You can read more about the D51 in this issue of the *DMI Difference*. We invite you to demo it against the competition if you're looking for a dozer in this popular size class. We think you'll be impressed.

As always, all of us at DMI want to help you be more productive, more efficient and more profitable. If there's anything we might be able to do for you, please don't hesitate to call.

Sincerely,

Pat Healy
Chairman of the Board



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Difference

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A SALUTE TO A **DMI** CUSTOMER

MARK MATHIEU CONSTRUCTION, INC.

Hard work turns part-time business into full-time venture for Colton site contractor

Mark Mathieu realizes it takes hard work to run a successful business, and he's willing to put the necessary time in to get the work done. But he doesn't necessarily view himself in a serious light.

"I'm just a big kid playing in a sandbox," quipped Mathieu as he explained his business, Mark Mathieu Construction, Inc. "Yes, I have to take the business seriously because it's my livelihood, but at the same time, I can't forget that it's fun to dig and be part of building something. If it has something to do with dirt, we'll do it."

Mathieu has been building his business since he bought his first few pieces of machinery from a neighbor in 1989. Most of the growth came as his family began taking more active roles in the company. His wife,

Lisa, is Secretary and Treasurer and their son, Mike, works full-time for Mark Mathieu Construction. Their daughter, Mallory Hoekman, contributes from time to time as well in the Colton-based company whose main focus is installing underground utilities throughout southeastern South Dakota and into Iowa and Minnesota.

Both Mark and Lisa had experience with construction companies before they struck out on their own, something Mathieu said was a big part of Mark Mathieu Construction's early and continued success as the couple made the switch from full-time farming to full-time construction work.

"Lisa grew up around it; her father owned his own digging business," Mark said. "In addition to farming, I did some construction work for a neighbor whenever he needed help. In return, he'd help with jobs around the farm. He took me to Las Vegas in appreciation of the work I had done for him. On the plane home, he suffered a heart attack. Not long after, he said he was going to slow down, and asked me if I wanted to buy some of his equipment and work on my own."

Full-time construction

Mathieu took him up on the offer and began operations with an excavator, a crawler loader, a truck and a lowboy trailer. He and Lisa still farm, albeit not to the extent they did when the construction business was in its infancy.

"I'd milk cows in the morning, then go work for other farmers burying rock piles, taking out trees or making building sites, and Lisa would milk at night," he noted. "After about five years of that, we gave up the milking. That was a big decision, but one that we felt was

Mark and Lisa Mathieu head up operations of Mark Mathieu Construction, Inc. The Colton-based company specializes in installing utilities, but also does grading, clearing, pond construction and other site-related services.



necessary in order to meet our obligations in the construction business."

Projects get bigger, staff doesn't

Those obligations have increased since Mark Mathieu Construction's projects became larger and more complex. While the company still does small jobs such as basement excavations and small water-line repairs, it specializes in installing utilities on large housing developments, as well as running lines for rural water hookups. Mathieu estimates the company does as many as 400 to 500 jobs a year.

"That includes the basement digs and any small day-or-less projects we take on," said Mark. "It's really kind of hard to fathom because we don't do any advertising, and only about 1 percent of our work is bid. We've worked for people long enough that they trust us to do a job by the hour."

The bid jobs generally involve putting in rural water lines, such as the six-mile project the company worked on during the past year. In 2006, it did a project that was double the mileage, from Flandreau to Ward, taking nearly three months to complete. Mark Mathieu Construction has also upped its private work, completing water- and sewer-line work for a 43-lot and a 53-lot development.

"Part of the rural water-line project we're doing is to hook up service to the developments we completed earlier," explained Mathieu. "But I can look around here and point to just about anyplace and see that I've done work there, whether it's cleaning a waterway or digging a basement or making a building pad. The amount of work we've done is just crazy. It seems like it's never slowed down."

Despite an increase in work and scope of the projects, Mathieu has resisted growing in size. All projects are completed by the Mathieus, employee Tim Basler and occasional part-time help.

"Tim has been with us a long time. We grew up together and know each other very well," Mathieu noted. "He worked for another company and wasn't satisfied, so I gave him the opportunity to work with us and he has done a tremendous job. We can all run any



Operator Tim Basler digs with the company's PC200LC-7. "The PC200 has been a good all-around machine for us," said Owner Mark Mathieu. "We've used it for clearing, digging basements and utility trenches, loading and just about anything else you can think of, including some demolition."



For deeper digs and larger pipe, Mark Mathieu Construction turns to its PC300LC-6 excavator, shown here digging a trench for a rural water line.

piece of equipment, lay pipe or do any other task that needs be done. Sometimes we have to look at it and say 'that's unbelievable'. But that's the way it's always been, and I like it. That's the way it will probably stay."

Productive, versatile equipment

The other thing that's not likely to change is Mathieu's choice in equipment. Nearly every piece in his fleet is a newer Komatsu excavator, dozer or wheel loader purchased from DMI's Sioux Falls branch with the help of Sales Executive Roger Horstmeyer.

"I started buying Komatsu at the recommendation of a friend," said Mathieu. "So I contacted DMI and they brought an excavator out for me to try. That was about

Continued . . .

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Versatile equipment needed for diverse jobs

... continued

15 years ago, and I've been buying them ever since. One of the main reasons is because of the service Roger and DMI give me. I tend to buy newer equipment every couple of years, so I don't have many problems, but if I do, I know all I have to do is call Roger or DMI's service department and it will be taken care of quickly."

He also likes the productivity his Komatsu equipment provides, particularly the PC200LC-7 excavator with a hydraulic thumb, which he recently purchased. His fleet also includes a PC300LC-6, a D41P-6 dozer and a WA320 wheel loader.



Operator Mike Mathieu works full time for his father's company, Mark Mathieu Construction.

Mark Mathieu Construction pushes large quantities of dirt for backfilling and grading with its D41P-6 dozer. "It's just the right size for us," said Owner Mark Mathieu. "It has enough power to push a large pile of dirt, and at the same time it's small enough for some finer grading if we need to do that."



"The PC200 has been a good all-around machine for us," reported Mathieu. "We've used it for clearing, digging basements and utility trenches, loading and just about anything else you can think of, including some demolition. It has good power throughout the cycle. We've even used it to help farmers pull motors out of combines. The hydraulics are very good as well, especially when matched with the thumb. We had a mechanical thumb in the past, and this beats that hands down. We're very happy with the PC200, and the PC300 has been a very good machine for us as well. It allows us deeper digs and moves more material faster. It has the extra power we occasionally need."

For stripping topsoil before digs, Mathieu often turns to the WA320 wheel loader. "It offers us some versatility," he noted. "We can use it for stripping and stockpiling dirt, but we can also use it for loading trucks. We can carry pipe with it too, so it performs a variety of functions, and that's important because we don't have a bunch of extra equipment around."

Once digs are finished, Mathieu uses the wide-track D41P dozer for backfilling. "It's just the right size for us," confirmed Mathieu. "It has enough power to push a large pile of dirt, and at the same time it's small enough for some finer grading if we need to do that. We can run into some wet conditions, so the wider tracks help us work when other machines can't."

No plans to grow

That's important to Mathieu who admits he's happiest when he's on the move. When the construction business slows down because of weather, Mathieu keeps busy by trucking commodities or plowing snow for the state.

"We work every day that it's not raining or too cold for the equipment," said Mathieu. "That's probably the way it's always going to be because I don't foresee us getting bigger. I don't have any plans to grow the business beyond where it is. Of course, I've said that before, and Lisa, Mike and Tim have come aboard. You just never know." ■

CLEANER DIESEL

Construction and mining equipment will soon be using a less-polluting fuel blend

On June 1, the nation's refineries began producing low-sulfur diesel fuel for use in off-road equipment. The new fuel will wind its way through the distribution system so that by December 1, construction and mining equipment will switch to diesel containing nearly 85 percent less sulfur. This new off-road fuel has a sulfur content of 500 parts per million (ppm), reduced from approximately 3,000 ppm in the previous blend.

"June 1 marks an important next step on the road to clean diesel," said Allen Schaeffer, Executive Director of the Diesel Technology Forum. "Last year saw the nationwide availability of on-highway ultra-low-sulfur diesel fuel enabling manufacturers to engineer the cleanest diesel trucks ever. This new fuel will begin bringing the same benefits to off-road equipment."

By 2010, sulfur levels in most non-road diesel fuel, including construction and mining, will be reduced to 15 ppm, making it possible for engine manufacturers to use advanced exhaust-control systems that significantly reduce emissions.

"Diesel-powered machines and off-road equipment, from farm tractors to excavators, perform essential functions that are vital to our economy and quality of life," said Schaeffer. "They help to grow our food and bring it to market; build our homes and communities; mine our natural resources; and protect public safety by providing emergency power in times of crisis."

Diesel is the predominant, and in some cases, exclusive source of power for many important sectors of the economy, including construction, where nearly 100 percent of

equipment — about \$17 billion worth — is diesel-powered.

"Diesel engines are the workhorses of the America economy, offering an unmatched range of performance and economic advantages over other forms of energy," said Schaeffer. "The advantages include more power, greater energy efficiency, increased safety, better durability and suitability for very large applications.

"This new off-road fuel, combined with innovative engine technology, will dramatically reduce diesel emissions, with far-reaching clean-air benefits," he added. "The diesel industry is committed to being a part of the clear-air solution without sacrificing the power, reliability, maintenance and fuel economy of modern diesel equipment." ■



Allen Schaeffer,
Executive Director,
Diesel Technology
Forum

By year's end, off-road diesel equipment used in construction and mining will switch to low-sulfur fuel. The new fuel will drastically reduce diesel emissions, contributing to cleaner air.



SOLVING THE LABOR SHORTAGE

Construction industry seeks ways to deal with shallow pool of available workers

This report is based on information from a wide variety of sources serving the construction industry.

Like most construction company owners, J.R. Redding credits his employees for making the company successful and maintaining its reputation for quality work. Redding does site work for an extensive range of customers, utilizing a staff of about 40 employees. Many have been with the company five years or more, and Redding believes that experience is a major factor in the company's growth since he founded the business in the early 1980s.

Finding experienced labor is becoming increasingly harder for contractors. The average age of a construction worker today is 47, and the percentage of new workers under 30 who are entering the field is very low.

"Experience plays a key role in the success of any business," Redding said. "When I take on a job, I'm confident in my crew's ability to get it done right, on time and on budget. Most of my guys have been in construction their whole lives, and some have been with me for a very long time. That's ideal."

It may be ideal, but it's not necessarily common in today's construction marketplace, despite construction being the country's second-largest employer, behind only the government. Throughout the country, the construction industry is facing a huge labor shortage that's expected to get worse in the next several years. It's estimated that by 2011, there will be a shortage of 8 million to 10 million workers in the U.S. As a major source of jobs, construction will be one of the industries hit hardest.

A Construction Industry Institute study showed 75 percent of contractors were experiencing a shortage of workers nearly a decade ago. Executive Director Wayne Crew said that number is still valid and may be low. Compounding the problem is a lack of younger workers entering the construction industry, according to Crew, who said studies show the average age of a construction worker is 47, and the percentage of new workers under thirty who are entering the field is very low.

"The numbers are staggering," said Crew, who heads up the Institute, which is based at the College of Engineering at the University of Texas, Austin. "There is a significant shortage, especially in the craft areas such as welding. Having an older work force that's close to retirement, with no one to replace them when they leave is a serious situation. It's something that has to be dealt with in an aggressive



manner now because it's only going to get worse if we don't."

Contractors feel the pinch

Recent statistics from the National Center for Construction Education and Research (NCCER) show 180,000 new workers need to be recruited just to keep pace with current production levels, and 95,000 jobs must be replaced each year due to workers leaving the field through retirement and other means.

"Those numbers don't take into account the impact of events such as Hurricane Katrina, which require a substantial number of additional workers for rebuilding efforts," said NCCER President Don Whyte. "Our industry definitely needs to band together to try to recruit new workers. If we don't, there's major trouble ahead."

Contractors like Redding have felt the pinch first hand.

"We've tried to find additional help, but it's just not out there," said Redding. "Quite a few of my operators have learned on the job, working their way up from laborer. We've trained them in how to run equipment, and they've become excellent at doing it. But finding new help is a real challenge. What worries me is what's going to happen down the road when my guys are gone."

The pool of laborers to promote into operators continues to shrink. No longer can construction businesses rely on finding workers through newspaper ads or union halls that had workers readily available. Part of the reason is that the number of people entering the industry has consistently dropped during the past two decades. Experts across the board say much of that can be credited to changing perceptions about construction, which ranked 249th out of 250 possible occupations in a survey of high school students.

"There's definitely a trend away from manual labor," said Gregory P. Smith, President of Chart Your Course International, a consulting and recruiting company that works closely with businesses to help them meet their



The pool of laborers to promote into operators continues to shrink. Offering health insurance, profit sharing and other benefits can be an effective way to gain loyalty and longevity among your workers.

employment needs. "The work ethic today is different from that of baby boomers."

Changing perceptions of the industry

Smith and Chart Your Course are among a growing number of businesses, education organizations and professional groups that are working to change negative perceptions and bring more workers into the construction field.

"First and foremost, if you have good employees, you should do everything you can to keep them," said Smith. "Offering health insurance, vacation pay, retirement plans, profit sharing and performance bonuses are all ways to help, if they're economically feasible. It may cost some money up front, but in the long run it will pay for itself through increased productivity."

"You have to keep in mind as an employer that your good employees always have options,"

Continued . . .

Extra effort needed to recruit, retain workers

... continued

he added. "But by treating them right and demonstrating that you value them, you stand an excellent chance of being able to hire and keep the best people. And the word gets around. Those workers will tell others, and suddenly you have a larger number of people knocking on your door wanting to work for you."

Keeping them knocking at the door means having an abundant work force. Organizations such as NCCER, the Construction Industry Institute and Associated General Contractors (AGC) are all promoting the industry as a vital, well-paying field of study that can become a career path. Many of AGC's chapters offer training and education to prospective employees.

The Department of Labor is also involved. In 2004, it led an initiative known as "Skills to Build America's Future" whose intention is to attract young people to skilled trades careers. It's a partnership with the National Association of Homebuilders, the Construction Industry Roundtable, the National Heavy and Highway Alliance and major construction craft unions designed to reach out to state and local governments, educators, trade schools and apprenticeship programs. That same year, the Bush administration also announced an initiative to put more emphasis on vocational education as part of the Jobs for the 21st Century program.

"The construction industry has to get the word out," said Smith. "Businesses have to

be proactive in recruiting, the same way the military does, by going to local high schools and showing the benefits it has to offer. Kids need to know they can have a high-paying career in construction without the high cost of college."

Construction-focused educational programs have become more prominent around the country. NCCER was specifically founded in the early 1990s to help address the skilled work force shortage. Headquartered at the University of Florida, NCCER develops standardized construction, maintenance and pipeline curricula that are being used by more than 200,000 students nationwide. Its mission is to build a safe, productive and sustainable work force of craft professionals.

"We're a nonprofit educational foundation that grew out of major industrial contractors who were concerned about the coming shortage they saw in the late 1980s and early 1990s," said NCCER's Whyte. "Ours is an independent organization with standardized curricula in 45 craft areas that lead to certification. We accredit organizations, such as local AGC chapters; businesses, such as a contractor looking to certify a worker in a particular craft; and individual instructors, who use our educational curricula and assessments. We also keep a national registry of certified individuals who can go anywhere in the country and employers will feel confident in hiring them, knowing they are experts in one or more crafts."

A hopeful trend

Whyte said NCCER's curriculum sales have increased from about \$1 million in 1993 to more than \$13 million last year. It's a trend he hopes continues, as it means more prospects for employment in the construction trades.

"We still have a long way to go in terms of filling the gaps in the number of workers on the job, but the industry is reacting in a way to make it more attractive to potential employees," he noted. "It's something we're all going to have to continue to do, and everyone in the industry — organizations, business owners, academics — at all levels, needs to get involved in actions that will bring more workers to the jobsite." ■

Plans to bring more workers into construction are underway throughout the industry, including recruiting and training by organizations, and government initiatives designed to highlight construction as an attractive, potentially high-paying career.



KNOW WHAT'S BELOW

New nationwide 811 "Call Before You Dig" number is now operational

Whether you're breaking ground for a new skyscraper or working in your backyard, you need to know what's under the surface before you starting digging. Now, it's easier than ever before to get that information, thanks to a new three-digit (811) number that connects you to the local One Call Center nearest you.

The 811 number went into effect on May 1, 2007. Secretary of Transportation Mary Peters joined several industry leaders at the program launch ceremony held on the National Mall in Washington, D.C. Others in attendance included Bob Kipp, President of the Common Ground Alliance (CGA), a coalition of groups that spearheaded establishment of the 811 number; and Stephen Sandherr, Chief Executive Officer of the Associated General Contractors (AGC), one of the leading supporters of the CGA.

According to those involved, 811 is a significant safety improvement for earthmoving contractors as well as do-it-yourselfers.

"AGC has the most comprehensive safety program for the industry and our members recognize that they have both a legal and moral obligation to protect their employees, the public, and public and private assets," said the AGC's Sandherr. "Both a homeowner building a deck in the back of his house and a large national contractor building a new baseball stadium in Washington begin with a shovel piercing the dirt."

Now, with 811, that piercing can be accomplished more safely, as the 811 number will make it much easier to contact the appropriate One Call Center.

The new 811 number does not eliminate local "Call Before You Dig" numbers. Rather, it works in conjunction with them by quickly

and efficiently connecting callers to the local One Call Center. One of the problems previously was that not only did each local area have a different number, but it also might well have different listings, so looking up a number in a phone book wasn't always easy to do.

Now, 811 will connect callers to the local One Call Center, which notifies the appropriate local utilities, which, in turn, send crews to the requested site to mark the approximate location of underground lines for free. Digging without such an OK is not only dangerous, but illegal.

Funding for the 811 number was included in the Pipeline Safety Reauthorization Bill, signed into law by President Bush last December. ■

For more information about the 811 program and national awareness campaign, visit www.call811.com.



The new three-digit (811) "Call Before You Dig" number will make it easier for contractors and homeowners to reach the appropriate One Call Center to identify underground lines.



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NEW PRODUCTS

NEW DOZERS

Komatsu introduces midsize D51EX-22 and D51PX-22 models that maximize visibility, productivity, control

Buying a new dozer can often be challenging. Should you choose one that offers large capacity for pushing massive amounts of material, or go with a smaller one that offers more precise control for fine grading? With Komatsu's new midsize D51 model dozers, you can have the best of both.

"The new D51s are extremely versatile machines," said Armando Najera, Product Manager, Crawler Dozers. "They are very effective for final grading, but can also be used as high-production pushing machines. It's a good combination for someone who needs both applications from one machine."

Komatsu introduced its new models, the standard D51EX-22 and the wide-track D51PX-22, with visibility, productivity, durability and fuel efficiency in mind throughout a wide range of applications, including construction, site preparation and forestry. The D51PX-22 offers low ground pressure for customers who need better floatation while working in wet or other less-than-ideal conditions. Its long track on ground and low center of gravity help keep the D51 stable during slope work.

Both D51 models come with a Komatsu 6.69-liter Tier 3 emissions-certified engine that provides 130 horsepower at 2,200 rpm, an increase of 20 horsepower (15 percent) more than the D41. The turbocharged engine has direct fuel injection and air-to-air aftercooling to maximize power, fuel efficiency and emission compliance. The engine is rubber-mounted to the main frame to minimize noise and vibration. Each dozer has an operating weight that exceeds the D41s by more than 3,000 pounds.

A hydrostatic transmission allows for quick-shift (three-speed) or variable-speed

(20-speed) selection, giving the machines maximum efficiency during fine- or rough-grading operations with travel speeds to match job conditions and operator preference. The transmission consists of dual-path closed circuits with variable-displacement piston pumps and travel motors. It eliminates steering clutches and brakes, which allows for smoother turns.

Lower cost per yard

Despite its high power rating, the D51 stays smooth during dozing, permitting the operator to approach objects accurately, even in corner grading and sidewall operations. That keeps more material on the large, angle-tilt blade,

Continued . . .

Brief Specs on Komatsu D51 Dozers

Model	Operating Weight	Output	Blade Capacity
D51EX-22	27,778 lbs.	130 hp	3.5 cu. yd.
D51PX-22	28,881 lbs.	130 hp	3.8 cu. yd.

Komatsu's new D51 model dozers offer more horsepower and increased fuel economy.



New D51 models have plenty to offer

... continued

making it a more productive machine. The D51s have a blade capacity of 3.5 to 3.8 cubic yards.

"Fuel consumption per yard of dirt is excellent with the D51," reported Najera. "That's due in part to the large horsepower, plus a large blade to move more material faster. In addition, we designed the D51 with Komatsu's Super-Slant nose so the operator has a better perspective. This revolutionary design exposes the top of the blade, giving the operator visibility that is critical for faster and more accurate dozing. It allows the operator to see more of the blade and material, which improves control and increases efficiency and productivity."

Operating the blade is easy with a Palm Command Control System travel joystick designed to let the operator maintain a relaxed posture without sacrificing control. The blade-control joystick uses the Proportional Pressure Control (PPC) valve for fine control of machine operation. The low-effort joystick controls all directional movements, including travel speed and counter-rotation. Blade lever stroke is directly proportional to blade speed, regardless of the load and travel speed, thanks to the Closed-center Load Sensing System (CLSS). The result is better fine controllability.

More durable with easier service

In addition to a more powerful, smoother machine, Komatsu D51 dozers are rugged. A heavy-duty, large-link, large-bushing-diameter undercarriage features wider sprocket teeth,

a thicker box section and fewer welded components to extend undercarriage life. The sprocket teeth are segmented to reduced service time compared to solid sprockets designs. Each of the segments can be replaced without splitting the track. A two-carrier roller design maintains track tension and alignment. Komatsu reduced component complexity and used a modular design for increased durability and serviceability.

Servicing the D51s is easy with a swing-up fan that has a gas strut-assisted lift-locking system to provide easy access to the radiator, oil cooler and charge air cooler. The electronically controlled, hydraulically driven fan not only helps decrease fuel consumption but also provides a "clean mode" to help keep the cooling cores clean. Remote grease points simplify lubrication of the C-frame pivots, equalizer center pins and angle cylinder bearing. A monitor system provides on-board diagnostics and critical information, such as operating condition status, and notifies the operator when an abnormality occurs. Fault codes aid troubleshooting and reduce downtime. The monitor provides service reminders for fluids and filters as well. Providing KOMTRAX as standard equipment gives the customer remote access to key machine information essential for a maintenance program.

Operator comfort enhanced

Operators will also appreciate the comfort of the D51 models, which feature a new forward cab that's large and quiet, with integrated ROPS/FOPS. Large glass windows provide good visibility all around the machine. In addition to the slanted nose design, the sides and back of the cab are slanted to give the operator better views all around the machine. Internal cab air pressure and air filters help reduce dust from entering the cab, and new cab damper mounts suppress noise and vibration when traveling over rough terrain.

"A comfortable operator is a productive operator, and we've taken that into consideration in designing the D51s," Najera commented. "It goes hand-in-hand with providing more visibility, increasing fuel efficiency and making a more powerful machine that owners can use to push more material than ever before in this size class." ■

Komatsu's new D51PX-22 wide-track dozer features low ground pressure for better floatation while working in wet or other less-than-ideal conditions.





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From enhanced safety features to extended maintenance intervals, the PC200LC-8, PC220LC-8 and PC270LC-8 show what happens when the best engineers put the latest technology to work. The results are always...

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UTILITY NEWS

HIDDEN VALUE

Komatsu skid steer and compact track loaders are packed with valuable standard features

All skid steer loaders (SSL) and compact rubber-track loaders (CTL) are not created equal. Komatsu packs a ton of value and modern features in a small package where some other brands are just satisfied with the status quo.

With every Komatsu SSL and CTL you get standard features that are often not available or are an added cost option on other brands.

- **Pilot Proportional Hydraulic Joystick Controls (PPC)** provide the ultimate in comfort and control. Instead of manipulating drive levers and foot pedals, Komatsu operators can sit back in the standard suspension seat and operate all loader functions with the low-effort, right-hand joystick and operate all drive functions with the left hand lever. For owners who want more traditional left- and right-hand drive system, a pattern change valve is available as an option.

- The **two speed transmission** is a Komatsu exclusive. Komatsu is the only SSL and CTL manufacturer that makes two-speed drive standard on every model. Two-speed allows the operator to put more engine power through the transmission in low range and travel up to 7.5 mph (12 kph) in high range for exceptional productivity, especially in load-and-carry operations.

- Every Komatsu SSL or CTL features a high-output **turbocharged diesel engine**. No competitor can claim this. Turbocharging provides efficient fuel burning and helps the machine operate efficiently at all times, even at altitude.

- The two-piece **lap bar design** is easy to operate and contains the machine instrumentation, function warning system and gauges. All the operator needs to do is look down to see all gauges and warnings at a glance.

- Nobody likes to wear a muddy or dirty seat belt. That's why every Komatsu SSL and

CTL is equipped with a **retractable seat belt** as standard.

- Komatsu compact track loaders are equipped with a **five-roller track system** to keep track deflection and damage to a minimum. They also feature **triple-flange rollers and track guides** to allow use on slopes without detracking. Some competitive models strongly advise against using their CTL on sloped ground, gravel or pavement.

- The **flat floor** provides all-day comfort for the operator and the **foot accelerator** provides an alternative means of operating the machine at lower throttle settings when maximum performance is not required.

- Sealed pins allow Komatsu to extend the **lubrication interval to 250 hours** rather than the typical 10 hours of some other brands.

It's said, you get what you pay for. Compare Komatsu and you'll understand what that really means! ■

Brief Specs on Komatsu Skid Steer Loaders

Model	SK815-5	SK820-5	SK1020-5	SK1026-5	CK30	CK35
Loader Type	Radial	Vertical	Radial	Vertical	Radial	Vertical
Rated Capacity	1,550 lbs.	1,900 lbs.	2,000 lbs.	2,650 lbs.	2,485 lbs.	2,755 lbs.
Power	54 hp	54 hp	84 hp	84 hp	84 hp	84 hp



Komatsu's compact track loaders are equipped with a five-roller track system to keep track deflection and damage to a minimum. Triple-flange rollers and track guides allow for use on slopes without detracking.



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(Komatsu delivers proven solutions)

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MORE NEW PRODUCTS

PC138USLC-8

New tight-tail-swing excavator offers increased production capability

In the past year, Komatsu introduced its new Tier 3-compliant conventional excavators that were designed to provide increased production. Now, Komatsu brings the same traits to its tight-tail-swing PC138USLC-8.

The PC138USLC-8 offers 7 percent more horsepower and an increase in operating weight from its predecessor. Its lifting capacity is superior to a conventional PC120LC-6 excavator with 27 percent less tail swing, making it perfect for digging in tight quarters and working in congested areas.

Power is maintained throughout the digging cycle by improved hydraulics that feature Komatsu's HydrauMind™ system with load-sensing and pressure-compensated valves, resulting in better swing acceleration and steering performance. High-pressure, in-line filters are installed at the pump discharge ports for added hydraulic system protection.

Operators can constantly monitor the machine through a seven-inch, multifunction, color monitor that allows them to set the machine to one of four modes (Power, Economy, Lifting, and Breaker Operation and Attachment) designed to match engine speed, pump delivery and system pressure for maximum efficiency in all applications. The monitor also displays automatic air conditioner and machine maintenance information and images from the standard-equipped counterweight camera.

Larger, quieter cab

The monitor is just one feature of a larger cab. Newly designed for high levels of productivity and efficiency, it's quieter with less vibration. A high-back seat and additional leg room are also part of a more comfortable work environment.

In addition to all those features, the user will benefit from less downtime for maintenance. The replacement interval for the hydraulic oil and filter is longer, and the engine oil filter and fuel drain valve are remote-mounted for easy access.

"This is a great machine for anyone who needs a tight-tail-swing excavator with excellent power," confirmed Trenton Glore, Komatsu Product Marketing Manager, Hydraulic Excavators. "The applications are nearly endless, whether the owner is a landscaping contractor, a utility installer or a highway contractor working with limited space. It can benefit nearly any company that does excavation work." ■



Trenton Glore,
Komatsu Hydraulic
Excavators Marketing
Manager

Brief Specs on the Komatsu PC138USLC-8

Model	Operating weight	Output	Bucket Capacity
PC138USLC-8	31,107 - 32,568 lbs.	92 net hp	0.34 - 1.0 cu. yd.

With 7 percent more horsepower, increased operating weight and 27 percent less tail swing, Komatsu's PC138USLC-8 tight-tail-swing excavator is ideal for limited-space jobs that demand productivity and power.



A man wearing a yellow cap with the 'Reman' logo, safety glasses, and a dark blue polo shirt with a 'Reman' patch and a name tag that says 'Carl'. He is holding a white and purple robotic arm that is positioned over a metal part of a machine.

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AT YOUR SERVICE

TECHNICIAN CONTEST

Top Komatsu distributor technicians test their skills at annual competition

Top Komatsu distributor technicians from across the nation competed for pride — and prize money — in the Komatsu Advanced Technic Contest (ATC) April 23-26 at the Komatsu Training Center in Cartersville, Ga.

The ATC is an annual competition in which technician contestants are graded on how well they can identify two problems that have been programmed into a piece of Komatsu machinery. Technicians were given one hour to work and were judged not only on whether they found the problems, but on how they used shop manuals and diagnostic tools, what questions they asked the operator/judge to help them find the problems, and how they demonstrated safety.

The ATC features five different pieces of recently introduced Komatsu equipment. This year's event consisted of troubleshooting a WA600-6 wheel loader, a D155AX-6 dozer, an HM400-2 articulated truck, a PC200LC-8 excavator and a CK30 compact track loader. Cash prizes in each category were \$4,000 for a first-place finish, \$3,000 for a second-place finish and \$2,000 for third. Fourth-place finishers were awarded a trophy.

"The prize money is a nice benefit, but these are highly competitive guys who want to be judged as the best among their peers," said ATC Director Wade Archer. "That alone is a huge incentive."

This year's ATC produced the largest field of participants in the history of the competition with 45 technicians from 15 Komatsu distributors across the country. To participate in the ATC, many of the technicians had to win an internal competition within their own distributorship.

Benefiting customers

While the competitive atmosphere of the ATC presents a different environment than what technicians encounter in the field, Archer said the knowledge and experience gained from competing against their peers help technicians polish their skills and better serve their customers.

"This whole experience is a training tool," Archer noted. "We bring the guys in and give them a chance to show us what they can do. They're gaining experience trying to diagnose and correct problems that they will encounter with their customers. I guarantee this will help make them even better at what they do and more able to address their customers' needs." ■



Wade Archer,
Komatsu's ATC
Director

At the Komatsu Advanced Technic Contest (ATC), technicians had one hour to troubleshoot equipment under the watchful eye of Komatsu judges. Scoring criteria included how well contestants used their manuals and diagnostic tools to fix preset problems.



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THE KOMTRAX TEAM

Helping you get the most out of your equipment is a group effort at Komatsu

For more information on how KOMTRAX can work for you, contact our service department today.

The KOMTRAX team at Komatsu headquarters in Rolling Meadows, Ill., includes (L-R) IT Support Director Ken Calvert, Applications and Development Manager Chris Wasik, Administrator Amanda Abdullah, Trainer Bill Gosse, Information Manager Al Lukes, Troubleshooting Coordinator Rizwan Mirza, Distributor Development Manager Goran Zeravica and Planning & Administration Manager Steve Tateishi.

Did you ever feel as though it's you against the world when you're out on a job? For Komatsu equipment users, those lonely days are long gone.

"With all the challenges associated with earthwork today, equipment owners and managers need all the help they can get," said Ken Calvert, Komatsu Director of IT Support. "That's why Komatsu developed the KOMTRAX wireless equipment-monitoring system. It's why we install it as standard equipment on almost every new Komatsu machine that's sold. And it's why we have a team of professionals monitoring the system."

KOMTRAX provides a wealth of information, including service-meter readings, machine working hours and load factors, geofence and engine lock, cautions and abnormality codes, fuel consumption reports and maintenance notices — not just to technicians with a laptop — but to you at your office, to your distributor, and to Komatsu headquarters in Rolling Meadows, Ill.

In Rolling Meadows, Komatsu has a dedicated KOMTRAX room with electronic maps that track each and every KOMTRAX-installed machine in the country. Komatsu also has a team

of individuals there who monitor and take action on the information that's provided.

"As a manufacturer, we use KOMTRAX information primarily to get an overview of machine utilization, which helps us determine parts usage and allocate production," said Calvert. "It also alerts us to any chronic problem a particular model might have, which enables us and our distributors to take proactive measures regarding similar machines that are already in the field, as well as fixing the problem at the source for future units."

Less downtime and lower costs

"With KOMTRAX, I can pick out a machine anywhere in the country and get detailed information on it," said KOMTRAX Trainer Bill Gosse. "I can call up its work history and discover any abnormalities. KOMTRAX issues a daily report on each machine, but we also get real-time emergency alerts, like geofence violations, so we can alert the owner and authorities immediately. The bottom line with KOMTRAX is that we're able to identify and resolve problems more quickly, which means less downtime for Komatsu equipment users."

In addition to reducing downtime, Calvert says KOMTRAX, which is totally free for five years, saves equipment users money by reporting excessive idle time, by indicating if a machine is unnecessarily being run in high power mode, and by improving fleet utilization.

"We often like to say preventive maintenance inspections by a technician are beneficial for the owner because he has an extra set of eyes looking at his machine," said Calvert. "KOMTRAX takes that a step further with many extra sets of eyes looking at his Komatsu machine — and all of them are trying to improve his owning and operating experience." ■



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Regional Parts Depots and new Customer Support System help Komatsu meet customers' expectations



Frank Pagura,
VP, Parts



Mike Tajima,
VP, Service

This is one of a series of articles based on interviews with key people at Komatsu discussing the company's commitment to its customers in the construction and mining industries — and their visions for the future.

Frank Pagura is Komatsu America Corp. Vice President, Parts Operation. Mike Tajima is Vice President, Service. They work closely together trying to improve the level of product support that Komatsu equipment users receive.

Frank grew up in Yonkers, N.Y., and graduated from the U.S. Naval Academy. After serving six years as an active-duty officer in the Navy, he went to work for Varco International, an offshore drilling equipment manufacturer, where he served in various management capacities including parts purchasing and parts planning. Frank joined Komatsu as Parts Planning and Coordination Manager in 2004 and assumed his present position as Vice President of Parts in December 2005.

Mike grew up in Nagoya, Japan, and joined Komatsu right out of high school. He went to Komatsu Technical College for two years, then in 1973, joined Komatsu's Overseas Division as Service Manager in Saudi Arabia. Eventually, he returned to Japan for more education, then had overseas postings in Turkey, the United States and Russia. In October 2006, Mike returned to Komatsu America Corp. as Vice President of Service.

"Komatsu makes great equipment, which, of course, we think is the best — but everybody in this business knows it takes a support system (parts and service) to ensure that equipment users get the most out of their machines," said Frank. "That's where our departments come into the picture," added Mike. "It's our job to see that machine downtime is kept to an absolute minimum so customers can get the production they need to be successful."

QUESTION: On the parts side, Frank, what is Komatsu doing to ensure that customers get the replacement parts they need in a timely manner?

F: The most significant step we've taken is to open six Regional Parts depots across the country so we can warehouse parts closer to our customers. Previously, all parts that weren't stocked at the distributorship had to come from the Komatsu Parts Distribution Center in Ripley, Tenn. Now with Regional Depots operational in Portland, Ore., Las Vegas, Denver, Minneapolis and Pittsburgh, and the last one to open in Savannah, Ga., this summer, we're in much better position to get a needed part to a customer at the start of business the next morning.

QUESTION: Do you work closely with distributors to ensure that they're carrying the right parts inventory?

F: Very closely, because it's important to customers that they be able to come into a distributorship to get all common wear parts, as well as all oil and filters, that they might need. They want to be able to replace whatever has to be replaced, then immediately get back to work. To not have those common parts is unacceptable, so we are working with our distributors and providing them with recommended stocking lists.

QUESTION: New machine models are coming out much more frequently than they did in the past. Is that a challenge for the Komatsu parts department?

F: It's a challenge on two fronts: one, having replacement parts for all the new machines; and two, having them for all the old machines that are still in service. Generally speaking, it means we and our distributors must carry a larger parts inventory. But that's okay. We take a lot of pride in the fact that Komatsu equipment lasts a long time. We're definitely committed to having

not only all the new machine parts that our customers need to keep their equipment up and running, but also all the parts they might need for the older machines they have in their fleet.

QUESTION: Mike, what is Komatsu doing on the service side to improve customers' operating experiences?

M: We've developed a total Customer Support System (CSS). The purpose of CSS is to reduce downtime and lower repair costs for Komatsu customers by giving our distributors and Komatsu fast access to needed information that was previously not in a central location.

QUESTION: Give me an example of how CSS will do that?

M: Before introducing CSS, when trouble occurred with a machine out in the field, the operator, equipment manager or owner called the distributor's service department, which sent out a technician. The technician would typically spend time diagnosing the problem, then frequently had to go back to the shop to get the needed parts and/or tools to make the repair.

With CSS, we're able to streamline the process and cut out the waste. Now, a technician knows in advance what problem he's going out to work on. With that information, he not only spends less time troubleshooting and diagnosing, but he's able to take with him the parts and tools he's going to need to make the repair on the first trip. It's much more efficient. The end result is the customer is back up and operating sooner, and often, the repair cost is less.

QUESTION: How does CSS accomplish that?

M: The key to CSS is machine information generated by KOMTRAX, which is Komatsu's wireless equipment monitoring system. KOMTRAX-generated information is available to the customer, and with the customer's approval, to Komatsu and his Komatsu distributor. With this information, we're able to generate a database so that when an abnormality code is displayed, we're literally able to check across the world to see if the problem has come up elsewhere, and what the corrective action was.

The time and money savings for the equipment owner is substantial. Sometimes,



Komatsu Regional Parts Depots, like this one in Las Vegas, are designed to help distributors get most parts to the customer by 7 a.m. the next morning.



At Komatsu America headquarters, Komatsu personnel monitor worldwide KOMTRAX data, which they relay back to the local distributor's service department to prevent potential problems and help expedite repairs.



Komatsu's Customer Support System uses KOMTRAX data to reduce customer downtime. With information from KOMTRAX, Komatsu distributor technicians are often able to make faster field repairs and, in doing so, help customers keep downtime to a minimum.

CSS will even identify an issue before a machine goes down. This repair-before-failure scenario is ideal.

QUESTION: What has been the reaction of customers to CSS?

M: Once we explain the benefits — specifically how KOMTRAX helps us reduce their downtime and improve their owning and operating costs — they are very receptive to the idea.

It's really where we are right now in the 21st century. In the past, Komatsu supported its equipment with the expertise and skill of its distributors' technicians. Of course, their knowledge is still a vital part of the process, but now, we can give them much more information, enabling them to do their jobs more efficiently.

QUESTION: Is such a Customer Support System unique to Komatsu?

M: All major manufacturers offer a KOMTRAX-like monitoring system. But Komatsu is the only one currently installing it as standard equipment on virtually all new machines, and the only one providing free communication services. So at this time, I'd say we're far ahead of the competition in being able to fully utilize this important tool, which once again, is all about helping Komatsu equipment users improve productivity and profit by reducing downtime and repair costs. ■

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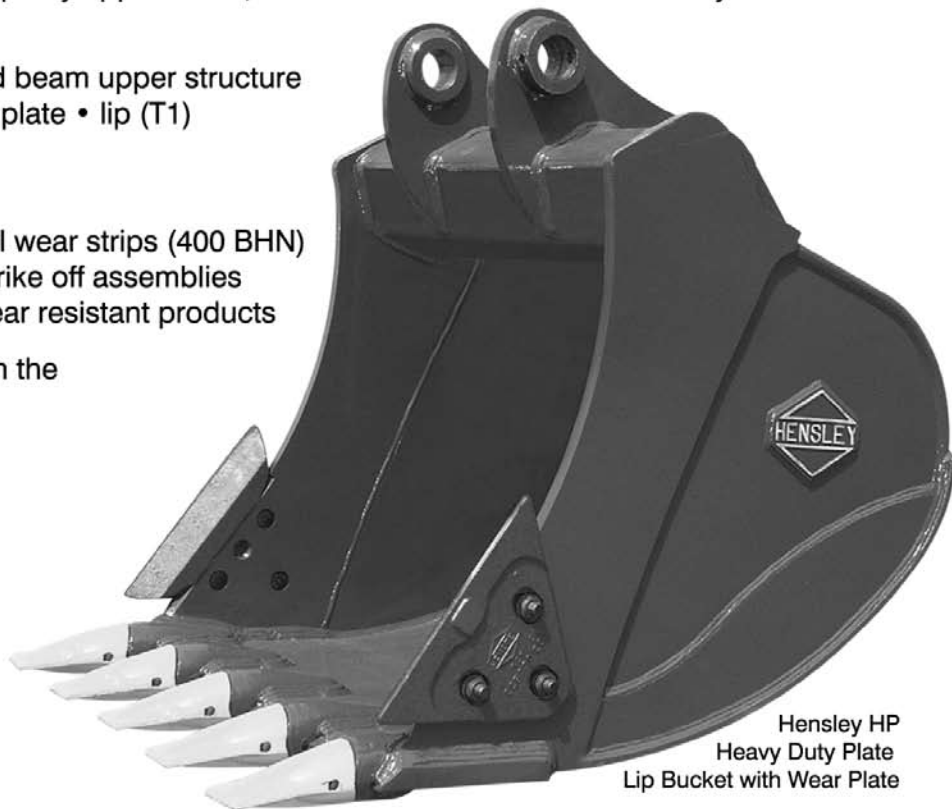
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AGC economist says material costs may begin rising toward the end of the year

V You probably noticed that construction cost increases, which had been growing rapidly for the past couple of years, slowed considerably in the last half of 2006. That's the good news. The bad news is the construction inflation slowdown is not expected to last.

"The relief is likely to be short-lived and may have ended already," said Associated General Contractors (AGC) Chief Economist Kenneth Simonson. "By the end of 2007, materials costs could be rising again at a 6-percent to 8-percent rate."

In AGC's fourth Construction Inflation Alert released recently, Simonson explained construction is vulnerable to high price increases because the industry has little ability to avoid using materials that are

in strong demand and for which supplies increase irregularly. As a result, he says heavy construction is likely to experience much higher cost increases than the general rate of inflation.

"Two factors distinguish construction costs from consumer costs. First, the consumer price index (CPI) includes large amounts of services and goods for which materials are not a significant share of the costs, or for which substitution among materials is possible. Second, every material used in construction must be physically delivered."

In terms of labor, Simonson believes the industry may also be entering an era of accelerating wage and salary costs. He forecasts that wages will rise at a 5-percent pace this year. ■

U.S. House committee studies issue of health insurance for small-business employees

The House Small Business Committee recently held a hearing on the state of healthcare for small business. The committee acknowledged that rising healthcare costs are one of the biggest concerns for small businesses, and that fewer entrepreneurs are able to provide adequate health insurance to their employees.

According to the committee, of the 46 million uninsured Americans, more than half live in a household headed by a small-business owner or employee. While most businesses that employ more than 200 provide health insurance to their employees, less than half of small-business employers offer coverage.

As House Small Business Committee Chairman Nydia Velázquez (D-NY) noted, "The high cost of healthcare is a serious

obstacle for small businesses that are trying to compete in the global marketplace. We know small firms pay more per employee to provide health insurance than large firms and that many of our nation's main job creators simply cannot afford it. Meaningful reform that addresses these concerns is a necessity, and this committee will be working to find a solution to this ongoing crisis."

Possible solutions to the problem include changing the tax treatment of health insurance, exploring reinsurance options, and expanding pooling options available to small businesses. A recent AED survey shows that members believe Congress should enact legislation to reduce small-business insurance costs, thus helping members provide health insurance to their employees. ■

This article appeared in AED's (Associated Equipment Distributors) "Washington Insights" newsletter

MORE INDUSTRY NEWS

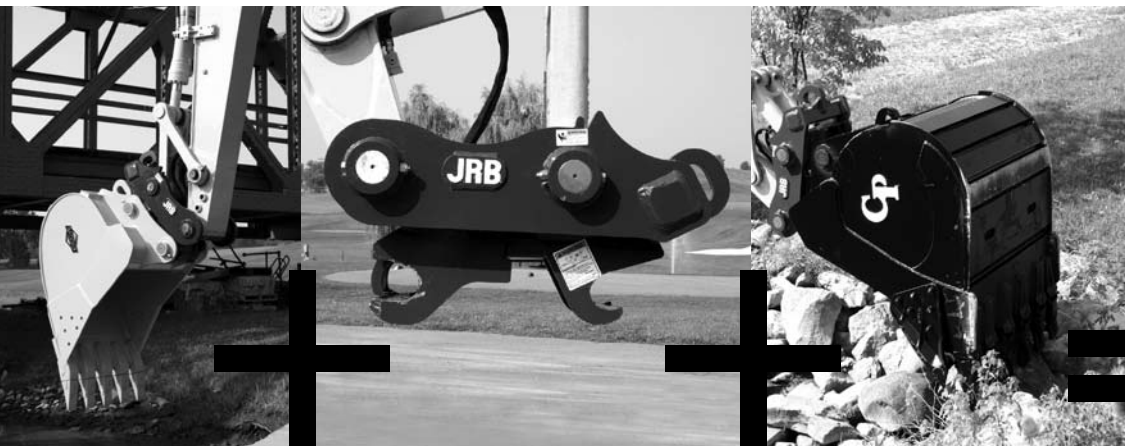
Fuels tax increase proposed to meet highway funding shortfall

When the current highway and transit law, SAFETEA-LU, expires September 30, 2009, the President and Congress will be faced with some sobering funding statistics. Current Highway Account revenues are projected to be about \$35 billion in fiscal year 2010, but a new analysis of the U.S. Department of Transportation's own report to Congress shows the federal government will need to invest almost \$55 billion, and that amount would just maintain, not improve, conditions. In other words, a \$20 billion annual funding shortfall is just around the corner.

That's the finding of Dr. Bill Buechner, Vice President of Economics & Research for the

American Road & Transportation Builders Association (ARTBA). Buechner, who provided the analysis, spent two decades with the Congressional Joint Economic Committee before joining ARTBA in 1996.

An increase in the federal motor fuels excise is the most effective way to fill the void in the short term, according to Buechner, who says an increase of 10 cents per gallon is necessary to meet the government's share of the needed money. He points out that the federal motor fuels excise has not been increased since 1993, and that inflation has eroded 30 percent of its purchasing power during this time. ■



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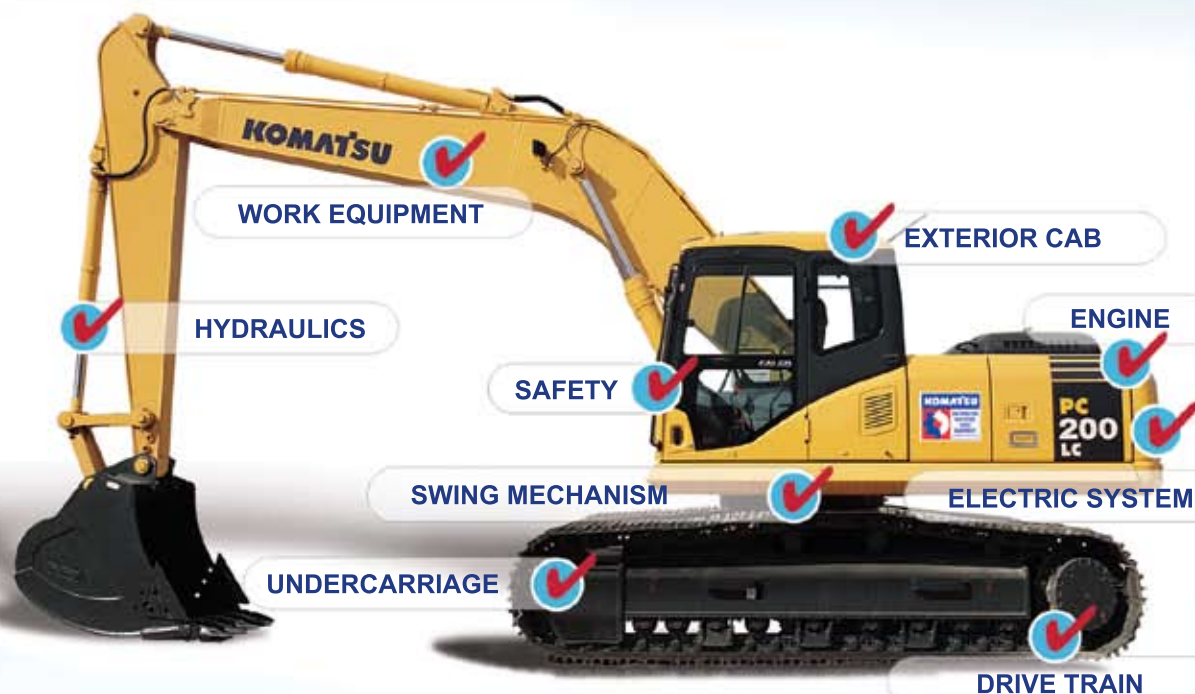


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If it can be measured, we measure it! Specially trained Komatsu Distributor Certified evaluators check, measure and diagnose virtually every aspect of the machine. Once the machine meets Komatsu's high performance standards, your local distributor can tailor the machine for your site-specific needs. And to add to your peace of mind, most Komatsu Distributor Certified Used Equipment is eligible for special financing and warranty.

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To learn more about Komatsu ReMarketing's Distributor Certified Used Equipment, contact your local Komatsu Distributor or go to our Web site at www.equipmentcentral.com and click on "used equipment."



DISTRIBUTOR CERTIFIED

MORE VALUE IN USED EQUIPMENT

Late-model, Komatsu Distributor Certified used machines include KOMTRAX monitoring system



Lee Haak,
Komatsu ReMarketing
Director



When you buy a late-model, Komatsu Distributor Certified used machine, you're undoubtedly doing so for the work it can do and the value it represents. Now, you may be getting even more value than you realize. That's because many Komatsu Distributor Certified machines that are about a year old or less have the KOMTRAX wireless equipment-monitoring system as standard equipment.

Virtually every Tier 3 Komatsu unit has some form of KOMTRAX, the most basic of which gives you a machine location, tells you whether the machine's working, and provides service-meter readings. It also includes the out-of-area alert and nighttime lockout. More advanced units include fuel consumption information, dashboard cautions, and in-depth, production-related information, such as digging hours and load frequencies.

Komatsu has been installing the KOMTRAX system in most of its new models for more than a year. "As these KOMTRAX-equipped units enter the used equipment market as Komatsu Distributor Certified machines, it's a great opportunity for used equipment buyers to get the benefits of equipment-monitoring technology," said Komatsu ReMarketing Director, Lee Haak.

Once you register the ownership of a Komatsu Distributor Certified used machine through a Komatsu distributor, KOMTRAX will deliver all that information to you free of charge, 24 hours a day on the Web. That means you can get the information anytime at your office, home or laptop. With KOMTRAX you also get a complete machine history.

"The benefits of an equipment-monitoring system are becoming clear to many contractors," said Komatsu ReMarketing Director Lee Haak. "And with Komatsu, those benefits aren't limited to machines that are purchased new. Because KOMTRAX technology is built into almost all new Komatsu machines, it stays with the machine when it's sold as a Distributor Certified used unit."

No communication fees

Most manufacturers now offer some type of Web-based monitoring system similar to KOMTRAX, but Komatsu is the only one installing it free at the factory as standard equipment. With other brands it's an option that can be installed, for a price, at the buyer's request. Equally significant, there are currently no KOMTRAX communication fees, whereas other manufacturers charge a monthly service fee for communication.

"The fact that it's free is what really brings it into the equation for used equipment buyers," said Haak. "That means, if you buy a Tier 3 Komatsu Distributor Certified used machine that's a year old, you have years of free KOMTRAX service remaining on the machine. For contractors willing to invest just a little time in setting it up and learning how to use the information, it can be a meaningful fleet-management tool." ■





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