

Difference

A PUBLICATION FOR AND ABOUT DMI CUSTOMERS • 2012 No. 1

TIER 4 INTERIM AFTER YEAR ONE

Customers seeing benefits from Komatsu machines designed to meet latest emissions standards

See article inside . . .



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A MESSAGE FROM THE CHAIRMAN



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Dear Valued Customer:

During the past year, Komatsu introduced several new machines that meet Tier 4 Interim regulations, and in most cases, do so with increased production and fuel economy. In addition, it premiered its second-generation Hybrid excavator, the HB215-1, before any other manufacturer brought its first hybrid machine to the market.

Like previous models, Komatsu's KOMTRAX machine-monitoring system comes standard and free on these new machines. Komatsu's Tier 4 Interim machines are also backed by the Komatsu CARE program, which offers complimentary service for three years or 2,000 hours, whichever comes first. As always, all work is performed by our highly trained, experienced technicians.

In this issue of *The DMI Difference*, you will see how Komatsu's Tier 4 Interim machines are exceeding expectations and proving to be more efficient and productive than their predecessors, in most cases.

That innovation and forward thinking makes us proud to be a Komatsu distributor. We're proud of the other manufacturing lines we carry as well, and we believe as you look to buy and rent equipment in the new year, you'll find DMI has the broadest offerings to meet your needs.

We're hopeful that there will be more need for equipment this year as the construction market continues to stabilize and even increases in some segments. We have fingers crossed that a new long-term highway bill will come to fruition this year that will bring more certainty.

Whatever your needs, we look forward to serving you in 2012 and beyond. So, please call or stop by one of our branch locations if there's anything we can do for you.

Sincerely,

Pat Healy
Pat Healy

Chairman of the Board

The



DIESEL MACHINERY, INC

Difference

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Read how taking a chance on a new earthmoving venture proved successful for one Crooks, S.D., contractor.

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Finally, some good news for contractors — Congress repealed the 3-percent withholding rule.

Published by Construction Publications, Inc. for



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DIRTWORK UNLIMITED LLC

Crooks, S.D., businessman bucks economic trend to found earthmoving company



Chris Herren,
Owner



Daniel Wipf,
Superintendent

When Chris Herren decided to start an earthmoving company a little more than a year ago, he expected the obvious reaction to making such a commitment in what's been a tough industry for several years.

"Of course, some people said I was crazy, but I've always believed in being diversified," said Herren, who founded Dirtwork Unlimited in October of 2010. "I had the employees to do it, so I was confident that we could not only find work, but stay busy. For the most part, we've been able to do that."

Most of Dirtwork Unlimited's employees worked for Herren in his other ventures, including Herren Enterprises, a contract hauling company that moves such items as large equipment for other companies, including DMI. Among that staff was

brother-in-law Daniel Wipf, who before working for Herren Enterprises had experience operating heavy equipment.

"In addition to Daniel, there were one or two other truck drivers who were trained operators, so finding the guys to move dirt wasn't a big challenge," noted Herren. "Finding jobs was, but that came rather quickly when Ryan Hallman came on board to do bidding and estimating, bringing with him about a decade of experience."

Hallman's experience helped Dirtwork Unlimited start bidding jobs right away, such as municipal road, utility and park projects, and it's starting to bear fruit. Herren noted that's another step toward diversity, as Dirtwork Unlimited's early focus was providing several services to area landowners.

Anything involving earthmoving

Much of that work involved clearing, cleaning and constructing ditches, building ponds and digging basements within about a 100-mile radius of Dirtwork Unlimited's home of Crooks, S.D. The first job the company did was cleaning up a pile of trees on an area farmstead.

"We've been back to that same farmstead to do a larger project that involved taking out about seven acres of trees to gain the farmer more farmland," said Wipf. "That's not the only repeat customer we've acquired in a little more than a year, so I believe that says we're clearly doing something right. The key is to continue to provide that type of customer service, so the word gets out and

Dirtwork Unlimited uses three Komatsu machines, including this D51PX-22 dozer. "The slant-nose design gives me excellent visibility all around and to both sides of the blade. It's quick and has good power," said Superintendent Daniel Wipf.

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Superintendent Daniel Wipf moves a pile of trees with a Komatsu WA320-6 wheel loader on a farmstead near Madison, S.D. "Loading is easy with the hydrostatic transmission that allows me to inch close to the truck without worrying about hitting the brakes," said Wipf.

we build the business through referral. That's the ultimate goal."

A recent project saw Dirtwork Unlimited construct a 120-foot by 80-foot building pad for a dairy barn extension. Using on-site material, Wipf built the pad up 10 feet. He also cleared the site and buried an old tank.

Komatsu gets the job done

The three-day project was the largest Dirtwork Unlimited has done to date, and the company used all three pieces of Komatsu equipment it owned at the time. Working with DMI Territory Sales Rep Mark Shievelbein, Herren purchased a PC200LC-8 excavator, a D51PX-22 dozer and a WA320-6 wheel loader not long after starting the business, and he recently added a PC360LC-10 excavator to the company's fleet.

"We've worked with Mark and DMI for some time, buying Talbert trailers from them for the trucking company," said Herren. He

also purchased a TOPCON system from DMI for the new Komatsu excavator. "Service was a big factor for us, and Mark and DMI have always delivered. We've had them out a couple times, and they've responded quickly. In addition, because we've hauled Komatsu equipment, we knew its reputation for quality machinery. When we were looking for machines, that was a logical starting point."

Wipf, who mainly runs the equipment, is impressed with Komatsu's productivity. "There are several features I like, including the versatility we get from the excavator and loader. For example, I can move dirt or dig out small trees with the loader, then with the quick coupler, easily change to grapple forks to move the trees into a pile or load them. In addition, loading is easy with the hydrostatic transmission that allows me to inch close to

Continued . . .

Dirtwork Unlimited focuses on job done right and on time

... continued



DMI Territory Sales Rep Mark Shivelbein (left) calls on Dirtwork Unlimited Owner Chris Herren at his office in Crooks, S.D. "We've worked with Mark and DMI for some time through the trucking company. Service was a big factor for us, and Mark and DMI have always delivered," said Herren.

the truck without worrying about hitting the brakes.

"The D51 dozer is fantastic as well," he added. "For its size, there is plenty of room in the cab, and the slant-nose design gives me excellent visibility all around and to both sides of the blade. It's quick and has good power."

Staying small

Despite some growth in its first year, Herren is not looking for rapid or explosive expansion for Dirtwork Unlimited. In fact, the plan is to keep it small and manageable.

"We're already seeing a good deal of repeat business, which bodes well for the company," he pointed out. "We're bidding a fair share of municipal work as a subcontractor. That's really what I want for the business; to work in all sectors while offering a quality job done right and on time. We've been able to provide that. I envision us having about 10 employees within the next few years, then staying there." ■



For moving large quantities of dirt, Dirtwork Unlimited uses a Komatsu PC200LC-8 excavator.

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WHAT WILL 2012 BRING?

Forecasts for the construction economy show slight improvement this year

The U.S. construction economy has stabilized during the past two years. According to most construction forecasting firms, it looks as though that trend will continue for 2012.

As always, different markets will behave differently this year. For example, according to McGraw-Hill Construction, residential construction will be up (+10 percent for single-family housing and +18 percent for multifamily housing). Also up, construction of office buildings, hotels, shopping centers, other commercial buildings and manufacturing. That's all positive, however, industry experts still see challenges ahead.

Challenge No. 1 is that despite the projected increases, some of the numbers are still fairly low. For example, take single-family housing. The National Association of Home Builders is even more optimistic than most other forecasters and is projecting 495,000 housing starts this year — a 17-percent increase from 2011. While that sounds encouraging, it's still only about one-third of what NAHB says the housing market should be, and is well short of

the million-plus homes that were being built each year before the downturn.

The other problem is the lack of financing for public projects. The Associated Road & Transportation Builders Association (ARTBA) is bracing for a 6-percent drop in highway paving and bridge construction in 2012. McGraw-Hill expects a similar drop in road work, as well as a 5-percent decline in environmental public works and a 24-percent decline in electric utilities.

\$\$\$ lacking for public works

The stagnant public-works market caused the Portland Cement Association to recently lower its projections for 2012 and 2013. When all the data are in, the group expects 2011 to wrap up with a 1.1-percent increase and for 2012 to grow at 0.5 percent, before rebounding with a 7.4-percent increase in 2013.

"We are riding on the bottom again in 2012, and the market I'm most concerned about is the public sector," PCA's Chief Economist Ed Sullivan told Engineering News-Record. "It's not talked about a lot, but we were still seeing a positive impact from stimulus spending in 2011. That largely disappears in 2012. Add to that the lingering fiscal crisis facing most states, and you have the potential of a steep slide in public spending next year."

McGraw-Hill Construction Chief Economist Robert Murray put it this way to ENR. "The Budget Control Act of 2011 is in line with the move toward reduced federal spending. Through Fiscal 2010, the federal government had assumed a supportive stance toward construction programs. After the November 2010 elections, that supportive stance changed. When

McGraw-Hill Construction predicts residential housing construction to increase by 18 percent for multifamily units and 10 percent for new single-family homes.





The American Society of Civil Engineers says improving the nation's infrastructure would improve the economy by making us more efficient and putting construction workers back to work.

2012 appropriations are eventually finalized, they are virtually certain to contain diminished federal support for numerous programs."

He points to 2011 appropriations as a guide. Congress froze the federal aid highway program at fiscal 2010 levels; rescinded \$2.5 billion in contract authority to states; cut mass transit by 20 percent; allocated zero funding for high-speed rail; and cut financing for military-related projects in the U.S. by 16 percent. Legislation passed in late December 2011 resulted in a \$56 million cut in the Clean Water State Revolving Fund and a reduction of \$46 million in the Drinking Water State Revolving Fund.

What frustrates many observers about the lack of funding for public work is that almost everybody agrees that our nation has serious infrastructure needs that must be addressed. They cite the American Society of Civil Engineers (ASCE) Report Card of American Infrastructure that gives infrastructure an overall grade of "D" and recorded "D-minus" for roads, drinking water and wastewater. ASCE points out that improving the nation's infrastructure would improve the economy in two ways: one, by making us more efficient and two, by putting construction workers back to work.

On the other hand

Somewhat more optimistic than the McGraw-Hill, Portland Cement and ARTBA forecasts were reports by construction-industry analysts at FMI Corp. and Reed Construction Data (RCD), although both were tempered.

Reed expects 2011 will wrap up with a nearly 3-percent decline in total construction spending, citing Euro Zone problems, uncertainty among U.S. businesses and low consumer confidence. Nonetheless, Reed says "positive economic data continue to accumulate..." and forecasts construction spending to increase by almost 4 percent in 2012 and about 7 percent in 2013. It should be noted that both of those figures were slightly lower than a previous RCD forecast, due to expectations of reduced government spending.

When final, year-end numbers are in, FMI Corp. expects a 2-percent increase in overall construction put in place for 2011, followed by a 6-percent rise in 2012. However, when recalculated into 2006 dollars to take inflation of construction material into account, the FMI numbers translate into a 1-percent decrease for last year and just a 3-percent increase for this year.

Fate of highway bill

One thing to watch closely in 2012 is what happens regarding a new highway bill. Will it continue to be one-year-at-a-time or can Congress and the White House agree on a new five- or six-year program that will give road builders some certainty and allow them to do some better long-range planning?

In late December of 2011, there was a bipartisan House effort to get a bill passed, but it was tabled until 2012. Various plans are being worked on in the Senate. Any bill will have to be approved by both Houses of Congress and the White House before it becomes law. ■

TRIGGERED CUTS

Super committee failure could mean reduced federal infrastructure investment



Christian Klein,
Association of Equipment
Distributors VP of
Government Affairs

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Construction
Equipment
Distribution
magazine, published
by AED. (Dec. 2011)
www.cedmag.com*

The failure of the bipartisan congressional “super committee” to produce a plan for solving the nation’s fiscal and budgetary crisis will trigger \$1.2 trillion across-the-board defense and nondefense discretionary cuts.

The spending rollback is set to begin in 2013 through a process known as sequestration. Though the exact impact of the process is unknown at this time, its effect will be far-reaching.

Federal infrastructure programs, such as the Clean Water and Drinking Water State Revolving Fund programs will likely see reductions. Combined with recent drops in investment levels, the new cuts will be particularly damaging. The exact impact on federal programs with dedicated revenue streams, such as the highway program (Highway Trust Fund), is still unknown.

The sequestration process creates a set of discretionary spending caps and triggers mandatory spending cuts spread over a nine-year period. In 2013, cuts will be made from all congressionally approved discretionary and mandatory spending. Beginning in 2014, discretionary caps will be lowered and spending will be cut from all categories not exempted by law (e.g., Social Security, Medicaid, veterans programs, refundable income tax credits, and programs with dedicated revenue streams, such as the Highway Trust Fund).

The automatic cuts are required by the Budget Control Act (BCA) of 2011, the deal reached last year to raise the national debt ceiling. Under the law, House and Senate leadership appointed members to the super committee who were tasked to come up with a plan containing at least \$1.2 trillion in cuts to the federal budget. The final compromise was to be voted on by both chambers. As an incentive for lawmakers to reach a deal, any failure to make the required cuts would result in automatic reductions necessary to reach the goal.

While the super committee’s failure has triggered sequestration, it is unclear what, if any, impact the process will have. Many members of Congress have indicated their desire to avoid the cuts envisioned by sequestration by creating new laws to reduce or eliminate the impact of the BCA’s requirements.

We need to continue to remind Congress of the important difference between wasteful government spending and critical investments in infrastructure. The threat of the cuts highlights the need for sustainable and dedicated funding for infrastructure investments and for new and innovative approaches to financing that capitalize on public-private partnerships. ■

The congressional super committee’s failure to reach an agreement means federal infrastructure programs will likely see reductions in investment, according to Associated Equipment Distributors’ Christian Klein.



PC490LC-10

From Komatsu - The Excavator Experts



The Komatsu PC490LC-10 provides more power, improved operator comfort and reduced fuel consumption. The excavator experts at Komatsu can help you complete jobs more quickly, while lowering your fuel and maintenance costs.

- Efficient Komatsu Tier 4 Interim engine and advanced hydraulic system maximize productivity while providing up to 5% lower fuel consumption.
- Increased lift capacity with a larger machine design and a reinforced undercarriage
- Komatsu CARE provides complimentary Tier 4 maintenance, including KDPF exchange filters. Contact your Komatsu distributor for details.

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TIER 4 INTERIM AFTER YEAR ONE

Customers seeing benefits from Komatsu machines designed to meet latest emissions standards

A year ago, Komatsu introduced its first machines designed to meet Tier 4 Interim standards, which dramatically reduce emissions in the 175- to 750-horsepower range. On nearly every machine, Komatsu went beyond just meeting the regulations, working to improve performance and efficiency. In some cases, Komatsu replaced the predecessor machines with new model numbers to better reflect changes, such as operating weight.

Komatsu released five excavators (PC490LC-10, PC390LC-10, PC360LC-10, PC290LC-10, PC240LC-10), two dozers (D155AX-7, D65-17 in EX, PX and WX models), two articulated haul trucks (HM300-3 and HM400-3) and a WA380-7 wheel loader. Tier 4 Interim standards for machines in the 75- to 174-horsepower range go into effect beginning this year.



With reduced fuel consumption and higher productivity, Komatsu's Tier 4 Interim machines, such as the PC360LC-10 excavator and the HM300-3 articulated haul truck, make a cost-effective combination in most applications.



"We believe we raised the bar, not only in terms of lower emissions, but in performance," said Peter Robson, Director of Product Marketing. "We've made some significant changes to the machines, such as low-speed and variable matching, smart-loader logic and Komatsu traction control. Another key element of productivity is operator comfort, and the Tier 4 Interim machines have enhancements in the operator's environment, including new seats, cabs, controls and monitors. Our feedback after the first year is very positive."

Feedback comes in various forms, including direct customer contact and active tracking through Komatsu's KOMTRAX remote machine-monitoring system.

"We've found that the Tier 4 Interim machines are more efficient than their Tier 3 predecessors," said Ken Calvert, Komatsu's Director of Product Support Systems. "In fact, many customers see benefits, such as higher production with lower fuel consumption, which equate to lower operating costs. As with any new standards, there was some concern about how they would affect performance. Our data show that customers can put those concerns to rest."

Already saving

Alton Hutto, Owner and Vice President of Lad Corporation, saw savings right away. A longtime Komatsu user, Hutto purchased a PC360LC-10 late last year and began using it on a large sewer project that involved digging in rocky soils. Despite the rugged conditions, which required using the excavator in Power mode, he said the fuel savings were apparent.

"There were competitive machines on the project, working in the same conditions,"



Last year, Komatsu introduced new excavators, articulated dump trucks and dozers, including this D65-17, that meet Tier 4 Interim standards. Data show they're more fuel-efficient and productive, with lower emissions than their Tier 3 predecessors.



Hutto pointed out. "Compared to those, our PC360LC-10 used about half the fuel. That's a significant savings, but not completely unexpected. Our experience with Komatsu through the years has shown significant savings compared to competitive brands."

Hutto attended a seminar during one of Komatsu's recent Demo Days at the company's Training and Demonstration Center in Cartersville, Ga. He learned about the technology behind Komatsu's Tier 4 Interim machines and was impressed. Tier 4 Interim emission regulations require equipment manufacturers to reduce NOx by 45 percent and soot by 90 percent.

"After the seminar, I was very confident that Komatsu is well ahead of the competition in terms of Tier 4 and how it reduces emissions," said Hutto, who's researched the Tier 4 Interim standards and how Komatsu and other companies went about meeting the regulations. "After we purchased the excavator, Komatsu sent someone to train our operators in how to maximize the machine's performance and fuel economy. We're very

impressed with their commitment to ensuring our machine's optimal performance."

Komatsu machines do that by using engine components, including the exhaust gas recirculation system, variable geometry turbocharger and Komatsu Diesel Particulate Filter (KDPF), which work together to maximize efficiency. Through regeneration, the KDPF uses heat to burn soot and reduce emissions. Komatsu designed the machines to passively and actively regenerate during operation.

Robson said passive and active regeneration trends are right on track. "The results are very positive. Passive regeneration happens consistently during normal working conditions when operating conditions maintain sufficient exhaust temperatures to oxidize particulate matter. Operators don't even know it's happening. Active regeneration generally occurs in the 60- to 80-hour range, and is what we call a 'house-cleaning event,' where temperatures are raised to oxidize the carbon. In most cases, the operator is unaware of it as well."

Continued . . .

COMPLIMENTARY TIER 4 SERVICES



Komatsu CARE for Komatsu Tier 4 Interim models is a new, complimentary maintenance program designed to lower your cost of ownership and improve your bottom line. It provides factory-scheduled maintenance on the machines for the first three years or 2,000 hours, whichever comes first. This includes up to two exchange Komatsu Diesel Particulate Filters. Be sure to contact your Komatsu distributor for all the details.

Once again, Komatsu leads the industry. No other construction equipment manufacturer offers a complimentary maintenance program like this.

It's what you've come to expect from the service experts at Komatsu.

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Tier 4 Update: Komatsu programs mean even more benefits

... continued

KOMTRAX plays a crucial role

According to the Tier 4 Interim standards, the diesel particulate filter must be cleaned at 4,500 hours. "Our tracking shows the number of regenerations, including machine requests for manual regeneration and the length of the regeneration itself," said Calvert. "We've also tracked fuel consumption as it relates to regeneration, and the numbers are very positive. We've learned a lot."

Tracking regeneration is done with Komatsu's new KOMTRAX 4.0, designed specifically for Tier 4 Interim machines, which also collects other critical information, such as fuel usage, idle time and machine hours.

"KOMTRAX 4.0 builds upon our previous versions by offering information such as predicting fuel-saving opportunities associated with changes in operating modes," noted Calvert. "For example, it can show operators ways to save fuel by using the Eco mode in their application as opposed to Power mode, if it's appropriate. It alerts them when idle time seems excessive and it would be better to shut the machine down to conserve fuel."

In addition to Komatsu tracking the machines, Calvert said distributors are actively using KOMTRAX to track equipment in their territories. "Our distributors are excellent communicators of the Tier 4 Interim technology when they sell or rent a machine, and are great at identifying situations where customers could operate equipment more efficiently to maximize productivity using less fuel."

CARE part of the equation

To further help Tier 4 Interim users keep owning and operating costs down, Komatsu backs its new machines with Komatsu CARE. The program features complimentary factory-scheduled maintenance for the first three years or 2,000 hours, whichever comes first, with work performed by Komatsu distributor technicians using genuine parts and fluids.

"One of the main goals of Komatsu CARE is to assist in the overall profitability of the end user," pointed out Jake Tiongco, Senior Product Manager, Parts Division. "Lower owning and operating costs will lead to more competitive quotes on jobs for our

Continued...



All new Komatsu Tier 4 Interim machines are backed by the Komatsu CARE program that provides three-year/2,000-hour complimentary maintenance.



Komatsu tracks Tier 4 Interim machines using its advanced KOMTRAX 4.0. "Our tracking shows the number of regenerations, including machine requests for manual regeneration and the length of the regeneration itself," said Ken Calvert, Komatsu's Director of Product Support Systems. "We've also tracked fuel consumption as it relates to regeneration, and the numbers are very positive."

Tier 4 Update: it can mean improvements to your bottom line

... continued

customers. In addition, proper maintenance of the machine with Komatsu genuine parts and factory-certified, trained technicians will increase the longevity and reliability of the Komatsu machine throughout its life."

Robson said it all adds up to increased profitability. "If owners are getting as good or better production compared to their older machines, with less fuel consumption and

lower maintenance costs, their bottom line will be better. With each new tier standard, we've improved our equipment beyond the regulations, and we believe these machines mark our best introduction yet. If owner's are still thinking about whether they should make the investment, we encourage them to demo or rent a machine. We believe they'll see the difference." ■

New Komatsu machines make magazine's Top 100 list

Komatsu's Hybrid HB215-1 is among several of the company's products listed in Construction Equipment magazine's Top 100 Products of 2011. Also listed were Komatsu's Tier 4 Interim Dash-10 excavators and its new WA1200-6 wheel loader.

The HB215-1 is Komatsu's second-generation Hybrid excavator, which was built upon the success of its predecessor and provides significant fuel savings compared to its conventional counterpart, the PC200LC-8. Four major components of Hybrid — a generator motor, inverter, capacitor and electric swing motor — work in harmony to assist the engine. For example, the swing motor captures energy from the upper structure during swing braking and sends it to the capacitor for storage. It's then available to power the swing motor or the generator motor.

Both the Hybrid HB215-1 and the Tier 4 Interim excavators (PC240LC-10, PC360LC-10, PC490LC-10) feature low-speed matching that optimizes engine and hydraulic performance. Higher-displacement pumps deliver a higher flow amount at lower engine speeds. The machine can adjust the engine speed based on the flow output for better efficiency.

Tier 4 Interim excavators reduce emissions while, in most cases, providing better fuel economy and higher horsepower than the models they replaced. All major components, such as the engines, hydraulic pumps, motors and valves, are exclusively Komatsu. An integrated design with a closed-center, load-sensing hydraulic system makes the machines more efficient.

Designed for mining applications, the WA1200-6 wheel loader has an increase of 132 horsepower compared to its predecessor. It has an engine rpm-control system with auto deceleration and a dual-mode hydraulic system that can be set for normal or powerful loading. ■



Komatsu's second-generation hybrid excavator, the HB215LC-1, is recognized by Construction Equipment magazine as one of the most innovative products of the year. Also listed were Komatsu's Tier 4 Interim Dash-10 excavators and its new WA1200-6 wheel loader.

LOADERS

From Komatsu - The Loader Experts



Komatsu Wheel Loaders deliver high productivity, low fuel consumption, easy maintenance and superior operator comfort. The WA200PZ-6, WA250PZ-6 and WA320PZ-6 feature Komatsu's electronically controlled Hydrostatic Transmission (HST) with Komatsu's PZ (Parallel Z-bar) linkage.

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COMPACT EXCAVATORS

From Komatsu - The Compact Experts



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- Three track options for any terrain: rubber, steel and roadliner
- Boom offset allows digging parallel to foundations or fences
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NEW PRODUCTS

NEXT-GENERATION TRUCK

Komatsu's new HM400-3 meets all Tier 4 Interim requirements, plus provides increased capacity

VYou care about the reduction in emissions that Tier 4 Interim regulations mandated, but chances are you're more concerned that new machines will move the same amount of material as efficiently as your current equipment. Komatsu's new HM400-3 articulated haul truck does that and more. The new Tier 4 Interim truck actually outproduces the previous Tier 3 model.

The HM400-3 has an increased body capacity that yields a 44.1-ton payload compared to the 40 tons of its predecessor. Built of high-strength, wear-resistant steel, the body features a low loading height of 10 feet, five inches, which allows easy loading by Komatsu wheel loaders and excavators.

"A good combination is matching the HM400-3 with a 40- to 60-ton hydraulic excavator or a 5.5-cubic-yard to 7.5-cubic-yard wheel loader," said Product Manager Rob Warden. "That's an efficient, cost-effective way to move massive amounts of dirt on a variety of jobsites. Depending on conditions, operators can select from two working modes: Economy for lighter work on flat ground or Power for higher-production jobs and uphill-hauling applications."

A new Komatsu Traction Control System (KTCS) allows for maximum performance in soft ground, allowing operators to continue working in wet, sloppy conditions. If the truck detects a rapid slowdown in movement, it checks to see that the front and middle axle shafts are rotating at the same speed. If not, it automatically engages the inter-axle differential lock. If wheel slippage is then detected, the HM400-3's KTCS system will automatically brake the slipping wheel.

"Job conditions determine fuel consumption, but with improvements in the transmission and advanced electronic engine control, we're seeing as much as 14-percent better fuel economy

compared to the previous model," said Warden. "Eco Guidance through the monitor panel gives the operator information on ways to improve fuel economy. In addition, there are improvements to make the operator more productive, such as a center-located seat that provides a wider view, and a larger seat with air suspension that dampens vibration. The cab design offers less vibration and noise, too."

Backed by Komatsu CARE

Like other Tier 4 Interim machines, Komatsu backs the HM400-3 with Komatsu CARE. The program provides complimentary scheduled maintenance for three years or 2,000 hours by factory-certified technicians using genuine Komatsu parts and fluids.

"It's a value-added service that ensures proper maintenance, done right and on time," explained Warden. "That lowers owning and operating costs, maintains uptime and reliability and improves resale value." ■



Rob Warden,
Product Manager

Komatsu's new HM400-3 features increased payload, horsepower and gross vehicle weight compared to its predecessor, while reducing fuel consumption by as much as 14 percent, depending on job conditions.

Brief Specs on the Komatsu HM400-3 Artic Truck

| Model | Net Horsepower | Gross Vehicle Weight | Payload |
|---------|----------------|----------------------|-----------|
| HM400-3 | 469 hp | 162,569 lbs. | 44.1 tons |



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MODEL MANUFACTURING

General Manager Dennis Riddell says the Komatsu CMO's quality focus equals quality products

QUESTION: What products are produced at the Chattanooga Manufacturing Operation (CMO)?

ANSWER: For the past couple of years, we've been producing the forestry line, which has been rebranded as Komatsu since 2011. That includes three log-loader models that will become Tier 4 Interim machines later this year and four models of tracked feller bunchers.

CMO is well-known as the Komatsu hydraulic excavator manufacturing facility. We produce several models of hydraulic excavators, including the new Tier 4 Interim construction machines that range from the PC240LC-10 to the PC490LC-10. We believe that when those excavators are paired with Komatsu's new Tier 4 Interim articulated trucks, they are one of the most productive combinations in earthmoving.

QUESTION: Why is that?

ANSWER: The Tier 4 Interim machines have proven to be as productive as, and in many cases more productive than, their Tier 3 predecessors. At the same time, they provide both decreased emissions and fuel consumption. So a company that uses a Tier 4 Interim combination can often move more dirt, more quickly with less fuel. That improves per-yard costs and equals better profits.

QUESTION: Have you received any feedback from Tier 4 Interim users supporting that?

ANSWER: Lots of feedback, and it's been very positive. Anytime there are new product introductions, especially ones that are mandated by federal regulations, there's a bit of apprehension. Users always wonder whether those standards will affect performance. But

Continued . . .



Dennis Riddell,
General Manager,
Chattanooga Manufacturing Operation

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.

In the 25 years Dennis Riddell has been at Komatsu's Chattanooga Manufacturing Operation, he's never seen production levels as high as they are right now. As General Manager of CMO, Riddell oversees about 300 employees who build six models of hydraulic excavators and seven models of Komatsu Forestry equipment, including log loaders and feller bunchers.

"Our production numbers are well above previous levels," said Riddell, who joined CMO as a quality engineer a few months after it opened in 1986. He moved up to Quality Manager, Manager of Manufacturing Engineering and Operations Manager before becoming General Manager in 1997. "We believe that's due in part to construction picking up, which is good for the economy as a whole."

CMO began building new Tier 4 Interim excavators in late 2010 to be ready to meet the standards that took effect at the beginning of 2011.

"We're able to meet high production levels and maintain the quality Komatsu is known for because an excellent group of people work here. Many have been here as long as I have and are well-versed in new product introductions and making that a fairly seamless process."

Dennis and his wife, Jamie, have been married for 46 years and have two grown children and five grandchildren, with a sixth on the way. He's an avid golfer and likes to fish.

Excavators and forestry equipment built at CMO

... continued



Komatsu's Chattanooga Manufacturing Operation produces hydraulic excavators and forestry equipment.

About 300 employees work at CMO, building excavators and forestry machines. "We're able to meet high production levels and maintain the quality Komatsu is known for because an excellent group of people work here," said General Manager Dennis Riddell.

The 360-horsepower Tier 4 Interim PC490LC-10 is the largest excavator produced at Komatsu's Chattanooga Manufacturing Operation. The facility also manufactures four other Tier 4 Interim excavators, as well as the PC200LC-8.



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our engineers, research and development teams and manufacturing personnel, among others, have spent years testing and retesting to ensure all our new products not only meet the emissions standards, but give the owner/operator more value without sacrificing any of the productive features they've come to expect from Komatsu. From the feedback we've received, we believe we achieved that.

In addition, Komatsu tracks Tier 4 Interim machines with its KOMTRAX 4.0, which gives instant feedback on how a machine is performing. We've produced more than 700 of the new machines, and several of them are approaching 1,000 hours with very few issues. In the 25 years I've been here, the Tier 4 Interim introduction has been the best new-model introduction we've ever done.

QUESTION: How did CMO prepare for the new Tier 4 Interim machines?

ANSWER: Just like we always do when a new machine is introduced. We start with good manufacturing practices, and that involves a great deal of time engineering the machine before it's ever put on the production line. That began right away, as soon as the standards were announced several years ago. The engineers and manufacturing personnel worked together to ensure that when actual production started, it was as seamless as possible. What really helps is that the people who work for Komatsu are all quality-focused and take their responsibility very seriously. As an example, when a machine goes through the production line, the workers at each station act as though the workers at the next station are their customers. It's a very unique quality-control measure and very effective as well. Of course, we thoroughly inspect each and every machine produced here. If it doesn't meet our stringent standards for any reason, it doesn't go out.

QUESTION: So, that means Komatsu is already preparing for the final Tier 4 standards, which take effect in 2014?

ANSWER: Absolutely. Our personnel have been working on that for a long time, and we're in what we call the "prepro" process, meaning preproduction. Just like all the previous tier standards, we'll be ready when the regulations take effect. ■



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A MAJOR VICTORY

Industry groups hail repeal of 3-percent withholding rule

After a long legislative fight, Congress passed and the President signed the repeal of the 3-percent withholding rule that was designed to hold back that amount from individuals or companies that provide goods or services to the government. Passed as part of the Tax Increase Prevention and Reconciliation Act of 2006, it was originally scheduled to go into effect at the end of 2011, but was subsequently delayed until 2013.

Several construction industry groups lobbied for its repeal ever since its passage, noting that the withholding applied to the total contract, not to the net revenue generated from a project. That meant the government would withhold funds necessary to complete a project, such as those needed to pay subcontractors and material suppliers. According to the Associated Builders and Contractors, the rule would restrict cash flow, resulting in higher bond costs or denial of coverage, thus driving up the cost of construction and forcing smaller firms out of the public sector market.

"An overwhelming, bipartisan majority of Senators understand that repealing the 3-percent withholding mandate is essential to boosting economic growth," said Stephen E. Sandherr, Chief Executive Officer of the Associated General Contractors of America. "With construction activity down, the last thing construction employers need is to be forced into giving interest-free loans to the federal government. That's why the vote comes as welcome news for construction firms, workers and taxpayers alike. As our members made clear in a recently released survey, many firms will be better able to offer positions to veterans, which this legislation also supports, without the enormous cost of this measure looming."

Sandherr was referring to the portion of the repeal that offers tax credits ranging from \$5,600 to \$9,600 to companies that hire former members of the military who are unemployed. The credits, part of the total cost of the repeal that's estimated at \$11 billion less revenue over 10 years, are offset by changing a provision of the 2010 health care law that moves some people from Medicaid to subsidized coverage in new health care exchanges, among other changes.

"By repealing the 3-percent tax withholding provision that was scheduled to take effect in 2013, Congress took an important step in lifting a cloud of uncertainty hanging over the business community," said Bruce Josten, U.S. Chamber of Commerce Executive Vice President for Governmental Affairs. "With passage of this legislation, many small businesses that operate on tight margins will feel more comfortable making decisions to hire and invest in their companies, knowing that the government won't be allowed to withhold 3 percent of their revenues." ■

Congress repealed the 3-percent withholding rule, marking a victory in the long legislative fight against it. Construction industry organizations say it brings more certainty to contractors.



SIDE TRACKS

On the light side



"Go to school, study hard, get a job and make money, aren't there phone apps to do all that?"

"Did you guys order a pizza?"



"My lawyer will read the fine print."

Did you know...

- The human eye blinks an average of 4.2 million times a year.
- Only 1% of bacteria cause disease.
- Bluebirds cannot see the color blue.
- Like fingerprints, everyone's tongue print is different.
- A law in North Carolina prohibits plowing a cotton field with an elephant.
- Throughout the world, more Monopoly money is printed in a year than real money.
- The U.S. has more bagpipe bands than Scotland does.
- The Mona Lisa has no eyebrows. It was the fashion in Renaissance Florence to shave them off.
- The most productive day of the workweek is Tuesday.

Brain Teasers

Unscramble the letters to reveal some common construction-related words. Answers can be found in the online edition of the magazine at www.DMIDifference.com

1. D L E B A _ _ _ D _ _
2. D G D E R E _ _ _ _ G _
3. N M E E T C _ _ M _ _ _
4. G R E E N I E N _ _ _ _ _ E _ _
5. L N P P E I E I _ _ P _ _ _ _

MORE INDUSTRY NEWS

Fed report: restoring housing market critical to economic recovery

In a message to Congress, the Federal Reserve said, "Restoring the health of the housing market is a necessary part of a broader strategy of economic recovery."

That message was part of a report by the Federal Reserve that said excessively tight mortgage-lending standards are hampering a housing and economic recovery. Organizations such as the National Association of Home Builders (NAHB) applaud the report, saying that the lack of credit extends to housing construction loans, which is crippling the housing industry and preventing construction of new homes. NAHB said housing can act as a job catalyst if regulators and lending

institutions return to prudent underwriting standards that do not exclude creditworthy borrowers and if they move to restore the flow of credit to viable home-building projects.

NAHB noted that cash-strapped municipalities are desperately searching for new revenue sources and home building can increase the property tax base that supports local schools and communities. "Removing the obstacles limiting access to mortgage credit and enabling builders to obtain construction loans to build in markets where demand is firming is imperative to get housing back on track, to put our nation back to work and to keep the economy moving forward," said Chairman Bob Nielsen. ■



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