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A PUBLICATION FOR AND ABOUT DMI CUSTOMERS • 2008 No. 1

Featured in this issue:

NEW SMALL WHEEL LOADERS

Variable traction control system
gives Dash-6 models firmer footing

See article inside...



KOMATSU

A MESSAGE FROM THE CHAIRMAN



DIESEL MACHINERY, INC

Dear Equipment User:

A new year always brings with it a sense of anticipation and hope. So it is with 2008.

Last year marked the first nationwide downturn in overall construction since 1993. Despite that, a tremendous amount of work was still done. When you stop to consider the phenomenal runup that occurred in the previous 14 years, a small decline still leaves the annual total at a very high level, one that can be viewed as more of a correction than a cause for concern. And much of that downturn can be attributed to the housing slowdown in a handful of states.

As for 2008, forecasts vary (see story inside) as to what the year will bring. Some are predicting another small decline while others believe the construction economy will rebound. At Diesel Machinery, Inc., we're determined to help make it a successful year for you and your company.

Komatsu will be coming out with many new models designed specifically to improve performance and lessen fuel consumption. Komatsu's goal is to produce machines that are demonstrably superior to competitive units. If you're in the market for a new piece of equipment, we invite you to demo a Komatsu machine and discover the difference for yourself.

Meanwhile, all of us at DMI are committed to providing you with the parts and service support you need to keep your machines productive and reliable throughout the year. As always, if there's anything you need, don't hesitate to contact us. Our sales, parts and service personnel at all of our branches are here to help you in any way we can.

Sincerely,

Pat Healy
Chairman of the Board



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A SALUTE TO A **DMI** CUSTOMER

WORTHINGTON EXCAVATING, INC.

Southwest Minnesota contractor grows by providing a long list of services



Susanne Murphy,
Owner/President

Susanne Murphy wasn't expecting to offer a complete list of services when she founded Worthington Excavating about 18 years ago as an offshoot to the company her husband, Tom, started in the late 1970s, TR Murphy Contracting. The idea was to take on small jobs such as digging basements in and around the Worthington, Minn., area.

The idea lasted nearly a decade as Susanne and three employees stayed busy with smaller projects, while TR Murphy Contracting did larger jobs such as large site preparations and city street work. Occasionally, the two companies worked together. About 10 years ago, it all changed when Tom passed away suddenly.

"At that point I had a decision to make, and the logical one to me was to combine the two companies together and continue to operate as one," said Murphy, who is Owner and President. "We continue to operate under Worthington Excavating with all the services of both companies under one

roof. Worthington Excavating now has 20 employees and does practically anything that relates to excavation work."

That comprises a full package of excavation services that includes clearing and grubbing, mass excavation and grading, fine grading, foundation excavation and placing base stone for parking lots. Much of the stone Worthington Excavating uses comes from the five pits that Murphy owns in a joint venture with Dwayne Bents. The pits produce sand materials as well as crushed rock, and supply material for Worthington Excavating projects as well as outside customers.

No job too big or small

The company also hauls gravel and does demolition work, hauling debris to its own demolition pit. The most recent addition to the list of services is underground work, something Worthington Excavating has been gearing up to do during the past few years.

"There's really no job too big or too small for us to look at," said Murphy. "We do individual services such as clearing trees, demolishing a farm building or hauling a load of dirt for someone's garden. At the same time, we've grown into a company that offers full packages that put us in charge of a large part of the site work on a project. Not only will we perform the excavation work, we'll find subcontractors to do seeding, sodding, parking lot striping, landscaping and anything else our customers want us to do.

"We're more diversified than ever before," she added. "About 90 percent of our work is municipal and commercial, with the other 10 percent being residential. Usually there's half a dozen projects going at once."

Worthington Excavating uses this WA250-5 wheel loader for a variety of applications, including stockpiling material.





Operator Jerry "Moe" Gronewold charges the crusher at one of Worthington Excavating's pits using a Komatsu WA380-6. "The WA380 outperformed the competition in demos and the fuel efficiency has been absolutely excellent," said Operations Manager Mark Thier.



Municipal street reconstruction projects have become a specialty niche for Worthington Excavating. The company puts special emphasis on bidding those each year.

"That's a specialty of ours because it allows us to bid as a general contractor and really hits nearly every aspect of what we do," said Operations Manager Mark Thier who oversees estimating, bidding and management of the company's crews. "We demolish the street from curb to curb, do a one-foot subgrade cut under the whole street, put in tile on each side, lay fabric and rock. Then the paving company we work with comes in and does their end of it. We've become very good at it."

Long-term employees bring expertise

Worthington Excavating also did a reconstruction project for a new taxiway at the Worthington Airport, where crews took out the existing runway and cut the subgrade down three feet before building it up again with rock.

Other recent projects include road work building new turning lanes on Highway 60 in conjunction with site construction of a new soybean plant in Brewster. Additional work involved moving nearly a half-million yards

of dirt, including overexcavating the building pad area and replacing the soil with about 135,000 tons of good material.

"Those are fairly typical of the types of projects we like to do," said Thier. "Fortunately, there have been a large number of such jobs around this area during the past several years. That's kept us local. Almost all of our work has been within 15 miles of Worthington, which is really nice."

Murphy said that's also been one big reason why Worthington Excavating has kept a large number of long-term employees on its staff. Several worked for TR Murphy before it was joined with Worthington Excavating. Murphy gives special mention to Thier who started as a truck driver.

"Our people are the reason that Worthington Excavating has grown and become what it is today," acknowledged Murphy. "Some of those guys have been around 20, or in some cases, 30 years. I rely heavily on their expertise, and they deliver every time. They're a tremendous asset to the company. I like to think of them as members of the family."



Mark Thier,
Operations Manager

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Service, quality and diversification add to growth

... continued

Woman of the Year

They obviously feel a great kinship to Murphy as well. Worthington Excavating employees nominated her for the 2007 Woman of the Year Award, which she received at a banquet last year. The Chamber of Commerce gives the award based on several criteria, including past service, volunteer work and character.

"It was the biggest honor of my life," said Murphy, who visits a local nursing home regularly. "We all give back to the community, and to be recognized for it, especially because the employees nominated me, was a great thrill."



Owner/President Susanne Murphy tracks usage of Worthington Excavating's WA380-6 wheel loader with Komatsu's KOMTRAX monitoring system. "It's a really good way to keep tabs on hours, fuel and maintenance needs. It's a very valuable tool," said Murphy.

(L-R) Worthington Excavating Owner/President Susanne Murphy and Operations Manager Mark Thier worked with DMI Sales Representative Dar Ellis to purchase two Komatsu wheel loaders. "We've built a good relationship with Dar and DMI," said Murphy. "They've done a good job of responding to our needs and meeting them quickly."



Adding Komatsu wheel loaders

With growth in business the past several years came a need for more equipment, including Komatsu wheel loaders that Worthington Excavating uses at its pits and for general site work. The company's latest addition is a WA380-6 to go along with a WA250-5 purchased in 2004.

"When we're looking for equipment, we want efficiency, fuel economy and comfort for the operator," said Thier. "We were longtime users of a competitive brand, but we demo'd the WA250 and found it outperformed the other brand in all those areas. It's smooth, powerful, quiet and comfortable. When it was time for a new loader in the pit, we took our experience with the WA250 into account and looked at the WA380. Again, it outperformed the competition, and the fuel efficiency with the WA380 has been absolutely excellent."

An additional feature that Thier and Murphy appreciate is Komatsu's KOMTRAX monitoring system, which came standard with the machine. It allows them to track the machine's usage via computer through GPS.

"We're able to log on and see what that machine is doing at all times," said Murphy. "It's a really good way to keep tabs on hours, fuel and maintenance needs. It's a very valuable tool."

Worthington Excavating handles its maintenance needs in-house, with occasional help from DMI. "Our Sales Representative, Dar Ellis, has been calling on us for a long time, and we've built a good relationship with him and DMI," stated Murphy. "They've done a good job of responding to our needs quickly."

Committed to quality

Murphy plans to do the same for her customers. Responsible service and quality work have become hallmarks of Worthington Excavating. She said the diversification will continue as well.

"We're going to get bigger and stronger," she said. "We'll do that by continuing to diversify the company without losing our commitment to quality. Adding underground to our list is a step toward doing that. We hope that's only a small step toward where we're going." ■

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CONSTRUCTION SPENDING

Nationally, 2007 shows decline for first time in 14 years, but location tells the real story

Here's a quick review and outlook for 2008 from a variety of sources serving the construction industry.

It's said that "all politics are local." In this election year, the same could be said about the health of the construction economy. It's all local. Although every day seems to bring more news about the housing slump and how it's negatively impacting construction, the depth of the problem depends almost entirely upon your location, location, location.

While a few parts of the country are indeed in a downturn fueled by a sour housing market, other regions — primarily those that didn't experience the rapid rise and speculative buying that occurred in some of the hottest real estate markets in 2004, 2005 and 2006 — are still doing just fine. Perhaps not at the level of activity that occurred during the peak of the

boom years, but houses are still being built in much of the country. And nonresidential construction, along with public construction, continued to show nice gains last year.

That said, 2007 did mark the end of a remarkable national run for construction. For 14 straight years, total construction spending grew each and every year — four times by double-digit numbers. The compounding cumulative effect of these increases means construction dollar volume was almost three times higher at the end of 2006 than it was in 1993. The final figures for 2007 weren't available at press time, but forecasters estimated that the decline would end up somewhere between 4 percent and 8 percent.

So what will 2008 bring? Here is what the leading forecasting firms are projecting.

A mixed bag of forecasts

According to Engineering News-Record (ENR), McGraw-Hill Construction, a leading forecasting firm of which ENR is a unit, predicts the sharpest 2007 decline — down 8 percent — followed by another 2 percent decline in 2008.

McGraw-Hill blames the housing crisis almost exclusively for creating last year's drop, as well as this year's projected continuing slide. Nonetheless, McGraw-Hill Construction's Chief Economist Robert Murray refused to call it the end of the up cycle that began in 1991.

"If single-family housing is excluded, construction activity in 2007 registered a 3 percent gain, and (2008's) decline is ... very modest..." he was quoted as telling ENR. "The downside on the nonresidential building and public works side of the forecast is minimal."

The housing slowdown has received a lot of national news attention, but the problem is most acute in just a handful of areas. In many parts of the country, houses are still being built and the National Association of Homebuilders expects "a modest recovery" to begin in the third quarter of this year.



According to ENR, the Portland Cement Association cites a continuing downturn in residential construction for its somewhat bearish assessment of 2008. PCA is forecasting a 3.9 percent drop in 2007 followed by a 3.7 percent decline in 2008. It has low expectations for a housing rebound this year, projecting an 8 percent drop in total residential construction in 2008, on top of a 17 percent residential slide in 2007.

At the other end of the spectrum are industry management consultant FMI Corp. and Reed Construction Data.

FMI Corp. is forecasting a less-than-5-percent decline in 2007, followed by a near 2 percent increase in total construction put-in-place in 2008. "We are probably on the optimistic side of the forecasting business but we don't see current events impacting the overall economy, which should continue to be strong," FMI Construction Economist Heather Jones told ENR.

FMI Corp. expects health care, public safety, education and power sectors to lead the way back, and forecasts only a 2 percent drop in total residential construction in 2008.

The Reed Construction Data forecast is even rosier, with a prediction that construction spending will be down only 1.7 percent in 2007 and will rebound with a 7.1 percent increase in 2008. According to Reed, the gains will be small early in the year, but will progressively increase. Reed notes however that there is a "larger-than-usual error range about this forecast since the forecast period includes a projected turnabout from decline to increase," and because housing start trends are "still somewhat fuzzy."

"Good growth in front of us"

As for those housing starts, the National Association of Homebuilders (NAHB) says the industry should bottom out in 2008 and "begin a modest recovery," starting in the third quarter. NAHB Chief Economist David Seiders cites a solid overall economy and jobs growth; core inflation remaining under control; an easing of the credit crunch in mortgage markets; and an improvement in the supply-demand equation as excess inventories are whittled down.



Public construction, such as road building (left), and commercial construction (above) continued to show growth in 2007 with solid increases expected to continue this year as well.

Underscoring the idea that housing is more of a local and regional problem than it is a national one, NAHB reports that a majority of markets (200 of 363) continue to experience "modest and sustainable" appreciation in house values, adding, "The fallout from irresponsible subprime ARM lending will *not* include deep, nationwide house price declines."

While acknowledging that there's been some national weakening in permit numbers, NAHB says many of the stronger markets in the country remain at or above preboom levels of production. The organization projects total housing starts in 2007 to register 1.363 million and expects that figure to fall to 1.2 million in 2008 before rebounding in 2009.

"By the end of 2009, we may be at a pace of 1.5 million units of new housing production," said Seiders. "Once we are out of the woods, we should see good growth in front of us, maybe 2 million per year." ■

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WATER FUNDING APPROVED

AGC praises Congress for overriding a presidential veto

The Associated General Contractors of America (AGC) applauds Congress for successfully overriding President Bush's veto of the Water Resources Development Act of 2007 (WRDA), which authorizes investing \$23 billion in civil-works projects administered by the U.S. Army Corps of Engineers.

"The veto override means that this nation will finally have the opportunity for new investments in improved flood control, increasing navigation capacity and ecosystem restoration," said AGC CEO Stephen E. Sandherr.

AGC played a central leadership role in the veto override and passage of the largest civil-works bill in the nation's history and hailed Congress for its willingness to stand up and recognize the need for investment in our nation's water resources.

"In order to maintain our economic competitiveness and national security, we must be willing to make the necessary investments in our critical infrastructure," Sandherr commented. "The seven-year gap in reauthorizing WRDA and the increasing need to invest in our nation's water resources account for the \$23.2 billion in project authorizations. The figure represents a small down payment toward covering the nation's staggering waterways investment gap."

WRDA contains several AGC-backed provisions to improve how the U.S. Army Corps of Engineers prioritizes projects and how they will be developed in the future.

Sandherr added, "Hurricane Katrina should be a lesson to us all: we must invest now or suffer the consequences later. These

are projects that will determine whether dams and levees are secure, whether water resources for this nation are available and whether we do important environmental restoration to mitigate the impacts of catastrophic storms." ■

Late last year, the House and Senate overrode President Bush's veto of the Water Resources Development Act (WRDA) of 2007. The vote to override was 361 for, 54 against and 17 not voting in the House, and 79 for, 14 against and 7 not voting in the Senate. Here are comments from the construction industry group Associated General Contractors of America (AGC) regarding the override vote.



Stephen Sandherr,
CEO, Associated
General Contractors

Beach restoration and other projects are among those funded following Congress's override of President Bush's veto of the Water Resources Development Act of 2007.



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PRODUCT SUPPORT

IMPROVING AVAILABILITY

Komatsu speeds parts orders with the completion of eight regional depots

Komatsu, long an industry leader in parts availability, further strengthened its commitment to keeping owners' downtime to a minimum with the completion of eight regional parts depots. Located throughout the United States and Canada, the depots are designed to expedite parts orders.

The newest depot recently opened in Savannah, Ga. It joins a list that includes Pittsburgh, Las Vegas, Minneapolis, Denver and Portland in the U.S., and Vancouver and Toronto in Canada. In addition, Komatsu has a master parts distribution center in Ripley, Tenn.

"These regional parts depots combine to significantly increase our available warehouse space and improve our overall parts availability," said Frank Pagura, Vice President, North American Parts Operations. "They're strategically located so we can deliver parts to the distributor quickly and effectively. Our distributors already have a vast inventory of parts on hand, and these regional depots are one way to augment that."

The regional parts depots are part of a comprehensive three-tier approach to parts fulfillment:

- Komatsu will work closely with its distributors to monitor and improve local parts stocking and availability of "on-the-shelf inventory" at distributor locations. This will ensure Komatsu and its distributors optimize their "common parts" inventory to best meet customer needs.

- The eight regional parts depots add another layer of support to the parts network with dedicated and continuous nightly trucking routes between Komatsu's master

parts distribution center, the regional parts depots and distributor locations.

- Komatsu has improved the customer service, technical assistance and response teams as well as increased the inventory levels and parts availability at its master parts distribution center. This facility has 584,000 square feet of inventory space, operates 24 hours a day Monday through Friday (7 a.m. to 3 p.m. on Saturday), with call-in service available during all other hours and holidays. Customers always have 24-hour access to parts books and ordering at Komatsu's parts Web site, www.epartscentral.com

"The regional parts depots are definitely a milestone, but it goes a lot deeper than that," said Pagura. "This is the culmination of planning and restructuring to improve and strengthen our total parts availability and distributor and customer support at all levels." ■



Frank Pagura,
VP of North American
Parts Operations

Komatsu regional parts depots, like this one in Las Vegas, are strategically located to deliver parts to the distributor quickly and effectively.



NEW PRODUCTS

NEW SMALL WHEEL LOADERS

Variable traction control system gives Dash-6 models firmer footing

Improving on what was already a good thing is never easy, but Mike Gidaspow, Komatsu Product Marketing Manager for Wheel Loaders, says Komatsu did it with the launch of its new Dash-6 models of the WA200, WA250 and WA320 wheel loaders. The main reason: they now offer the advantage of variable traction control.

Variable traction control allows operators to fine-tune the machine to match ground conditions. The traction control switch reduces the tractive effort of the machine when traveling at low speed. Combined with torque proportioning differentials, or optional limited-slip differentials, the variable traction control provides several benefits.

"The WA200, WA250 and WA320 have long been trusted, versatile machines in road work, utility, agricultural and a host of other applications," noted Gidaspow. "With the enhancements we've made, such as variable traction control and Tier 3 engines, users are going to find them to be even more effective and productive."

Each loader has three variable traction control modes (A, B and C) that offer different levels of traction control. The A mode allows for 75 percent tractive effort, B provides 65 percent and C offers approximately 55 percent.

"The previous models had only one level of traction control, which was basically on or off. With the new WA200-6, WA250-6 and WA320-6, users get three," noted Gidaspow, who added that parallel tool carrier versions will be coming very soon. "The variable traction control offers an advantage when operating on soft ground where the tires are apt to slip. It eliminates excessive bucket penetration and reduces tire slippage during stockpile loading to improve the work efficiency."

"Komatsu's hydrostatic loaders have always had a great deal of pushing power, and these are no different," Gidaspow added. "Usually, that's good, but sometimes it can be too much power. In those instances, the tires tend to spin, so the power isn't going to the ground. With the variable traction control, the operator can reduce the pushing power and the spin. Reducing tire slippage will extend tire life, and with tire prices climbing, that will make a big difference in the bottom line."

S-mode, Max. traction

An S-mode is also standard, and provides optimum driving force for operation on



Mike Gidaspow,
Product Marketing
Manager Wheel Loaders

Continued . . .

Brief Specs on Komatsu Dash-6 Wheel Loaders				
Model	Net hp	Operating weight	Bucket Capacity	Breakout force
WA200-6	126 hp	23,160-23,457 lbs.	2.2-3.2 cu. yd.	18,298-23,038 lbs.
WA250-6	138 hp	25,441-25,904 lbs.	2.5-3.5 cu. yd.	24,250-30,535 lbs.
WA320-6	167 hp	31,590-32,070 lbs.	3.0-4.2 cu. yd.	24,870-33,380 lbs.

Komatsu's new small wheel loaders have variable traction control, which allows operators to fine-tune the machine to match ground conditions. Each loader has three variable traction control modes that offer different levels of traction control from 75 percent to 55 percent tractive effort.



New features offer efficiency, operator comfort

... continued

slippery road surfaces. "Many contractors also do snow removal in the winter, and the S-mode is well-suited for those conditions," said Gidaspow. "It changes the tractive effort curve to reduce slipping when traveling at a low speed."

A Max. traction switch is also standard and is located on the work equipment control lever, so it's easy for the operator to turn it on or off. When the traction control is on or S-mode is selected, pushing the Max. traction switch cancels the setting of the traction control temporarily and increases the tractive effort to full. Pushing the switch or changing from forward to reverse again automatically returns the tractive effort to its set value. That's useful for operations such as stockpile work, which requires temporary, large tractive effort.

Like Komatsu's other Dash-6 models (WA380 through WA480), the new WA200, WA250 and WA320 are powered by ecot3, Tier 3-compliant, turbocharged engines that reduce emissions without reducing power or fuel efficiency. Each model got a boost in horsepower and operating weight that helps increase tipping loads compared to its predecessor.

Also new is a hydraulically driven, auto-reversible fan. When the switch is in the automatic position, the fan intermittently revolves in reverse for two minutes every two

hours and can be easily reprogrammed for other cycles.

"The auto reverse fan works great in high-debris applications by keeping the radiator cleaner and reducing the amount of time the operator has to spend outside the machine cleaning it out," Gidaspow said. "It works automatically, but the operator can also manually reverse the fan if he feels it is necessary, depending on conditions."

An outstanding choice

Less time cleaning the radiator means more time in the cab, which is larger and more operator-friendly. Komatsu moved the air-conditioning system from the back to the front to allow more space for seat adjustment. An electronically controlled directional lever lets the operator change direction with the touch of a finger, without removing his hand from the steering wheel, which is on a tiltable steering column. A multifunction control lever, integrated with a forward and reverse switch, allows easy operation to reduce fatigue and increase controllability. An adjustable wrist rest is standard, as is a right-side control panel where the operator can control the speed range, maximum travel speed in first gear, tractive effort and reversible fan. Wide, pillarless, flat glass provides excellent front visibility.

The improved Equipment Management Monitoring System (EMMS) is mounted in front of the operator for easy viewing, so he can check gauges, warning lights and feature functions, such as action-code displays and replacement-time notices.

"Also standard is KOMTRAX, Komatsu's remote monitoring system which can send location and other valuable information about the machine to a secure Web site, where Komatsu and its distributors can track error codes and schedule maintenance," said Gidaspow. "Komatsu offers five years of free service, which is unprecedented in the industry. It's just another advantage that Komatsu offers on these new machines. Along with all the other features the WA200-6, WA250-6 and WA320-6 have to offer, they are outstanding choices for anyone who uses these size classes of wheel loaders." ■

Komatsu added its ecot3, Tier 3-compliant turbocharged engines to the new WA200-6, WA250-6 and WA320-6 wheel loaders for better fuel efficiency with lower emissions.





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Mike Vigil,
Product Manager,
Mobile Crushers

Komatsu's new BR580JG-1 mobile jaw crusher is suitable for a variety of applications, including quarry, demolition and highway construction where old pavement is crushed to make base material.

As more projects call for the recycling and reuse of existing materials, mobile crushers have become increasingly in demand. So has the need to crush more material faster, a task handled by Komatsu's new BR580JG-1, the largest in the Komatsu lineup of mobile crushers.

The BR580JG-1 (replacing the BR550JG) is powered by a fuel-efficient, water-cooled 345-horsepower Tier 3 engine that's suitable for a variety of applications, including quarry, demolition, and highway construction where old pavement is crushed to make base material. An electronically controlled common-rail fuel-injection system is EPA Tier 3-certified and provides low-noise operation that's fuel-efficient, powerful and productive.

Brief Specs on Komatsu BR580JG-1

Net Hp	Operating Wt.
345	108,000 to 112,440 lbs.

"These are on-site crushers designed to save the customer hauling, fuel and dumping costs," said Mike Vigil, Product Manager, Mobile Crushers. "The savings are potentially enormous; therefore, this segment of the market is growing rapidly. Komatsu designed the BR580JG to help users be more productive and efficient in their operations, not only by producing significant tonnage per hour, but through ease of setup and maintenance. It's mobile, so it can be up and running in a matter of minutes and adjusted quickly and easily to switch among materials."

"A powerful tool"

A large-capacity hopper is accessible from three sides for material loading. Depending on the size of material needed, the new BR580JG-1 jaw crusher uses an automatic discharge system that makes it easy to change the opening of the discharge port with a simple one-touch operation. The opening is adjustable from 2.2 to 7.9 inches OSS (Operating Side Setting). Sprinkler nozzles are standard at the jaw entry, discharge and main conveyor discharge to minimize dust.

Komatsu's BR580JG-1 has several special features, including the patented HydrauMind™ fully hydraulic drive system that delivers the right amount of oil through load-sensing and pressure-compensated valves, sensing overloads and automatically slowing the feeder down.

"We worked with crusher users to design the BR580JG-1 to not only be the largest in its size class, but to be the most efficient and cost-effective machine for their operations," said Vigil. "We believe this machine will be a powerful tool in the crushing and recycling industries and is a perfect complement for operations that want to add those services to their lists of capabilities." ■





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PRODUCT NEWS

WHEELS OR TRACKS?

What to consider before you buy a compact track or skid steer loader

In the last five years, the market demand for Compact Track Loaders (CTL) has more than doubled in size, speaking volumes for the capability and versatility of these rubber-track machines. Because of this surge in sales, many in our industry speculated that the track machines would completely replace rubber-tire skid steer loaders (SSL). After gaining experience with both types of machines, owners and manufacturers have learned that each machine (SSL or CTL) has its place.

The skid steer loader is very agile and quick, making tight and spin turns easily. It operates well on solid or relatively dry soils and on hard and abrasive surfaces. Tires are considered a maintenance item and can be economically and quickly replaced when worn.

Compact rubber-track loaders excel not only on dirt, but in less-than-ideal traction conditions. The CTL can work effectively in wet, muddy and soft soil or where wheels can't go. The key to their success is the added flotation provided by the large surface area of the tracks riding over the ground. The long and wide track surface also allows CTLs to work on slopes where a wheeled machine would tip.

Compact track loaders are not as well-suited as skid steer loaders to applications that require tight turns (spin turns) or on abrasive surfaces. Although they will work effectively on abrasive surfaces, track wear will accelerate and new tracks cost about four times more than new tires.

"The best suggestion we can make to prospective purchasers is to clearly understand the strengths of the SSL versus the CTL, and have a clear picture of the machine's intended work environment before deciding which machine will be best suited for those purposes," said Bob Beesley, Komatsu Product Manager. ■

Wheels or tracks?



Both compact track loaders (CTL) and rubber-tire skid steers (SSL) offer numerous advantages to help make your business efficient and productive. Use the chart below as a guide when consulting with your Komatsu sales professional about the purchase of a new or used CTL or SSL.

In Comparison

Komatsu Models	SK1020-5	CK30-1	SK1026-5	CK35-1
Machine Type	SSL	CTL	SSL	CTL
Rough Terrain		X		X
Poor Ground Conditions		X		X
Pavement	X		X	
Snow and Ice	X		X	
Materials Yard	X		X	
Hard Surface-Recycling	X		X	
Gradeability		X		X
Tight Turns-Spin Turns	X		X	
Flotation		X		X
Max Travel Speed	X		X	
Rated Operating Capacity/lbs.	2,000	2,485	2,650	2,755
Percent of Tipping Load	50	35	50	35
Tipping Load/lbs.	4,000	7,100	5,300	7,870

Brief Specs

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



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INDUSTRY EVENT

UTILITY EQUIPMENT EXPO UPDATE

Attendees get a chance to demo machines and see Komatsu's offerings at ICUEE

Getting a chance to see a wide variety of the latest in utility machinery is just one of the many advantages of attending the International Construction and Utility Equipment Exposition (ICUEE). Another is the ability to run some of the equipment and see how it compares side-by-side against the competition.

"This is really a unique opportunity for owners and operators to get in the seats and try machinery out; it's like no other equipment show," said John Facchinei, Director, Product Marketing of the Komatsu Utility Division. "If they like what they see, we have product managers on hand or they can go back and contact their local distributor to get more information. From our standpoint, it's a nice way for us to show the breadth of our product offerings in our utility lineup."

Komatsu's offering was one of the largest on display at the show, held in Louisville, Ky., featuring more than a dozen machines, including compact excavators, from the 1,960-pound PC09 to the 15,850-pound PC78US. Skid steers on display were the SK815 and SK1020, complemented by CK30 and CK35 compact track loaders. WB142-5, WB146-5 and WB146PS-5 backhoe loaders were available to run, as well as a WA100M wheel loader.

Unique features stand out

Product Manager for Compact Excavators David Caldwell listed some of the unique features of the excavators on display. "The PC35 and PC50 now have a four-way blade, which angles 25 degrees right and left and has up and down capabilities," Caldwell noted. "The biggest advantage is in backfilling. The operator doesn't have to reposition the

machine as often, so it speeds up operation. It will be available on future models as well. Also, the tilt-up canopy on the PC27 and PC35 have been simplified. Users can now remove two bolts instead of six and tilt up the operator's platform only. In the past, users had

Continued . . .



ICUEE attendees had the chance to try the latest in utility equipment, including Komatsu's PC35MR-2 excavator.

Komatsu's display area included a variety of machines such as compact track loaders, skid steer loaders, excavators and backhoe loaders.



John Facchinei,
Director, Product
Marketing,
Utility Division



David Caldwell,
Product Manager,
Compact Excavators



Jeff Aubrey,
Product Manager,
Backhoe Loaders

Komatsu utility machines attract interest

... continued

to tilt up the ROPS structure as well. Now they have full access to the hydraulic components, the swing motor and the backside of the engine where the alternator and starter are located."



Following heavy rains, Komatsu product managers demonstrated the benefits of Komatsu's skid steer and compact track loaders by moving dirt in the display area.

David Caldwell, Product Manager for Compact Excavators, shows attendees some of the benefits of Komatsu excavators, such as the tilt-up canopy and four-way blade on the PC50MR-2.



The WB146PS-5 (the PS stands for Power Shift) backhoe loader was also a key member of the Komatsu display. "What makes this machine unique is that it uses the left lever to shift, rather than using a shifter in the floor, so the operator doesn't have to take his hand off the wheel to switch gears," said Jeff Aubrey, Product Manager, Backhoe Loaders. "With a powershift machine, the operator can put it in second gear and use a trigger button on the loader lever to control between first and second. He can put it in first gear to charge a pile, then immediately kick into second to quickly get back to the truck for loading. He's getting more done in less time."

Accomplishing more in less time is also an advantage of the ICUEE show. "This show allows users to see a large number of machines in a short time without going from dealership to dealership and taking a lot of valuable time to test equipment," said Facchinei. "We're here to help them see how Komatsu stands out from the competition and what we have to offer in terms of productive equipment and the service and support to back it up." ■



One of the benefits of ICUEE is the opportunity for attendees to demonstrate equipment, such as Komatsu's WB146-5 backhoe loader. Also available at the show was the WB146PS-5, which features power shift.

New report highlights states' water infrastructure needs

Food & Water Watch has made available on its Web site, fact sheets detailing each state's need for increased water resources funding. Food & Water Watch is a consumer rights group that promotes corporate and government accountability relating to food and water issues. It's one of many members of an umbrella group, the Water Infrastructure Network, which is a lobbying coalition working to secure federal dollars to create a Clean Water Trust Fund.

According to Food & Water Watch, "The United States' wastewater infrastructure, aging and increasingly unable to handle the pressures of modern society, is in serious danger. When pipes break and sewers overflow, communities, the environment and our economy all suffer."

The group's statement adds: "States and communities are making tremendous efforts

to handle their clean water needs, but the problem is too big for them alone. The public has overwhelmingly claimed clean water as a national issue, and Congress should offer a solution that will keep politics out of critical infrastructure financing."

The fact sheets include detailed information on the funding gaps between current state needs and federal sewer construction spending. They also contain information on water quality, based on EPA assessments.

To visit the state analyses page, go to: www.foodandwaterwatch.org/water/americaswater/clearwaters/state-analyses.

Food & Water Watch contends that investing in infrastructure improvements would also benefit the economy considerably by creating, in its estimation, 47,500 new jobs for every \$1 billion spent. ■

Highway and bridge construction should increase in 2008

Here's good news for contractors involved in highway and bridge construction. According to the American Road & Transportation Builders Association (ARTBA), highway and bridge construction should be relatively strong in 2008.

According to Dr. William Buechner, ARTBA vice president of economics and research, the value of construction work performed on highway and bridge projects will grow to almost \$78 billion in 2008, which would be a 3 percent to 4 percent increase from the estimated \$75.5 billion during 2007. Equally important, according to Buechner, are recent signs that the rapid inflation, which dramatically impacted the cost of highway construction materials, is easing. If that's true

and prices stabilize, it means the highway dollars will go further and more projects can be built in 2008.

Buechner says federal funds historically account for 40 percent to 45 percent of all highway capital investments, with state and local governments supplying the rest of the money. SAFETEA-LU, the current highway and transit law, provided a \$3.4 billion increase in FY 2007, which is expected to support about \$30 billion in work in 2008.

ARTBA projects little growth in subway and light-rail construction for 2008. The group forecasts airport construction will also be modest until Congress completes action on a new aviation authorization measure. ■

KOMATSU & YOU

"A GREAT TIME TO BE PRESIDENT"

Komatsu America Corp.'s new President views current construction economy as an opportunity



Hisashi "Jim" Shinozuka,
President/COO,
Komatsu America Corp.

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 April 2007, Hisashi "Jim" Shinozuka was appointed President and Chief Operating Officer of Komatsu America Corp.

Born and raised in Osaka, Japan, Jim earned a law degree from Waseda University in Tokyo. Upon graduation in 1978, he joined Komatsu, starting in production control at the Oyama factory where Komatsu engines are made.

Since that initial job, Jim has held many positions, with numerous postings around the world, including stops in Mexico, Istanbul and Miami. Immediately prior to becoming President of Komatsu America, Jim served as General Manager, Americas and European Business Division at Komatsu Ltd. global headquarters in Tokyo.

Upon accepting the position of Komatsu America President, Jim and his wife, Hiroko, moved to Chicago, home to Komatsu's North American headquarters. The Shinozukas have two children, a married daughter and a son who's attending university in Japan.

"I'm pleased and excited to be a part of Komatsu America Corp.," said Jim. "Chairman Dave Grzelak and I work together as a team to set policy, implement strategy and to constantly monitor the construction equipment industry and our place in it. It's my job to see that Komatsu America is always moving in the right direction, and that we're taking the necessary steps that will allow us to best serve our employees, our distributors, and most of all, our customers."

QUESTION: You became President of Komatsu America Corp. in April of 2007. Is this a good time to be President of Komatsu America?

ANSWER: Clearly, it's a more challenging market than we've seen for the last three or four years, primarily because of the housing slowdown. Exactly how challenging remains to be seen. We're predicting that overall construction equipment sales in North America in 2008 will be decreasing from 2007. Due to substantial growth for Komatsu in Asia, in particular in China, that means North American sales will account for about 20 percent of Komatsu Ltd.'s total sales, whereas in recent years, it was about 30 percent.

That said, I think it's a great time to be President of Komatsu America. Any manufacturer can sell equipment when demand is booming. But in a somewhat tighter market, you need to be a cut above. I believe Komatsu and its distributors are a cut above, and our present economic environment presents an excellent opportunity to prove that to our customers.

QUESTION: In your opinion, what makes Komatsu "a cut above" its competition?

ANSWER: Quality and reliability are the keys to everything we do as a manufacturer. Our mission is to supply high-performance and high-quality products and services to our customers. We believe we have the most productive and most efficient machines in the world. Our effort now is to improve our customer relationships. Of course, we have always tried to work with our customers to meet their needs, but this is a renewed point-of-emphasis for us this year.

QUESTION: How do you go about improving relationships with customers?



With the KOMTRAX machine-monitoring system, which is installed on virtually all Tier 3 Komatsu machines, contractors can track their equipment's performance from a laptop or office computer.

ANSWER: We believe our KOMTRAX machine-monitoring system is tremendously beneficial for our customers and will go a long way toward cementing a relationship. The KOMTRAX system provides the customer with information, including location, service-meter readings and fuel efficiency reports. With the customer's approval, his Komatsu distributor also has access to the information and can use it to take care of basic maintenance services, track machine performance and offer advice regarding possible repairs or component replacements that will save money, lessen downtime and improve performance over the long term.

With KOMTRAX, Komatsu, our distributors and our customers are working together as a team to improve machine performance, productivity and owning and operating costs. We see it as a win-win-win relationship that improves communication and benefits everybody.

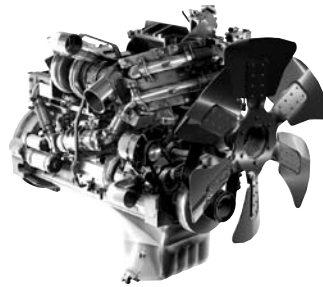
QUESTION: Don't most manufacturers have a similar machine-monitoring system?

ANSWER: Many do offer such a system, but there are big differences between their systems and ours. For example, KOMTRAX is standard, factory-installed equipment on virtually all new Tier 3 machines. It's not just offered as an add-on from the dealer. That's because Komatsu doesn't view KOMTRAX as a commercial product to sell, but rather as a tool that enhances communications among the customer, distributor and Komatsu. As a result, Komatsu can offer a better fleet-management opportunity to our customers. With KOMTRAX, customers can expect higher productivity and lower cost per ton.

QUESTION: Other than KOMTRAX, what differentiates Komatsu equipment from the competition?



Komatsu America Corp. President Jim Shinozuka believes Komatsu's current product lineup is "the best it's ever been," and says the company's target is to have two-thirds of its products be "unique and unrivaled."



Komatsu commits a substantial amount of its annual sales to research and development, which allows it to remain a technological leader, producing advancements like the ecot3 engine.



ANSWER: We commit substantial spending on research and development (R&D) to ensure that we remain an industry leader, in particular regarding technologies that make our machines more productive and more efficient. This R&D commitment enables us to continually release new and updated products.

We believe right now our product lineup is the best in our history and we also think it's the best available. Our target during the next year or two is to have two-thirds of our product lineup be clearly and demonstrably superior to any competitive machine. The Japanese word for such equipment is "Dantotsu," which means it's unique and unrivaled.

QUESTION: Komatsu sometimes refers to itself as a "total solution provider." What does that mean?

ANSWER: It means we cover all the bases for our customers. We offer all types of machines and all sizes, from the smallest to the largest. It means that, in conjunction with our distributors, we're able to provide the parts and service support to keep that equipment up and running. And most of all, it means we're committed to helping our customers succeed, in any way we can. ■

DISTRIBUTOR CERTIFIED

QUALITY USED EQUIPMENT

Komatsu Distributor Certified used machines add value to this contractor's operations



When Rupert Lemons bought and began running Carson Construction in 1980, doing dirt work wasn't on his mind. The Phoenix-based business' sole focus was concrete construction, but it didn't take long for Lemons to add excavation work.

"We weren't satisfied with the quality of work we were getting from the people who were preparing the subgrade for us, so I decided we should do it ourselves," said Lemons, who serves as President of Carson Construction, while his wife, Kay, is Vice President. "In those early stages, we did smaller jobs, such as sidewalks and driveways for private residences,

apartments and commercial properties. Once we added the dirt work, our focus shifted to doing more large-scale municipal projects."

Carson Construction typically works as a general contractor that self performs everything on a job from mass excavation and building walls to paving and installing street lights. Like all contractors, Lemons looks for value in the equipment he uses to get the job done. That's why he has several Komatsu Distributor Certified used machines in his fleet. The Komatsu Distributor Certified pieces include three PC400LC-7 excavators, a WA380-5 wheel loader and a BR380JG mobile crusher he typically uses at his Ten X quarry site near Wickenburg, Ariz.

Carson Construction Owner and President Rupert Lemons has several Komatsu Distributor Certified used machines, including PC400LC-7 excavators, a WA380-5 wheel loader and a BR380JG mobile crusher. "They've performed exceptionally well — beyond our expectations. They're a great value," he said.



Carson Construction uses a Distributor Certified WA380-5 wheel loader in conjunction with its BR380JG mobile crusher at the Ten X quarry near Wickenburg, Ariz.



The right equipment decision

"Our first Distributor Certified machine was a PC400 excavator, which we used at the quarry to feed a crusher," Lemons noted. "It's a demanding application, but the machine never had a problem. That sold us on the value of the Distributor Certified machines and led us to buy the additional Komatsu pieces. I knew they had been inspected thoroughly and that they would have a good warranty. The low interest rates and financing through Komatsu Financial made them affordable.

"We've been proven right in our decision to buy the Komatsu Distributor Certified machines," he added. "They've performed exceptionally well — beyond our expectations. They're a great value. We do get into some rough conditions at the quarry and on some of our jobsites, but the excavators still have very good power to dig and they provide excellent cycle times. We expect that to be the case for some time to come. If we need additional equipment, Komatsu Distributor Certified used machines will be a first option for us." ■



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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."



MANUFACTURING UPDATE

NEW PLANT

Hensley Industries' new foundry increases availability of ground-engaging tools for mining machines



Ralph Huebner,
Executive VP-Sales
and Marketing,
Hensley Industries



Paul Rudd,
General Manager-
Manufacturing,
Hensley Industries

Hensley Industries, part of Komatsu Ltd., officially inaugurated its new foundry in Dallas with a ribbon-cutting ceremony and tour of the facility last November. The new foundry will focus on ground-engaging tools for the mining industry and features a capacity of 1,300 tons of castings per month.

Ralph Huebner, Hensley's Executive Vice President for Sales and Marketing said there were two primary reasons the plant was needed. "Our products have gained worldwide acceptance, and with the explosion in the construction and mining industries in the past few years, this new foundry allows us to expand capacity and bring product to the market quickly."

With nearly 2,000 products, Hensley Industries has long been a leader in the manufacture of ground-engaging tools for earthmoving and mining equipment, including the KMAX tooth system, which features a reusable locking

mechanism for quick installation and removal. Hensley also has an attachment division that produces such products as buckets.

"This plant sets up Hensley as a major supplier of mining castings for Komatsu, and offers consistent high-quality supplies with efficiencies for cost control to keep the plant viable for a long time," noted Paul Rudd, General Manager-Manufacturing for Hensley, who helped design the new foundry.

"We're very proud of what we accomplished. We set out to build a very modern facility that was environmentally friendly and an asset to our neighbors. We've done that by investing in such items as a dust-collection system and noise suppression. We also recycle nearly 100 percent of the waste products produced during the manufacturing process. It's truly state-of-the-art."

Kunio Noji, President of Komatsu Ltd., addressed the crowd and helped cut the ribbon, which was held by several local schoolchildren at the 40,000-square-foot facility. Komatsu America President Jim Shinozuka and Komatsu Ltd. President Customer Support Mamoru Hironaka also were among the more than 200 people attending the event.

During his address, Komatsu Ltd. President Noji noted the reasons for the company's investment in the plant. "There were three reasons we chose to partner with Hensley to promote the growth of our companies," Noji said, "First, the people of Dallas are friendly and warm. Second, the people working in the Hensley factory have a high level of skill. Finally, Hensley has the ability to quickly respond to customer requirements, including development and design work. It has a history of quality products and service." ■

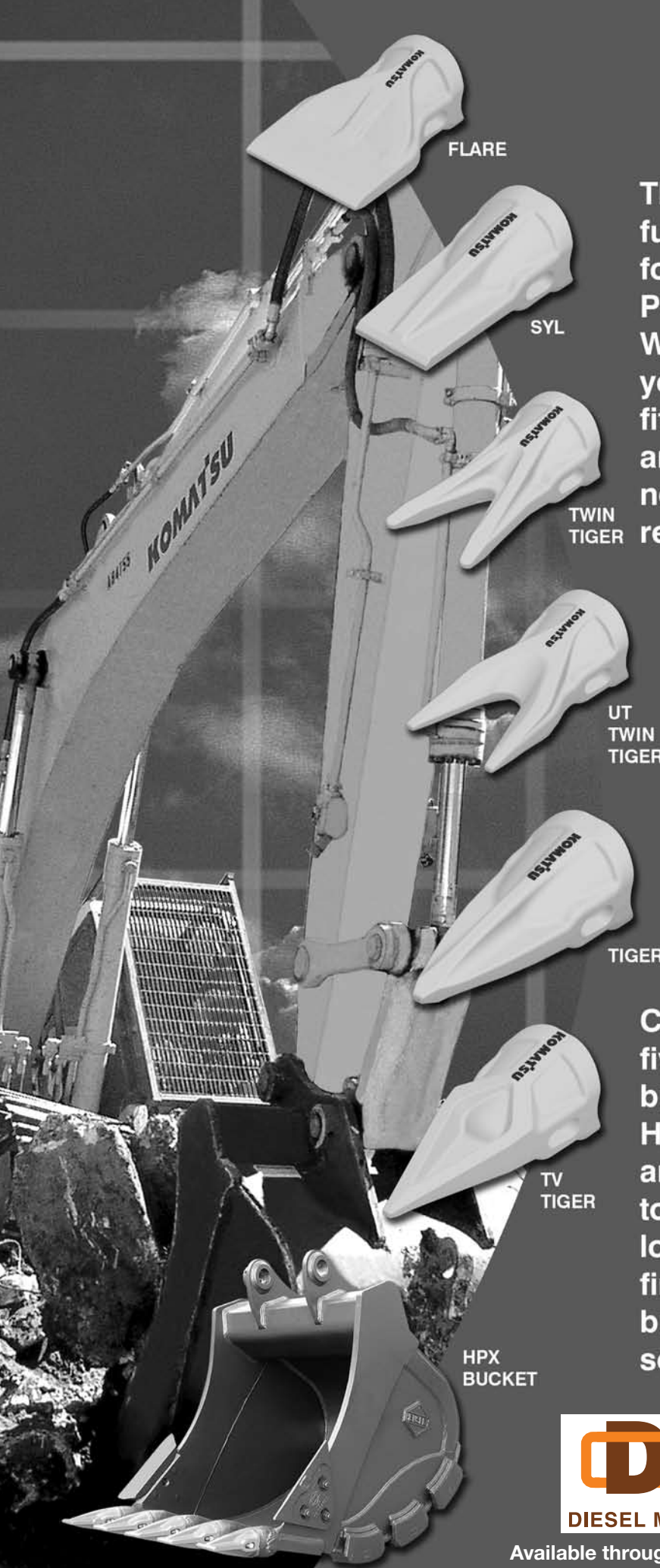
Komatsu Ltd. President Kunio Noji (below right) spoke before the ribbon-cutting ceremony that officially inaugurated the new Hensley Industries foundry that makes ground-engaging tools for mining machines (upper left). Hensley General Manager-Manufacturing Paul Rudd (lower left) gives attendees a tour of the new facility.





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