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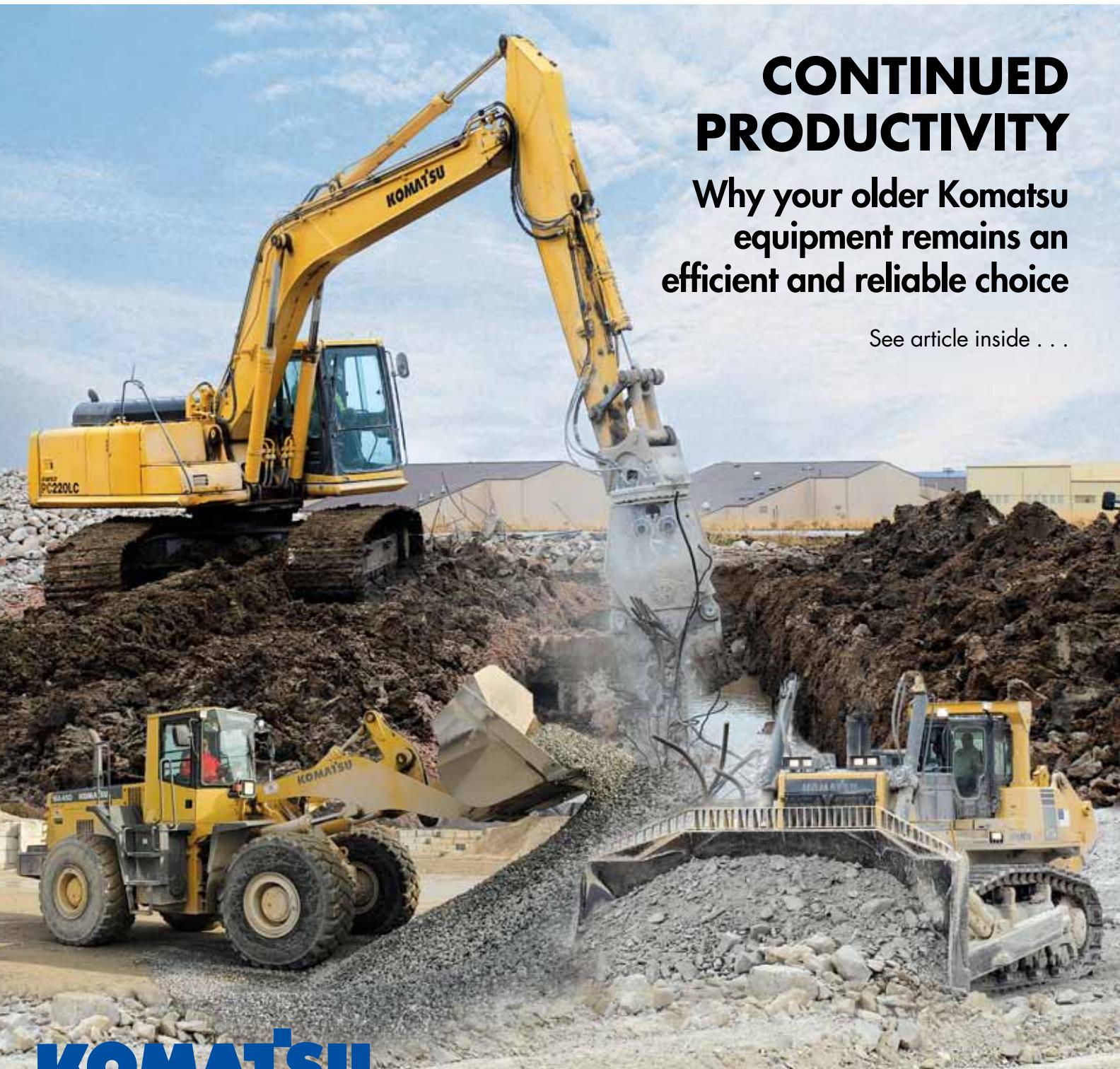
Difference

A PUBLICATION FOR AND ABOUT DMI CUSTOMERS • 2011 No. 1

CONTINUED PRODUCTIVITY

Why your older Komatsu
equipment remains an
efficient and reliable choice

See article inside . . .



KOMATSU

A MESSAGE FROM THE CHAIRMAN



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DIESEL MACHINERY, INC.

Dear Valued Customer:

As we move into the new year, we hope that 2011 brings you greater prosperity. We're optimistic that this year offers a better outlook for the construction industry and the broader economy. Indeed, several industry groups have forecast an increase in construction work this year. You can read their views in our Construction Spending Forecast article.

As the construction industry rebounds, machinery demand will increase. Komatsu is introducing new products this year, and among them will be new units with interim Tier 4-compliant engines in the 175- to 750-horsepower range. Komatsu met the new standards without sacrificing power or productivity. If you're in the market for new machines, these are an ideal choice.

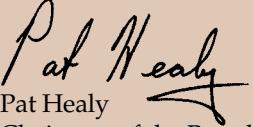
If you're looking for used equipment, we have a great selection. Even with high hours on them, Komatsu used machines are a great option. In this issue of your *DMI Difference*, several customers share why they value their older Komatsu equipment.

Remember too, that the tax act passed late last year offers great advantages for new and used equipment purchases, including a 100-percent depreciation bonus for new equipment placed in service after September 8, 2010, and through December 31 of this year. In 2012, that bonus drops to 50 percent. The new tax act doubled 2011 Sect. 179 expensing levels to \$500,000, with a phase-out threshold of \$2 million. The additional expensing is available on both new and used equipment and offers a nice tax advantage.

Older or newer, maintenance is a factor in your owning and operating costs. At DMI, we want to work with you to maximize your uptime and production. We have maintenance plans and other options available to do that at a reasonable cost.

Whatever your needs, we're here to help. If there's anything we can do for you, please don't hesitate to call or stop by one of our branch locations.

Sincerely,


Pat Healy
Chairman of the Board

**Forecasts are
optimistic
for 2011
construction
industry**



DIESEL MACHINERY, INC.

Difference

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Published by Construction Publications, Inc. for



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A SALUTE TO A CUSTOMER

GRANGAARD CONSTRUCTION

Second-generation Watertown bridge builder stays busy with statewide projects

For the third straight year, Grangaard Construction's work load covers every month in the calendar. That was one goal Yancey and Jeremiah Grangaard had when they founded the bridge construction company eight years ago.

"We worked for someone else for quite a while, and during the winter we'd be shut down," said Yancey, who's President of Watertown-based Grangaard Construction. "We found that hard to deal with. Starting out, we wanted to get established and build into a company that works year-round. It's better for us and our employees who work hard to support their families."

Grangaard Construction now has 25 full-time employees, including Yancey's wife Kim, who's Secretary/Treasurer. That's about a five-fold increase since the brothers founded the business in 2002. During peak construction

Jeremiah Grangaard (left) is Vice President of Construction, and his brother, Yancey, is President of Watertown-based Grangaard Construction. Founded in 2002, the company specializes in bridge construction.



times, the company's current employment numbers can nearly double.

Key individuals at Grangaard Construction include Project Superintendent Darrell Barse, Crane Operators Mike Smith and Daniel Barse, Foremen Dan Starzl, Mike Moldenhauer and Jeremy Moldenhauer and Equipment Operators Jerry Grangaard and Doug Conklin. These individuals represent the core of Grangaard Construction and bring well over 200 years of bridge-building experience to the company.

"There are ups and downs depending on work load, but we have a very solid core of employees who have grown with us," said Jeremiah, Vice President of Construction. "The majority of our staff are guys in their 30s who have five or more years with Grangaard. The experience they've gained, as well as the experience many of our older employees bring to the table, is invaluable. It's helped us build to this point, and bodes well for the future."

Among the veteran bridge builders on Grangaard's staff is the boys' father Jerry, who owned a similar business in the Watertown area for many years. It's where Yancey and Jeremiah cut their teeth and it gave them the background to start their own company.

"Like a lot of contractors, we grew up in the business and caught the bug to continue working construction," recalled Yancey. "We worked for dad from the time we were about 12 or 13 until we got out of high school. I really can't imagine us doing anything else."

Broad range of work

Being bridge builders, 100 percent of Grangaard Construction's work falls into the public, hard-bid sector. Grangaard does

subcontract, but mostly they work as a general contractor. Recent projects highlight their range of capabilities in terms of size and scope.

Last April, Grangaard Construction started its largest project ever, a \$5.8 million phase of the 69th Street extension in Sioux Falls. Grangaard's work involved construction of a bridge over railroad tracks with approaches on each side. At its height, one approach measures nearly 30 feet above the tracks. To get there, about 40,000 square feet of concrete panels were placed as walls on either side of the two-lane road.

In between, straps were placed to tie the walls together and the entire approach was filled with 100,000 tons of rock and sand to ensure stability of the road bed. Dirt makes up the bulk of the material for building the approach on the other side.

"The first part of the project involved building aggregate piers to stabilize the area, which is basically a slough," explained Jeremiah. "We did much of the work early on, which included placing that sand and rock. We subbed out quite a bit of earthmoving — 50,650 tons of select-fill embankment and 91,767 cubic yards of borrow dirt."

During the same time, Grangaard Construction worked on building a new bridge and approaches on Highway 111 in Lincoln County. At \$350,000 for the entire contract, it shows the other end of the spectrum of Grangaard's resumé.

"It's the type of job we call a filler," Yancey noted. "It involves building a structure and approach grading on either side. There's a lot of this type of work in South Dakota, which involves replacing a lone 60- to 70-year-old bridge in the middle of the country."

A similar project, albeit larger, marked Grangaard's first job. The company built a \$1.2 million box culvert, subbing the grading out. Grangaard Construction does minor amounts of dirt moving, typically 4,000 yards or less, on projects such as the Highway 111 bridge, but leaves bulk earthmoving to others.

"Our specialty is bridge construction, so we leave major earthwork to subs or the general contractor if we're a sub," said Jeremiah.



Grangaard Construction uses its Komatsu PC300HD-7 for digging and lifting. "That versatility is why we got it. Next to cranes, it's our most-used machine," said Vice President of Construction Jeremiah Grangaard.

To read the magazine online and watch videos of Grangaard's machines in action, go to www.DMIDifference.com



Grangaard Construction uses Komatsu wheel loaders, including this WA380-6, for a variety of applications. "One of the greatest features is its traction," said Jeremiah Grangaard. "It lets us work in places where before we would get stuck because of wet conditions. The technology in the WA380 makes it much more efficient as well."

"We've developed good relationships with several contractors, and often work with them repeatedly. That was another goal of ours."

Referral leads to DMI, Komatsu

A word-of-mouth referral from one of those contractors led the Grangaards to DMI for equipment purchases. The company worked with Aberdeen-based Sales Representative Darrel Serfling to purchase Komatsu machinery: a PC300HD-7 excavator, a WA380-6 wheel loader and a D31PX-22 dozer. Grangaard Construction also has an older WA300 wheel loader.

"DMI has certainly lived up to the referral we got," acknowledged Yancey. "We're almost

Continued . . .

Efficient equipment adds to productivity

... continued

exclusively working with Darrel and DMI for equipment purchase, rental and service. We do only routine service work, so we rely on DMI to handle any larger issues on our Komatsus and other brands. They're good about



(L-R) President Yancey Grangaard, Vice President of Construction Jeremiah Grangaard and DMI Sales Representative Darrel Serfling meet on a jobsite in Lincoln County. "We're almost exclusively working with Darrel and DMI for equipment purchase, rental and service," said Yancey. "We do only routine service work, so we rely on DMI to handle any larger issues on our Komatsus and other brands."

answering questions over the phone to avoid a service call, but when we do need them to come out, they get to us quickly."

The Grangaards noted that with newer Komatsu pieces, they rarely need to call DMI. "When you're working in remote areas like we do, it's important to have equipment you can trust. We appreciate that Komatsu delivers on that account," said Jeremiah. "Our work often involves moving materials on creek and river beds, which are not the place to break down. The PC300HD allows us to dig deep when we need it. It also has the lifting capacity that's necessary in bridge building, including placing riprap, which is common on our jobs. That versatility is why we got it. Next to cranes, it's our most-used machine."

"The D31 offers us versatility too," added Yancey. "The 69th Street project is a good example. We had to place rock and grade around the piers, and it did that easily, even up close to the piers where a larger machine was too big. At the same time, it allowed us to grade dirt in open areas, and is perfect for grading approaches on the smaller bridge projects we do."

Grangaard Construction placed rock on the 69th Street project with its WA380 wheel loader. "One of the greatest features is its traction," Jeremiah pointed out. "It allows us to work in places where before we would get stuck because of wet conditions. The technology in the WA380 makes it much more efficient as well."

Upping efficiency

The Grangaards plan to be more efficient as well; it's another goal of theirs.

"Careful planning plays a big role in whether a business is successful or not, and that's something we take into each project we do," said Yancey. "But there's always room for improvement, and we take that approach, too. We've built a solid reputation through our hard work and that of our employees, who we're very proud of."

"We're about the size we want to stay," added Jeremiah. "We typically have two or three projects going at once. Doing those on time and on budget is essential, and we want to continue to deliver on that." ■



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GUEST OPINION

THE ROAD AHEAD

The President's proposal is a start, but only a drop in the bucket of what's needed to fix infrastructure



Howard Roth

Howard Roth is the Global Real Estate Leader and a Partner with Ernst & Young LLP's Real Estate practice. This article originally appeared in *GlobeSt.com*

President Barack Obama has proposed a \$50 billion investment in infrastructure. Howard Roth says it's a start, but much more is needed to update aging roads, bridges and other transportation sectors.

President Barack Obama's announcement of a proposed \$50 billion program to improve America's roads, bridges and transportation system has once again brought infrastructure to the forefront of public discussion. Although we'd like to think the U.S. has better infrastructure than the rest of the world, that's actually not the case. The fact is, compared to most of the developed world, our infrastructure is much older and in desperate need of repair.

We only have to look at the age and condition of water mains for evidence of this. A recent New York Times story revealed the somewhat startling statistic (based on EPA data) that, on average, a major water line bursts somewhere in the country every two minutes. Add to this the fact that our roads, thousands of our bridges and dams and parts of our rail system date back well into the last century, and it becomes clear that our infrastructure is inadequate.

The proposal put forth by the President included a six-year program to rebuild 150,000 miles of roads, maintain 4,000 miles of rail track

and build 150 miles of runways, with a total cost of \$50 billion. This may seem like a grand program, but last year the American Society of Civil Engineers estimated the minimum investment needed to bring the country's infrastructure, including roads, bridges, rail and airports, up to standard is \$2.2 trillion and counting.

The President recently backed up his call with a new report from the Treasury Department and the Council of Economic Advisers cataloging a 50-percent fall in infrastructure spending in the country since 1960. The U.S. spends just 2 percent of GDP on infrastructure, compared to 9 percent in China and 5 percent in Europe. There's a clear danger the U.S. will continue to fall behind in global competitiveness if we continue to shortchange our infrastructure.

Of course, the President's proposal is also about jobs. More than 1.5 million construction workers have been sidelined during the recession, and a major building program such as that proposed by the President would go a long way to putting people back to work, as well as creating jobs throughout the next decade. In fact, analysts suggest that without the Obama plan in place, highway spending in the U.S. may fall as much as 5 percent this year. Bottom line: more jobs will likely be lost in the construction sector, which would have a negative impact on real estate.

The proposal to establish a formalized approach to the country's transportation infrastructure challenges, including the possible establishment of a National Infrastructure Bank, would be a good first step to start addressing the United States' significant infrastructure challenges, but more is needed. With our water delivery, wastewater treatment and utility infrastructure all needing attention, this is just a drop in the bucket. ■



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INDUSTRY NEWS

MORE TRANSPORTATION FUNDING

Industry groups stand behind commission's recommendation to raise the gas tax

Construction industry groups applauded a proposed increase in the country's gas tax, saying it's a way to fund transportation infrastructure as well as reduce the national deficit. The increase was part of the President's National Commission on Fiscal Responsibility and Reform report.

The commission's recommendation was a 15-cents-per-gallon increase in the federal gas tax, which currently stand at 18.4 cents for gasoline and 24.4 cents for diesel fuel. The increase would kick in beginning in 2013, rising one cent per gallon every three months until the 15-cent increase was met.

The money would be dedicated to the transportation trust fund, set up in the 1950s to pay for highway building and repair. The fund has fallen short of needs, so in recent years money has been pulled from the general fund

Construction industry groups say the proposal to incrementally raise the gas tax is a good way to fund needed transportation infrastructure improvements.



to cover expenses. That's also contributed to the national debt.

A coalition of construction industry organizations said in a statement: "This proposal recognizes the integral relationship between improving transportation infrastructure, economic health and fiscal responsibility. If enacted, it will help prevent economically devastating cuts in federal infrastructure investment and remove the primary obstacle to passage of a multi-modal surface transportation bill."

"The issue of transportation investment is directly linked to balancing the federal budget," the statement continued. "Without new Highway Trust Fund revenue, policymakers will be forced either to impose highway and transit program cuts that would reduce payrolls and impede economic growth; or add an estimated \$34 billion over the next six years to general fund spending. Either outcome undermines efforts to balance the budget. It is also important to recognize that a small number of transportation programs are currently funded with general funds, and those programs meet important needs and should be continued."

Call for more

Many of the industry groups supporting the recommendation called for an even higher tax, urging the commission to consider a 25-cent increase over a three-year period. A proposal put forth by two senators that would have met that total, would dedicate 10 cents of the increase to short-term deficit reduction, with 15 cents going to transportation improvements. The 10-cent portion would put \$83 billion toward the deficit over five years, then become additional funding for transportation. The 15-cent portion would generate \$117 billion over five years. ■



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EQUIPMENT MANAGEMENT

CONTINUED PRODUCTIVITY

Why your older Komatsu equipment remains an efficient and reliable choice

The advent of interim Tier 4 emissions standards was ushered in as the calendar turned to 2011, affecting machinery with engine horsepower in the 175 to 750 range. While the standards mandate a reduction in soot and other emissions in new machines, that doesn't mean you have to immediately get rid of your older dozers, excavators and wheel loaders.

"Many of our customers prefer to continue using their older Komatsu pieces because they've found them reliable and a good fit for their business," said Komatsu's Erik Wilde, Vice President, Product Marketing. "They go right on racking up the hours on those machines."

Contractors using Komatsu equipment, such as Webber, LLC, continue to turn the hour meter to impressive numbers. Webber does heavy highway work, and its two subsidiaries recycle materials and manufacture precast concrete barriers. The company also has sand pits and

Many contractors use older Komatsu excavators for a variety of purposes, including such rugged applications as demolition.

concrete and asphalt plants. For more than 20 years, Komatsu excavators, dozers and wheel loaders have been in the companies' fleets.

"Komatsu has been our top equipment choice because it has proven time and again to be productive and reliable," said Donnie Poplaski, Director Equipment Department for Webber. "We have some wheel loaders with more than 25,000 hours and excavators pushing 13,000 to 15,000 hours that still have the original componentry. That says a lot about the quality that Komatsu offers."

Komatsu quality means its equipment runs even in the toughest conditions. Shawn and Todd Harders have found that to be the case with the D65 dozers and PC200 excavators they use to do agricultural and wetland work. The brothers own and operate Harders Dozer & Scraper Work, which often clears land in inhospitable areas.

"We've always believed Komatsu excavators are top-of-the-line," said Todd. "We use our PC200s to remove trees or stack trees that the dozers push up. We also use them to dig channels. Working in water up to two feet deep, which we often do, is tough on equipment. We have 10,000 hours on a Dash-6 excavator that's more than 10 years old. That's a good testament to how well our Komatsu equipment works and lasts."

Hour after hour

Grant Meenach, founder and President of Kern Pacific nearly echos those sentiments. Meenach recently added a PC800LC-8 to a fleet that's always leaned heavily toward Komatsu equipment. Not long after Meenach went into business for himself in 1998, he purchased a PC220LC-5 excavator and a WA320-3 wheel loader.





Contractors often rely on older Komatsu equipment because they find that even with high hours, it works in less-than-ideal conditions. "We've always believed Komatsu excavators were top-of-the-line," said Todd Harder of Harders Dozer & Scraper Work. "We have 10,000 hours on a Dash-6 excavator that's more than 10 years old. That's a good testament to how well our Komatsu equipment works and lasts."

Of course, the latest model PC800LC hydraulic excavator has helped Kern Pacific quickly complete even deep digs up to 30 feet. Meenach said his older Komatsu equipment still does an excellent job of helping the company stay productive and complete projects on time.

"I've kept buying Komatsu equipment because its durability means it runs and runs without costing us downtime," Meenach acknowledged. "We've put up to 15,000 hours on a wheel loader without doing much more than routine maintenance. And, when I believe it's time to trade or sell, Komatsu holds its value."

Demo starts a trend

All it took for ready-mix concrete producer Ellensburg Cement Products to see Komatsu's value was a demo that compared apples to apples. The third-generation family business began using Komatsu products about 10 years ago. President Jeff Hutchinson explained that from the first time the company used a Komatsu excavator, he saw a big difference.

"We had a different brand of excavator that was getting very old and wasn't giving us the productivity we wanted," said Hutchinson. "We called the top equipment dealers in the region and told them we wanted to demo their machines, so they all brought similar-size excavators out for us to try. Bottom line, the Komatsu PC600 performed the best."

Ellensburg Cement Products eventually traded in its initial PC600 for another, and began buying additional Komatsu pieces, including a WA600 wheel loader, a WA500 wheel loader and an HD325 haul truck.



Companies such as Brannan Sand and Gravel use older Komatsu wheel loaders to charge crushers and as general-purpose machines. "What I'm looking for is reliability and fuel efficiency — machines I can count on every day and that won't break me paying for diesel fuel — and that's what I get from our Komatsu machines," said Aggregate Production Supervisor Jim Thompson.

"All of our Komatsu units have held up really well," said General Superintendent George Seubert. "We use the WA600 to feed the crusher and the WA500 to feed the wash plants. We now have 8,000 hours on the WA600. It still runs great. Also, fuel consumption on both wheel loaders and the excavator has been very good."

Consistently fuel efficient

Fuel efficiency is one reason Brannan Sand and Gravel keeps purchasing Komatsu equipment. It helps that its Komatsu units maintain low fuel consumption even as the hour meter creeps into the five-digit range.

Continued . . .

Komatsu — productive equipment that lasts

...continued

Brannan Sand and Gravel is part of the Brannan Companies, which include Brannan Ready Mix and Brannan Construction. With the three entities, Brannan Companies handle complete projects for heavy highway and commercial development as a general or subcontractor, as well as supplying materials.

The Brannan Companies rely heavily on Komatsu equipment, including excavators, wheel loaders and haul trucks, especially in their material pits. "We started using Komatsu machines eight or nine years ago," said Equipment and Shop Division Manager Chuck Irsik. "We'd been running another brand prior to that, but when we were in the market for a new wheel loader around 2001, we thought we should probably do some demos and compare prices. Komatsu performed well in the demo and was priced fairly, so we decided to give it a try. Komatsu machines have been a mainstay for us ever since. They are productive, reliable units that last a long time."

"All of our Komatsu pieces in the pits have performed well, including those that have a lot of hours on them," added Aggregate Production Supervisor Jim Thompson. "What I'm looking for is reliability and fuel efficiency — machines I can count on every day and that won't break me paying for diesel fuel — and that's what I get from our Komatsu machines."

Komatsu machines maintain their reliability and longevity into the thousands of hours. "All of our Komatsu units have held up really well," observed Ellensburg Cement Products General Superintendent George Seubert.



Familiarity leads to purchase

Owner/President Bob Quinn was already familiar with Komatsu equipment when he founded Quinn Construction in 1992. The company does general earthwork and demolition, using several PC200LC excavators, a PC220LC excavator and two WA500-1 wheel loaders.

"I've always believed that proper maintenance is vital, because it ensures that the equipment performs to its maximum capabilities, even with a high number of hours," said Quinn. "The other factor I'm adamant about is buying quality equipment to start with, and that's why over the years we've purchased and stayed with Komatsu. I used Komatsu machinery when I worked for someone else and saw first-hand how well it performed. When I started acquiring equipment, Komatsu was at the top of my list."

Quinn appreciates the versatility the excavators provide, as he uses them for excavation as well as equipping them with quick couplers to run several attachments for demolition. "We get a lot of flexibility from the excavators," said Quinn. "The wheel loaders have been outstanding as well. We used to do some crushing, and we originally bought them for feeding the crushers. Now they're general-purpose machines. Both have about 16,000 hours on them and are still as productive as they were when we purchased them."

In it for the long haul

Komatsu's Wilde said he hears numerous similar stories around the country and throughout Canada as users continue to see the value, reliability and productivity in even the oldest Komatsu machines.

"In many cases, equipment users like to keep machinery as long as possible because it continues to earn them profits long after it's paid off," said Wilde. "With Komatsu equipment, they're confident that's going to be the case. We do everything we can from a product support standpoint for that to happen by continuing to stock parts at our distributors, parts depots and main parts location. When customers are ready to add to or update their fleets, our latest technology models are an excellent choice for many reasons. Like our customers, we're in it for the long haul." ■

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High Performance

- Engine acceleration is noticeably faster due to Komatsu Variable Geometry Turbocharger
- Automatic emission controls maintain same performance levels during regeneration

Robust controls

- Hydraulic actuators provide trouble-free precise control of Exhaust Gas Recirculation and Komatsu Variable Geometry Turbocharger

Low Maintenance Costs

- Identical drain intervals
- Only two new maintenance items: Closed Crankcase Ventilation and Komatsu Diesel Particulate Filter



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- Advanced diagnostic technology simplifies maintenance and service.

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NEW MINING PRODUCTS

LOWER OPERATING COSTS

New WA1200-6 offers you more productivity with less fuel consumption

The WA1200-6 is Komatsu's largest wheel loader and one of its most productive and economical, thanks to improvements built around customer input and feedback.

Among the most productive features is a new 1,765-net-horsepower engine that has a full 132 horsepower more than its predecessor.

Despite the increased horsepower, the 477,000-pound WA1200-6 uses 15 percent less fuel in an EPA-compliant, Tier 2 engine. A new, dual-mode, active-working hydraulic system allows the operator to select between normal and powerful loading, while the optimum oil flow in the working system increases efficiency and reduces cycle times. Komatsu extended the dump clearance, and added stability by improving the static tipping-load rating.

"The WA1200 is a primary production machine in all types of mines that depend on wheel loaders for excavation and loading," said Steve Thorson, Product Marketing Manager, Mechanical Drive Mining Equipment. "Our mining customers provided us with valuable information that we then used to improve on the WA1200-3, which the new model replaces. We did it without sacrificing power or production and, in fact, we improved per-ton/per-yard costs."

Komatsu included an additional torque converter cooler as standard equipment to reduce oil temperature and increase cooling capacity. For hydraulic cooling, a new pump with increased oil capacity helps lower oil temperature. Two additional air cleaners were introduced and the size of the elements increased to 15 inches for more capacity.

Operator controls optimum performance

An engine rpm-control system with auto deceleration allows the operator to set the

engine rpm at the optimum work-performance level and control speed smoothly with the accelerator. The variable transmission cut-off system for the left brake pedal is adjustable by a switch at the operator's seat. When loading, the low setting reduces brake impact to prevent spillage, while the high setting can be used for traveling.

"A couple of areas customers were adamant about improving were the operator environment and serviceability," said Thorson. "We did that by increasing the size of the cab, which now includes a seat for trainers to ride along with a new operator. It's also easier to operate, thanks to joystick and fingertip controls. From a service standpoint, we grouped the service points in a central location to reduce the amount of time necessary to change fluids and filters. Overall, the WA1200-6 is a better machine, designed for higher production and increased profits." ■

Komatsu's largest wheel loader, the new WA1200-6, offers several upgrades that, compared to the previous model, improve productivity and per-ton/per-yard cost to move materials.



Steve Thorson,
Product Marketing
Manager,
Mechanical Drive
Mining Equipment





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KOMATSU & YOU

MACHINES IMPROVED FOR 2011

Komatsu VP discusses Tier 4 changes, new hybrid excavator and 3-D machine-control systems

QUESTION: Each year, Komatsu makes product improvements. What's new for 2011?

ANSWER: The latest changes to our product line have been driven by Tier 4 emissions standards that went into effect January 1 of this year. The requirement covers engines from 175 hp up through 750 hp (Example: D65-D375 dozers, PC220-PC1250 excavators, WA380-WA600 loaders, etc.). This requirement reduces particulate matter by 90 percent and NOx by 45 percent in the machines' exhaust when compared to the Tier 3 requirement.

Our Tier 4 platform is based on our proven Tier 3 engine platform and technology. To achieve Tier 4 on these models, we added a diesel particulate filter similar in function to other manufacturers. To optimize machine performance, we added in the robust Komatsu Variable Geometry Turbocharger (KVGT) and a large-capacity Exhaust Gas Recirculation System. Both systems are hydraulically actuated for precision control and reliability.

QUESTION: Two years ago, Komatsu introduced the first hybrid hydraulic excavator. What's new for hybrids in 2011?

ANSWER: We're bringing out our second-generation hybrid excavator before any of our top competitors introduce their first. The Komatsu HB215LC-1 will replace the current Hybrid PC200LC-8 in the Komatsu lineup. We took our last three years of experience in the market to further optimize the system. Another key improvement is the new ability to run hydraulic attachments.

QUESTION: Beyond Tier 4 and the HB215LC-1 hybrid excavator, are there other ways Komatsu is using technology



Erik Wilde, Vice President of Product Marketing

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.

Erik Wilde joined Komatsu in 1997 as an Assistant Service Engineer for mining dozers. He became Product Manager for hydraulic excavators in 2001, was promoted to Director of Product Marketing in 2004 and is now Vice President of Product Marketing. Erik's primary responsibility is to help drive development of new products and to promote and market Komatsu products to distributors and equipment users.

"Komatsu is the second-largest manufacturer of construction and mining equipment in the world," he said. "We engineer and design our machines from the ground up with Komatsu-made parts and components. That's how we assure quality. Equally important is technological innovation, which is so ingrained at Komatsu it's included in our logo (the offset T in the Komatsu logo symbolizes technological innovation). Our goal with each product is to provide equipment users with a machine that delivers the best value in the industry."

When he's not on the job, Erik enjoys doing almost anything outdoors, from hiking to fishing to kayaking. He, his wife and their three children (nine, seven and five) also enjoy water skiing, snow skiing and snowboarding.

Continued . . .

Improving machine performance and lowering costs

... continued

to improve machine performance for equipment users?

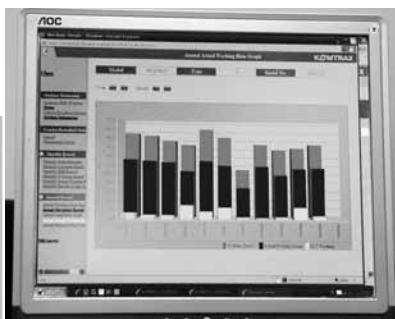
ANSWER: We've always considered ourselves to be the technological innovation leader in the equipment industry. That's what we hang our hat on. We believe our on-board diagnostics and user interface are far beyond what our competition offers, especially on new Tier 4 machines.

The next generation of KOMTRAX will be on all Tier 4 units. We were the first manufacturer to offer such a wireless, machine-monitoring system with free

(Right) Komatsu has worked closely with laser-grading manufacturers to come up with a new 3-D machine-control system that dramatically improves fine dozer grading.



The industry-leading KOMTRAX machine-monitoring system gets a Tier 4 upgrade in 2011 to make it more informative and more user-friendly.



communication as standard equipment. This newest version will be even more user-friendly, will provide more information to the customer, and will help Komatsu and its distributors support the machine even better.

QUESTION: What's going to be the next big thing in construction equipment?

ANSWER: Hybrid machines or anything else that reduces fuel consumption. The cost of fuel is a significant part of equipment owning and operating costs. Anything that lowers the total amount spent on fuel will be big for the foreseeable future.

Also 3-D machine-control systems. The cost benefits of a stakeless work site are proven and the technology is being transferred into other products. At Komatsu, we work closely with the industry leaders to enhance the machine to system interface and performance. We even offer "plug-and-play" systems to make it easier for our customers to connect our machines to their 3-D machine-control packages. This technology is rapidly advancing and will continue to expand for years to come, delivering higher productivity and lower costs for our customers.

QUESTION: What can we expect from Komatsu in the future?

ANSWER: Komatsu is committed to delivering the highest-quality products that optimize productivity while delivering low operating costs. Our 2011 Tier 4 products will exceed those expectations and our customers can expect us to deliver that same value proposition with models requiring Tier 4 in 2012. ■



In 2011, Komatsu will introduce its second-generation hybrid excavator before most other manufacturers will have come out with their first.



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Being the best is never good enough. Just as you're always looking for ways to grow your business, Komatsu is constantly working to improve the tools of your trade. We have a long history of innovation across all our lines of heavy equipment and a long list of dedicated customers who count on these innovations as a competitive edge.

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INDUSTRY OUTLOOK

CONSTRUCTION SPENDING FORECAST

Economists see a boost of up to 8 percent as part of overall growth in the economy

As the economy tries to heal, forecasts for the construction industry call for growth in 2011 in most sectors, with a total value of as much as \$445 billion, according to a McGraw-Hill Construction report released late last year. That total would be an 8 percent rise from 2010, part of an overall growth of 2.5 percent in the U.S. economy predicted by McGraw-Hill.

Single-family housing should see the strongest growth at 27 percent, with more than \$126 billion in construction starts. That will depend on several factors, including the foreclosure mess getting sorted out. Following closely behind is multifamily housing, with an expected rise of \$23.6 billion, a 24-percent gain from last year.

"While the economy is still facing headwinds, the stage is being set for construction to see

Economists predict housing to see growth of more than 20 percent, including single-family and multifamily, as part of an overall boost in construction spending.

modest improvement in 2011 from (2010's) very weak activity," said Robert A. Murray, Vice President of Economic Affairs at McGraw-Hill Construction during a recent presentation. "We're turning the corner, slowly. As 2010 becomes the final year of a very lengthy and unusual construction cycle, 2011 will be the first year of renewed growth for overall construction activity."

Increases extend to commercial buildings, where a 16-percent gain is expected by McGraw-Hill. That follows a three-year decline in building new stores, offices, warehouses and hotels. Manufacturing buildings are expected to increase 9 percent in dollars and 11 percent in square feet.

Other industry experts forecast similar improvements in green building, residential building, building product manufacturing, building materials, technology and the economy as a whole.

"The U.S. economy is in the second year of economic expansion," said Camilli Economics President Kathleen Camilli. "While the growth rate is currently modest, momentum is likely to grow as the economy responds to an ongoing monetary and fiscal stimulus in the pipeline. Notwithstanding the financial crisis's impact on residential and nonresidential construction, growth in this sector of the economy will continue to be driven by innovation in building technologies."

Modest growth this year, bigger next

Reed Construction Data expects a rise in nonresidential construction sectors of 2.7 percent in 2011, with an increase of 12.9 percent the following year. Reed expects increases in all sectors in 2011, including a 7.1-percent



jump in health-care construction, 4.4 percent in commercial, 2.5 percent in education and more than 1 percent in manufacturing, amusement/recreation and lodging. Significantly higher growth is expected in all those areas, as well as office, religious and public safety in 2012.

"Commercial building construction spending will see the largest positive impact from the monetary stimulus," said Reed Construction Data Chief Economist Jim Haughey, citing the Federal Reserve's quantitative easing plan announced in late 2010. "Developers will get cheaper credit rates, higher space demand, more valuable building assets to pledge as collateral for new project loans and lenders with more cash. The restraint on housing starts cannot be solved by cheap credit as we have learned in the past few years. However, apartment construction will benefit similarly to other commercial buildings. Institutional buildings and the largely public, heavy construction sector will fare about the same as single-family and condo construction. The supply of construction funds for these markets is largely isolated from short-term changes in financial markets."

Material prices to rise too

Haughey said cheaper credit, a cheaper U.S. dollar and higher equity prices are positive for the near-term spending outlook. Inflation will remain low, but rise enough to end concerns of deflation. "There will be a noticeable rise in inflation for commodities used in construction materials," said Haughey. "Commodity price inflation has been near zero in recent months but will rise back to the 5-percent to 6-percent range."

Others see commodity and materials prices rising as well. Associated General Contractors' Chief Economist Ken Simonson said material prices were up considerably in the fourth quarter of 2010, are likely to be "volatile" in 2011, and noted that an Energy Information Outlook report forecasts diesel fuel to rise 22 cents on average from last year.

"It seems likely that materials that are traded globally, such as oil, copper and steel (especially the scrap that forms the raw material for most construction steel), have



Growth in several sectors is anticipated, such as commercial, institutional and health care.



Material prices were up in the fourth quarter of 2010 and are expecting to rise more in 2011, especially those traded globally, such as steel and copper.

a greater risk of near-term price spikes than materials for which demand stems from domestic construction, such as concrete, asphalt, wallboard and lumber," said Simonson.

He added, "Consequently, contractors may face a two-tier pricing picture in 2011: volatility and large spikes for some materials, stable and shrinking prices for others. Meanwhile, owners are likely to be as resistant as they have been in 2010 and 2009 to pass-throughs of price increases. Contractors will need to be sure they or their subcontractors can absorb possible price spikes." ■

MORE INDUSTRY NEWS

Groups pushing for more skills-based education

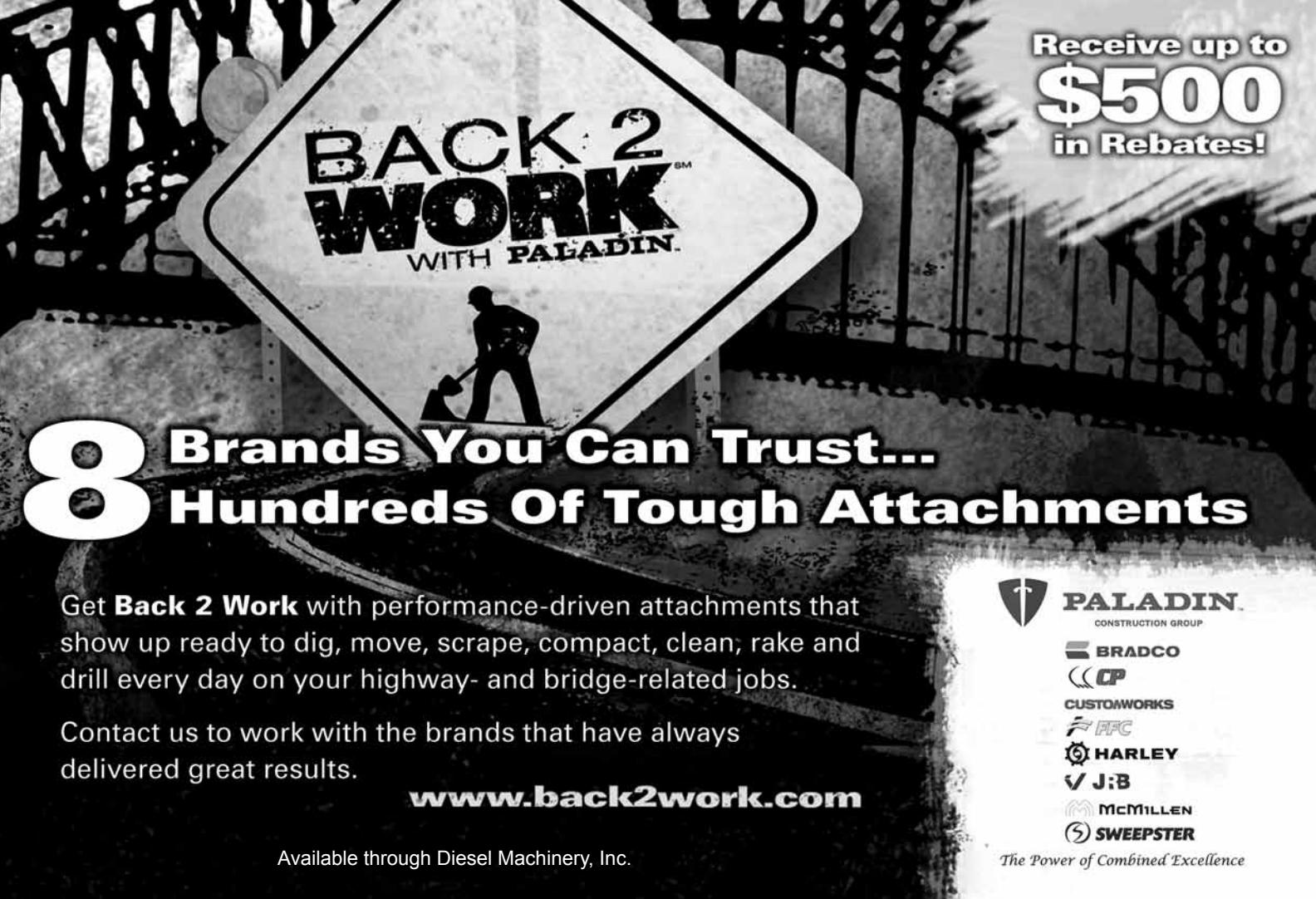
Industry groups are urging education officials to develop more schools that teach skills such as construction by highlighting examples of successful programs in such schools around the country. These schools focus on skills-based education and have proven to produce a higher percentage of graduates compared to typical high schools.

"For too long, we've told students that the only path to success lies in mastering a standardized test, instead of acquiring practical skills," said AGC President Ted Aaland. "By giving students an opportunity to master skills like construction that will

win them good pay and earn them rewarding careers, we're giving them another reason to work hard and another way to succeed."

Aaland said student performance is higher at schools focusing on skills-based education, such as recently opened, construction-focused charter schools. Two already-operating schools have graduated students with higher scores on high school exit exams than their peers at district schools.

"Our education system and our graduation rates would be significantly better if schools like the one we're opening were the rule, instead of the exception," said Aaland. ■



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UNDER THE HOOD

OIL SAMPLING AND ANALYSIS

Beyond warranty — the benefits of oil sampling increase as a machine ages

When you finance a new piece of equipment, you're required to participate in an oil sampling and analysis program as part of the machine warranty. Why? In part, because, if the manufacturer is going to be on the hook for a repair bill, it wants it to be a low-cost, preventive-maintenance repair rather than a high-dollar, high-downtime, unexpected emergency repair.

"Scheduling the repairs suggested through oil analysis saves end users time and money compared to reacting with emergency repairs," said Matt Beinlich, Manager, Technical Support Center (Komatsu Service Department). "When detected early in oil sampling, repairs are less expensive and do not risk unexpected downtime. With oil analysis, our customers can 'look inside' their engines, transmission and hydraulic systems for early warning signs of future failures."

Obviously, issues become more frequent as a machine ages. Despite that fact, many equipment owners choose to discontinue oil sampling once the warranty period is over.

"Sampling when a machine is under warranty may be required, but continuing to sample later in a machine's life is at least as important," said Beinlich. "When machines age, there are more opportunities for the application or environment to change, and this has an effect on overall machine health. The cost of continuing to sample oil is tiny compared with the expense of emergency repairs. Robust oil analysis programs can even give end users the confidence to extend planned component intervals."

Komatsu Oil and Wear Analysis (KOWA)

Komatsu offers an effective, easy-to-use sampling program known as KOWA (Komatsu

Oil and Wear Analysis). Your Komatsu distributor can supply you with KOWA kits to draw oil and fluid samples. KOWA utilizes independent labs to analyze the fluid for such issues as fuel dilution, coolant leaks and contaminants — and to determine if there's excessive wear metal in the sample, an indication that a component might be failing prematurely.

You can get results rapidly through a free online service. Historical data and reports are available through customized software called KOWA-LOAMS (Lube Oil Analysis Management System). Your local Komatsu distributor will help you interpret the sample analysis, including recommending action you might want to take to protect your machine. ■

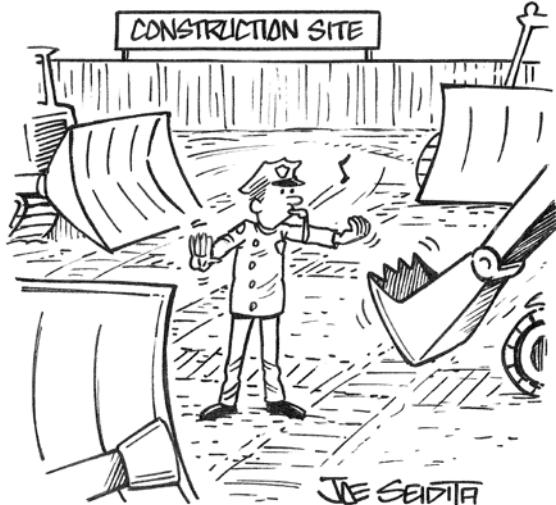
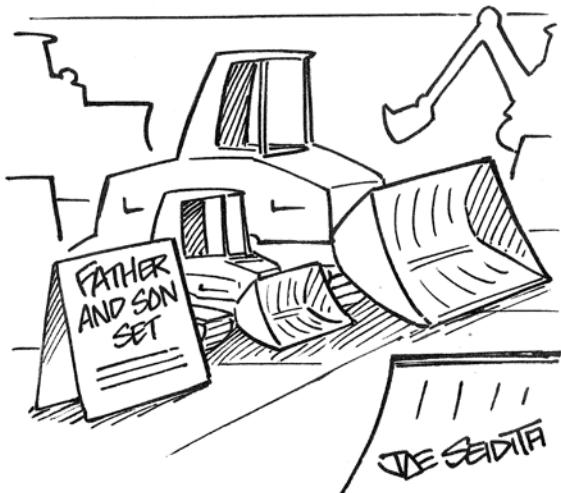
For more information on KOWA and how oil sampling throughout the life of your equipment can benefit your bottom line, contact your local Komatsu distributor.

Oil sampling is typically required on new machines as part of the warranty package. Komatsu urges equipment owners to continue sampling after the warranty period ends. "The cost of continuing to sample is tiny compared with the expense of emergency repairs," said Matt Beinlich, Manager, Technical Support Center.



SIDE TRACKS

On the light side



"Junior, I know you want to take my place someday, but don't you think you should at least graduate from grade school first?"



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. LCCYE _____
2. AKTUOMS _____
3. RUTQEO _____
4. NMGNII _____
5. WRELCRA _____
6. NTPLAIOIPCA _____

Did you know...

- During World War II, Oscars were made of wood because metal was scarce.
- Before going into space, astronauts are not permitted to eat beans.
- If you refrigerate rubber bands they will last longer.
- The number of dimples on a golf ball is 336.
- Dogs can get toupees in Tokyo.
- The cat is the only domesticated animal not mentioned in the Bible.
- Pillows made of stone were used by the Egyptians.
- In one year, Mexico City sinks about an inch.
- Philadelphia was the site of the first stock exchange in 1791.
- The U.S. Air Force was a corps of only 50 soldiers when World War I broke out.
- In addition to a dagger and spear, a gladiator was also armed with a net.
- The last Pony Express ride ended in Sacramento, California.

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