



**WAUKESHA-PEARCE INDUSTRIES, INC.**

# **UPDATE**

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**Featured in this issue:**

## **ELLA S.A. CONTRACTING, L.P.**

**"YES, Sir" attitude leads to  
success for San Antonio site  
utilities, concrete contractor**

**See article inside...**



CEO Ward Dow (left)  
and COO Joe Gannon



**KOMATSU**

# A MESSAGE FROM THE VICE PRESIDENT



G. Michael Green

A glance back  
and a look at  
what's ahead



Dear Equipment User:

As 2005 begins to draw to a close, you're probably already looking ahead to next year. You're not alone. All of us at Waukesha-Pearce Industries are also looking forward to 2006 with great anticipation. But before we look too far ahead, let's take a quick look back.

Of course, final figures are not yet available, but it appears that construction "put in place" for the year will come in at about \$1.1 trillion, up roughly 9 percent from 2004. Private residential construction continues to lead the way. Analysts say part of the increase is a result of higher prices for materials such as cement, steel, copper and petroleum-based products — but despite that, gains were solid across-the-board.

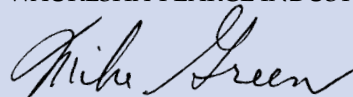
Forecasters think things may slow a bit next year, but overall, construction will remain strong. The big question is how much long-term impact the devastation brought by Hurricane Katrina will have on the industry. New Orleans and the Gulf Coast are not only important energy-producing areas; their ports also handle many raw materials imported for use in construction. This could impact the availability and price of those materials in the coming year.

All of these issues are out of your control and out of ours as well. At WPI, our goal, as always, will be to provide you, our customer, with top products at a fair price, and to provide responsive, professional support that keeps you up and running.

Something we are very excited about is the many new Komatsu models with ecot3 engines that will debut in 2006. The units promise to be not only cleaner-burning, but also more productive and more fuel-efficient, which will almost certainly be increasingly important to you in the months and years ahead.

Please don't hesitate to give us a call for information about these new units or if there's anything else we might be able to help you with.

Sincerely,  
WAUKESHA-PEARCE INDUSTRIES, INC.



G. Michael Green  
Vice President of CMD Operations

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A PEARCE INDUSTRIES, INC. COMPANY



## IN THIS ISSUE

### ELLA S.A. CONTRACTING, L.P.

Customers of this San Antonio contractor can always expect a "YES" from the company. Learn what the YES acronym stands for and how it has led to Ella's success and growth.

### GUEST OPINION

Despite the passage of the new \$286 billion transportation bill, ARTBA's president Pete Ruane says it's not enough to meet the nation's highway/transit needs.

### DOLLARS & SENSE

Want to maximize your bottom line? Here are guidelines for a 10-step process that can help your construction company be more profitable.

### PRODUCT INNOVATION

Do you have very specialized equipment needs for material handling, logging, waste transfer or other industries? If so, you'll want to read about Komatsu's Working Gear Group, which can customize Komatsu excavators for almost any application.

### NEW PRODUCT

Find out how Komatsu's new WA320PT-5 electronically controlled, hydrostatic, parallel-lift wheel loader can boost production on your next job.

### PRODUCT IMPROVEMENTS

Read all about Komatsu's new turbocharged compact excavators, the PC35 and PC50, and what makes them "unique and unrivaled" products.

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## ELLA S.A. CONTRACTING, L.P.

**“YES, Sir” attitude leads to success for San Antonio site utilities, concrete contractor**



Ward Dow,  
Chief Executive Officer



Joe Gannon,  
Chief Operating Officer

Ward Dow and Joe Gannon are proud to be “YES” men.

“Our core values are found in the word YES; it’s an acronym for our beliefs,” explained Dow, CEO of Ella S.A. Contracting, L.P. “The Y stands for the word yes, because when someone asks us to do something, our initial response is going to be, ‘Yes, we can do that.’ The E stands for excellence. We believe in delivering a quality product. And the S is for service. You tell us what you want us to do and we’ll do everything possible to accomplish it.”

“We believe in what we call a ‘YES, Sir’ attitude,” added Gannon, COO of Ella S.A. Contracting L.P. “It’s what drives us and makes us successful. More than 65 percent of our business this year has been for repeat customers, so we must be doing something right.”

Their attitude has led to an explosion in the San Antonio company’s business in a very short time. Armed with solid resumes in the

contracting business, Dow and Gannon joined forces 10 years ago and immediately set to work growing the site utility business. What was once a modest payroll has swelled to more than 150 employees working on up to 40 projects a year in and around the company’s southwest Texas home base of San Antonio.

“Our main focus has always been on doing underground utility work,” said Gannon. “Primarily we install wet utilities, such as water and sewer, for general contractors on commercial sites. We also do some private subdivision and public utility work. We’ll install conduit, but if it requires an electrician, we sub that out. The market in this area has really driven our growth for utility work. San Antonio and the surrounding area have seen major growth in the last few years.”

### New concrete division

Ella decided to further capitalize on the market last year when it expanded its services with a turnkey concrete division. While Ella had always performed a limited amount of concrete work as part of its utility jobs, Gannon and Dow admitted they weren’t experts at it. A friend introduced them to Butch Murray, who had an impressive background in the concrete industry. It didn’t take long for them to select Murray to head up the new venture.

“We had always struggled with concrete as part of our scope of work on utility projects because there were inlet aprons, head walls or other structures that we didn’t have the capability to pour in place,” explained Dow. “We were often relegated to using precast, which has its place, but there are times when poured-in-place is better and cheaper. Now we have the capability of self-performing poured-in-place on our utility jobs, while also offering

Ella S.A. Contracting crews use two Komatsu PC400 excavators to lift a heavy storm drain fitting at the Shops at La Cantera, San Antonio’s newest regional shopping center. Ella S.A. Contracting was responsible for all the underground utilities serving the Shops.





customers stand-alone concrete jobs. It's a separate division that pursues its own projects as well as working with our utility division when we need it. Butch is a valuable asset. It's been a tremendous undertaking and it's going very well."

## Large projects

In a year's time, the concrete division has tackled numerous projects, including a 90,000-square-foot, pier-supported slab along with another 90,000-square-foot second-story deck for the Foley's department store at La Cantera, San Antonio's newest regional shopping center for which Ella also completed the utilities. Crews have also completed a 20,000-square-foot, tilt-wall structure; a single-story building for Southwest Research; a diversion channel for Lackland Air Force Base and a public storage building at Encino Commons, featuring a one-story, cast-in-place wall topped by a three-story tilt wall.

"The list goes on and on," Gannon commented. "The concrete division has given us a whole new avenue to go down, but it's still growing. About 75 percent of our work is still focused on underground utilities. The concrete division is a nice complement to that."

When the two owners drive through the San Antonio area they can point to numerous high-profile projects Ella S.A. Contracting has been a part of, including all the site utility work for the new SBC Center, home to the NBA Champion San Antonio Spurs; the majority of the drainage for the new Toyota truck plant being built in San Antonio; and all of the underground utilities serving the Shops at La Cantera.

"It's a great feeling to go by a place and know that every bit of water that goes into it flows through lines we laid," said Dow. "The same goes for the fire protection. It's very gratifying. It's also promising to see how the size of our projects has grown. We've gone from relatively small jobs up to \$10 million projects. Much of that is a function of the market. Developers are chasing larger opportunities, and with those come bigger projects. It's nice to know they trust us to get the job done."



Ella S.A. Contracting employs several Komatsu wheel loaders for various applications, including this WA200-5 used to backfill a new water line in the city of San Antonio. "We have a good history with Komatsu equipment," said Joe Gannon, COO. "They are very dependable machines. We've always said you could drive them off a cliff at night and they would be ready to go the next morning."

## Employees with attitude

To get those jobs done, Ella is proud to have a dedicated group of employees who stand behind the "YES, Sir" attitude. Key employees include Butch Murray, Concrete Division General Manager; Chief Estimator and Project Manager Steve Manning; Concrete Division Estimator and Project Manager Sean Murray; CFO Mary Simmons; Office and Human Resources Manager Cathy Guzman; Master Plumber David Smith; Utility Division General Superintendent Robert Mason; Concrete Division General Superintendent Tom Van; Utility Superintendents Raymond Pena, Louis Sweatt, Vincente Tenorio, Raul Castillo, Jose Chavez and Raymond Coronado; Concrete Superintendents James Barton, Fidencio Gonzalez, Johnny Guzman and Paul Medina; Concrete Foremen Ruben Rey, Juan Garcia and Ken Kuwamura; Equipment Manager Gilbert Cardenas; and support staff members Amy Martinez, Irene Gonzalez, Shea Soria, Randi Eustrom, Ann Gallardo and Vanessa Rodriguez.

"We have a number of people who have been with the company long term," Gannon said. "Most of our foremen have worked their way up through the ranks. We look for people who match our commitment to customer service. This is the one area where the word 'no' becomes part of our vocabulary — no excuses and no complaints. Our employees know what needs to be done and they do it. We have a great group of people who work

*Continued . . .*

# Ella S.A. Contracting takes pride in outstanding work

... continued

hard to make this company run, and in turn we take care of them by providing the best benefits for them and their families."

Ella's commitment to its employees garnered the company San Antonio's North Chamber of Commerce "Contractor of the Year" award in the Employee Relations category in 2002. "It's nice to be recognized for something like that, but that's not why we do it," Gannon emphasized. "We understand that our employees are the driving force behind our business, so it's important that we take care of them. That's why we have a low turnover rate, which in turn has a direct effect on our production being as high as it is."

## Equipment that produces

Adding to Ella S.A. Contracting's high production is a substantial fleet of machinery, including numerous Komatsu excavators and wheel loaders purchased from WPI's San Antonio branch through Sales Representative Brian Childress. Newest among the Komatsu lineup is a PC300LC-7 excavator and three WA200-5 wheel loaders. Ella S.A. Contracting also owns several PC200LC-6 excavators as well as a PC220LC-6 and two PC400s. In addition, the company owns two other Komatsu wheel loaders (a WA250 and a WA180).

"We have a good history with Komatsu equipment," Gannon acknowledged. "They are very dependable machines. We've always said you could drive them off a cliff

at night and they would be ready to go the next morning. Hands down, they're the best machines we've ever owned.

"When I first started running excavators, I was on a PC200 and I noticed right away how different it was from other brands," he added. "You could definitely tell the difference, especially in the hydraulics. On other machines, when you dip, turn, curl and go to dump the bucket, you lose swing power. Komatsu gives you a continuous flow; you never lose power. I've found that to be true with the other Komatsu excavators as well. It's the same on the wheel loaders, especially with the hydrostatic drive. They're workhorses. We have a variety of sizes because we use them for different-size jobs. They all have the power to do what we need. The WA250 is good for working with bigger pipe and the WA320 handles a lot of dirt when we're putting in box culverts. The WA200s are great all-around machines."

Dow and Gannon are pleased with the all-around service they get from WPI and Komatsu. The duo financed their newer purchases through Komatsu, and turn to WPI for parts and service. "Service after the sale is one of the most important factors we look at when buying equipment," said Dow. "Brian and WPI have always stepped up to the plate and been there when we needed something. Brian has done a great job of finding us machines when we need them, and the service and parts departments have been tremendous."

## Continued good service

Ella S.A. Contracting has seen tremendous growth in the last five years, but the two owners admit it may be time to pull those reins in a little. "We don't want to get so big that we lose quality on our jobs," said Dow. "We're very proud that we've built a good reputation for outstanding work at a fair price. I think we're at the right size now. We can tackle practically any utility job and we can do most concrete projects. It's a good mix.

"We'll continue to evaluate the market and see where it takes us, but ultimately it comes down to making sure we're able to continue to say 'yes' when someone needs something done," Gannon concluded. "We don't want to get so big that we lose the personal touch." ■

Service Manager  
Gilbert Cardenas  
(left) talks with WPI  
sales representative  
Brian Childress.







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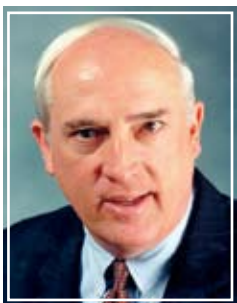
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# TRANSPORTATION FUNDING

## Industry group praises passage of highway bill, but says much more needs to be done



Pete Ruane,  
President and CEO,  
American Road &  
Transportation Builders  
Association (ARTBA)

In August, President Bush signed a six-year highway funding bill into law. The Safe, Accountable, Flexible, Efficient Transportation Equity Act — A Legacy for Users (SAFETEA-LU) authorizes more than \$286 billion in spending on highway and transit programs.

Pete Ruane, President and CEO of the American Road & Transportation Builders Association, made the following comments about the new law.

“SAFETEA-LU is a step in the right direction, but will not come close to meeting

the nation’s highway /transit needs identified in repeated government reports.

“President Eisenhower embraced a vision for transportation 50 years ago when he created the Interstate Highway System. It’s now time for policymakers and the President to formulate a new transportation vision for the next 50 years. I believe it can be done, but it’s going to take unprecedented involvement and leadership of the business community, and political will by Congress.”

Adjusted for inflation, Ruane says SAFETEA’s average annual funding gains are only 1.8 percent, compared to increases of 6 percent annually in the previous law. He says that spells trouble now and especially in the future, when there will be many millions more drivers on the road. The goal of policymakers, he says, should be major rebuilding and modernization of existing infrastructure, adding significant capacity across all modes of transportation.

“Toll-financed, truck-only lanes should be considered for existing Interstate highway right-of-way, where appropriate. New Interstates, free-trade corridors, elevated roadways and trains, high-speed rail routes, and tunneling in some urban areas should also be seriously considered as options. Modernization and expansion of ports, waterways and airport runways should also be part of the mix.

“The cost of improving and modernizing America’s transportation systems will be significant, but the cost of doing nothing for future U.S. economic growth, traffic congestion, air pollution levels and highway safety is far greater.” ■

Transportation groups like ARTBA call SAFETEA-LU, the new highway bill, “a step in the right direction,” but say it won’t come close to meeting the nation’s highway needs in the years to come.





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# MAXIMIZING YOUR BOTTOM LINE

## A 10-step process that can help your construction company be more profitable

**T**“There’s a four-letter word that best describes owning a construction company,” says George Hedley, a business-building expert and professional speaker who also owns and manages a \$75-million construction and development company. “The word is risk. In a business with all the variables of construction, you may never be able to totally eliminate risk, but there certainly are ways to minimize it.”

In order to help contractors do just that, Hedley has developed a 10-step program

Because of all the variables involved in construction, there’s probably always going to be a certain amount of financial risk on each and every job you do. But careful planning and attention to detail can help you minimize the likelihood of a money-losing job.



aimed at maximizing profits, which he presented at a seminar during CONEXPO 2005.

### 1. How much profit?

The first step, he says, is to determine how much profit you think you should make.

“The industry average is 2 percent to 3 percent net profit before tax,” he said. “Is that really enough for you to be successful? Probably not, because with all the risk and variables, the fact is, 65 percent of construction companies don’t make any profit, which is why there’s a high failure rate in the industry.

“One way to look at the situation is to ask, ‘If I were investing in a construction company, what kind of a return on my investment would I want?’ The answer is probably at least 15 percent, so that can be a starting point. Personally, my priority is to make a 30 percent minimum return on equity, and I shoot for a specific dollar amount of profit on each job and for the year as a whole.”

### 2. Set clear targets & goals

“Once you’ve determined how much profit you need and want, set clear targets with specific deadlines to help achieve it. You must have a plan and you must always be making progress toward it. If you aim at nothing in particular, you’ll hit it every time. It would be like playing golf without a green or a hole, or playing a football game without keeping score.

“It’s important to be specific and to be able to measure your progress. I use the initials SWAT.COM to keep me on track. My goals are Specific, Written, Attainable, Time-dependent, Clear and Challenging, On-purpose and On-target, and Measurable.”





One of the most important aspects of construction company profitability, especially for companies with large equipment fleets, is to know your cost of doing business. The true cost of any machine, of course, is much higher than the purchase price. It includes interest, insurance, maintenance and repairs, and fuel. Likewise, your employees cost you significantly more than their hourly wage rate. Accurately determining and tracking your true cost of doing business is a crucial aspect of ensuring profitability.

### 3. Use formula to always make a profit

"Whether you measure annual profit as a 'Return on Overhead' or a 'Return on Equity,' it's either a 12-step or 13-step formula, but they both will get you to the same place. It basically involves projecting expenses, inserting your return goals, factoring in projected profit and overhead — then determining the volume you need to reach those goals.

"From your company history, you probably have an 'average job size,' so you know about how many jobs you're going to have to do. You probably also know your bid-to-hit ratio, so you know about how many jobs you're going to have to bid, and you should keep track monthly to make sure you're staying on track to meet your goals."

### 4. Know, track, measure and control costs

"It's amazing to me, but 70 percent of contractors don't know their fixed cost of doing business. Without that information, it's a wonder any of them make money. For example, if you're just figuring the base pay of your employees, you're probably going

to be underestimating the true cost by 30 percent to 50 percent. Similarly, the cost of your equipment and trucks must include not only the purchase price, but also the interest you're paying plus insurance, maintenance and gas. It's important to assign an hourly cost to both your personnel and your equipment in order to determine what your bid should be.

"Keep your overhead low and track everything. And when you assign an hourly rate to a crew member, make sure they're earning it relative to your best employees, your 'A' players. If they're not — if they're 'C' players — get rid of them and make room for somebody who is or might become an 'A' player for you."

*Continued . . .*

*The information for this article came from a CONEXPO seminar presented by George Hedley. Mr. Hedley owns his own construction company, and as the founder and owner of Hardhat Presentations, is also a nationally known motivational speaker who specializes in providing profit-building information to construction-related groups. For more information, contact Mr. Hedley at 1-800-851-8553 or visit [www.hardhatpresentations.com](http://www.hardhatpresentations.com).*



# Ten steps to profitability

... continued

## 5. Charge the right markup

"The amount of markup you factor into a job for both overhead and profit should reflect the amount of risk you're taking to do the job. The higher the risk, the larger the markup. To calculate the right markup for your company, start by figuring the return you want on your equity and overhead. I recommend a 15 percent to 25 percent return on equity and a 25 percent to 50 percent return on your overhead costs. Add this profit amount to your overhead budget. This is the total overhead and profit you want to make. Using that amount as a goal, you then can calculate your markup rate based on your anticipated volume."

## 6. Install operational systems

"Operational systems are essentially formalized company standards and guidelines that keep everybody on your team on the same page. By installing systems, you're able to produce the same results every time, like a fast-food restaurant or a top hotel line. Customers always know what they're going to get from you; they like that consistency and because of it, they become repeat customers."

## 7. Open your books & share the wealth

"By opening your books to your employees, you're not only showing them respect, you're

also showing them exactly what it takes to make a profit and why it's important that each person does his job. Incentive bonuses should be part of the 'open book' policy when the company has done particularly well on a job — or for a month or quarter or year."

## 8. Sell more to make more

"Know your customers. Visit with them face-to-face. Focus on your most profitable customers. Target them and others like them, then go about making them repeat customers. Point out things that differentiate you from your competitors and exploit your expertise."

## 9. Do what customers value

"Value is what something is worth. Money is a measure of value. To make lots of money, do what your customers value highly. Basically, all customers want first-class quality, top service and the lowest price. It's very hard to give them all three. Quality and service are what you should always strive to provide because those are the things you can control, whereas low price depends on what others decide to bid. Look for opportunities to do things that set you apart from the competition and add value in the customer's eyes. In that way, make the low price a matter of comparing apples to oranges."

## 10. Continuously innovate & improve

"I advocate cutting or controlling costs throughout every aspect of your business except marketing and new technology. That's because effective marketing will increase your business and new technology will help you cut your overhead costs. Yes, there's an initial outlay for the marketing and the technology, but the payback is typically many times greater than the cost."

"If you're not going forward in the construction industry, chances are you're going backward; and with the pace of change today, it doesn't take long to be left behind. It's always better to be early rather than late to the party when you're talking about technology. Anything you can do that puts you a step ahead of your competition, even if it's for a short period of time, could result in getting a new customer that might become a customer for life." ■

Business-building expert George Hedley strongly advocates adopting and embracing new technology as a way to streamline your operation and cut overhead. "Of course, there's an initial outlay, but the payback is typically many times greater than the cost."







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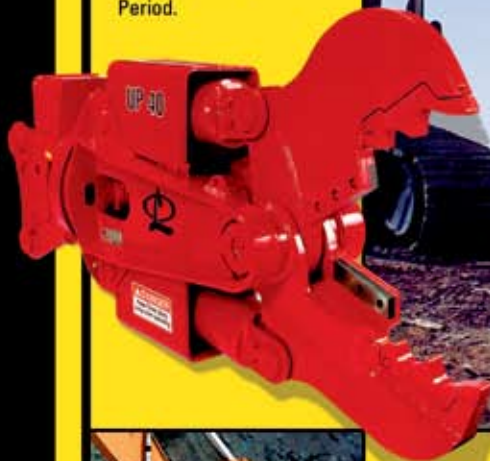
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PRODUCT INNOVATION

“WORKING GEAR” MACHINES

By utilizing excavator core technology, Komatsu develops industry-specific equipment

Hydraulic excavators are primarily digging machines. Of course, you can lift with them, do demolition work and some other tasks — but for the most part, the excavator is for going underground. In recent years, however, core excavator technology has also been applied to many different above-grade applications.

“By utilizing the core technology found in Komatsu hydraulic excavators, we’ve been able to develop many specialized, purpose-built machines,” said Mike Murphy, the excavator specialist for the Komatsu Working Gear group. Working Gear was formed several years ago to enable Komatsu, with the help of allied suppliers, to meet the needs of specific industries that require customized equipment. They include material and scrap handling, logging and waste transfer stations.

“In some cases, we essentially start with a blank sheet of paper in developing these purpose-built machines,” said Murphy. “In many ways they may resemble hydraulic excavators, and their roots certainly lie in the proven world-wide componentry expertise of Komatsu excavators. But make no mistake, Working Gear machines are not excavators. They’ve been extensively modified at the factory level to increase productivity, reliability and longevity in specific applications.”

Material-handling series

Komatsu material handlers serve as good examples of how purpose-built Working Gear machines borrow from — but also differ significantly from — traditional hydraulic excavators.

Komatsu offers six material-handling models, ranging from the PC270LC-7 up through the PC1250LC-7. The units, which are

primarily used for barge loading/unloading or scrap processing, include the popular PC300-, PC400-, PC600- and PC750-model sizes.

The Komatsu material-handling series features elevated cabs (78-inch, manual-tilt *Continued . . .*

Brief specs on Komatsu Material Handlers			
Model	Output	Operating Weight	Reach (standard)
PC270LC-7	174 hp	70,000 lbs.	46 ft.
PC300HD-7	242 hp	89,960 lbs.	46 or 48 ft.
PC400LC-7	330 hp	118,211 lbs.	54 or 55 ft.
PC600LC-7	385 hp	144,014 lbs.	55 or 60 ft.
PC750LC-7	454 hp	203,700 lbs.	55 or 62 ft.
PC1250LC-7	651 hp	259,474 lbs.	62 or 70 ft.

All Komatsu material handlers, including the PC300HD-7 shown here in a scrap application, feature elevated cabs for better visibility, and reinforced front attachments to handle the stress of swinging heavy loads.



# Customized Working Gear machines

... continued

*For more information on Komatsu Working Gear machines, contact your sales representative or our nearest branch location today.*

cab risers with platform and hand rails) as standard equipment. "Up and out" risers are available as an option for improved visibility in barge work. Other changes to the standard excavator are stronger structural components to better stand up to the specialized nature of the work; front window guards for increased safety; and widened carbodies and additional counterweights for better stability.

Komatsu also equips all models with hydraulic generators and electrical cables to power and operate large magnets; centralized lube plumbing and lube points; plumbing for grapple operation; and a hydraulic control package to open, close and rotate grapple with control handles and switches in the cab.

## Allied suppliers

Komatsu material-handling machine fronts are designed specifically to handle the stress and strain of swinging heavy loads above grade. The units are outfitted with either a two-piece or three-piece Young Corporation front attachment with underslung hydraulic cylinders. Attachment options include shears,

magnets, grapples, orange-peel grapples and clamshell buckets.

"Young Corporation is definitely a leader in its field, as is Pierce-Pacific, another primary Working Gear affiliate whose specialty is forestry applications," Murphy noted. "In looking for Working Gear partners, we seek out companies that have expertise beyond our own, who can add significant benefits for our customers. Both Young and Pierce-Pacific certainly do that."

Because of the partnerships, Komatsu material handlers can be as personalized as a customer wants and needs a machine to be.

"Very often, we or one of our partners — or both of us together — will visit a customer's jobsite to see the operational layout and take measurements," explained Murphy. "After doing that, we're able to make very specific recommendations as to what size of material handler he needs and how it should be configured to meet his production requirements. If a standard machine is not the best fit, we'll customize it to accomplish what needs to be done."

For example, Murphy notes that Komatsu's normal "up and out" cab riser option is eight feet up and four feet out. "But if a customer needs to go out six feet for optimal visibility and productivity, then that's what we'll do. We'll custom make it. That's not at all unusual for us. In fact, we do it all the time."

## Best of both worlds

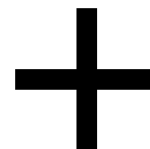
Like the basic Komatsu excavator, Working Gear products, including the material-handler series, feature Komatsu's patented HydrauMind™ hydraulic system, which ensures smooth, powerful, efficient operation.

"If you like Komatsu excavators for their durability, their reliability, their performance features and their technological sophistication, you're going to find the same characteristics in our material handlers and all our other Working Gear machines," said Murphy. "All we're doing is taking the existing product's strengths and adding value to it in order to give customers an industry-specific equipment solution. We think it gives them the best of both worlds." ■

Komatsu material handlers like this PC1250LC-7 are often customized for a specific jobsite. "If our standard machine is not the perfect fit for a particular operation, then we'll custom-make a machine," says Komatsu Working Gear excavator specialist Mike Murphy. "It's not unusual. We do it all the time."







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## NEW PRODUCT

# NEW PARALLEL TOOL CARRIER

## Komatsu introduces its largest parallel-lift wheel loader

Komatsu's Dash-5 line of unique, electronically controlled, hydrostatic wheel loaders now includes a 166-horsepower parallel tool carrier. The new WA320PT-5 joins the WA200PT-5 and WA250PT-5 in the Komatsu tool carrier lineup.

"It's the next size up for customers who want and need a little more production than they can get from the smaller machines," said Komatsu Wheel Loader Product Marketing Manager Mike Gidaspow. "The WA320PT-5 is about 25 percent larger than the WA250PT-5 and is ideal for large construction and sewer jobs, as well as for use in government, waste and agricultural markets."

The primary benefit of parallel lift that you get with a toolcarrier is that the forks stay level throughout the boom's arc, which lessens the likelihood of dumping or spilling a load and improves safety. The trade-off is a little less breakout force than a traditional wheel loader with Z-bar linkage.

The WA320PT-5's standard hydraulically actuated quick coupler makes changing attachments easy for maximum versatility.

### Hydrostatic transmission

Komatsu is the only wheel loader manufacturer that uses a hydrostatic transmission (HST) in machines as large as the WA320PT-5. HST allocates only as much power as is needed in a given application for maximum efficiency. A one-pump, two-motor system also improves efficiency while providing high tractive effort. When decelerating, HST acts as a dynamic brake on the mechanical drive system and can even hold the loader in position on most workable slopes.

Hydraulic cycle times to raise, dump and lower a 3.5-cubic-yard, loaded bucket on the

WA320PT-5 is 11.4 seconds. The unit has a top travel speed of 23.6 mph.

As with all Komatsu wheel loaders and parallel tool carriers, the WA320PT-5 comes standard with the manufacturer's Equipment Management Monitoring System for advanced maintenance, repair and diagnostics. In addition, the cab is 5 percent larger than previous models, providing more leg room and storage space for the operator. ■

*For more information on the WA320PT-5, contact your sales representative or our nearest branch location.*

### Brief Specs on the WA320PT-5

Output	Operating weight	Bucket capacity	Breakout force
166 hp	32,161-33,968 lbs.	3.5 cu. yd.	27,225 lbs.

The WA320PT-5, which features a hydrostatic transmission for maximum jobsite efficiency, is Komatsu's largest parallel lift loader.



PRODUCT IMPROVEMENTS

TURBOCHARGED “COMPACTS”

Komatsu PC35 and PC50 excavators are now available with more horsepower

For more information on Komatsu compact hydraulic excavators, contact your sales representative or our nearest branch location.

Komatsu considers its compact hydraulic excavators in the 8,000-pound (PC35MR-2) and 11,000-pound (PC50MR-2) classes to be “unique and unrivaled” products.

One of the prime areas of differentiation from competitive units is a ROPS and top guard that provide unmatched operator safety. The machines also offer more foot space and a large reclining seat so operators can work comfortably for a longer period of time. Additionally, easy access to components simplifies maintenance, while a high-strength, X-track frame deters mud and debris buildup.

Now, the standard machines are also available with a turbo engine as an option. The turbo option will boost horsepower in the PC35MR-2 from 29.1 hp to 34.1 hp and will increase output in the PC50MR-2 from 39.4 hp to 43.8 hp.

The turbo version of both the PC35 and PC50 boosts output from the standard machines by about 17 percent in the PC35 and about 13 percent in the PC50.

Brief Specs PC35MR-2 and PC50MR-2 (Turbo Version)

Model	Output	Operating Weight	Bucket
PC35MR-2 Turbo	34.1 hp	8,245 lbs.	14-25 inches
PC50MR-2 Turbo	43.8 hp	11,010 lbs.	12-25 inches

“The turbo option was developed specifically as a high-altitude machine, to compensate for the thin air, but we expect contractors all over will want the extra horsepower,” said Mike Conley, Komatsu Product Marketing Manager for compact hydraulic excavators.

Rapid growth

The compact hydraulic excavator market has grown rapidly in recent years. In 2004 alone, the compact excavator market grew 40 percent to about 22,000 units.

“General contractors, landscapers, electricians, plumbers — they’re all seeing the benefits of owning a compact excavator and skid steer loader instead of, or in addition to, the traditional backhoe loader,” noted Conley. “The main advantage is they’re getting two machines for about the price of one, which enables them to work multiple jobsites and to be more productive.

“The other advantage is the compact excavator’s ability to work in confined spaces. Many jobsites today are cramped and crowded,” Conley observed. “With its tight-tail-swing design, the Komatsu MR-2 series of compact hydraulic excavators can work productively in much smaller spaces than a backhoe can.”

As opposed to some competitive models, Komatsu designs and manufactures its own compact excavators. “Komatsu has passed its expertise in full-size hydraulic excavators onto the compacts,” Conley pointed out. “We invite anybody who hasn’t tried one yet to do so. We think they’ll be surprised at how productive the machines are.” ■





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# “UNIQUE AND UNRIVALED”

## Komatsu expands efforts to produce demonstrably superior equipment



*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.*

**John Koetz, Vice President,  
Product Marketing and Planning,  
Komatsu America Corp.**

As vice president of product marketing and planning for Komatsu America Corp., John Koetz is responsible for construction equipment machine marketing strategies and planning future products.

A licensed professional engineer, Koetz earned a bachelor's degree in mechanical engineering from the University of Illinois and a master's degree in engineering from Carnegie Mellon University. He also holds an MBA degree from Loyola University in Chicago.

Before joining what was then known as Komatsu Mining Systems in 2001 as product manager of crawler dozers and motor graders, Koetz was the program manager for large tractors with CNH Global and also had served as deputy product manager for construction/material handling equipment as a major in the U.S. Army.

When he's not on the job, Koetz says his favorite thing to do is spend time with his family. "I know that sounds like a pat answer, but it's true. We work some long hours and I travel a lot for work as well, so when I get some time at home, I really enjoy going to my boys' soccer and basketball games and things like that. My wife and I are also very active in our church."

**QUESTION:** In 2004, Komatsu announced what it called a “unique and unrivaled” product strategy. Please bring us up to date on that effort.

**ANSWER:** When we talk about a machine as “unique and unrivaled,” it's much more than a marketing strategy. A Komatsu “unique and unrivaled” machine is demonstrably better than any competitive model and we can prove it by spec and by performance. It may be better because of markedly superior performance or production features. It may be better because it uses significantly less fuel. It may be better because it's much roomier and more comfortable. It may be better because of all those things.

**QUESTION:** Which Komatsu machines fit into that category right now?

**ANSWER:** We have a number of “unique and unrivaled” products already on the market. These include our PC35MR-2 and PC50MR-2 tight-tail-swing compact hydraulic excavators; the PC400LC-7 hydraulic excavator; the D475A-5 bulldozer; the BR380JG mobile crusher; and our entire line of Dash-5 wheel loaders with hydrostatic transmissions.

**QUESTION:** Are there more “unique and unrivaled” products about to be introduced?

**ANSWER:** Yes. Many will be coming onto the market in 2006 with the new Komatsu “ecot3” engines. Now, not all of our machines with the new engines will be “unique and unrivaled,” but a fair number of them will be. We have about 160 base machines. Eventually, we expect about 25 percent of them, or about 40 to 50 machines, to be in that “unique and unrivaled” category.

**QUESTION:** You mentioned the Komatsu “ecot3” engines. How do those fit into the Komatsu “unique and unrivaled” product strategy?





Komatsu is now manufacturing articulated trucks in Chattanooga, Tenn., in addition to Japan to improve responsiveness to North American contractors.

**ANSWER:** All manufacturers have to meet Tier 3 air quality standards, but they are not all doing it the same way. We believe our Tier 3-compliant “ecot3” engines will not only lower emissions, but will also provide improved machine performance and fuel economy. We’re not convinced other manufacturers will be as successful as Komatsu will be in meeting the emissions requirements, and at the same time making a more productive and cost-effective machine.

**QUESTION: What part does technology play in Komatsu’s product development efforts?**

**ANSWER:** It plays a large part. We invest a tremendous amount of money each year on research and development (R & D) and consider ourselves a technological leader in the industry. But for Komatsu, technology is not about bells and whistles — it’s about nuts and bolts. All our product planning and R & D goes back to the needs of our customers and finding ways to help them be more productive, more efficient and more profitable.

**QUESTION: One problem that’s surfaced in the last year or two is equipment availability. What is Komatsu doing to try to improve the supply side?**

**ANSWER:** Market demand over the past couple of years has been unprecedented. At Komatsu, we’ve increased both our machine and component production capacity to improve the supply side.

For example, one product that’s been in great demand, especially in North America, is the articulated truck. Because of that, we’ve added production at our Chattanooga plant for our artic to shorten lead time and provide additional manufacturing flexibility.

**QUESTION: What’s the next big thing in construction/mining equipment?**



The Komatsu Dash-5 series of hydrostatic wheel loaders is an example of the company’s “unique and unrivaled” product strategy, which is a concentrated effort to produce specific machines that are significantly different from, and better than, the competition.



The new Komatsu “ecot3” engine, which will begin appearing in new models in 2006, is designed not only to reduce emissions, but also to improve fuel economy and performance.

**ANSWER:** Many of the changes and improvements are going to be the result of advances in information technology. A decade ago, there wasn’t anything like today’s monitoring, diagnostic and locating systems. That type of equipment, whether it’s our state-of-the-art VHMS or Komtrax II, is already standard on many Komatsu models, and in the not-too-distant future, will likely be standard on all construction equipment models.

What that will do is help everybody lower their owning and operating costs by ensuring that maintenance is done as scheduled, and by speeding up troubleshooting so that repairs can be made more quickly. Side benefits will include greater machine reliability and longevity and resale values. ■



Advanced monitors incorporating satellite technology will benefit Komatsu equipment users in the future by providing more precise maintenance and repair information.





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## NEWS & NOTES

# AGC OF TEXAS

## Attendees enjoy new technology, equipment at annual trade and equipment show

More than 5,000 contractors, municipalities and other attendees had the opportunity to check out the latest in construction technology and equipment at the Associated General Contractors of Texas 22nd Annual Texas Trade and Equipment Show, held October 5-6, 2005, at the Austin Convention Center. WPI featured Komatsu equipment and its service and support capabilities at the annual event.

"The AGC of Texas gives us a chance to meet with a variety of individuals and groups interested in what's available to the construction industry," said David Stange, Director of Sales for WPI. "We've had a presence at the show for a long time. It's a good opportunity for us to show what we can do for equipment users, and it's good for equipment users to see what the next step in the business may be."

### Attendees support annual event

Attendees could check out numerous types of equipment, attend useful seminars and network with colleagues and distributors. Events included a contractors luncheon and the annual fish fry on the final night of the show.

WPI featured two Komatsu machines, a WA200-5 wheel loader and a WB140-2 backhoe loader. A Rammer N22 hydraulic hammer was also on display.

"Everyone who attends the show really seems to enjoy it," Stange commented. "It's something contractors look forward to every year. We appreciate the opportunity to talk with them and show them how WPI can make them more productive and profitable."

Tim Word, part-owner of Dean Word Company of New Braunfels, Texas, was

on hand to see the latest in equipment and technology. "It's a great event," Word said of the annual show. "I enjoy coming every year and seeing what's changed in the industry. This is a good way to do it."

Terry Gray, Vice President of Total Land Development of Gatesville, Texas, makes the show an annual event. "I like to stay updated on the latest technology and equipment," he emphasized. "This is a good way for me to do that." ■



Tim Word (left), part-owner of Dean Word Company of New Braunfels, Texas, talks with WPI sales representative Brian Childress.



WPI sales representative Sean Casey (left) poses with Terry Gray, Vice President of Total Land Development of Gatesville, Texas.

# STRETCHING YOUR FUEL DOLLAR

## These tips can help you conserve fuel and control your equipment operating costs

As an equipment user, you've probably always been concerned about fuel efficiency. But now, with the price of diesel at a record high, chances are you're more concerned than ever before, and you're likely looking for ways to reduce your fuel bill.

With its Tier-3-compliant engines due to be introduced within the next few months, Komatsu has made fuel efficiency a top priority. But beyond the machines themselves, there are things you and your operators can do to further stretch your fuel dollar. Here are some fuel-saving tips from Komatsu Ltd. (The figures used apply to a 20-ton hydraulic excavator, but similar savings can be gained in any size class and any type of machine).

**1. Avoid idling.** By turning the machine off rather than idling when you're not producing, you can save more than five gallons a month (based on one hour of idle time per day).

**2. Avoid relieving pressure.** Pulling the control lever continuously to try to lift a

too-heavy load doesn't move the machine, it simply relieves oil pressure. If you can maintain smooth digging, you can save more than 18 gallons a month.

**3. Lower engine speed.** By dialing back by 10 percent, you can reduce fuel consumption by 12 percent (you do lose about 7 percent in productivity, but the net gain in fuel efficiency is still 6 percent).

**4. Eliminate unnecessary/inefficient movement.** For example, in truck loading, reducing swing angle from 90 degrees to 30 degrees will improve fuel efficiency by 3 percent. Shortening cycle times through improved excavation techniques can provide as much as 8 percent better fuel efficiency.

**5. Reduce your travel speed.** Slowing down 10 percent may improve fuel efficiency by up to 8 percent.

**6. Perform regular maintenance.** A smooth-running machine maximizes fuel efficiency.

For wheel loaders and dozers, similar common-sense operating initiatives can help you save a lot of money on fuel. The biggest factors include reducing engine speed and travel speed whenever possible; preventing tire or track slippage; in V-cycle loading, making sure you're in the position that lets you do the work with the least amount of travel and the shortest cycle times; and preplanning to minimize the number of passes you have to make.

If you can implement these fuel-saving techniques, the higher fuel cost may actually be advantageous for you because your operating costs will be much less than competitors who continue to operate as they did when fuel was \$1 a gallon. ■

Reducing fuel consumption will be increasingly important as the price of diesel fuel escalates. Komatsu recommends reducing engine speed and travel speed where possible, and being efficient in your movements on a jobsite by proper positioning and preplanning to minimize the number of cycles or passes.





## PRODUCT SUPPORT

# USING “epartscentral”

## Komatsu customers like the convenience of ordering replacement parts online

Producing between 7 million and 10 million tons of limestone annually, Material Service Corporation's Thornton Quarry near Chicago is one of the largest quarry operations in the country. To keep its large fleet of Komatsu equipment up and running, the quarry not only has a staff of mechanics, but also a two-person parts department.

“Equipment availability (machine uptime) is crucial in our industry to maintain productivity, and when we need to make a repair or just do routine maintenance, we don't want to be waiting around for a replacement part to arrive,” said Jay Morriss, one of the parts specialists at Thornton. “That's why we have our own parts storeroom and keep an inventory of around 4,000 consumable wear parts.”

When it comes to keeping the storeroom adequately stocked, as well as placing emergency parts orders, Morriss usually just goes to his computer and makes the transaction online at Komatsu's epartscentral.

“What I like best about Komatsu's epartscentral is that it makes everything a little quicker,” said Morriss. “It gives me updated, real-time parts availability and pricing. I also like that it lets me specify the delivery location, which helps get the part to its final destination a little faster and with more certainty. Another plus is that it generates a confirmation e-mail, so if a question should ever arise regarding an order, I have the information right at my fingertips. About the only time we call our Komatsu distributor's parts department is when we need a major component or we have a question.”

### User-friendly and convenient

To order Komatsu parts online at epartscentral, you must first register at mykomatsu.com, which you can reach by clicking on the parts section at komatsuamerica.com. Register each machine individually with model and serial number to ensure that you'll have access to the correct online parts book. Before you can start ordering, your Komatsu distributor will contact you to verify your information and ensure that everything is ready to go.

“It's a user-friendly process that benefits all Komatsu customers as much as it benefits companies like Material Service Corp.,” said Rainer Krautwald of Komatsu Parts Marketing. “For many customers, the beauty of online parts ordering is convenience. It's open 24/7 so you can place the order any time of the day or night, any day of the week, and know that you're going to be able to get next-day pickup or delivery.” ■



Jay Morriss,  
Parts Department,  
Thornton Quarry

*For more information on online parts ordering, contact our parts department today.*

**By ordering parts online through Komatsu's epartscentral, customers get updated, real-time availability and pricing, as well as 24/7 system access.**



## MORE INDUSTRY NEWS

# NEW HIGHWAY LAW

## Congress, President agree on funding program

It's called SAFETEA-LU, which stands for Safe, Accountable, Flexible and Efficient Transportation Equity Act-A Legacy for Users. It's a mouthful of acronym, but one of the most important pieces of legislation in many years for the construction industry in general, and road builders in particular.

SAFETEA-LU is the new highway law, passed by Congress and signed by the President, which authorizes more than \$286 billion in transportation-related spending. It was an arduous reauthorization process that lasted more than three years and required an unprecedented 12 extensions of TEA-21, the predecessor highway law.

Of the total \$286 billion, \$228 billion is reserved for highways, \$52 billion for transit and about \$6 billion for highway safety. In addition to the \$286 billion, the bill includes \$9 billion in extra highway contract authority that can be used after 2009. By FY 2009, highway spending will increase from a guaranteed \$34 billion this year to more than \$41 billion.

Under new allocation formulas, by FY 2008, every state will receive at least 92 cents back for each gas tax dollar it sends to Washington. The new law also guarantees every state will receive at least 19 percent more in highway funds over the six years of SAFETEA-LU than they did under TEA-21. ■

# KOMATSU HELPS KATRINA VICTIMS

## \$750,000 pledged to Hurricane relief efforts

Komatsu America Corp. announced that Komatsu Group is providing a \$500,000 cash donation to the American Red Cross to assist those affected by Hurricane Katrina. Komatsu will also provide an additional \$250,000 by matching dollar-for-dollar all contributions to the American Red Cross made by its U.S. employees, which number more than 33,000.

In conjunction with other Komatsu distributors in North America, Komatsu will continue to assess how best to assist in the relief efforts, including redirecting equipment from around the globe.

"We extend our heartfelt concern and condolences to the people and families who have been devastated by Hurricane Katrina,"

said David Grzelak, Chairman and CEO, Komatsu America Corp. "On behalf of our employees and business partners, we are pleased to contribute to the American Red Cross to provide aid and to help rebuild the lives and communities devastated by this disaster."

To support its customers who are cleaning up from the devastating storm and are challenged by the scarcity of fuel and water in the Gulf region, all Komatsu machines bound for the region will be supplied with full tanks of fuel and drinking water supplies. The company will also assist customers located in areas affected by Hurricane Katrina by offering deferred credit and payment options. ■



# ON THE LIGHT SIDE

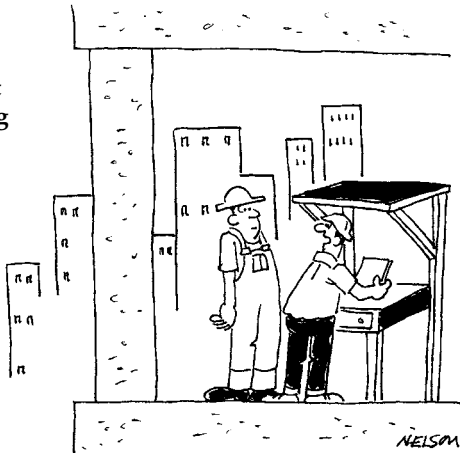


"I have to have it on if I'm going to stay for lunch... It's tuned to bring in the noise from my job site so I know what's going on."

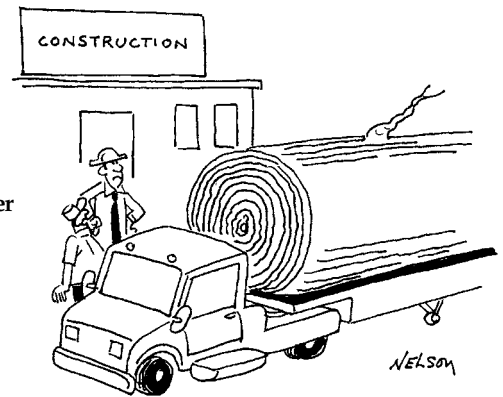


"I always check the final grade with my 'special tool.'"

"They wanted us to skip the 13th floor. And now they don't know if the building is one floor too high or one floor too short."



"So that's why we got such a good price buying lumber 'in bulk!'"



"It's a 'personal computer' but it needs a more business-like attitude."



"They're playing our song!"



# KOMATSU DISTRIBUTOR CERTIFIED USED EQUIPMENT

The next best thing to new.



*If it can be measured,  
we measure it!*

Whether you're looking for a high-quality machine that will become part of your fleet, or for a machine that will get you through the busy season, Komatsu Distributor Certified Used Equipment is your best alternative to buying new.

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

Purchasing Komatsu Distributor Certified Used Equipment makes sound business sense. You'll receive good value for your money and a reliable and productive machine that will get the job done for years to come — we guarantee it!

**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](http://www.equipmentcentral.com) and click on "used equipment."**





## DISTRIBUTOR CERTIFIED USED EQUIPMENT

# CONFIDENCE IN HIS EQUIPMENT

## Distributor Certified Used excavator helps one-man operation boost productivity

Lance Alspaugh owns and operates Alspaugh Family Farms, a small Ohio land-clearing company that specializes in tree and stump removal. The company also grinds wood and sells it as mulch, and does small excavation jobs including pond building.

A few months ago, with his workload increasing, Alspaugh began looking for a larger excavator to complement a Komatsu PC120 he's had for many years. "The PC120 was a good machine and still is, but I needed more capacity."

Specifically, Alspaugh wanted a larger machine that would be both productive and reliable, but wouldn't cost him an arm and a leg. "I'm basically a one-man operation and I like it that way," he said. "But even if you're small, and maybe especially if you're small, you need equipment you can count on. I didn't need a brand-new machine, but I did need something that would work for me every day."

Alspaugh turned to his Komatsu dealer, who recommended a 2001 Komatsu Distributor Certified Used PC200LC-6 hydraulic excavator with about 4,500 hours on it.

"It was big enough to give me the added production I was looking for," said Alspaugh. "But the best thing about it from my perspective was that, even though it was used, I knew it had been thoroughly inspected by my Komatsu dealer and that any needed repairs had been made. I was able to look at the inspection report myself and could see that the machine was in good operating condition."

### Dealer support

Beyond the inspection, Alspaugh says the "Distributor Certified" seal gave him

additional peace of mind. "To buy a machine at auction or online or from somebody you don't know well — that's risky, and it's a risk I didn't want to take. With the Komatsu Distributor Certified program, I knew exactly what I was getting. Equally important, if any issue does come up, I know my Komatsu dealer is going to back it up and be there for me."

Alspaugh also cited very favorable finance rates which made the unit even more affordable. "I think Komatsu Distributor Certified machines probably represent the best value in used equipment in the country," said Alspaugh. "You may be able to find something cheaper, but when it comes to knowing what you're getting and paying a fair and appropriate amount based on real information and trust, I don't think you can beat it." ■

Lance Alspaugh of Alspaugh Family Farms recently bought this Komatsu Distributor Certified Used PC200LC-6. "I like the fact that it's been thoroughly inspected by someone I trust, my Komatsu dealer," said Alspaugh. "In my mind, the inspection considerably reduces the risk of buying a used machine."



*For more information on Komatsu Distributor Certified Used machines, talk to your sales representative or call or visit our nearest branch location.*



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## THEY'RE THE BIG ADVANTAGES OF THE NEW DASH-5 WHEEL LOADER LINE FROM KOMATSU

More engine torque with less fuel consumption are only two of the advantages of the four new Dash-5 models. Two engine operating modes let you match each loader's power to the job. And a dual-speed hydraulic system increases productivity by matching hydraulic demand to working conditions. Travel speeds up to 21.7 mph forward and 22.4 reverse help reduce cycle time. Plus, the cabs on the Dash-5 loaders are larger and quieter than on earlier models — and all Dash-5 models are equipped with Komatsu's "Equipment Management Monitoring System" that monitors and displays 38 different machine functions.

**Brief Specs on the Komatsu Dash-5 Wheel Loader**

Model	WA380-5	WA400-5	WA450-5	WA480-5
Operating wt.	38,879 lbs.	40,907 lbs.	49,282 lbs.	54,113 lbs.
Horsepower	187	200	261	271
Bucket	4.3 cu. yd.	4.6 cu. yd.	5.5 cu. yd.	6.0 cu. yd.

You have four models to choose from — 187 to 271 hp and bucket capacity from 4.3 to 6.0 cubic yards. Call your WPI representative to check out the Dash-5 wheel loader that's best for your job.



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