



WAUKESHA-PEARCE INDUSTRIES, INC.

UPDATE

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Featured in this issue:

COMMERCIAL CONSOLIDATED, INC.

Central Texas underground utility
contractor builds on 25 years of experience

See article inside...



KOMATSU

Carol Lewis, Vice
President, and Kenny
Lewis, President



A MESSAGE FROM THE VICE PRESIDENT



G. Michael Green

**We can help
you with any
equipment and
product support
needs you may
have in the
upcoming year**



Dear Equipment User:

By all economic forecasts, 2006 promises to be another good year for the construction, mining and logging industries (see related article inside). While the amount of growth may be slightly less than it's been the last two years, most forecasters — including the U.S. Commerce Department — foresee solid gains continuing.

At Waukesha-Pearce Industries, we're optimistic as well. Of course, we have no control over the amount of work that will be available to you, but we truly believe we can help you complete your jobs in the timeliest and most cost-effective manner.

One reason we're confident is our longtime relationship with Komatsu, which is truly one of the giants of the equipment manufacturing industry. The manufacturer is introducing many new products this year, notably those with the new ecot3 engines. We hope you'll take the time to read the article on Komatsu's expanding product line in this issue of your *WPI UPDATE* magazine. It explains Komatsu's philosophy to compete head-to-head against the other full-line manufacturer in essentially every type and size of machine, and demonstrates the company's commitment to be the best.

Beyond the new products we'll be featuring this year, we're also excited about our growing product support capabilities. At WPI, we understand the importance of uptime to you and your operation. In light of that, we're continuing to bolster our service and parts departments in an effort to speed repairs and help you keep your equipment running for the longest time at the lowest cost. We hope you'll give us the opportunity to show what we can do for you.

Please feel free to stop in at any of our branch locations, or give us a call if there's any way we can be of service. All of us at WPI are looking forward to meeting your equipment and support needs for 2006 and beyond.

Sincerely,
WAUKESHA-PEARCE INDUSTRIES, INC.

G. Michael Green
Vice President of CMD Operations

THE POWER PEOPLE®

A PEARCE INDUSTRIES, INC. COMPANY

IN THIS ISSUE

COMMERCIAL CONSOLIDATED, INC.

Learn how this central Texas underground utility contractor builds on 25 years of experience.

GUEST OPINION

Learn why supporters of the Clean Water Trust Fund want guaranteed funding for water infrastructure improvements. Christian Klein, Washington counsel for AED, provides the details.

INDUSTRY OUTLOOK

Construction industry analyst Andy Fanter explains why he and other experts expect construction and related industries to continue growing in 2006.

PRODUCT FOCUS

Whether it's construction, mining or logging, Komatsu is committed to providing a full product line to meet its customers' needs. Komatsu's Chairman and CEO Dave Grzelak explains what it means to be a full-line company.

PRODUCT UPDATE

Here's a look at the utility machines Komatsu showcased at the last International Construction and Utility Equipment Exposition.

INDUSTRY NEWS

Read all about the new nationwide call-before-you-dig number, designed to simplify the approval process and help ensure safe excavation.

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COMMERCIAL CONSOLIDATED, INC.

Central Texas underground utility contractor builds on 25 years of experience

When it comes to the tough task of putting utilities in the ground, developers want a contractor they can trust to get the job done right the first time. With 25 years of experience, Commercial Consolidated, Inc. continues to be a top choice in the Austin and San Antonio markets.

Commercial Consolidated specializes in water, waste water, storm sewer and dry utility installation in about a 100-mile radius of the company's Georgetown home base, just outside Austin. Commercial Consolidated opened a second location in San Antonio six years ago, and runs 15 highly skilled crews between the two locations.

"Our niche is underground utility installation for multifamily and commercial developers," said Kenny Lewis, President. His wife Carol is Vice President. "Because we specialize in utility work, our crews are focused and experienced at what they do. It pays off because they know how to get any job done right the first time.

"That's why most of our work is for repeat customers who know they can trust us to turn

over a project quickly," he added. "We're very proud that we have longstanding relationships with a number of developers who use us exclusively."

Wealth of experience

Experience plays a vital role in the success of Commercial Consolidated. Lewis brought a wealth of experience to the table when he and his wife started Commercial Consolidated, Inc. in 1995, having previously owned a similar business that was formed in 1981. He had already spent more than half his life working heavy equipment and was well prepared to meet the challenges of running a successful underground utility company.

"I did my first work on a dozer at age 13," recalled Lewis. "My dad had a road building and trucking business, and he put me to work. My first job was clearing a 300-acre tract of land during a summer vacation. Dad showed me how to start and run the dozer and said 'have at it.' It took me all summer, and I gained a lot of knowledge about what it took to get a job done. When I turned 16, I told him I wanted to get my driver's license. He told me that if I did, I would have to get a commercial license too, so I could drive a truck. I got my license one afternoon at 2 p.m., and by 4 p.m. I was in a dump truck. I spent most of my spare time in that truck."

Because of his experience, Lewis found himself in engineering when he joined the army in 1970. He spent much of six years in the military on heavy equipment doing road building. After the army, Lewis spent a short time working a dozer for a contractor in San Antonio before joining his cousin and brother in their underground utility business in Houston. That was in the mid-1970s, and Lewis has been in the underground business ever since.



Carol Lewis, Vice President, and Kenny Lewis, President

"After a while, I decided I really wanted my own company," Lewis said. "I leased a rubber-tired backhoe, bought a rock saw, hired a couple of guys and went to work. The first job I ever did was putting in a fire line from a street to an apartment complex in Austin. I made good money at it and figured I could make it in the business."

Dedicated staff

Lewis built upon that first job and now has a payroll of more than 170 employees, many of whom have been with Commercial Consolidated more than two decades. Lewis credits their dedication as the biggest factor in the company's longevity. Key members of the staff are General Superintendent Curtis Grady, who oversees operations in both San Antonio and Austin; Lewis' son Kody, who oversees the San Antonio office; Superintendent Jose Salazar; Foremen Marcos Ruiz, Martin Lugo and Ronnie "Catfish" Whipkey; Office Manager Gay Hoermann; Chief Estimator Zeke Gowin; and longtime employees Foreman Jesus "Profie" and his brothers Joe, Rafael, Pancho and Carlos Contreras.

"Everyone is vital, and because of them, the business continues to grow and thrive," he acknowledged. "They are dedicated to maintaining Commercial Consolidated's reputation as one of the top utility contractors in central Texas. They are conscientious and hardworking. I couldn't ask for a better group of people."

Lewis believes in taking care of his employees by providing them with good benefits and constantly monitoring their safety in what can be a hazardous occupation. He contracts with a local safety company to conduct on-site safety inspections at his jobsites to ensure all precautions are being taken.

"Our safety record is very good, and that's another reason customers like to do business with us," Lewis said. "Nothing is more important than the safety of our greatest asset."

High-profile projects

Commercial Consolidated crews complete about 40 projects a year, many of them high-profile, such as The Domain, a multimillion dollar shopping complex in Austin. Commercial

Continued ...



A Commercial Consolidated crew uses a Komatsu PC158USLC-2 excavator to dig trenches and set water pipe on a commercial development property in Austin.



Commercial Consolidated recently turned over its entire fleet of equipment and purchased new Komatsu excavators and wheel loaders. Here, Commercial Consolidated crews work on putting in utilities on a commercial project in Austin. The company used a 73,210-pound PC300LC-7 excavator to dig trenches and set pipe, and a 134-horsepower WA250-5 wheel loader to backfill and carry materials.

Productive employees and equipment add to success

... continued



Zeke Gowan,
Chief Estimator



Curtis Grady,
General
Superintendent



Gay Hoermann,
Office Manager

A Commercial Consolidated operator uses a Bomag roller to compact materials on a project in Austin. The company recently purchased seven Bomag compactors when it completely turned over its equipment fleet.

Consolidated ran more than 15,000 feet of various-size pipe, including 72-inch storm sewer, as well as several concrete structures. It also put in all the duct bank conduits for electric, cable, telephone and communication lines. It also completed the utility work for a shopping center in San Antonio, known as The Legacy, a \$3.5 million project.

"Those are fairly typical jobs for us in terms of the services we perform and the size of the project," Lewis said. "We may have other jobs that are bigger, but we tend to put in all the utilities on every job we do. We have licensed plumbers and journeyman plumbers, so we can handle anything that comes our way."

Commercial Consolidated also completed two projects for the University of San Antonio and three projects at the new Toyota Truck Plant in San Antonio. Multifamily housing projects include the Covered Bridge Condominiums and Water Stone Apartments in San Antonio and Talavera Apartments in Austin.

Best tools available

Lewis believes his employees are most productive when they have the best tools available, especially when they're working in the rocky, abrasive soil in central Texas. Last year, Commercial Consolidated completely turned over its equipment fleet, purchasing numerous Komatsu excavators (two PC300LC-7s, a PC400LC-7 and two PC158USLC-2s), wheel loaders (two WA320-5s and nine WA250-5s) and an SK815-5 skid steer from WPI's Austin branch through Sales Representative Ed Perry. All the loaders and excavators are equipped with quick couplers for ease in changing

attachments. The company also purchased from WPI several attachments for its Komatsu equipment and seven new Bomag compactors.

"We've bought Komatsu equipment for about 15 years," Lewis said. "What we like is its dependability. Day in and day out, we know our Komatsu equipment will be there, ready to work. We use the excavators to dig trenches, set pipe and structures and do some backfill work. We use the wheel loaders for a large number of tasks such as backfilling, loading trucks and hauling pipe. They're good, all-around machines, and the visibility is excellent in them. That's important in this business because the operator can see better in the trench, which makes a safer environment."

Commercial Consolidated financed the wheel loaders, excavators and skid steer through Komatsu, taking advantage of its 36-month zero-interest rate. The company also has an extended warranty program and an oil sample program, which allows its mechanics to take oil samples to WPI for analysis.

"Komatsu's financing package was unbeatable," Lewis said. "We really like the programs WPI offered us as well. The oil sample analysis is good because it's a preventive program that allows us to deal with issues before they become a major problem. One of the reasons we bought Komatsu equipment, in addition to its dependability, is that we knew WPI would stand behind it. In the past, if we had a machine down, they always made sure we were covered. That's important because we don't have extra inventory in case of a breakdown. All our equipment is constantly working, and we can't afford downtime. Ed and the folks at WPI understand that and work hard to meet our needs."

Extensive list ahead

With a large fleet of equipment and a larger employee list, the future looks just as good as it did when Lewis began operations with a single backhoe 25 years ago.

"We have an extensive list of projects already on the books for this year," Lewis commented. "Right now we're scheduled out a minimum of six months, and I can see us having enough work to take us into next year. The economy is good and building in this area looks as if it's going to stay strong for a while." ■





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GUEST OPINION

CLEAN WATER TRUST FUND

Supporters want guaranteed money for water infrastructure improvements



Christian A. Klein

This Guest Opinion, which first appeared in the newsletter, Washington Insights, was prepared by Christian Klein, who serves as Washington counsel for the Associated Equipment Distributors. Mr. Klein can be contacted at cklein@potomac-law.com.

Late last year, Rep. John J. Duncan, R-Tenn., chairman of the House Water Resources and Environment subcommittee, introduced an ambitious bill to address the nation's water needs. The Clean Water Trust Fund Act of 2005 would create a dedicated federal trust fund for water infrastructure improvements that would provide \$37.5 billion over the next five years.

In proposing the legislation, Chairman Duncan said, "I am aware of the problems faced by municipal wastewater treatment agencies. ... I have heard over and over from our utilities that we need this legislation to protect our clean water supply."

To overcome these challenges, the chairman's legislation would provide \$7.5 billion annually in dedicated funding for the Clean Water State Revolving Fund (CWSRF) between 2006 and 2010.

The CWSRF program provides grants to states. The states then match 20 percent of the grants

and create loan programs for cities, towns and state agencies to make improvements to their sewer systems and treatment plants. Currently, funding for CWSRF comes from the federal government's general fund. This means the money for the program is appropriated each year from general tax revenues. Over three years, funding for the CWSRF has diminished by 33 percent, from \$1.35 billion in fiscal year (FY) 2004 to \$990 million in FY 2006.

The five-year guaranteed revenue stream for the CWSRF would not only provide states and municipalities with more money annually, but would also provide greater certainty in funding. Unlike now, when pressures on the overall federal budget can, and frequently do divert funding from water infrastructure, the Act would implement user fees targeted specifically for the Clean Water Trust Fund (similar to the Highway Trust Fund and the Airport and Airways Trust Fund). This certainty would allow local governments to plan projects in advance, without fear that funding would not be available when the time came to begin the projects.

The public, for its part, has expressed support for dedicated, national investment in water. According to a March 2005 poll, 86 percent of Americans supported legislation that would create a long-term, sustainable and reliable trust fund for clean and safe water infrastructure. In addition, 67 percent of Americans would support spending on water infrastructure rather than tax cuts. The notable public support for water investment suggests that now may be the time for Congress to take a serious look at the Clean Water Trust Fund.

Look for increased focus on water infrastructure issues on Capitol Hill this year. ■

If approved, a new bill would provide five years of guaranteed money for the Clean Water State Revolving Fund, which has been cut substantially in recent years.



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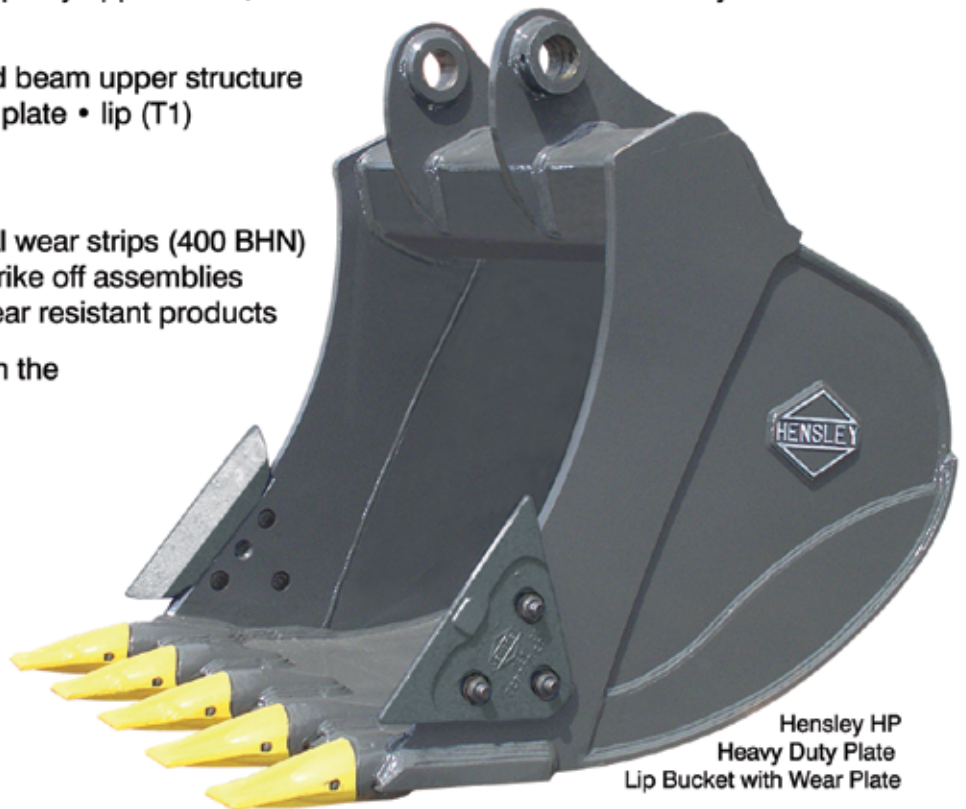
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INDUSTRY OUTLOOK

CONTINUED GROWTH!

Analysts expect construction and related industries to move upward again in 2006

Economists can often look at the same set of data and come up with very different conclusions. But that's not the case with construction industry economists this year, as all of them forecast continued growth through 2006.

Of course, the amount of growth varies from minimal to robust. The biggest concerns, other than the possibility of natural or man-made disasters, center around the twin money

Some analysts see housing finally slowing down, although it's not a unanimous view. Even those who expect a slight decline note that the total number of new houses built in 2006 will still be the second-highest on record.

issues of inflation and higher interest rates. Some industry forecasters are concerned that the higher cost of construction materials will eat up much of this year's growth, and that higher interest rates may finally end housing's remarkable upward run (although the total number of houses to be built this year is, nonetheless, still expected to be the second highest in history).

A drop in residential construction is particularly significant because single-family and multifamily housing represent a very high percentage (about 57 percent last year, according to the U.S. Department of Commerce) of the nation's total construction activity.

While many forecasters, including the National Association of Home Builders, predict a housing decline this year — that's not a unanimous sentiment. The Commerce Department, for example, thinks a strong start to the housing market will carry it through this year to another record high, despite the higher interest rates. In fact, the Commerce Department is rather bullish all the way around, calling for a 6.0 percent increase in total construction in 2006 to a total construction put-in-place of more than \$1.2 trillion.

Almost all analysts see a good rise in nonresidential building this year, which includes commercial structures, as well as public works such as highways and bridges.

To help give more meaning to the numbers, we asked industry analyst Andy Fanter to interpret the data as it relates to contractors, loggers, miners and other equipment users across the country. Here are his findings.





The highway bill Congress passed last year will spur road-related construction activity.



THE YEAR AHEAD

For the majority of us, 2005 was a great year, and those of us who paid attention to the business even made a little money along the way. This year should see more of the same, although it would certainly be nice if we could avoid a catastrophic hurricane season like the one we just experienced.

Since the hurricane season has ended, we have seen fuel prices move downward. Decreases in energy prices could bring down the price of concrete. Material prices are another issue. With the construction boom continuing through 2006, along with additional highway work, material prices will remain high.

I think we'll see long-term interest rates continue to inch upward. The Federal Reserve will also continue to raise interest rates on short-term money to protect against inflation. Prices are *not* going to be going down on machines, parts or labor — but inflation should stay close to 3 percent.

The U.S. economy is growing nicely and Europe is beginning to see some growth in economic activity as well. The Chinese economy will continue to grow, gobbling up huge amounts of everything.

The housing situation

Yes, there is a housing bubble, but it is concentrated in the very hottest housing



Both mining and logging should do well in 2006, however, there will likely continue to be a shortage of some large equipment, so if you anticipate needing a mining machine or large truck, forecasters recommend ordering early.

markets, where speculation has occurred. Anybody who is speculating on housing in any of these red-hot areas, hoping to become rich through real estate, could be in for a shock. While a few may time their exit just right, I expect most of those speculators to become much poorer, but smarter. For most of us, the bigger housing-related problem is that when the bubble does burst in these overheated regions, it will make great headlines and cause some uncertainty in local markets throughout the country.

I look for rates for a 30-year mortgage to average around 6.5 percent, which, while higher than it has been, is still a historically

Continued . . .

Andy Fanter is an industry analyst with Cyclast-Intercast, a sales forecasting firm that works with more than 65 equipment distributors and manufacturers throughout the U.S. He can be reached at cafanter@aol.com or by calling (316) 755-2648.



It looks like another good year

... continued

reasonable mortgage interest rate. Housing permits will be around the 2 million mark, down slightly from the 2.2 million seen in 2005.

Offsetting that somewhat is the fact that 2006 will be the third consecutive year of major growth in the nonresidential construction market. Nonresidential projects are all those structures such as shopping malls, box retail stores, restaurants, fire stations, medical facilities, hotels and all those other buildings which are not apartments or houses. Somewhat ironically, it's the housing growth and low interest rates, both of which are now going in the other direction, which have contributed to the boom in the nonresidential construction market.

For the small contractor who has always been deeply involved in housing, 2006 may be the year to expand into nonresidential work, as growth in the nonresidential market will likely be double digit while housing will level off or decline slightly in some areas.

Even if housing declines a bit, there will still be a very large number of houses and other structures built this year, so the logging industry should also fare pretty well.

Mining and road building

Large machines for mining and big projects will remain in short supply throughout 2006. Manufacturers of mining equipment are running near capacity, and tire capacity in the world is at 100 percent. Even if the machine suppliers could make more equipment, they would have to come without tires. The good news is that commodity prices will remain at current levels all year long.

For those of you involved in road building, get ready for a busy season. The highway bill, which Congress has already passed and funded for the first three years, is going to make every governmental unit in the country hungry for new or improved highways. Most states are seeing significant tax revenue gains, so matching funds will be available in most areas. Typically, it takes state planners about six to nine months to gear up to spend the money that has become available.

One thing to consider, the availability of highway machines will decline throughout 2006. You should make plans early with your equipment distributor to ensure availability later in the year.

Be aware of possible shortages

A couple of things that all contractors should probably look out for is a shortage of both labor and material. Shortfalls in either or both could present significant problems and impact your ability to get work done in a timely manner this year, so you should be careful about giving an owner a firm occupancy date.

A positive sign is that both architectural firms and developers are busy this year and that's a nationwide situation — not just regional hot spots. Coastal areas will see the most activity, but growth will also be good in the central part of the country.

In summation, 2006 should be another good year. Be aware of rising interest rates, rising costs of building materials and labor, and shortages in certain machines. If you plan well and work these cautions into your bids, it will be another profitable year. ■

U.S. Dept. Of Commerce Construction Forecast

	2004	2005 (estimate)	2006 (forecast)
Residential	\$570.0 billion	\$649.8 billion	\$689.6 billion
Nonresidential	\$457.8 billion	\$486.3 billion	\$515.1 billion

Commercial building activity is expected to be strong throughout 2006, helping to offset a possible slowdown in housing construction.





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PRODUCT FOCUS

A FULL-LINE COMPANY

Komatsu's continually expanding product line is part of a "commitment to compete"



Dave Grzelak,
Chairman and CEO,
Komatsu America

Back in the 1970s, when Komatsu America was formed and the equipment maker started selling small to mid-size dozers in the U.S., few people would have guessed that within a couple of decades it would be the second-largest manufacturer and supplier of construction, mining and utility equipment in North America. But thanks to a number of agreements and acquisitions, combined with an aggressive desire to compete and be the best, that is exactly what has happened.

"We are a 'full line' company," said Dave Grzelak, Komatsu America Chairman and CEO. "What does that mean? It means we don't limit ourselves to certain machines or certain size classes. Instead, we manufacture and sell a complete line of heavy equipment and compete head-to-head in virtually all categories and sizes. There's only one other equipment manufacturer in the world that can make the same claim."

Some other equipment makers, according to Grzelak, are essentially "short line" companies,

meaning they specialize in certain types of machines or certain sizes. Some may specialize in agricultural equipment and make only small construction units. Others go up into the construction size, but don't offer some types of machines, or perhaps stop well short of Komatsu's largest construction-size models. When you get into mining-size equipment, the field narrows even more.

"It's no accident that we compete across-the-board with the only other full-line company," said Grzelak. "We're committed to compete for two primary reasons. One, we think it's important for the equipment industry in general to have competition in all size classes and machine types because it prevents market domination and spurs product improvement. And two, we do it because in many instances, we believe we make state-of-the-art products that don't just compete with, but are demonstrably superior to those of our main competitor, as well as all the short-line companies."

From smallest to largest

Today, Komatsu makes more than 100 machines ranging from compact units as small as a one-ton excavator and a 29-horsepower wheel loader, up to the largest dozer in the world, a 3,500-horsepower truck, and an excavator/mining shovel that weighs in at 770 tons. But perhaps the most important and significant aspect of those figures is that Komatsu also makes everything in between those extremes.

Komatsu utility equipment includes compact excavators, wheel loaders and a dozer, as well as backhoe loaders and skid steer loaders. The utility division also offers the unique Komatsu

An example of Komatsu's commitment to competing in all product lines and all class sizes is the 1,150-hp D575, the largest bulldozer in the world.



crawler carrier, which is essentially a track dump truck with a bed that rotates a full 360 degrees.

In construction-size machines, Komatsu makes hydraulic excavators, crawler dozers, wheel loaders, landfill dozers, material handlers, waste handlers, forestry machines, a wheel dozer, motor graders, articulated trucks, rigid-frame mechanical trucks (up to 69-ton capacity) and mobile crushers.

Komatsu mining equipment consists of excavators/shovels, dozers, wheel loaders, a motor grader, mechanical trucks (up to 164-ton capacity) and electric trucks (up to 330-ton capacity).

In certain machine categories, Komatsu probably has more sizes and models than any manufacturer. Take hydraulic excavators, for example. The company has nine utility models with less than 54 horsepower; 18 construction-size units (counting five tight-tail-swing and two wheel models) up to the 651-horsepower PC1250LC-7; and five mining excavators/shovels including the giant 4,020-horsepower PC8000. That's a breadth of offerings that no other manufacturer can match, and it doesn't even include Komatsu's excavator-based material handlers and log loaders.

Specialty equipment and innovations

Material handlers and forestry machines, as well as the crawler carrier, are examples of specialty equipment that Komatsu has added in recent years. Other such products include waste-handling wheel loaders, landfill dozers and mobile crushers.

"We're always looking for innovations to make equipment better for the customer, whatever the job is," said Grzelak. "We spend up to \$400 million a year on research and development (R & D), all of it on new products designed to make our customers more productive and more cost effective."

An example of Komatsu product innovation is the tight-tail-swing excavator.

"When Komatsu came out with the first tight-tail-swing machine in the mid- to late '90s, the old PC128UU that was painted purple, people



As the excavator/articulated dump truck combination gained widespread acceptance in the last decade or so as a cost-effective method of moving dirt, Komatsu introduced a highly regarded line of articulated haulers.



A leader in tight-tail-swing excavators, Komatsu offers nine compact models and construction-size units, including the PC308USLC-3, the industry's largest tight-tail-swing machine.



Compact equipment, such as skid steer loaders (above left) and specialty equipment, such as logging machines through Komatsu Forest, are now part of the large Komatsu family of machines.

would stop at jobsites and stare at it," said Grzelak. "Today, tight-tail-swing machines are a staple of many contractors' fleets."

Through the years, Komatsu has continued to push the tight-tail-swing envelope. In 2003, the company introduced the PC308USLC-3, which is the largest tight-tail-swing model on the market today. In total, Komatsu produces five construction-size and nine utility-size excavators that use the tight-tail-swing design.

Adding products

Also in recent years, Komatsu has added mainline products, such as articulated dump trucks.

Continued . . .

Komatsu's full line provides customer options

... continued

"In regard to articulated trucks, we weren't first in the marketplace, but in order to be a true full-line company, we knew we had to get into this important and growing segment," said Grzelak. "We spent a lot of time designing what we believed would be the best articulated truck and in 2001 we introduced it in the form of the HM400."

Today, Komatsu offers three artic models (30 ton, 35 ton and 40 ton).

Komatsu carried the same attitude into its utility line. "Again, we weren't the first, but because our customers were using utility-size machines, we believed we had to be in the business of supplying them," said Grzelak. "As the utility market has grown in the last decade or so, Komatsu has definitely grown with it and is continuing to grow with it."

In 2002, Komatsu opened a utility equipment manufacturing plant in Newberry, S.C., which today produces all the company's backhoes and skid steer loaders.

More of the same in the future

As for the future, Komatsu intends to continue to be involved at all levels of the equipment industry — and to lead the way in many product categories.

With rigid-frame trucks ranging from 44-ton to 330-ton capacity and wheel loaders with buckets less than a yard to more than 26 yards, Komatsu can offer an equipment combination to meet any construction or mining requirement.



As an example of the company's commitment to compete at the highest level, Grzelak points to the new Komatsu machines with ecot3 engines that are just now hitting the market. They're designed not only to meet the latest EPA requirements, but to also boost productivity. "We fully expect our machines with ecot3 engines to be industry leaders in terms of performance and fuel efficiency."

He also cites a truly groundbreaking development that the company expects to unveil in the not-too-distant future. "Through our subsidiary Modular Mining, we're on the verge of introducing autonomous (driverless) trucks to the mining marketplace. It's an exciting advancement that we think holds the promise of helping many mines significantly lower their costs, and may eventually be applicable at smaller jobsites as well."

Grzelak says pioneering such products is one of the main advantages of being a full-line company like Komatsu.

"The reason we make so many different products and invest so heavily in R & D is that it puts us on the industry's cutting edge. Something that's really important is that when we do make a significant discovery, it's often transferable throughout much of our product line, so all equipment users end up benefitting from it."

"We think customers who use construction and utility-size equipment should take great comfort in the fact that the Komatsu that makes their PC200 excavators is the same Komatsu that makes these huge mining machines, including the largest dozer in the world. Why? Because there's a very high level of expectation from mining customers. The fact that we do business with them and are able to meet their equipment needs as well as their parts and service needs, we hope signals to contractors that we can do the same thing for them."

Don't look for Komatsu to change its philosophy any time soon. "We're absolutely committed to being a one-stop shop, where any and all equipment users can get whatever they need, under one roof. So yes, our intention is to continue to grow and expand our product line wherever necessary, to ensure that our customers will always have options." ■



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PRODUCT UPDATE

NEW MACHINES AT UTILITY EXPO

Unique features of Komatsu machines are showcased at ICUEE

Equipment users wanting to see and demo the latest utility machines got the chance last fall at the International Construction and Utility Equipment Exposition (ICUEE) in Louisville, Ky. Held every two years, ICUEE is the show that features utility machines, many of which are available for demonstration as well as viewing.

The Komatsu display consisted of 13 utility machines, including a WA80-5 compact wheel loader, a D21P-8 compact dozer and a WB140-2N backhoe loader, as well as six different models of compact excavators and three skid steer loaders.

Bob Lessner, Director of Product Marketing for Komatsu Utility, ran down some of the unique aspects of Komatsu utility equipment.

"We offer a power angle blade on both the PC35 and PC50 compact excavators and there's only one other manufacturer that does that. On the backhoe, our excavator-style controls are a well-accepted option that's so popular we're considering making it standard equipment. The WA80-5 features a tilt-forward operator compartment, which nobody else has. It also has a creeper gear to separate ground speed from engine rpm so you can get maximum hydraulic flow along with low travel speed. We're now also offering an air-conditioning option on our skid steer loaders."

Track loader unveiled

As well as displaying many proven units, Komatsu used the ICUEE show to unveil its brand new CK30 track loader — an 84-horsepower machine that weighs 9,525 pounds.

Continued . . .



Komatsu had a large display at the International Construction and Utility Equipment Exposition (ICUEE) in Louisville, Ky., last fall. ICUEE is a biennial event that focuses on utility-size equipment and includes hands-on demonstrations.

At the ICUEE show, Komatsu unveiled its new CK30 track loader. It features a unique undercarriage design with an oscillating sub-frame that makes it much easier to climb curbs and other obstructions.



New track loader unveiled at ICUEE

... continued



This attendee tried out the Komatsu PC35MR-2 compact hydraulic excavator at the ICUEE show.



The SK1020 skid steer loader (right) and WB140 backhoe loader (below) were two machines Komatsu had available for demonstration at the event.



"What separates the CK30 from the competition is the undercarriage," said Skid Steer Loader Product Manager Bob Beesley. "We used a unique design whereby the front idler and first roller are on a sub-frame that oscillates on the front of the track frame. It helps you climb over curbs and obstructions more easily.

"Also, our front idler is a three-way idler," he added. "That means you have the two outer shells of the front idler actually running on the rubber track itself. The result is that you're not putting pressure on the chain and therefore it will wear longer."

The other significant item, according to Beesley, is that the cleats or wear pads on the CK30 are offset (rather than evenly spaced on both sides) to reduce vibration and provide a much smoother ride. "We took a great deal of care to try to make this the smoothest running track loader on the market, which not only makes it more comfortable for the operator, but also considerably improves longevity."

Beesley says the advantages of a track loader compared to a skid steer are that it requires the same working space, does less damage to the ground, and provides greater traction so you can push and load more material. ■



Komatsu Skid Steer Loader Product Manager Bob Beesley shows these ICUEE attendees some of the inner workings of the new track loader.

CALL-BEFORE-YOU-DIG UPDATE

New nationwide, three-digit, one-call number will be 8-1-1

For many years, excavation contractors and anyone else who digs in the ground have been required to phone a local One-Call Center before starting the excavation. The purpose of the call is to get information on the location of buried utilities and thereby ensure a safe and trouble-free dig for the excavation crew as well as the general public.

While the vast majority of excavation contractors make the call, there are still some who don't.

"There are about 400,000 excavation incidents each year resulting in substantial damage to facilities and about 50 fatalities," said Paul Preketes, Board Chairman of the Common Ground Alliance (CGA), a broad coalition of groups including excavators, utilities, regulators, engineers, insurance companies and other industry stakeholders. "When companies or individuals plan to dig, the first thing they must do is contact a One-Call Center."

But one of the problems with the current one-call system has been that there is no single, centralized, nationwide, easy-to-remember number to call. Rather, there are different numbers in each state and many municipalities — and they are regular ten-digit numbers including area code.

Simple, convenient, new number

The Pipeline Safety Improvement Act of 2002 mandated that a three-digit, pre-dig, one-call number be established, but didn't set a time frame for it. The CGA has been urging the Federal Communications Commission to adopt such an easy-to-use nationwide number sooner rather than later. Last year, the FCC did just that by establishing 8-1-1 as the national one-call number.

"We commend the FCC," said CGA President Bob Kipp. "This simple, convenient number will encourage safe excavation, protecting the nation's vital energy and telecommunications infrastructure and those living nearby. The next step is to get the number online as expeditiously as possible and make it as familiar as 9-1-1."

According to FCC rules, 8-1-1 must be fully operational on wireless, wireline and pay phone systems nationwide by April 2007.

For more information on the Call-Before-You-Dig program, contact the Common Ground Alliance at www.commongroundalliance.com or call (703) 836-1709. ■



Bob Kipp,
President, Common
Ground Alliance



Before any excavation, you're required to contact a local One-Call Center to determine the location of existing underground utilities. The Federal Communications Commission has established 8-1-1 as the single, nationwide three-digit, one-call number, effective April 2007.

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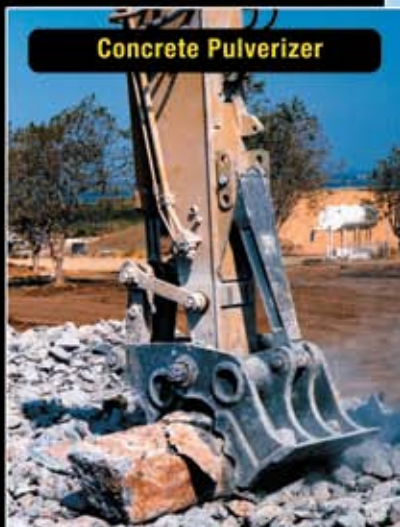
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COMPACT EQUIPMENT GROWTH

Komatsu makes strong gains in booming compact construction equipment market

QUESTION: What has happened to the compact construction equipment market in recent years?

ANSWER: It's been booming. In 2004, the compact market grew by 20 percent, followed by an additional 10 percent growth in 2005. More than 122,000 machines were sold in the U.S. last year, which made it about a \$4 billion business.

QUESTION: How does that compare with the construction equipment market?

ANSWER: The construction market has also exploded, but compact machines outsold construction machines more than two to one. In fact, there were more skid steer loaders alone sold last year than the total number of construction machines. Of course, construction-size equipment tends to cost a lot more, so the total dollars are higher on the construction side.

QUESTION: Where is the growth occurring in the compact construction equipment market?

ANSWER: Growth has been across the board, but one segment that's really taken off is the mini excavator, up more than 40 percent to about 22,000 units a year. Many people are turning to a mini excavator/skid steer loader combination in place of a backhoe loader because, for about the same price, they get two machines and a lot more versatility. Having said that, we know there's always going to be a place for the backhoe loader when you need to dig deeper or need more power, and in fact, backhoe sales have also continued to grow, although at a slower rate.

QUESTION: What about Komatsu specifically? How is it doing?

ANSWER: We got a late start in the compact equipment business, but we're working hard to catch and surpass our competitors. We now

Continued . . .



Ivor Hill
Vice President and General Manager
Komatsu America Utility Division

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.

Ivor Hill was born and raised in England, but has lived and worked in the U.S. most of his adult life. He came here in 1987 with a mining equipment company and joined Komatsu in 2000. Today, he's Vice President and General Manager of Komatsu America's Utility Division, which is at the other end of the heavy equipment spectrum from mining machines.

"The two industries are very different, but also very similar," Hill noted. "Of course, a mining machine may be 100 times larger than a compact machine, but what they do — dig holes and move material — is basically the same. And while mining equipment can cost well into the millions of dollars versus perhaps as little as \$20,000 for a skid steer loader, the importance of that skid steer loader purchase is just as great, and maybe even greater, to the guy who's making the payments. At Komatsu, we understand the expectations and needs of both customers and act accordingly."

Under Hill's guidance, Komatsu is rapidly on its way to becoming the number-two supplier of compact construction equipment in the United States. "Just like in construction, we offer almost every type of compact machine and every size — and what we don't have, we soon will."

When he's not on the job or spending time with his family, the 50-year-old Hill's passion is soccer. "I play in two outdoor leagues and one indoor league," he explained. "I have a hard time finding enough people my age who play, so I often go against many players who are much younger. But just because I'm older, they don't cut me any slack. I'm sure it's because of my British background. They want to show me that the U.S. plays pretty good soccer too."

Quality equipment and support spur growth

... continued

compete in 88 percent of the market. In other words, we have almost all the same machines and size classes that the other full-line companies have, and soon, we plan to be closer to 100 percent.

We didn't get into the business to be a bit player. We want to be one of the stars. In four years, we've gone from \$47 million in sales to more than \$200 million. In 2005 we increased our final deliveries by 33-percent versus year-to-date December 2004. Our goal is to be the number-two overall supplier of compact equipment, and number one in mini excavators, by 2007 — and we believe we're well on our way to accomplishing that.

QUESTION: What do you consider to be Komatsu's strengths in compact construction equipment?

ANSWER: Number one, it's the equipment itself. We make quality equipment that's reliable for the customer out on the job. Just as with our full-size machines, we believe our hydraulic system is superior, which is why we anticipate being number one in mini excavators in the near future. When you're digging around fiber optic lines and the like, you need complete control. On our skid steer loaders, two-speed control is standard. And on all our machines, we've emphasized comfort.

Komatsu makes six different skid steer loader models, plus a new track loader. Two-speed control is standard on all Komatsu skid steer loaders.

Skid steer and backhoe loaders are made at Komatsu's Newberry Manufacturing Operation in South Carolina.



Mini hydraulic excavators are the fastest-growing segment of the utility equipment industry. Komatsu expects to be number one in this important machine group in the near future.



Beyond the equipment itself, it's the support we provide, which lowers machine owning and operating costs. For example, with Komatsu Financial, we can often provide a creative finance plan if that's helpful. Plus, we have a very strong distributor network to service the machines we sell — and certainly, not everybody who sells utility equipment can make the same claim.

QUESTION: What new products is Komatsu Utility coming out with that you're excited about?

ANSWER: The big news in the first quarter is the introduction of our first two Compact Track Loaders (CTL). CTLs are very popular among landscapers because they can do heavier work, work better in limited space, and cause less ground damage than traditional skid steer loaders.

Beyond the CTLs, we recently introduced two new, small mini excavators (PC18MR-2 and PC20MR-2); we have a whole new line of Dash-5 compact wheel loaders; and we'll also soon be introducing the new models of the backhoe loaders.

QUESTION: What would people be most surprised to learn about the Komatsu Utility Division?

ANSWER: Many people may know that we have a manufacturing facility in Newberry, South Carolina, where we make all our backhoe and skid steer loaders. What they probably don't realize is that it's also our Utility Division headquarters. The advantage is that all our decision-makers are right there where the machines are being manufactured, so when necessary, we're able to make decisions very quickly.

The other thing that might surprise some people is the large amount of money we invest in research and development. There's a copycat mentality in much of the construction equipment business. At Komatsu, certainly we keep an eye on what's going on elsewhere in the industry, but most of our efforts are internal — looking for ways to incorporate technology to improve our existing products and make them more cost effective. I'm not saying no other equipment manufacturer does that, but I would bet that few, if any, do it to the extent that we do — and I'm very pleased that, on the utility side, we get our fair share of that R & D investment. ■



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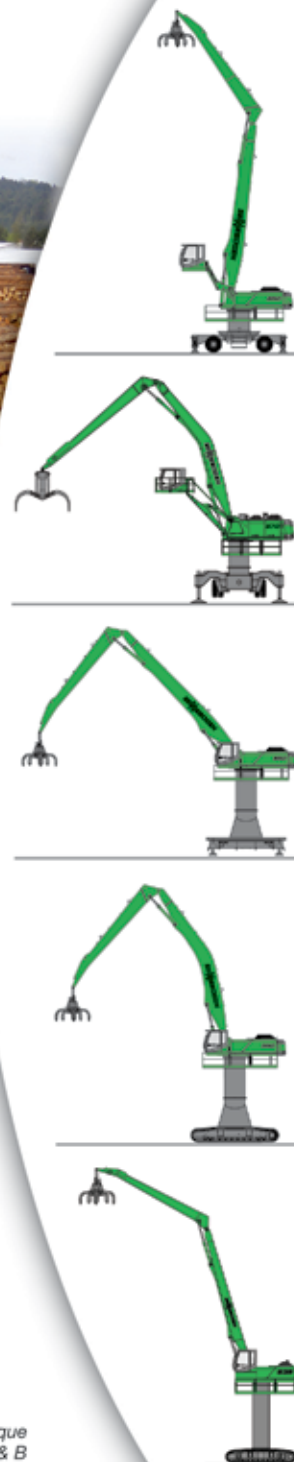
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PRODUCT SUPPORT

UNDERCARRIAGE REPLACEMENT

Crawler owners discover the benefits of quality plus price-competitive OEM parts

If you own a crawler dozer, you know much of the operating cost associated with it centers around undercarriage repair and replacement. With that in mind, Komatsu has taken steps to make its original equipment manufacturer (OEM) undercarriage more affordable and more readily available.

"The Komatsu OEM undercarriage is specifically designed to provide maximum life and performance for Komatsu track machines," said Dick Schaefer, Komatsu America Senior Product Manager for Undercarriage. "That's why, when a Komatsu dozer user replaces the original undercarriage, we want him to use our OEM product rather than an 'off brand' from the secondary or 'will-fit' market. It's the only way we can assure him that he's going to continue to get the same type of performance he got from the original."

Two key issues

Schaefer says there are two key issues for people who buy what he refers to as "will-fit" undercarriage products. "One is that mixing and matching different undercarriage products could create a problem with consistency. The other key question is whether the quality of the 'will-fit' part is as good as the original equipment."

According to Schaefer, many dozer owners in the past have turned to "will-fit" undercarriage products in order to save a little money. "We think most dozer owners would prefer to buy OEM, so we studied our pricing structure and made our product more price competitive. At the same time, we increased our supply of undercarriage parts by expanding one of our manufacturing plants."

Real value

Schaefer says the actions have caused Komatsu dozer owners to take notice, as evidenced by an almost 200 percent sales increase in the last couple of years. "That tells us our customers recognize that Komatsu OEM undercarriage products represent real value, and while they may still be able to find undercarriage parts that cost less, those 'will-fit' parts may not provide the longevity or productivity of OEM."

Another plus for Komatsu OEM undercarriage, according to Schaefer, is that Komatsu backs it with a three-year, 4,000-hour breakage and leakage warranty that is among the best in the industry. ■

For more information on Komatsu OEM undercarriage, contact our parts department.

Komatsu has increased its supply of OEM undercarriages while at the same time, making them more price competitive. Komatsu urges its equipment users to use the OEM product to get maximum undercarriage performance and longevity.



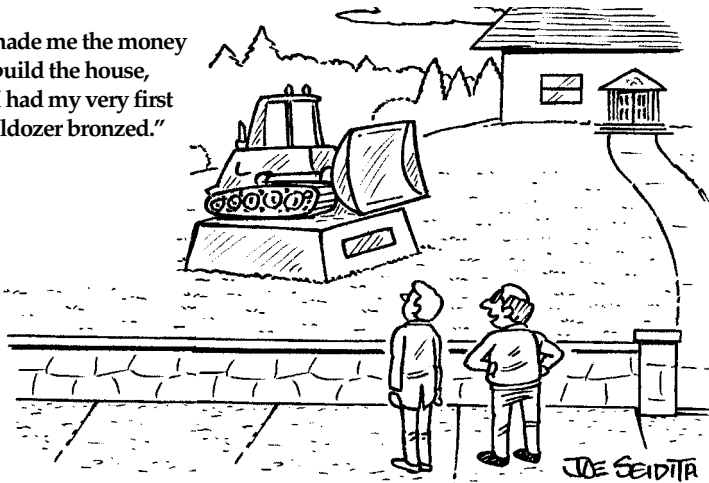
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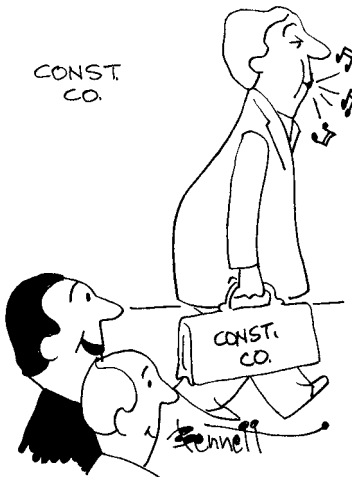
"It made me the money to build the house, so I had my very first bulldozer bronzed."



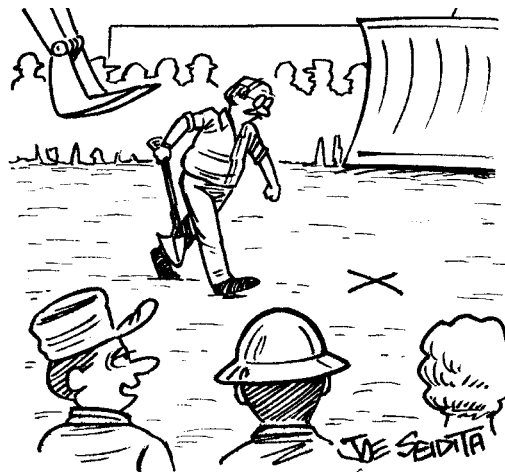
"Pop, tell me the story of 'The Little Bulldozer that Could' again."



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MORE INDUSTRY NEWS

INTERSTATE TURNS 50

On June 29, 1956, President Eisenhower signed the Federal-Aid Highway Act of 1956. That means the Interstate Highway System, created by that Act, turns 50 this summer.

The Interstate was voted the number-three construction achievement of the 20th century by attendees at CONEXPO 1999 — but in terms of significance on our economy, and in fact on our entire way of life, there's no question that it dwarfs numbers one and two (the Chunnel Tunnel and the Golden Gate Bridge).

Three states claim to have the first Interstate highway. Missouri was the first to award a project under the new law (Route 66, which would become I-44), and the first to start

construction (Route 40, which would become I-70). Meanwhile, a little farther to the west, Kansas was the first state to begin paving a portion of the Interstate (also I-70) on September 26, 1956.

While both are legitimate claims to number one, the state of Pennsylvania says not so fast. Supporters point out that the Pennsylvania Turnpike contains most features of what would become Interstate highways, and the Turnpike opened from near Pittsburgh to near Harrisburg back in 1940.

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DISTRIBUTOR CERTIFIED USED EQUIPMENT

RELIABLE USED EQUIPMENT

How Komatsu Distributor Certified machines help eliminate the risks of buying used

In 2002, Dan Kramer started an excavation company, Kramer Excavating, in his hometown of Pleasant Hill, Mo. The company, with a work force of about a dozen people, specializes in moving dirt for commercial developments and residential subdivisions in the Kansas City area.

Like all earthmoving contractors, Kramer needs productive and reliable equipment to get his jobs done quickly and cost effectively. For a number of pieces, he has turned to Komatsu Distributor Certified used equipment from his local Komatsu distributor.

Komatsu Distributor Certified used machines are thoroughly inspected and rated based on specific criteria including age, hours, component wear and appearance. Special finance rates and extended warranties are also available on many Distributor Certified machines.

"We need machines that we can count on, day-in and day-out," said Kramer, who currently owns a Komatsu Distributor Certified PC220LC-6 hydraulic excavator. "The PC220, as well as previous Distributor Certified machines we've owned, including a D65 dozer and a WB140 backhoe loader, meets our productivity and reliability requirements at a price we can afford. Best of all, because it comes from my Komatsu dealer, I know it's going to work like it's supposed to, or they're going to make it right."

Peace of mind

In fact, Kramer says he did have an issue with an early Distributor Certified machine he owned. "My Komatsu distributor had a

replacement unit at our jobsite the next day. That kind of support and backing is crucial to me."

Whereas some equipment owners buy used machines at auction because they think they're getting the best bargains there, Kramer says "peace of mind" is worth much more to him. "I'm sure it's possible to get a good machine at a good price at auction. But I've seen people really get burned. In the vast majority of cases, I believe there's probably a reason a machine was sent to auction rather than traded in. I avoid auctions because I don't want to be the unsuspecting buyer who learns that reason too late. To me, a Komatsu Distributor Certified machine delivers excellent cost savings and a safety net as well." ■



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



Dan Kramer prefers Komatsu Distributor Certified used equipment like this PC220 hydraulic excavator to other used equipment because of the support and backup he knows he's going to get from his Komatsu distributor.

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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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