

WOOD WORKS

A PUBLICATION FOR AND ABOUT C.N. WOOD CO., INC. CUSTOMERS • 2004 No. 3

Featured in this issue:

A.F. PACILLO GENERAL CONTRACTORS, INC.

This Middleton, Mass. contractor is ready to go to the next level

See article inside...



Anthony Pacillo III, president and owner, his wife, Stephanie, and their children, Arianna and Anthony IV

KOMATSU

A MESSAGE FROM THE PRESIDENT

**With construction on
the upswing, now is
the time to upgrade
aging fleets to
maximize
productivity.**



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Dear Equipment User:

It's been a long, tough road, but it looks like construction is back.

According to the federal government's Bureau of Labor Statistics, overall construction employment has risen by 194,000 jobs (2.9 percent) since May 2003. Heavy and civil construction has risen by 23,000 jobs (2.5 percent). Meanwhile, the Census Bureau reports the value of construction put in place for the first four months of 2004 was a whopping 8 percent higher than the same period a year ago.

Now that things are looking up, many contractors who held off equipment purchases while the economy was in flux, are ready to turn to some new or newer equipment to increase productivity and reduce downtime. If you're one of them, all of us at C.N. Wood would like nothing better than to be able to show you what we have, and what we can do for you.

Why not start with brand-new Komatsu equipment? Komatsu has upgraded its entire product lineup in the last three years so you'll see significant production gains with these new machines. If you don't think you can afford new equipment, we'd also love to talk to you about Distributor Qualified Used Equipment from Komatsu ReMarketing. This certified used equipment is without question one of the best advancements in the equipment industry in recent years. It's affordable, high-quality, late-model used equipment that you can trust because it's from Komatsu and us.

Of course, at C.N. Wood our goal in helping you extends well beyond the equipment itself. Our emphasis is, and always has been, product support. Off-the-shelf replacement parts, remanufactured components, cost-efficient maintenance and repair programs are just a few of the ways we can help you achieve maximum profitability. That's as important when times are booming as when business is lagging.

It's been said that nobody can be all things to all people. But when it comes to heavy equipment and outstanding support, we think we come very close. We hope you'll let us prove it to you soon.

Sincerely,
C.N. WOOD COMPANY, INC.

Robert S. Benard
President

WOOD WORKS

IN THIS ISSUE

A.F. PACILLO GENERAL CONTRACTORS, INC.

After almost 20 years in the industry, this general contracting company is ready to go to the next level. Find out how this Middleton, Mass., company plans on growing and taking on new and bigger challenges.

GUEST OPINION

As pressure mounts to build faster and cheaper, contractors and project owners alike face challenges. The AGC has identified two major factors that can limit contractors' profits on jobs.

PRODUCT UPDATE

Komatsu has upgraded its small wheel loaders with hydrostatic transmissions to give customers a better, more productive machine.

EQUIPMENT FOCUS

Take a closer look at Komatsu's line of tight-tail-swing excavators and see why they fit in nearly every excavating application.

UTILITY PRODUCTS

If you think you know all about backhoes, you'll be surprised to learn how Komatsu has improved its entire line to better meet customer expectations.

KOMATSU & YOU

Komatsu America president and COO Ted Ohashi is bringing Komatsu back to the basics. In this interview, Ohashi explains what that means for Komatsu owners.

DOLLARS & SENSE

Discover how Komatsu's new Synthetic Lease Option (SLO) combines some of the tax advantages of both buying and leasing.

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KOMATSU

A.F. PACILLO GENERAL CONTRACTORS, INC.

Middleton contractor ready to go to the next level

Anthony Pacillo III is at a crucial moment in the history of his Middleton, Mass., contracting firm, A.F. Pacillo General Contractors, Inc. After starting out in 1985 grading yards and spreading loam with a skid loader, this year Pacillo hired full-time estimator/engineer Joe Sklars and intends to take his five-employee company to the next level.

"I've always wanted to be gigantic," confessed Pacillo, president and owner of the general contracting company that focuses on site work, underground utilities, ledge removal and trucking in the Middleton, Danvers and North Shore area. "Joe has been estimating for me as a subcontractor for the past five years. We usually get nine out of 10 jobs he estimates.

"He worked for many of the bigger companies when they first started, so they know him and respect him," Pacillo continued. "Having Joe on board full time is our next step. With another guy out there running jobs, I can go to the next level. We're going to give it a shot."

Sklars joins three other A.F. Pacillo employees: Jim Cheney, Ronnie Macado and

Tom MacPherson. "All my guys are operators and laborers — we don't have any prima donnas here," laughed Pacillo. "They all can fix anything. Any time I find something wrong on a machine, the next day it's fixed, and I didn't even ask anyone to fix it. I don't want to take that for granted. These guys are great."

Pacillo described his own title as owner, operator, laborer, financier, bookkeeper and babysitter. "I make sure everybody has a place to go in the morning. I make sure everything is fueled up and I make sure everything's paid for," he stated. "I show up on the job, I shoot all the grades, I do all the layout and I'm here operating the machines. I also do most of the hammering and a lot of the screening."

"Playing in the dirt"

Anthony Pacillo's love affair with "playing in the dirt" comes from his father. "My dad, Anthony Jr., worked for Domenick Zanni & Sons out of Reading for 30 years," recalled Pacillo. "When I was little, I loved going to work with him. My friends liked to play in the dirt, too, but I was allowed to actually ride in a truck or sit on a machine. I was hooked early."

Pacillo's father had a small business on the side doing skid loader work. After high school, Anthony worked for his dad at night and on the weekends while operating for another contractor during the day. "I bought a skid loader and made more money on the weekend than I did all week long, so I decided to go out on my own," said Pacillo.

"Having no credit in the beginning, I bought my first backhoe and had to finance it at 26 percent because nobody would give me a shot," Pacillo recalled. "I paid that off in three months and hooked up with a local developer. From there the business took off."

Anthony Pacillo III, president and owner of Anthony Pacillo General Contractors, Inc., takes time out to greet his wife, Stephanie, and their children, Arianna and Anthony IV.





Anthony Pacillo guides excavator operator Jim Cheney as they install a new manhole for a water and sewer line at an industrial park on the North Andover and Middleton town line.



Anthony Pacillo uses his Komatsu PC138US-2 excavator to put base material in an industrial building foundation. "It's got good reach and fits in unbelievable places," he says of the machine. "All folded up, it will spin around in its own tracks."

Pacillo's first big job was in Reading with a Wilmington developer in 1994. "That's when I hired one employee and bought three brand-new machines from another distributor," he remembered. "But I had a lot of trouble with them. So at the end of six months, when the dealer didn't honor its verbal agreement with me, I sent everything back but one machine and went to see Bob Benard (president of C.N. Wood Co., Inc.). He made me an offer on the machine I had and put me in a new Komatsu PC200LC-6 excavator. I still have that original 200."

Wake-up call

In the late 1990s, Pacillo graduated to subdivision work, where the business ran into some ups and downs. "We were doing two subdivisions at once, and took on two new customers. Unfortunately, both of them were no good," he admitted.

The company took a financial hit. "That was my wake-up call," stated Pacillo. "I decided to pay off what I had and focus on my longtime customers. That paid off."

One good thing did come out of that bad experience. "I met my wife, Stephanie," Pacillo grinned. "She worked for one of the developers who wasn't paying. I used to go into their office to demand my money. She was in charge of payments, so I'd go right to her. I'd scream and she'd cry."

Stephanie overcame her first impression of Anthony and married him in 2000. "She has been very supportive," commented Pacillo. "You have to have someone behind you, too."



Anthony Pacillo easily breaks up large rocks at an industrial park site with his Komatsu PC300LC-7 excavator equipped with a Kent KF45 hammer.



With his Dynapac CA152 roller, Anthony Pacillo compacts the floor of a large industrial building.

The Pacillos have two children, two-year-old Arianna and one-year-old Anthony IV. Arianna is already commanding her father to give her rides in the truck and in the hammer-equipped excavator. "She jumps in and I have the hammer on the ground on the concrete slab. She hits the pedal and makes it break the slab," said her proud father. "At that age, I'd be crying and scared to death, but she's laughing."

Continued ...

Equipment fleet has grown with the business

... continued

"I hope both kids are interested in the business some day, even though it's a tough life," Pacillo reflected. "If they're really interested and want to do it, I can't deny them."

Growing with customers

Pacillo developed a core of loyal customers in those early years that he still works with today. "I had to grow with them to stay with them. I still have all my original customers from 1988. We don't take on too many new ones, because we want to be able to serve our longtime customers."

Anthony Pacillo III looks forward to taking on new and bigger jobs for those customers. That includes a new job in Middleton installing 6,000 feet of 12-inch water main up to Route 114. "We're also working on condos near Route 60 in Malden," he said. "We did site work for EMC Corp. in Hopkinton. We do a lot of hammer rental for subs. We recently finished up a 40,000-square-foot building in Lowell for GFM Contracting."

"We're also working on three other buildings in an industrial park on the North Andover and Middleton town line," he continued. "We're doing all the utilities and site work for a 28,000-square-foot building, a 55,000-square-foot building and a 15,000-square-foot building." The A.F. Pacillo crew is handling the slab prep, putting in the rough landscaping, screening all the loam and crushing all the rock. "Then we bring in our subs to do the paving," Pacillo noted.

Dozer operator Jim Cheney grades around an industrial park warehouse site. He says he likes this Komatsu D37E dozer because it's easy to handle and has a powerful push.



Sticking with proven brand, dealer

As A.F. Pacillo General Contractors, Inc. tackles ever-larger projects, Anthony Pacillo will continue to rely on Komatsu equipment from C.N. Wood. "Ever since Bob Benard put me in that PC200 excavator in 1994, I've been a loyal C.N. Wood customer," Pacillo declared. "I won't go anywhere else. If they sold Fisher-Price excavators, I'd own one."

Pacillo's fleet includes a long list of Komatsu and other equipment from C.N. Wood. The company owns Komatsu WA380-2 and WA320-3 wheel loaders and a D37E dozer in addition to seven Komatsu excavators: a PC27, a PC60, a PC138US-2 short-tail-swing excavator, a PC160, that original PC200LC-6, a PC300LC-7 equipped with a Kent KF45 hammer and a PC400LC-6. With the help of sales representative Allen Austin, Pacillo has also purchased a Dynapac CA152 vibratory roller from C.N. Wood.

Operator Jim Cheney called the Komatsu PC400LC-6 excavator an operator's machine. "Komatsus are easy to run, and they don't break down," he said. "Have you ever seen a piston leak on a Komatsu? No, you haven't. The 400 has guts plus reach. It's a nice machine."

Cheney also likes running Pacillo's Komatsu D37E dozer with its seven-foot blade. "It's easy to handle and it pushes," he commented. "I couldn't ask for anything better."

The short-tail-swing Komatsu PC138US-3 has come in handy when Pacillo needed to squeeze between property lines on congested city jobs. "We do a lot of work in Malden, and there is no room," he commented. "We're going to use the PC138 on the water main project because of the ledge. We can come up right against it. All folded up, it will spin around in its own tracks."

"This machine is unbelievable," continued Pacillo. "It has enough power to lift up a skid steer and put it in a hole to grade stone. It has great reach and fits in unbelievable places."

Pacillo is more than satisfied with his Komatsu equipment. "Komatsu makes a good product," he said. "And when you have someone like C.N. Wood backing it up, there's no need to go anywhere else. I like turning



people on to C.N. Wood because they take care of me.

"The service at C.N. Wood is absolutely great," he explained. "If I have a machine go down and it goes to their shop, they give me something to use to keep me going. They're always helping me out."

"C.N. Wood treats me like I'm a big contractor, and that makes me feel good," he concluded. "I've never had any complaints."

Pacillo's operators perform regular maintenance on the Komatsu equipment; C.N. Wood handles repairs. "If we're too busy, we'll just ship it up to C.N. Wood and have them do the work," noted Pacillo.

Pacillo prefers to buy new equipment and keeps it until it reaches the 7,000- to 7,500-hour range. "My PC200 excavator has 9,200 hours on it, and all I've ever done to it was weld the radiator bracket and put on two alternators and a set of batteries," marveled Pacillo. "That's why I couldn't let it go. But I really love to have new stuff."

Won't forget his roots

Anthony Pacillo III is excited about stepping up to the next level of growth with his company but he won't forget where he came from. "I am appreciative of the big job, but I also appreciate my longtime customers who pay their bills right away," he said. "As they grow, I'd like to grow with them, but I also want to maintain enough control that I can manage to be on site."

"Customers like it when they show up at the job and ask if Anthony is around, and someone points at me 18 feet down in the trench boxes," he laughed. "You have to remember where you came from. I'll still go out for somebody for four hours and knock over loam in a skid steer. I may not make any money from that job, but you never know who that customer will talk to about you next."

It's that attitude that has helped A.F. Pacillo grow. "Building and maintaining solid relationships with customers is the key," Anthony Pacillo III confirmed. "We'll keep that attitude even as we grow and move up to the next stage." ■



Loading material into a screen plant is easy work for operator Ronnie Macado and the Komatsu PC200LC-6 excavator he operates.



C.N. Wood sales representative Allen Austin (left) works with Anthony Pacillo III, president of A.F. Pacillo General Contractors, to meet his heavy-equipment needs.



A.F. Pacillo General Contractors uses this Western Star 10-wheel truck to haul a wide range of materials on and off jobsites.



Operator Tom MacPherson uses a Komatsu WA380-2 wheel loader to put in a gravel base for a new water and sewer line.

WORKING TOGETHER

Construction industry groups formulate plan to benefit everyone



Stephen Sandherr,
AGC CEO

*An executive summary
of the CTI report is on
AGC's Web site at
www.agc.org.*

The Associated General Contractors of America (AGC) has announced its support of a June 2004 report by the Construction Users Roundtable Tripartite Initiative (CTI), which presents recommendations for action on critical issues facing the construction industry.

The Tripartite Initiative was established by the Construction Users Roundtable (CURT), a group that represents construction project owners. They're concerned that profits aren't where they need to be to ensure long-term prosperity. So they organized CTI as a way to bring various sides of the industry (owners, contractors and building trade unions) together to formulate a plan that could benefit each group by improving cost effectiveness.

A new report suggests ways to make construction projects more profitable.

"The Tripartite Initiative's report reflects a laudable team effort to reach a historic consensus for improving construction cost effectiveness," said Stephen E. Sandherr, Associated General Contractors CEO. "It is now time for all members of the team to implement the recommendations at the local and jobsite levels, and to make the objectives a reality."

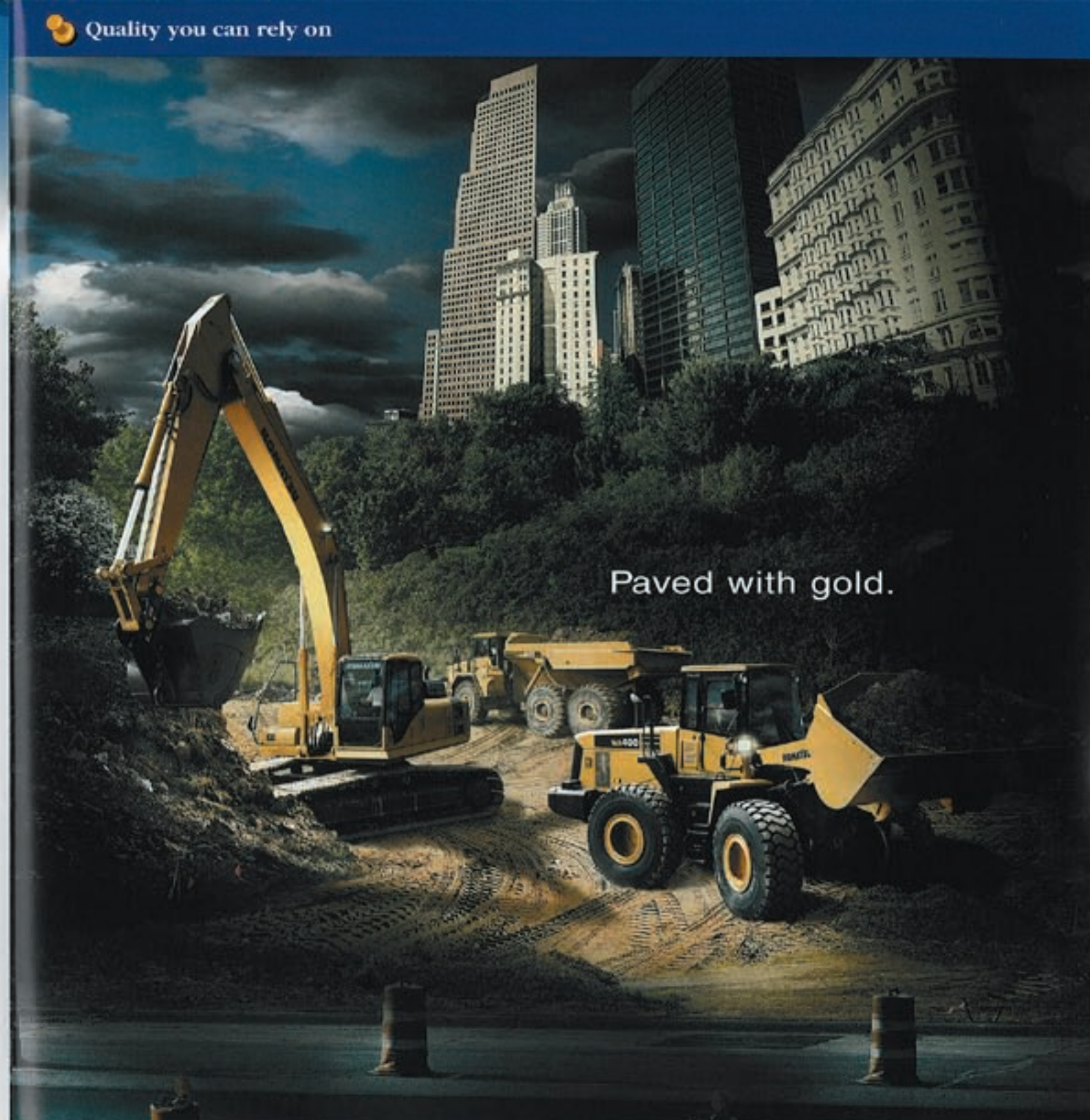
According to the report, two identified factors, which apply particularly to contractors, cause problems on jobsites and keep jobs from being as profitable as they otherwise might be. These are the use of extended overtime by contractors and high absenteeism among workers.

CTI encouraged contractors to establish a clear corporate policy against extended overtime (defined as more than 40 hours a week for more than two consecutive weeks), and enforce that policy by requiring management preapproval for extended overtime. The recommendation also said project managers should be required to investigate alternatives to extended overtime; a contractor should inform the owner if a schedule is unrealistic and suggest alternative approaches; and all projects should be adequately staffed and effectively managed.

Regarding absenteeism, some CTI participants felt controlling extended overtime would improve absenteeism. Other suggestions include training craft supervisors on the company's absentee policy and getting their support for it; and tying overtime policy to absenteeism.

"This is a challenging time for the industry as pressure mounts on all parties to build faster and cheaper than ever," said Sandherr. "A commitment to the principles found in this report can go a long way toward increasing value for owners without sacrificing quality." ■





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SMALL WHEEL LOADERS UPGRADED

Komatsu's line of hydrostatic machines now extends to the eight- and 10-ton size classes

Few machines are as versatile as small wheel loaders. Truck loading, backfilling and transporting material or tools are just a few of the tasks these 100- to 120-horsepower machines perform routinely at jobsites every day. In order to further improve performance in this important size class, Komatsu has introduced two new models of hydrostatically driven wheel loaders.

"The introduction of the new WA150-5 and WA200-5 expands Komatsu's lineup of HST (hydrostatic transmission) equipped wheel loaders. The line extends from the 29-hp WA30-5 utility loader up to the 166-hp WA320-5 construction loader," said Komatsu wheel loader product manager Lee Haak. "We already introduced HST in two of our larger wheel loaders (WA250-5 and WA320-5) and found the benefits to be substantial. This is a continuation of our effort to provide customers with a machine that's truly different, and truly better."

What's the advantage of hydrostatic drive? According to Haak, the primary advantage is it enables the operator to separate the ground speed from the hydraulics. "The result is quicker travel response and more aggressive drive into the pile. And when you don't need much ground speed, flow can be increased to the equipment hydraulics."

A variable displacement system automatically adjusts traction to provide maximum power and efficiency in Komatsu's hydrostatic units. Full auto-shifting allows the operator to concentrate solely on the job at hand.

Although operating weights are slightly less with the WA150-5 and WA200-5 compared to the previous models, bucket capacity and breakout force are greater, which boosts productivity.

Fuel-efficient, quiet, comfortable

Beyond the productivity advantages, HST also enabled Komatsu to lower the engine speed in both machines from 2400 rpm to 2000 rpm. The reduction in rpm substantially improved the units in two areas — fuel efficiency and cab quietness.

Continued...

Quick specs: Small Komatsu wheel loaders

Model	WA150-5	WA200-5
Output	96 hp	120 hp
Operating weight	17,527 lbs.	20,693 lbs.
Bucket capacity	2.0 cu. yd.	2.6 cu. yd.
Breakout force	16,314 lbs.	20,947 lbs.

The WA200-5 is Komatsu's newest hydrostatic wheel loader. With more breakout force and bucket capacity, it outproduces the unit it replaces while using 15 percent less fuel.



Small hydrostatic wheel loaders are "a step up"

...continued

"The WA200-5 uses 15 percent less fuel than the WA180, and the WA150-5 uses 10 percent less than the WA120," Haak pointed out. "Because they run more efficiently, sound levels inside the cabs are now at 70 db(A), which is similar to our hydraulic excavators. That

quietness, along with a 5 percent larger cab, makes these very pleasant machines to run."

Easy service and maintenance

The WA150-5 and WA200-5 are equipped with Komatsu's Equipment Management Monitoring System (EMMS), which keeps the operator aware of vital machine functions and helps prevent costly breakdowns. Full side-opening, gull-wing engine doors; a swing-out hydraulic radiator fan; side-by-side coolers; and ground-level service checks make for easy maintenance. Service brakes are maintenance-free. Komatsu extended oil and filter service intervals to 500 hours and increased the drive shaft greasing interval to 4,000 hours.

The WA200-5 is also available as a parallel tool carrier (WA200PT-5), with the benefits of parallel lift and a hydraulically actuated quick coupler.

"There's no question these new machines are a large step up from Komatsu's previous generation of wheel loaders," Haak stated. "We invite anybody who's in the market for this size of machine to try out the WA200-5 or WA150-5 to see what a hydrostatic wheel loader can do for them on their jobsites." ■



The WA150-5 is more powerful and more productive than the WA120-3 that it replaces in the Komatsu wheel loader lineup. The hydrostatic machine also features easily accessible service points and a cab that's 5 percent larger and much quieter.

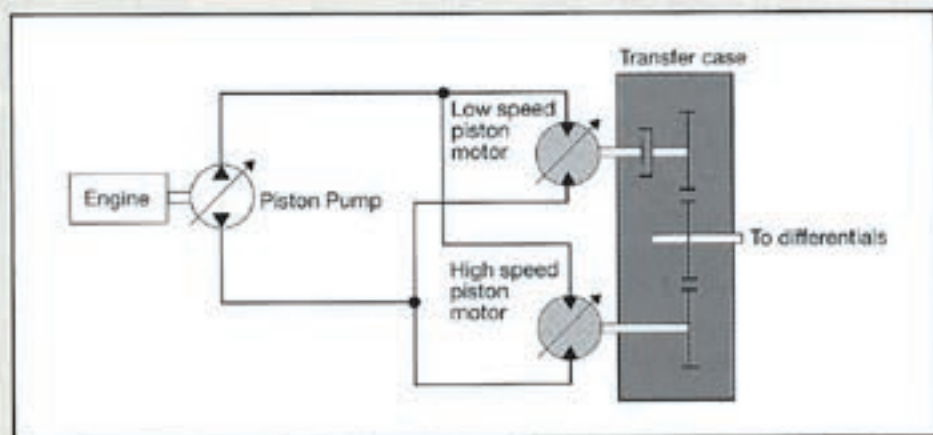
The HST advantage

At first glance, you'd be hard pressed to distinguish between a Komatsu HST wheel loader and a traditional power shift machine.

"Power shift works with a transmission and torque converter package mounted to the engine," explained Komatsu wheel loader product manager Lee Haak. "HST has a pump drive with a large variable displacement pump mounted to it.

Pressurized oil moves through hoses down to two hydraulic motors (low speed and high speed), which are plugged into a transfer case. The transfer case has drive lines extending to the front and rear conventional axles.

"Unless you get underneath the machine, you're not going to see anything different when you look at it," he added. "It's the machine's performance that shows you there's something different and better going on here."




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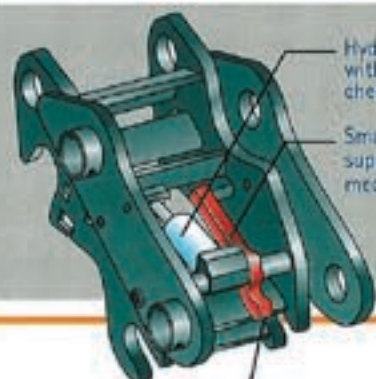
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TIGHT-TAIL INNOVATOR

Komatsu was the first, and remains the industry leader in tight-tail-swing excavators

In 1993, Komatsu introduced the PC128UU, the first construction-equipment-size, zero-tail-swing excavator. There were some utility/compact machines with the rounded backside prior to that, including some Komatsu models, but none approached the size and the production capacity of the 30,000-pound PC128UU.

Those first Komatsu zero-tail-swing machines turned heads, and not just because they were purple. Although people called it "Barney" after the colorful cartoon character, it was clear to many contractors who saw it that the PC128UU was anything but silly, and was certainly not going the way of the dinosaur anytime soon.

"The potential advantages of the machine were clear to contractors right from the beginning," said Komatsu excavator product manager Erik Wilde. "This was a piece of equipment that could work in places where similar-size conventional excavators couldn't work. It would also be great on road jobs because the back end wouldn't extend into a second lane of traffic."

The only question was, how would it perform? Could it give you digging and lifting production similar to a conventional excavator?

"When you first look at the tight-tail-swing excavator, you think stability has got to be a problem — you can't put much on the end of the arm or it's going to tip over," said Wilde. "But the opposite is true. Because it's a heavier machine than its counterpart in the conventional excavator line, it has excellent stability. Users quickly discovered the PC128UU and the other Komatsu tight-tail-swing machines that followed it, actually outperform their conventional counterparts in many respects, including superior lifting."

Machines whose time has come

Today, in addition to the PC128UU (it's now Komatsu yellow rather than purple), Komatsu has five other construction-size, tight-tail-swing excavators. The PC128UU-2 remains unique in that it's the only offset, knuckle-boom machine, which allows an operator to dig parallel to the track. The PC128US-2, PC138USLC-2, PC158USLC-2, PC228USLC-3 and PC308USLC-3 are designated as US machines, which means they have traditionally mounted booms (LC designates a long undercarriage). Komatsu's entire line of utility-size excavators is also tight-tail-swing.

Continued...



Erik Wilde,
product manager,
hydraulic excavators

Quick specs: Tight-Tail-Swing Excavators

Model	Output	Operating weight	Max. Reach
PC128UU-2	86 hp	29,540 lbs.	23' 5"
PC128US-2	86 hp	29,134 lbs.	28' 3"
PC138USLC-2	86 hp	31,085 lbs.	28' 3"
PC158USLC-2	99 hp	36,380 lbs.	28' 10"
PC228USLC-3	143 hp	51,765 lbs.	31' 10"
PC308USLC-3	179 hp	72,450 lbs.	34' 3"



The Komatsu PC128UU was the first construction-equipment-size, zero-tail-swing excavator. With its offset knuckle-boom, it continues to be a unique machine for specialized jobs.

Tight-tail superiority

... continued

For more information on Komatsu tight-tail-swing excavators, contact your sales representative or our nearest branch location.

"On the smaller end of the construction-size excavator line, 25-ton machines and less, we see no reason for anybody to buy a conventional excavator," said Wilde. "I know that sounds radical, and we're certainly going to continue to make standard machines as long as people want to buy them. But the fact is, our latest generation of tight-tail-swing excavators is superior to the conventional model in almost every way.

"It's true, they cost slightly more (5 percent to 10 percent higher price)," Wilde acknowledged. "But they more than return that premium through increased production, less damage to the machine and anything around it, and greater safety. Contractors recognize these advantages."

Problems solved

Everybody admits that tight-tail-swing excavators have their strong points, but some manufacturers think the small conventional excavator will always have its place. They say

the added cost isn't necessary if you never work in tight quarters. They also maintain serviceability can be a problem because components are packed into a smaller space; the cab's smaller and therefore not as comfortable; and the heavy counterweight causes more wear and tear on the machine. That's nonsense, says Wilde.

"Those may be problems for other manufacturers, but at Komatsu, we've addressed all those concerns. With easy access to all compartments, serviceability on our latest tight-tail-swing machines is excellent, and we have a very large cab.

"In regard to premature wear because of the added weight, Komatsu builds its machines specifically to carry the extra weight," he explained. "For example, our PC228USLC-3 has the same engine and hydraulics as a PC200. However, weight-impacted items like travel motors, final drives, track shoes and chains are based on our PC220, so they're able to handle the additional weight and be very reliable and durable."

Not just a big-city machine

To those who say buying a tight-tail-swing machine isn't necessary if most of your work is out in the open, Wilde asks, "Who never needs more room on a jobsite? Initially, these were seen as big-city machines, but now we're selling them everywhere. They're great on road jobs, selective clearing, or any type of site prep where there are other machines or obstacles."

Komatsu's newest model is the 36-ton PC308USLC-3, the largest tight-tail-swing excavator in the world. It has the same engine and hydraulics as the PC270LC-7 with a lift capacity closer to that of a PC300.

"We offered it based on customer demand and it's been very successful for us," said Wilde. "As to whether we might someday offer an even larger tight-tail-swing model — it's too early to know yet if there is adequate demand for such a machine. Also, there's a point at which you can no longer make a productive, efficient, service-friendly, tight-tail-swing excavator. I wouldn't say we're necessarily there yet, but we're probably close to it." ■

The Komatsu PC308USLC-3 is the world's largest tight-tail-swing machine.



Tight-tail-swing excavators, like this Komatsu PC228USLC, are ideal on road and bridge jobs because of their ability to work in only one lane of traffic.





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BACKHOE LOADER IMPROVED

Komatsu overhauls product line to better meet customer expectations

For more information on Komatsu backhoe loaders, contact your sales representative or our nearest branch location.

Available in standard, powershift and all-wheel-steer models, the new WB140-2 features excavator-like joystick controls.

It may not be the latest or most innovative piece of equipment on a jobsite, but the backhoe loader remains one of the go-to machines in most contractors' fleets. The fact that it's literally two machines in one continues to make it very attractive to equipment users who are looking to maximize profits.

Komatsu introduced its WB140 and WB150 backhoe loaders in 1999. In 2002, Komatsu opened a manufacturing plant in Newberry, S.C., dedicated to building backhoe loaders and other utility machines. Since then, Komatsu has continually upgraded its backhoe loader line. Current Komatsu backhoe loaders include those with powershift transmissions and all-wheel steering, in addition to the standard units. All models feature increased hydraulic speed,

stronger and more advanced components and a cab with much greater visibility, more comfort and easier access to controls.

"The units are much improved, in every respect, over our early backhoe loader efforts," said Komatsu utility product manager Bob Lessner. "One of the big advantages is that we now offer excavator-style joystick controls as a backhoe option. It's the perfect complement to Komatsu's advanced HydraulMind™ hydraulic system. We also offer two working modes, power or economy, so an operator can set the unit for maximum production or improved fuel efficiency."

Other improvements include a Komatsu Tier 2 engine that provides excellent fuel economy; a steel-reinforced front grille; and an optional 1.3-cubic-yard, multipurpose loader bucket for additional capacity.

Powershift and all-wheel steer (AWS)

The powershift machines are available in both the WB140 and WB150 size classes. The automatic-like transmission makes it ideal for front-end digging and loading applications, as well as for long-distance travel.

The all-wheel-steer model (where all tires are of equal size) is available only in the WB150 size. It features powershift transmission and three different steering modes: two-wheel, four-wheel and crab. Crab steering allows all four wheels to turn in the same direction, making it extremely maneuverable in tight quarters. Its turning radius is more than a foot shorter than competitive models.

"With all the changes we've made, we believe our backhoe loader is now not only competitive, but in many ways is superior to some of our more established competitors. We hope customers will give us a chance to prove it to them," said Lessner. ■

Quick specs: Komatsu Backhoe Loaders

Model	Horsepower	Loader capacity	Backhoe digging depth
WB140-2N	87	1.25 cu. yd.	14' 7" (18' 4" telescope arm)
WB150-2N	94	1.5 cu. yd.	15' 7" (18' 4" telescope arm)
WB150AWS-2	94	1.5 cu. yd.	14' 11" (17' 6" telescope arm)





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BACK TO THE BASICS

Improving quality in machines, support and personnel is goal of KAC president



Ted Ohashi,
president and COO,
Komatsu America Corp.

This is one of a series of articles based on interviews with key people at Komatsu discussing the company's commitment to its customers in the construction and mining industries — and their visions for the future.

Ted Ohashi, president and chief operating officer of Komatsu America Corp. (KAC), is a nuts-and-bolts type of guy. A Tokyo native, he joined Komatsu in 1977 after graduating from the University of Tokyo with an engineering degree. He started at the Awazu plant in production control. In the early 1980s, Komatsu sent Ted to Stanford University where he earned M.S. degrees in operating research and industrial engineering.

He put his experience and education to use by helping Komatsu start up its manufacturing plant in Chattanooga, Tenn. He was also involved in establishing a Komatsu plant and operations in the United Kingdom in the late 1980s and early 1990s. Upon returning to Japan, he worked at Komatsu global headquarters, then moved to the Awazu plant until being named general manager of the Mooka plant in 2001. He served in that capacity until his appointment as president of Komatsu America in January of this year.

With his strong engineering and manufacturing background, Ted is very familiar with equipment, how it works and what it takes to make quality machines that deliver maximum reliability. "Quality and Reliability are our top priorities. A machine that breaks down frequently or doesn't provide years of productive life is either poorly engineered, poorly designed, poorly manufactured or has not been matched properly to the customer's application.

"At Komatsu, we take tremendous pride in providing *Quality* and *Reliability*, not only in our products, but also in the services we provide. While I don't think we've ever lost sight of the importance of quality, we're nonetheless re-emphasizing the importance of it in everything we do. It's the only way we're going to be the equipment 'solution provider' that our customers want and need us to be."

QUESTION: You became president of Komatsu America in January. What is your immediate goal as president?

ANSWER: My immediate goal is to institute a "back to the basics" approach to Komatsu's heritage of quality. More than 40 years ago, in order to survive strong competition and eventually compete on the global stage, Komatsu instituted a stringent quality-control program. Initially, I think it was viewed primarily as a way to improve our machines. While it's still important for that, I want to extend the concept to emphasize all aspects of our business — research and development, parts and service, distributor development — everything.

We've already started this new quality initiative, and over the next year or so, every one of our 2,000 Komatsu America employees will have been trained in it. My hope is that it will enable each employee to provide better solutions to both our distributors and our customers.

QUESTION: What about longer-term goals?

ANSWER: Of course, longer term, we want to sell more machines and increase our market share. How will we do that? By improving ourselves and outperforming our competitors.

For example, we see the strict new engine emission rules that will begin to go into effect over the next few years as an opportunity to develop some truly unique and revolutionary products. Our goal is to produce the most productive, most technologically advanced, most fuel-efficient, most easily serviced and most comfortable machines in the world — backed by the friendliest, most responsive and most cost-effective product support. Is it possible? We believe it is, and that's what we're working toward.



QUESTION: Your background with Komatsu is largely on the manufacturing side of the business. How is that going to be beneficial in your capacity as president of Komatsu America?

ANSWER: Komatsu America covers sales, service, R&D and manufacturing. The nature of each function may be slightly different, but the approach of business fundamentals is the same — back to basics.

My manufacturing background, I think, is also a plus in another way. As president and COO, I share responsibility for Komatsu America with Dave Grzelak, who serves as chairman and CEO. Since Dave's background is on the marketing and sales side of the business, we have different strengths. Therefore, we tend to come at issues from different directions, which can be very positive.

QUESTION: Is there anything equipment users don't know about Komatsu that they should know?

ANSWER: We're the second-largest equipment manufacturer in the world, and we've been selling equipment in the U.S. for more than 25 years. Yet, we're still viewed by many as the new kid on the block. But the fact is, there's only one other manufacturer that offers as complete a line as we do — all machines and all sizes, from the largest mining truck to the smallest compact excavator. And there are also only one, or possibly two, other companies that manufacture all their own parts and components.

Because of our resources and capabilities, we can be a "total-solution" provider for any equipment user. Our distributors are more than happy to provide demos that will let operators and owners see for themselves what Komatsu machines can do for them.



From machines like the WB140 backhoe loader (left) to large machines like the PC1250LC-7 hydraulic excavator (above), Komatsu is one of only two manufacturers with a full line of utility, construction and mining equipment.



QUESTION: How is this year going, and what do you see down the road?

ANSWER: 2004 has been a strong year for Komatsu and for the entire equipment industry. Of course, it being a presidential election year, there is some uncertainty about how the year might close. We expect some leveling off, but overall, we're very optimistic.

Further into the future, much will depend on the overall state of the U.S. economy, which, of course, we cannot control. So we will focus on things we can control, like improving the quality of our products and services. By doing that, we're adding value for our customers and helping them improve their owning and operating costs, which should result in greater market share for Komatsu, regardless of the total market. ■

Ted Ohashi, president and COO of Komatsu America Corp., helped set up Komatsu's Chattanooga Manufacturing Operation, one of four Komatsu plants in North America.

"Rigorous inspections are part of the manufacturing process at all Komatsu plants," said Ohashi. "It's how we're able to produce quality machines with the fewest defects."

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AVAILABLE THROUGH C.N. WOOD CO., INC.

ACQUIRING EQUIPMENT

How a Synthetic Lease Option may give you a tax advantage

Leasing has long been one of the most popular ways of acquiring equipment. Depending on your particular situation and what you're trying to accomplish, it can offer advantages compared to renting or owning. Now, a new lease product from Komatsu Financial can combine some of the advantages of both buying and leasing.

"A Synthetic Lease Option (SLO) allows a customer acquiring a piece of equipment to keep it off the balance sheet just like an operating lease, while at the same time take advantage of depreciation benefits associated with machine ownership," said Chuck Naglevitch, manager of accounting and planning for Komatsu Financial.

While it's one of those things that sounds too good to be true, Naglevitch says that's not the case. "Although relatively new to construction, SLOs have been around for years. They're definitely not for everyone, but if an equipment owner's goal is to minimize taxes while keeping debt off his balance sheet, an SLO is a very effective way to do that."

How it works

An SLO takes advantage of the differences between tax rules and business accounting rules. Those differences allow a contractor to indicate he's leasing a machine for accounting purposes, but at the same time show it as a purchase on his tax return.

"There are many differences between tax code and what financial accounting allows," said Naglevitch. "There's nothing inappropriate about an SLO, it's a perfectly acceptable tax-accounting procedure. Nonetheless, some customers may not be comfortable with it."

The Komatsu Financial SLO is essentially an "Advantage Lease" with a residual guarantee. "In order to get the depreciation benefit for tax



purposes, the contractor has to say he's buying the machine," Naglevitch explained. "Therefore, Komatsu Financial requires a 10 percent residual guarantee.

"Let's say we're talking about a \$100,000 piece of equipment with a \$30,000 purchase option at the end. If the contractor returns it to us at the end of the lease, we're going to sell that machine. If we get less than \$30,000, he owes us the difference up to \$10,000 (his residual guarantee). It's that 10 percent 'ownership risk' that, in our opinion, enables the contractor to take the tax depreciation, but it's also why we think the SLO is best suited for those who truly intend to buy the machine at the end of the lease."

With an SLO, you're able to take a tax depreciation and also deduct the imputed interest you paid on the lease.

Because of the interpretive nature of some aspects of the tax code, Komatsu Financial strongly recommends any contractor considering an SLO for the tax benefits consult with a tax advisor to be certain the product is appropriate. ■

A "new-to-construction" financial product may be the most advantageous way for you to acquire equipment like this D61 Komatsu dozer.

For more information on the Synthetic Lease Option (SLO), contact the financial department in your nearest branch.

AT YOUR SERVICE

FLEET MANAGER

New Komatsu program helps ensure you'll never miss a PM service

For more information on the benefits of Fleet Manager, contact your PSSR or our nearest branch service or parts department.

Strict adherence to OEM-recommended service and maintenance intervals is widely acknowledged to be the most effective way to prevent premature component wear and/or failure. As an equipment owner or manager, you know how important preventive maintenance (PM) is, but how do you ensure that it actually gets done, each and every time it's due? A new Komatsu service program called Fleet Manager can help.

"Fleet Manager is an Internet-based maintenance scheduling tool," explained Tony Rizzo, Komatsu manager of distributor operations development. "Based on hour meter readings that are recorded into the system, Fleet Manager automatically calculates the machine usage rate and alerts you, well in advance, when the next maintenance is due."

The benefit, according to Rizzo, is that it allows an equipment owner or manager to plan for the upcoming PM much more efficiently. "With Fleet Manager, PM no longer sneaks up on you.

"For example, in the middle of August, you can look at your September calendar in Fleet Manager and see you have 20 machines that are going to need service. It tells you what date they need the PM, and you can begin planning accordingly. Maybe your crew is tied up and you'll need the distributor to do your PM that day. Maybe you need a replacement machine at the jobsite to take over while the PM is being done. Whatever the problem, the preplanning aspect of Fleet Manager makes it easier to solve."

Handles all makes

To work most effectively, the customer should list all machines in the fleet. The system works for all makes and models of equipment, as well pickups and lube trucks. According to Komatsu, it's ideal for customers who own between 10 and 100 machines that need routine PM services. Hour meter readings should be recorded into the system regularly (Komatsu recommends weekly entries). In addition to the monthly calendar, Fleet Manager includes pop-ups that alert you when a service is due.

To register for the Fleet Manager service, simply contact our service department. Once approved, you access the system through www.mykomatsu.com and click on Fleet Manager.

As an Internet-based system, Fleet Manager eliminates the need for an extensive paper file. Electronic reports and machine maintenance histories are instantly available at all times. And any machine that's outfitted with Komatsu's GPS Komtrax system is also automatically linked to Fleet Manager with hour meter readings that Komtrax records daily, so manual entries aren't needed. ■

With Komatsu's Fleet Manager program, an equipment owner or manager simply enters machine hours into the system weekly. The Web-based system then calculates PM intervals and puts them on a calendar at the optimal date.





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THE PEOPLE INSIDE

MARK WHELAN

This field service technician can “speak the language” with contractors

Mark Whelan has been serving C.N. Wood customers as a field service mechanic for eight years, and the job suits him just fine. He likes traveling to different towns, meeting new customers and working on the equipment.

One reason Mark is so good out in the field is because he can communicate effectively about equipment problems. Before coming to C.N. Wood, he worked for a contractor for eight years. Mark says that experience helps him relate to customers and their equipment troubles. “Some mechanics know how to fix a machine, but they don’t know what the problem is by the way the operator describes it,” he observed. “I’ve been in the operator’s seat, so I understand. I usually know right where to go to solve the problem.”

Diverse equipment skills

At C.N. Wood, Mark spends the spring and summer months working mostly on Elgin Pelican sweepers and Vactor trucks for municipal customers. In the fall and winter, his focus shifts to Komatsu utility equipment.

He’s one of eight C.N. Wood field service technicians based in Woburn, but he’s worked all over Massachusetts, New Hampshire and Rhode Island. Mark doesn’t wait until he gets to a jobsite to start figuring out what the problem could be with a machine. He begins thinking of all the possibilities while on the road, so when he’s at the site, he can get the machine up and running as quickly as possible.

While he enjoys what he does, Mark admits there are challenges. “Every problem is unique, and it can be stressful trying to figure it out while a customer is standing over your shoulder asking if the machine is fixed yet,” he said.

Dedicated to serving customers

Whatever the situation, Mark is dedicated to serving customers. He’s been to hands-on training sessions provided by Komatsu, Elgin and Vactor, so he stays up-to-date on all the new equipment.

In addition to servicing equipment on the road with his fully equipped service truck, Mark also trains customers on how to operate their new equipment from C.N. Wood, in particular, the Elgin and Vactor machines.

Mark lives in Chester, N. H., about 35 miles from Woburn, so he typically goes right to a field job from his home each day. When he’s not on the job, he enjoys spending time with his wife, Julie, and their one-year-old son, Jacob. He also likes to take care of his big lawn and do landscaping around his home. ■

C.N. Wood field service mechanic Mark Whelan says his previous experience working for a contractor helps him relate to customers and their equipment troubles.



CLEAN DIESEL RULE

What the new Tier 4 EPA engine standards will mean to equipment users

Beginning in 2008, strict new emissions rules will begin to go into effect covering off-road diesel engines. In that first year, only the smallest equipment engines will be affected. But each year, more engines will be added to the list until all diesel engines will have to meet Tier 4 requirements in 2015.

In the past decade, the Environmental Protection Agency (EPA) has required three previous tier levels of compliance. The Tier 4 rule is designed to reduce emissions from construction and other off-road equipment by more than 90 percent through a combination of strict exhaust standards and cleaner-burning fuel requirements. According to EPA, the rule will also remove 99 percent of the sulfur in diesel fuel by 2010, resulting in dramatic reductions in soot.

"We are going to make that burst of black smoke that erupts from diesels a thing of the past," said EPA administrator Mike Leavitt. "We're able to accomplish this in large part because of a masterful collaboration with engine and equipment manufacturers, the oil industry, state officials, and the public health and environmental communities."

Manufacturers of all off-road equipment engines, including Komatsu, are already gearing up for strict new EPA engine standards that will begin to go into effect in 2008.

While acknowledging the technological and economic challenges of compliance, equipment industry leaders generally praised EPA for the inclusive process used to develop Tier 4.

"Our members are committed to meeting the market's demand for off-road equipment that also has reduced emissions," Dennis Slater, president of the Association of Equipment Manufacturers, told Associated Equipment Distributors "Washington Insights" newsletter. "The EPA rule builds on the excellent progress achieved between industry and government, but will require continued collaborative efforts to ensure that fuel, engines, emissions controls systems and equipment all come together to provide value to owners and users of equipment."

What the rule will achieve

The Clean Air Non-road Diesel Rule is just the latest round in EPA's long-running effort to make diesel engines and fuels cleaner. The rule covering heavy equipment, along with one covering locomotives and marine vessels, complements the agency's Clean Diesel Truck and Bus Rule, which was announced almost four years ago.

According to EPA, most diesel particulate matter (PM), as well as about one-third of nitrogen oxide (NOx) emissions, comes from off-road diesel engines. As a result, the Agency says Tier 4 will produce numerous benefits, including:

- A reduction of sulfur emissions by as much as 99 percent — from 3,000 parts per million (ppm) now to 500 ppm in 2007, and 15 ppm by 2010,
- A reduction of NOx emissions by 90 percent (738,000 tons annually),
- A reduction of PM emissions by 95 percent (129,000 tons annually),
- A reduction in pollution equivalent to having two million fewer trucks on the road,



- The prevention of 12,000 premature deaths, 15,000 heart attacks, 6,000 children's asthma-related emergency room visits and one million lost workdays.

Costs of compliance

The new rules don't come without a price. More than 650,000 off-road diesel machines are sold in the United States annually. EPA estimates the cost of compliance will be about 1 percent to 3 percent of the machine's cost. The cleaner fuel will also cost about seven cents a gallon more than the current blend. However, the EPA says that will be partially offset by more fuel-efficient engines, so the net increase to equipment users will be about four cents a gallon.

EPA forecasts the additional costs at about \$2 billion, but maintains the benefits of the Tier 4 rule will outweigh those costs by about 40 to 1, resulting in annual overall savings of about \$80 billion.

Some industry groups remain at least somewhat skeptical of the EPA claims. An article in the Associated Equipment Distributors (AED) "Washington Insights" newsletter states: "Whether the costs associated with the new rules will ultimately outweigh the benefits remains to be seen."

The "Insights" article pointed out that important progress in reducing diesel emissions has already been made by the industry. In comments submitted during the rule-making process last year, AED noted that some off-road sectors had seen an 85 percent drop in PM emissions since 1996.

"During that same time period, nitrogen oxide (NOx) emissions have fallen by 70 percent and will drop another 40 percent by 2006, thereby resulting in total NOx reduction of 82 percent," AED said in its comments to EPA. "Thanks to the determination and dedication of the equipment industry, these emission reductions have been accomplished in just 10 years, whereas it has taken 30 years to achieve comparable reductions from on-highway engines."

AED says industry experts were still reviewing the 700 pages covering the new rule and related documents to determine what the true impact on manufacturers, distributors and end users will be.



Product development already underway

Regardless of what the true impact turns out to be, the Tier 4 rule will go into effect as planned and the industry will have to respond to it. Allen Schaeffer, executive director of the Diesel Technology Forum, said the field of non-road emissions control is not without bumps. He pointed out the following special challenges the industry faces in meeting compliance requirements:

- The great diversity of non-road engines and equipment, from portable electric generators with less than 10 hp to 6,000-hp mine shovels,
- The extreme-duty cycles that require engines built to both propel the vehicle and operate attachments,
- The wide range of exhaust temperatures due to the very low engine speeds,
- The diversity of horsepower ranges required to operate heavy equipment,
- The significant space restraints of engine compartment size and packaging due to safety, visibility and functionality requirements that make engineering aftertreatment technologies challenging.

"Despite these obstacles, there is no question about the industry's commitment to meet these aggressive standards," Schaeffer said. "In fact, the work has already started. Engine and equipment manufacturers, fuel refiners and aftertreatment technology manufacturers are already collaborating to develop systems-based reduction strategies to meet these stringent requirements. The diesel industry is firmly committed to continuous progress and a cleaner environment." ■

"We are going to make that burst of black smoke that erupts from diesels a thing of the past," EPA administrator Mike Leavitt said of the Tier 4 standards.

Spokesmen say the industry has been reducing the amount of particulate matter and nitrogen oxide emissions steadily in recent years anyway, but is willing to work with EPA to achieve the more restrictive levels.

More information on the issue is available at:
www.epa.gov/cleanair

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Mike Frick,
Dirt-N-Iron, Inc.
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DISTRIBUTOR QUALIFIED USED EQUIPMENT

"NOT A GAMBLE"

Contractor trusts Komatsu Distributor Qualified Used Equipment

Tim Reid used to be general superintendent and part owner of a large construction company. A few years ago, he decided to downsize. "I had young children and wanted to spend more time at home, so I opened my own one-man company, Tim R. Reid Enterprises."

Based in Edmond, Okla., Tim R. Reid Enterprises specializes in small asphalt parking lots and driveways. Last year, he didn't stay as busy as he wanted, so this year, he decided to add a small dozer so he could take on additional work like house pads and clearing jobs.

"Because this wasn't going to be my primary piece of equipment, I didn't need a new machine," said Reid. "I figured I could save a bunch of money by buying used and still get the production I need. But at the same time, I wanted a machine that would be reliable for me."

Reid decided he needed about a 100-hp machine for the work he was planning to do. "In the past, the company I was with bought quite a bit of equipment at auctions," he said. "The problem with that is it's very much a gamble. You really don't know what you're getting when you buy at auction. Now, you may be willing to take that chance if the price is great, but the fact is, auction prices have gone up substantially."

Inspected and financed

So Reid turned to his Komatsu dealer for a Distributor Qualified Used D38 dozer. "It was very important to me that the machine had been thoroughly inspected," he said. "Equally important, I was dealing with people I could trust. I knew if there was any problem, my Komatsu dealer would stand behind the machine and make it right. And that's happened."

Reid said the real kicker was the financing he was able to get through Komatsu Financial. "Because it's Distributor Qualified, they're willing to give you better rates than you could get anywhere else. They were also willing to wrap a pin turn and a ripper into the financing, which was an added benefit."

The dozer has done everything Reid expected of it, and more. "I've had it a little over half a year and have already put more than 450 hours on it," he said. "It's been a good addition to my company and has given me a good return on my investment every month. You can't ask for much more than that." ■

Tim Reid, owner of Tim R. Reid Enterprises in Edmond, Okla., wanted a reliable piece of equipment to add to his fleet, so he turned to his local Komatsu dealer for Komatsu Distributor Qualified Used Equipment. "I figured I could save a bunch of money by buying used and still get the production I need," he said.



For more information on Komatsu Distributor Qualified Used Equipment, talk to your sales representative or call our nearest branch location.



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