

UPDATE

www.modernmachinery.com • 2012 No. 2 • October



CALBAG STEEL

Steel recycling complements
this industry-leading,
metal-recycling operation

See article inside . . .

Dave Meyer,
Steel Operations Mgr.

MICKELO CONSTRUCTION

This Seattle-area, site-development contractor
specializes in customer satisfaction

See article inside . . .



Mike Edelbrock,
Founder/President

KOMATSU®



Brian Sheridan

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machines that
get more done
more efficiently.**



Dear Valued Customer:

Recently, we've seen encouraging signs in the construction industry, including the homebuilding and infrastructure segments. We hope that momentum carries into the new year and beyond.

The final quarter of the year is always a good time to assess your fleet. Whether that means updating your fleet through outright purchase or trade-in, or doing needed maintenance on your equipment, we're here to help. Remember, purchasing new equipment by the end of the year makes you eligible for a 50-percent depreciation bonus, which allows you to write off half the cost on your 2012 taxes.

If you find a need for new equipment, please let us know. Komatsu continues to roll out its new Tier 4 Interim equipment, which we believe you'll find among the most efficient and productive on the market. In this issue of your *Modern Machinery Update*, you can see what users are saying about the machines and their technology and service support. You can also read about the new PC210LC-10 excavator, which builds on the popular PC200LC models.

Like Komatsu, we're dedicated to keeping your owning and operating costs down. We help you do that in several ways, including the Tier 4 Interim machines, which come with complimentary scheduled maintenance through the exclusive Komatsu CARE program. Our trained technicians handle all the work, using genuine Komatsu parts and fluids.

We do some of that technician training right here at Modern Machinery. Our technicians also train at Komatsu's Training and Demonstration Center in Cartersville, Ga. There, Komatsu provides education on best practices to make parts and service personnel more efficient, maximizing your uptime.

As always, if there's anything we can do for you, please call or stop by one of our branch locations.

Sincerely,
Modern Machinery

Brian Sheridan
President



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Published by Construction Publications, Inc. for

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4610 Cloudburst Way
Eugene, OR 97402
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(541) 688-7321
Fax: (541) 689-5429

Portland, Oregon
5241 N.E. 82nd Ave.
Portland, OR 97220
(800) 950-7779
(971) 222-1710
Fax: (503) 255-1553

Missoula, Montana
101 International Way
Missoula, MT 59808
(800) 332-1617
(406) 523-1100
Fax: (406) 523-1117

Kalispell, Montana
3155 Highway 93 S.
Kalispell, MT 59901
(800) 434-4190
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Fax: (406) 756-0006

Billings, Montana
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Fax: (406) 252-1165

Pocatello, Idaho
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(800) 829-4450
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1257 West Amity
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(208) 336-8570
Fax: (208) 336-8616

Seattle, Washington
22431 - 83rd Ave. S.
Kent, WA 98032
(800) 669-2425
(253) 872-3500
Fax: (253) 872-3519

Spokane, Washington
4428 E. Trent Ave.
Spokane, WA 99212
(800) 541-0754
(509) 535-1654
Fax: (509) 534-6741

Rochester, Washington
19444 Ivan St.
Rochester, WA 98579
(800) 304-4421
(360) 273-4284
Fax: (360) 273-4290

**Spokane Machinery
(A Modern Machinery Company)**
4428 E. Trent Ave.
Spokane, WA 99212
(800) 541-0754
(509) 535-1576
Fax: (509) 534-6741

Magadan, Russia
79 Rechnaya St., Suite 1
Magadan, Russia 685021
011-7-41326-99281 or
011-7-41326-99298
Fax: 011-7-41326-77761

Yuzhno-Sakhalinsk, Russia
Doroinaya St. 11, Office 1
Yuzhno-Sakhalinsk, Khamatubo Area, Russia
011-7-4242-469050
011-7-4242-469051
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MICKELO CONSTRUCTION

This Seattle-area, site-development contractor specializes in customer satisfaction



Mike Edelbrock,
Founder/President

Monroe, Wash.-based Mickelo Construction is a family-owned company with about a dozen employees. Although it's not large by earthmoving company standards, Mickelo does a number of good-size jobs in the Seattle area and has an excellent reputation for quality work and completing jobs on time and on budget.

"We probably could be larger if that was our goal," said Mickelo Founder and President Mike Edelbrock. "We sometimes turn down work because I refuse to take on more than we can handle. We have regular customers who keep us busy, and they use us because we always give them a good price and a good job. They also know we're going to finish on time or early. We're able to do that because our employees share our work ethic, which enables us to do more with less. The problem with getting bigger is it's hard to find enough of those kind of employees."

Mickelo Construction's specialty, at least in the current market, is excavation and utilities site work for large mixed-use building projects in and near downtown Seattle.

Mickelo specializes in site work, much of it in tight confines throughout Seattle, such as this large apartment building in the Ballard neighborhood.



"We like to take a job from start to finish and handle all aspects of it ourselves," said Boyd Edelbrock, Mike's son, who is a Mickelo Superintendent. "We perform demolition and excavation, dig foundations and footings, install all the utilities and handle prep for sidewalks and streets. We're full-service when it comes to earthwork and we self-perform everything, so we're fully responsible for quality and timeliness."

Getting done early is something that general contractors, developers and project owners value because the sooner they can get tenants in, the sooner they can start making money.

"Our attitude is, whatever it takes to get the job done on time — night work, weekends — that's what we're going to do," said Mike. "Our ability to do a good job and get it done in short order is why we have loyal customers. We're also now getting calls from larger GCs who've seen our work and have taken notice of how quickly we complete our jobs."

Hands-on owners

Mike and Boyd are hands-on owners. They bid and run their own jobs, often from the seat of a machine. They rely on Mike's wife, Lois, to take care of the books and other office duties. They also count heavily on employees Vance Davison and Travis Johnson.

"Vance takes care of our pipe lining, which is rehabbing old sewer lines, and he runs some jobs for us," said Mike. "Travis is our pipe layer. They've both been with us awhile and do a great job. We couldn't ask for better guys."

Mike's two other sons, Kyle and Wade Edelbrock, also started with Mickelo Construction. They both have since gone on to run their own businesses. Wade and his wife, Courtney, have an excavation company, WAECO,

that largely handles telecom work, as well as site prep. Kyle runs Kole Enterprises, a trucking firm. Both are on their own but continue to have ties with the parent firm. Kole typically handles Mickelo's trucking needs and WAECO often takes "overflow" jobs from Mickelo.

"We do the same kind of things they do," Wade explained. "We're two separate companies, but obviously, we're family so we work closely together and help each other out."

Komatsu and Modern — a winning combination

Both Mickelo Construction and WAECO use Komatsu excavators almost exclusively.

"We originally bought the tight-tail-swing PC308 because we were frequently working in close quarters in the city," Mike recalled. "We fell in love with that machine. Now, we also have two PC228s, a PC138 and a PC400LC-8 (WAECO owns a PC88 and is renting a PC228 with a purchase option). They all run great and we hardly ever have to put any money into them. When we've been in the market for a new machine, we've looked at other brands, but Komatsu always comes out on top."

"Strength, speed, hydraulics, fuel consumption — those are all areas where we believe Komatsu outperforms the competition," said Boyd Edelbrock. "We've also found them to be durable and reliable. Another big plus is the support we get from Modern Machinery."

"Modern has been an excellent partner for Mickelo Construction," confirmed Mike. "We've had other machines in the past and nobody stands behind their product like Komatsu and Modern. Parts and service support is always there when we need it and our Modern Salesman Marc Bandy is extraordinarily helpful."

"We appreciate the opportunity Mike and everybody at Mickelo and WAECO have given us to show what we can do," said Modern President Brian Sheridan. "We look forward to a long, mutually beneficial relationship."

Comfortable in niche

Mickelo Construction has found its niche in the Seattle market and Mike Edelbrock says he's very happy with it.

"My enjoyment of this business comes from being out on the job, but I also want to know



▶ VIDEO

(Above) A Mickelo operator uses a Komatsu PC400 to move dirt at a large job in Seattle's Capitol Hill area. "We do all site-work aspects of a job ourselves," said Superintendent Boyd Edelbrock (left). "We're in demand because our clients know we do quality work and we do whatever it takes to finish their jobs on time."



Wade Edelbrock, Owner of WAECO

Like Mickelo, WAECO also uses Komatsu excavators, including this PC228, to do telecom and site work.



(L-R) Mickelo owners Mike and Lois Edelbrock, and their son Kyle (Owner of Kole Enterprises), are with Modern Sales Rep Marc Bandy. "Nobody stands behind their product like Modern and Komatsu, and that's very important to us," said Mike.

what's going on at all of our jobs. That would be difficult to do if we were bigger. I also fear that the quality of service we're known for might suffer. Our relationship with loyal customers has been the key to our success, so my goal is to do everything possible to maintain those relationships and that loyalty in the years to come." ■



Go online or scan this QR code using an app on your smart phone to watch video of Mickelo Construction machines at work.

CALBAG STEEL

Steel recycling added in Tacoma to complement industry-leading, metal-recycling operation



Dave Meyer,
Steel Operations
Mgr.

Portland-based Calbag Metals has been a Pacific Northwest leader in nonferrous metals recycling for more than a century. In 2008, Calbag opened a facility in Tacoma, Wash., that expanded its recycling program to include ferrous scrap — primarily steel — as well as the metals the company had always recycled. Today, Calbag Steel, which shares a Tacoma yard with Calbag Metals but operates as a separate entity, handles up to 400 tons of scrap steel per day.

“For many years, Calbag was known as the ‘go-to’ metals recycler in the region,” said Dave Meyer, Calbag Steel Operations Manager. “About four or five years ago, the company added steel recycling to allow customers to sell both their metal and steel scrap at the same time and the same place. This ‘one-stop-shop’ philosophy makes it more efficient and more cost-effective for customers to do business with us.”

Beyond accepting both steel and other scrap metals, Meyer says Calbag Steel has a number of advantages over other recycling competitors in the region.

“We’re the only recycling facility on the West Coast that’s ISO-certified, which means customers can be assured that their scrap will be handled properly and in a way that protects the

environment,” said Meyer. “We realize that for our customers, time is money, so we have a clean yard with a layout that enables them to get in and out quickly. We’re also very price competitive, and if customers happen to call when we’re not in the office, we will follow up and get back to them.”

Calbag Steel customers include state and federal clients, demolition contractors, industrial manufacturers and businesses, local scrap dealers and individuals with a pickup truck. They come from as far away as the Canadian border on the north, Portland to the south and Idaho to the east.

“Our biggest regular customer is probably one that comes in from eastern Washington, which is much closer to Spokane than Tacoma,” said Meyer. “To us, it doesn’t matter how big or small a customer is, we want to work with each one. We guarantee to always give our best price and best service, and to deal with each customer in an honest, ethical and trustworthy manner.”

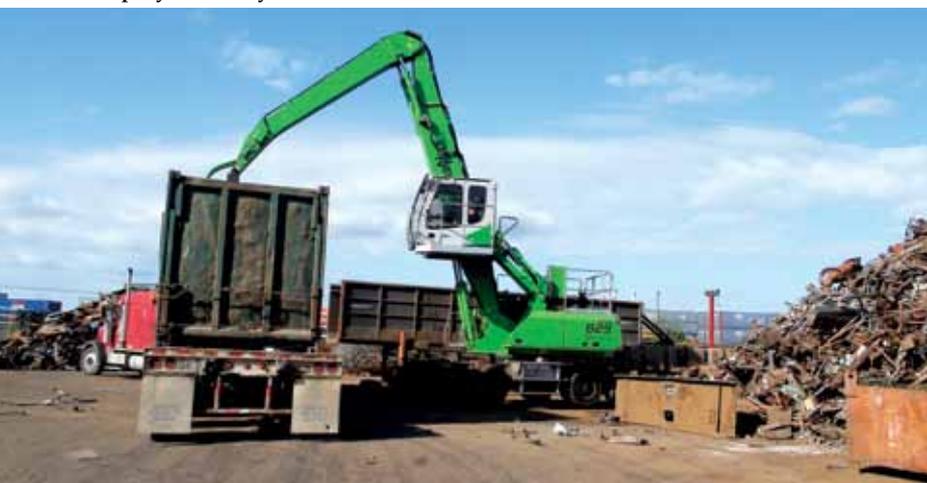
SENNEBOGEN material handlers

To accept, process and load out material, Calbag Steel uses four SENNEBOGEN material handlers (821M, two 825Ms and an 830M).

“A number of us came from another operation where SENNEBOGEN was the primary material handler, so we were familiar with SENNEBOGEN and we like it,” said Meyer. “I’ve been doing this many years and I think I’ve probably run everything out there. Our SENNEBOGENs are productive and hold up well in a demanding environment. They’re also well-laid-out and easier to work on than some competitive machines, which is a plus.

“Any machine is going to have issues eventually, and that’s probably especially true in this industry because we’re tough on equipment,” he added. “What’s most important

This Calbag Steel operator uses a new SENNEBOGEN 825M to unload a truck at the company’s Tacoma yard.





Calbag started accepting steel at its Tacoma, Wash., recycling facility in 2007 and now has four SENNEBOGENs to handle the material. "Many machines are jerky, but this one's nice and smooth and very comfortable," said Operator Jason Hodge.

to us is the support we get, and both Modern and SENNEBOGEN are excellent in that regard."

As an example, Meyer points to a recently broken boom on a SENNEBOGEN 825. "SENNEBOGEN didn't charge us for a new boom and Modern stepped up right away and gave us a loaner machine to use while our 825 was being fixed. That's the type of support we've come to expect from both of them. When a machine is down, we don't want to haggle. We want it back up and running ASAP — then we'll figure out who's responsible. That's my philosophy and fortunately, both Modern and SENNEBOGEN share it. Modern's been a good partner for us, and our Sales Rep Mike Foote has been very helpful."

"Calbag is well-known and well-respected throughout the region," stated Modern President Brian Sheridan. "All of us at Modern are very pleased to have the opportunity to work with their steel division in Tacoma."

Still growing

About a dozen people work at Calbag's Tacoma steel operations. In addition to Meyer, Yard Manager John Finch helps run the steel division. They work closely with the Calbag Metals Tacoma team of GM Steve Glucoft; Buyers Bud Barlanie and J.B. Chapman; and Environmental Manager Nick Nickolas.



(L-R) Yard Manager John Finch and Operations Manager Dave Meyer work with Modern Sales Rep Mike Foote. "Modern and SENNEBOGEN share our attitude about reliability and support, and have been good partners for Calbag Steel here in Tacoma," said Meyer.

"We have a good crew and turnover is virtually nonexistent," said Meyer. "While most of our operators have never worked in scrap recycling, they are experienced operators, often with a background in construction or logging."

"As the company moves forward and matures, our plan is to grow the steel side of the business," he noted. "Calbag is No. 1 in metals recycling. While we may never reach that level in steel because of strong and established competitors, we're an excellent option for people bringing in mixed loads who want to take care of their business in the quickest, easiest and most efficient manner. By continuing to focus on customer satisfaction — giving incoming customers a fair price and a good experience, and on the outgoing end, delivering a quality product to the mills — we believe Calbag Steel will grow as the economy improves." ■

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NEW HIGHWAY BILL

Two-year bill brings some certainty to surface transportation, transit construction

Congress passed and the President signed a bill in midsummer that funds highway and other transit projects, providing money for roads, bridges and other infrastructure for 27 months. Dubbed MAP-21 (Moving Ahead for Progress in the 21st Century), the measure comes nearly three years after the previous highway bill, SAFETEA-LU, expired in September of 2009.

Since then, nine, short-term funding extensions kept some money flowing to transportation projects. But industry organizations all complained that the lack of a long-term bill was adversely affecting contractors by creating uncertainty at the state and local level.

The bill totals \$120 billion, covering the remainder of this fiscal year, which ends September 30, and the next two fiscal years.

Attached to it was a student loan deal to keep interest rates at the current 3.4-percent rate for one year at a cost of about \$6 billion.

The measure provides \$40.4 billion in highway investment for fiscal year 2013 and \$41 billion for 2014. It includes \$12 million each year to support new pavement technologies to speed the adoption of cost-effective, sustainable pavement, as well as improve pavement design, maintenance and construction, according to the National Asphalt Pavement Association.

Construction and equipment industry groups had lobbied Congress hard for passage of a measure before the November election. It's hoped that the new bill will be a job creator for an industry that's seen unemployment well above the national average.

Continued . . .



The new \$120 billion highway bill, passed by Congress in late June, is good news to the construction industry. The funding will provide some much-needed stability to the highway market, bringing jobs and certainty to contractors, equipment dealers and other industry suppliers.

Concessions made on both sides to finalize bill

... continued

Faster environmental reviews

Both sides compromised to complete the deal.

Republicans dropped the Keystone Pipeline from their original proposal. They also agreed to abandon language that would have blocked the Environmental Protection Agency from regulation of ash generated by coal-fired power plants.

Democrats agreed to halve the time allowed for environmental reviews. This will mean speedier approval of projects and will shorten the length of time it takes to complete highway and bridge projects, which is estimated at an average of 13 years, according to the U.S. Chamber of Commerce. They also conceded on a funding issue regarding new bike paths and pedestrian safety projects.

The law gives states additional flexibility in spending federal money, imposes new safety regulations and expands a federal loan guarantee program to encourage private investment in transportation projects, according to a Yahoo News article. Private investment may well be needed, as estimates show the current gas tax does not cover the cost of transportation programs. Forecasts say revenue will continue to decrease with people driving less and greater fuel efficiency of cars and trucks.

Industry reaction

Industry groups praised Congress for passing the 27-month Highway Bill. But almost all concur

that Map-21 doesn't go far enough. They want certainty past 2014.

"The leadership of the House and Senate should be congratulated for getting the conference report done," said National Asphalt Pavement Association President Mike Acott. "The additional year of funding will bring short-term certainty for the highway market and, at the very least, will help sustain jobs in the asphalt-pavement industry."

"This is a long-awaited, positive development for the construction equipment industry," said Associated Equipment Distributors Chairman Larry Glynn. "Contractors around the country have been on life support over the last few years. This bill will provide much-needed certainty for contractors, dealers and suppliers."

"The members of Congress that worked so hard to craft this message understand the benefits to our economy," said Stephen E. Sandherr, Chief Executive Officer of the Associated General Contractors of America. "Today's legislative accomplishments must be seen, however, as the start of a broader effort to address the long-term funding challenges that still threaten the federal transportation program. That is why we look forward to resuming our work on an even longer-term transportation measure that includes key revenue reforms, as soon as Congress returns."

Long-term needs

The new transportation bill comes on the heels of recent information that predicted the American Society of Civil Engineers (ASCE) would likely give the nation's infrastructure a D grade when it releases its next report in 2013. The last report card in 2009 put our infrastructure shortfall at \$2.2 trillion. It's assumed that figure will be considerably higher in 2013.

"The report card isn't saying we don't spend money on infrastructure; it's saying we should be spending a greater amount," said ASCE President-Elect Greg DiLoreto in a recent Bloomberg article. "As civil engineers, we feel we are stewards of the infrastructure. It's what we know best. It's just like a doctor telling you that you have a heart condition. We're taking it to the concrete and saying, 'America, you have a mortar and bricks problem with your infrastructure.'" ■

MAP-21, the new highway bill, provides funding for bridges and roads while allowing faster approval for such projects.



REACTION TO HIGHWAY BILL

Measure contains “good news and bad news” says Transportation Association leader

The new highway bill that Congress passed in late June was welcome news throughout the construction industry. However, it was not the long-term, significant funding measure that many believe is needed. The following article is from Pete Ruane, President and CEO of the American Road & Transportation Builders Association (ARTBA).

In the short term, the bill will provide stability in federal funding for state and local transportation projects. The elimination of earmarks should also accelerate the speed at which federal funds impact the market for transportation improvements. That’s the good news.

The bad news is there is no new money. And even with their federal funds, we are now in a situation where 28 states have invested less in highway and bridge projects over the past 12 months than they did in prerecession 2008, even when adjusted for inflation.

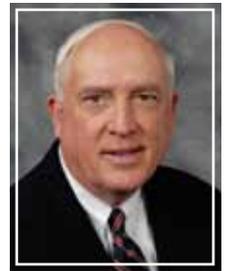
We view this bill – as we believe congressional leaders do – as just “Step One,” which is making the significant program and policy reforms needed to restore public confidence in how the federal government is investing their money in transportation and mobility.

“Step Two” is coming to grips with how to fund the nation’s investments in transportation infrastructure and mobility over the longer term. That tough job remains. And it will require the same bipartisan, bicameral leadership and cooperation that was ultimately demonstrated on this bill.

Our mission is crystal clear: to do everything possible to ensure that the proper level of transportation investment is viewed as a core

priority as the looming, larger discussion and legislative activity begins in earnest on Capitol Hill to define the proper role of the federal government in the 21st century and how it utilizes the public’s money.

We commend Senate Majority Leader Harry Reid (D-Nev.), House Speaker John Boehner (R-Ohio), Senate Environment & Public Works Committee Chair Barbara Boxer (D-Calif.), EPW Ranking Member Jim Inhofe (R-Okla.), Senate Finance Committee Chairman Max Baucus (D-Mont.), House Transportation & Infrastructure Committee Chairman John Mica (R-Fla.), and T&I Committee Ranking Member Nick J. Rahall (D-W.Va.) for their steadfast and dogged determination to get the job done. ■



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

Although Congress finally passed a new, bipartisan, highway bill, many believe it doesn’t provide the long-term stability needed to support transportation infrastructure.



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EXCAVATOR EXCELLENCE

Greater fuel efficiency, lower emissions make Komatsu's new PC210LC-10 even better than its popular predecessor

When Tier 4 Interim standards were announced, the challenge was to take already proven and productive machinery and reduce emissions without losing performance. Komatsu's new PC210LC-10 excavator does just that, with greater fuel efficiency as a bonus.

"The previous PC200 models, which the PC210LC-10 replaces, were popular because they were proven to be among the most productive excavators in their size class," said Komatsu Product Marketing Manager Brian Yureskes of the 47,000-pound-class PC200 excavators. "They're good machines in a wide range of applications. That holds true with the new PC210LC-10, with several added benefits, including up to 10 percent better fuel efficiency, depending on the application."

Yureskes notes that Komatsu achieved better fuel economy through advancements in engine and hydraulic-pump control technology, utilizing a combination of both newly designed pumps and advanced matching techniques. Komatsu did it without sacrificing power, as the PC210LC-10 maintains the same digging forces and lifting capacity of the previous model.

"The machine has larger displacement pumps, which are capable of providing higher flow at lower engine speeds," explained Yureskes. "Because the pumps are able to generate more volume per revolution, the engine speed does not need to be as high in order to achieve the same amount of hydraulic flow. That reduces fuel consumption by allowing the machine to operate at a lower engine speed without compromising pump flow.

"With variable-speed matching, the machine makes slight adjustments to engine speed

based on the amount of hydraulic flow the application requires. Whenever high flow is required, such as during heavy digging or trenching, the engine speed will adjust to accommodate the flow demand. In lower-flow applications, such as leveling or fine grading, engine speed will slightly reduce in response to the lower hydraulic work load. Previous models would operate at consistent engine speeds regardless of hydraulic demand, so fuel consumption was consistent even during low-flow applications. This slight reduction in engine speed improves fuel efficiency."

Like other new Tier 4 Interim excavators, the PC210LC-10 has increased operating weight and net horsepower compared to its predecessor. Both are about 10-percent higher compared to the PC200LC-8. An optional, lighter counterweight is available



Brian Yureskes,
Product Marketing
Manager, Excavators

Continued . . .

Komatsu's Tier 4 Interim PC210LC-10 provides up to 10 percent better fuel efficiency, depending on application, while maintaining the productivity of the PC200LC-8.



Improvements abound in new PC210LC-10

... continued

to accommodate regional transportation regulations. The PC210LC-10 also has 13 percent more drawbar pull, which improves steering and maneuverability.

Eco Guidance, Komatsu CARE

Additional new features of the PC210LC-10 include an enhanced LCD color monitor with improved resolution. Through the monitor, operators can set the proper working mode and program the attachment control, with the ability to store up to 10 attachments. It also has an Eco Guidance feature that gives the operator information on ways to improve fuel economy.

“We want operators to maximize productivity in the most economical way so their per-yard, per-ton costs are the lowest possible,” noted Yureskes. “There are times when maximum output is necessary, but often it’s unnecessary, and the operator can run the machine in a different mode that uses less fuel. Eco Guidance alerts them to those situations. It will also alert them to excessive idling, showing that it might be better to shut a machine down to save fuel and operating hours.”

Once the PC210LC-10 reaches its routine service intervals, the work is covered by Komatsu CARE. This exclusive program

provides complimentary, factory-scheduled maintenance for the first three years or 2,000 hours, performed by distributor technicians using genuine Komatsu parts and fluids. Serviceability is improved with the addition of handrails around the upper structure, a rear-opening hood, battery-disconnect switch, swing-out cooler and improved diagnostics through the monitor.

“Komatsu CARE ensures that those service intervals are done properly, with the goal of longevity, reliability and lower owning and operating costs throughout the lifetime of the machine,” said Yureskes. “In addition, we provide two, complimentary Komatsu Diesel Particulate Filter (KDPF) exchanges at 4,500-hour intervals. Komatsu and its distributors track the service intervals through KOMTRAX 4.0, then set up the scheduled maintenance.”

The KDPF is one of several components that reduce emissions on the Tier 4 Interim PC210LC-10. Through passive and active regeneration, the KDPF uses heat to burn soot. Other components include the Komatsu Variable Geometry Turbocharger (KVGTT) and the exhaust gas recirculation system. Komatsu designed the components to work in harmony for maximum efficiency.

Cab improvements

Komatsu further boosted productivity by improving the operating platform in the PC210LC-10 with an integrated ROPS cab designed to minimize noise. A high-back, heated, air-suspension seat provides more comfort for the operator.

“We saw the new emissions standards as an opportunity to build a machine that not only meets regulations, but improves upon what users have already come to know as the leader in its size class,” summarized Yureskes. “We believe that anyone who uses the new PC210LC-10, whether for digging trenches, mass excavation, clearing, demolition, landscaping or a host of other applications, will find it to be a class leader. We encourage anyone who’s interested to try one out. We’re confident that the results will speak for themselves.” ■

The PC210LC-10 has increased operating weight, net horsepower and drawbar pull, compared to its predecessor.



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TIER 4 TESTIMONIALS

Here's what users are saying about Komatsu's new interim machines and their technology

The past couple of years saw the introduction of Tier 4 Interim emissions standards for many machines used in the construction industry. Regulations required reducing Nox by 45 percent and soot by 90 percent. With new technology, Komatsu achieved the standards while improving production and fuel efficiency as well. Komatsu also introduced KOMTRAX 4.0 and Komatsu CARE, a program that offers complimentary scheduled service on Tier 4 Interim machines. Here is what a few of the users of these innovative new wheel loaders, dozers, articulated trucks and excavators have to say about the machines.

"We're very impressed with the new Tier 4 machines, because they're as productive as previous pieces in that size, with greater fuel efficiency. The PC360 is very powerful and also smooth to operate. We use the D65s quite often for discing-in drilling mud on the farms, and they have good power to get through that heavy material. One of our operators, who's very loyal to another brand, called in to tell us how much he liked the D65 and claimed it was his machine now. That said a lot to us." — **Brian Foster, Equipment Manager, J.W. Hughes Excavation, Inc., a multifaceted contractor that works in the Texas oil market.**

"It was practically a foregone conclusion that we'd purchase Komatsu; it was just a matter of which machine was the right fit. We decided that the Tier 4 Interim machines fit the best, not only in terms of productivity, but meeting the tough California emissions standards. I have to admit, I was never a Komatsu guy, but working with ERSI and using these machines has made me a believer. They have good reach, power and stability. Our operators love them." — **Sonny Centeno, Senior Project Manager for**

Environmental Remediation Services' West Coast operations, which was set up about a year ago. An East Coast-based company, ERSI has used Komatsu equipment in its demolition operations for several years.

"I am very impressed with the improvements made on the new D65-17. The Sigma blade allows more ground to be moved during a longer push. Because the ground we move can be hard, we use the ripper quite often, and the D65 has the power to get through it." — **Carl Morgan, President of Morgan Tools, which builds locations for gas and oil companies in the Southwest. Morgan Tools is a longtime Komatsu user and now has three Tier 4 Interim D65-17 dozers.**

Continued . . .

New Tier 4 Interim machines, such as the PC490LC-10 excavator, have proven to be as or more productive than their predecessors, with greater fuel efficiency.



Users seeing fuel savings with Tier 4 Interim equipment

...continued

“The first dozer proved reliable, and that really made us look at Komatsu as we added machines. Each one we’ve owned or rented has cemented that reliability. I admit, there was some apprehension with the new Tier 4 machines because of the new technology. But they’ve proven to be just as good as any piece of Komatsu equipment we’ve ever had.”
— **Mark Sellin, President, Sellin Brothers, Inc.**
A Minnesota-based excavation contractor, Sellin Brothers is a longtime Komatsu equipment user, including excavators, dozers and wheel loaders, in both its highway and underground utility divisions.

“When we first started looking for a machine to replace one of our PC220s, we wanted another one. Our sales representative talked to us about the PC240, which replaced the PC220. We were hesitant at first because the PC220 has always been a reliable performer. The PC240 has a lot of new technology, and that made us a little apprehensive, but our sales rep, distributor and Komatsu said they would stand behind it. In less than a year, we’ve put more than 1,100 hours on it without any issues. It’s proven to be just as effective as the machine it replaced, with less fuel usage. We’re sold.”
— **Edwin Coggins, Co-owner of Coggins Farms & Produce, which grows and harvests several crops in the southeastern United States and uses the PC240LC-10 to clear trees and stumps.**

KOMTRAX 4.0

“I can log onto the computer and get a lot of information about a machine, such as what time it started in the morning, what rpm it’s running at, how much fuel it is using per hour, etc. It also gives us a level of security. Some of our jobs take us into tough areas, and with KOMTRAX, I can use a geofence to prevent a machine from starting between certain hours if it’s not supposed to be running at that time. KOMTRAX is a great tool.”
— **Sonny Centeno, Senior Project Manager, Environmental Remediation Services**

“KOMTRAX is a very valuable tool that provides us with useful information. I can see actual working hours versus idle time and fuel consumption. That allows me to address any productivity issues I see with the operator, showing them ways to maximize fuel economy and production.”
— **Mark Sellin, President, Sellin Brothers**

“A light on the monitor indicates the Komatsu Diesel Particulate Filter is regenerating. Other than that, I can’t even tell it’s happening. I can keep working with no loss of performance, which I’ve found is all-around better than other excavators I’ve run.”
— **Davey Stabler, Operator, Coggins Farms & Produce. ■**



Komatsu’s Tier 4 Interim machines come with KOMTRAX 4.0 and Komatsu CARE, a program that provides complimentary scheduled services.

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AUTONOMOUS AGREEMENT

Large Australian mining operation to use huge Komatsu driverless trucks

Komatsu and Rio Tinto, one of the largest mining companies in the world, signed a Memorandum of Understanding to take the next step in large-scale implementation of the Komatsu Autonomous Haulage System (AHS), with the two companies committed to deploying a minimum of 150 Komatsu AHS trucks. Built at Komatsu's Peoria Mining Operations, delivery of equipment will begin this year.

Rio Tinto has been testing the Komatsu AHS, the world's first commercial, autonomous, mining-haulage system, since December of 2008 at its West Angelas mine in the Pilbara region of Australia. During the trials, the AHS technology demonstrated clear value to the business, especially in the areas of health, safety and productivity.

"We're extremely excited to expand the Rio Tinto fleet to at least 150 AHS trucks in its Western Pilbara operations by the end of 2015," said Komatsu Ltd. President and CEO Kunio Noji. "Komatsu and Rio Tinto are global partners and have developed a strong alliance throughout the years. We are confident that our leading-edge technology will accelerate Rio Tinto's Mine of the Future™ objectives through improving safety and mine operations."

Revolutionizing mining

The 930E-AT autonomous trucks enable users to haul 320-ton payloads without a driver. The dump trucks, which feature a 2,700-hp (rated brake power) engine, are equipped with vehicle controllers, a high-precision GPS system, an obstacle-detection system and a wireless network system. The trucks are operated and controlled via a supervisory system.

"This announcement further reinforces our longstanding alliance with Komatsu," said Tom Albanese, Chief Executive of Rio Tinto. "Autonomous haulage is an important component of our Mine of the Future™ program. These new, 150, autonomous trucks will work with our pioneering Operation Centre that integrates and manages the logistics of 14 mines, three ports and two railways.

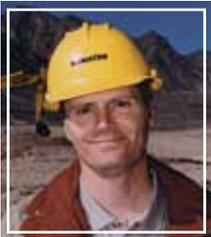
"These technologies are revolutionizing large-scale mining, creating attractive, high-tech jobs and helping us improve safety and environmental performance, while reducing carbon emissions," he added. ■

Komatsu's 930E-AT electric, autonomous, haul truck can carry a 320-ton payload without a driver.



DEMO DAYS

Tier 4 Interim machines among highlights of Komatsu's latest customer event



Bob Post,
Director of Marketing

Customers and Komatsu distributor personnel recently got an up-close look and a chance to operate equipment at the Komatsu Training & Demonstration Center in Cartersville, Ga. More than 15 machines were on site during the three-day event.

Featured were several of Komatsu's new Tier 4 Interim machines, including D65EX-17, D65PX-17



Among the many models on display and ready for operation was the WA500-7 wheel loader.

A Tier 4 Interim machine, the WA500-7 features SmartLoader

Logic that automatically provides the optimal amount of torque based on need.

Komatsu introduced several new Tier 4 Interim excavators during the past year, including the 257-horsepower PC390LC-10 that has better drawbar pull, increased lift capacity and lower fuel consumption compared to its predecessor model.



and D155AX-7 dozers, as well as PC240LC-10 and PC490LC-10 excavators. Excavator models also included Komatsu's second-generation hybrid excavator, the HB215LC-1.

Other Tier 4 Interim machines included WA500-7 and WA380-7 wheel loaders and an HM400-3 articulated haul truck. In addition, a PC650LC-7 excavator, WA250PZ-6 and WA600-6 wheel loaders, GD655-5 motor grader, HD605-7 rigid-frame haul truck, and D39PX and D51PX dozers were available for demonstration.

Customers also had the opportunity to tour Komatsu's Chattanooga Manufacturing Operations, where six excavators and seven models of forestry equipment are manufactured. Educational seminars led by Komatsu personnel at the Training & Demonstration Center provided valuable information about effective and efficient excavation practices.

"Demo Days has always been a popular event because it gives customers the opportunity to operate equipment and see how it stacks up," said Bob Post, Director of Marketing for Komatsu. "They walk away with a good sense of how a piece of Komatsu machinery can fit into their operations. It also provides us with valuable feedback, so it's a true win-win." ■

In addition to demonstrating equipment, attendees could tour Komatsu's Chattanooga Manufacturing Operations where several models of excavators and forestry machines are built.





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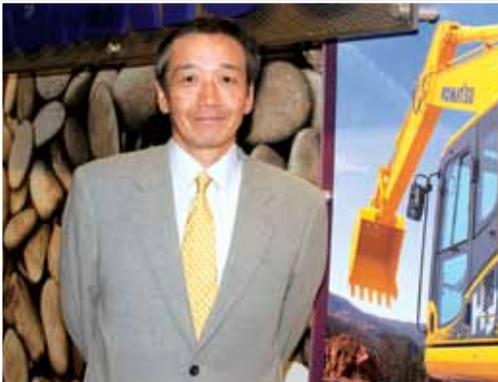


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LISTENING TO CUSTOMERS

Equipment users provide valuable insights, says new Komatsu America President/COO



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.

Noboru Sato,
President/COO of
Komatsu America Corp.

New Komatsu America Corp. (KAC) President and COO Noboru (Nob) Sato has been with the company for more than 30 years, but his experience with the company goes back much further. As a child growing up, he often visited the family farm.

“My uncle used a Komatsu bulldozer to cut out a mountainside and level the land to farm ground. When we visited, I would ride along with him while he worked the crops,” said Sato. “When I grew up, I wanted to work for a leading company and travel the world. Komatsu has given me the opportunity to do both.”

As President and COO, Sato is responsible for managing Komatsu operations related to construction and mining. He took over the position April 1, after serving as Executive Officer and President of the Overseas Marketing Division at Komatsu Ltd for four years. Before that, Sato was Executive VP, Marketing at KAC for five years.

“My previous positions allowed me a great deal of time to talk with customers, which is something I enjoy,” he noted. “That one-on-one interaction provides valuable information. Because they’re the ones directly using our machines, customers often have great insight. Many of our marketing and service strategies have come as a result of that input. I enjoy talking with customers to learn their visions for their businesses, then asking what we can do to help meet them.”

In his leisure time, Sato enjoys playing golf and recently took up cooking.

QUESTION: You’ve been with Komatsu many years. How have your experiences prepared you to be President/COO?

ANSWER: I have extensive sales & marketing experiences from my long history with Komatsu. I always think and take actions from a customer perspective, such as what are our customers’ goals and expectations from Komatsu and its distributors, and how can Komatsu meet their expectations. I keep those things in mind and bring them to the President/COO role. That “boots on the ground” philosophy provides us with invaluable feedback.

QUESTION: What do you believe Komatsu does especially well?

ANSWER: We’re an equipment manufacturer, so “Job One” for us is making great equipment. We believe our products are the most unique and unrivaled machines available. We’re always striving to make them even more productive and efficient.

Having such great products requires a significant investment in our technology initiatives, which we also believe are unique and unrivaled in the industry. Komatsu is a strong engineering company with a commitment to technological innovation. Proven examples of our dedication include machines that are plug-and-play ready for GPS grading systems; KOMTRAX, the first machine-monitoring system installed as standard equipment; our Tier 4 Interim engines that customers tell us are truly superior; our autonomous haul trucks and our second-generation Hybrid Excavator.

In addition, we believe we’re the best when it comes to proactive product support. Our distributors do an outstanding job of focusing on customer satisfaction and deserve a great



Innovative products such as hybrid excavators, including the second-generation HB215LC-1, set Komatsu apart, according to company President Noburo (Nob) Sato.

deal of credit for Komatsu being a leader in support programs, including Komatsu CARE, which was introduced with our Tier 4 Interim machines.

QUESTION: What benefits does the Komatsu CARE program offer?

ANSWER: It provides complimentary scheduled service that assures the customer those services are done correctly with no out-of-pocket costs. Also included are two diesel particulate filter exchanges. The distributor tracks the machine and schedules the service at a beneficial time.

The program also benefits us. Tier 4 Interim technology is new, including componentry. Komatsu CARE allows us to track this technology and see first-hand how it's working. What we're learning from that, along with what our customers are telling us, is that it's performing very well.

QUESTION: What do the construction and mining markets look like now?

ANSWER: Some segments of the construction market are strong, including the energy sector with the oil boom. Other construction segments, such as roads and housing, are seeing an increase, but are still behind where they were several years ago. Some states, and even municipalities, are increasing their infrastructure work, but we need more on a national level. As for housing, I believe that will make a strong comeback next year.



Komatsu America President Noboru (Nob) Sato said he believes Komatsu is the best in the industry when it comes to product support, citing programs such as Komatsu CARE, which provides complimentary scheduled maintenance on new Tier 4 Interim machines.



Komatsu America President Noboru (Nob) Sato says it's vital to listen to customers as they provide valuable feedback on ways to improve Komatsu products.

There is some concern as coal mining has softened somewhat here in the U.S., due largely to low natural gas prices. However, in the long term, I see mining remaining strong for several years. ■

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WHAT'S YOUR IDLE TIME?

KOMTRAX team points out benefits of shutting a machine down during nonproduction

Having an accurate picture of how long your equipment is idling can have significant advantages. But how do you know if it's idling too much? KOMTRAX can help by providing detailed information that will show your machinery's productive operation versus idle time.

"In 2007, we started a push to get owners and operators to think about idle time and how it affects the bottom line," said Goran Zeravica, Manager, Distributor Operations. "It's paying off, as our information shows that idling time has gone down somewhat. But it's nowhere close to where we would like it to be."

Komatsu's KOMTRAX team would like it to be near zero. Estimates show that the average machine spends nearly 40 percent of its working time at idle. Zeravica and Rizwan Mirza, Manager, KOMTRAX, said that excessive idling has several negative implications.

"To start with, idling is an incredible waste of fuel that eats into profits," pointed out Mirza. "Then consider that those nonproductive hours are putting the machine closer to the next service interval at a faster pace. The per-yard and per-ton cost of the project goes up. It affects resale value as well. Limiting idle time means fewer hours, which equals a higher resale value."

How do you stack up?

Komatsu offers a complimentary, detailed, monthly report with easy-to-read charts and graphs highlighting key items, including how a machine's idle time compares with the average of all machines it tracks.

"A simple graph shows owners if their machines' idle times are above, below or average, when compared to the national average," explained Zeravica. "Of course, we want them to be below average, and eventually we want to get the overall idle-time average below 10 percent. Customers tell us these reports are helpful because they give them a better understanding of how efficiently their fleet is operating and the costs associated with idling."

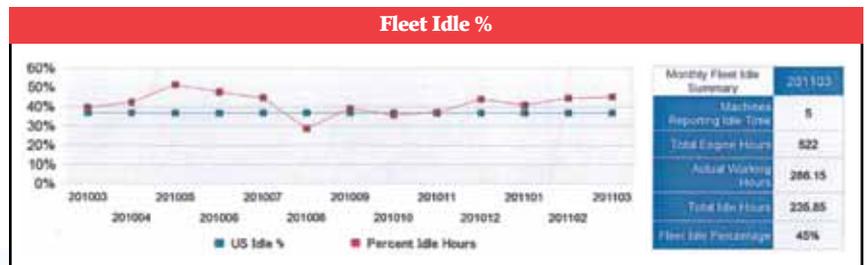
For more information about KOMTRAX or to receive reports, contact Zeravica or Mirza at gzeravica@komatsuna.com and rmirza@komatsuna.com. ■



Rizwan Mirza,
Manager, KOMTRAX,
ICT Business Division



Goran Zeravica,
Manager,
Distributor Operations,
ICT Business Division



A monthly fleet report from Komatsu offers detailed information about machine use, including idle-time percentage compared to the average of all machines KOMTRAX monitors.



MAJOR CONSEQUENCES

ASCE report shows significant negative impact of underfunding water infrastructure

A failure to adequately fund water and wastewater infrastructure could cut the nation's gross domestic product by as much as \$416 billion over the next decade, according to an analysis commissioned by the American Society of Civil Engineers (ASCE).

The analysis was based on existing capital spending trends, examining the economic consequences of aging systems on businesses and households, according to an article in the *Engineering News-Record*.

Titled "Failure to Act: The Economic Impact of Current Investment Trends in Water and Wastewater Treatment Infrastructure," it is the second of four ASCE-commissioned assessments of infrastructure spending. The report shows that without more investment in these systems, the U.S. Environmental Protection Agency's 2010 estimate of a \$55 billion shortfall in maintenance and upgrade needs could increase to \$84 billion by 2020, and reach \$144 billion by 2040.

Businesses would feel the impact through added costs of dealing with water shortages, increased rates and higher costs associated with either relocation or investment in self-reliant water systems. Water-borne illnesses due to unreliable delivery and treatment services could lead to higher medical costs, leaving households with less money for discretionary spending.

Any gains would be offset

According to the article and report, productivity will also suffer, with a potential loss of nearly 700,000 jobs across all sectors of the economy by 2020. Twice as many jobs may be at risk by 2040.

The report notes that while current sustainable practices, including conservation, more efficient water use and new treatment technologies, could ease water demand, any gains will likely be offset by factors such as population growth in areas of the country where resources are less abundant. ■

An American Society of Civil Engineers report shows that inadequate funding of water and wastewater systems could lower gross domestic product, increase future costs to businesses and households and potentially cause a loss of more than 1 million jobs.



Landscape society study shows benefits of green infrastructure

A report from the American Society of Landscape Architects (ASLA) and other organizations shows major benefits of green infrastructure, including reduced costs of treating large amounts of polluted runoff, as well as improving public health by reducing bacteria and pollution in rivers and streams.

Dubbed "Banking on Green: How Green Infrastructure Saves Municipalities Money and Provides Economic Benefits Community-wide," the report is aimed at the need to quantify the economic benefits of such infrastructure. It further showed a reduction in energy expenses, along with reduced flooding and flood damage.

"For many decades, landscape architects have been helping communities large and small manage their stormwater with innovative green infrastructure solutions, such as green roofs, rain gardens, bioswales and pervious pavements," said ASLA Executive Vice President Nancy Somerville. "The case studies and the cost analysis in this white paper clearly demonstrate that green infrastructure techniques are proven to be cost-effective at managing stormwater, preventing flooding, improving water quality and promoting public health. Landscape architects will continue to implement these projects in more and more neighborhoods across the country." ■



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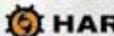
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KOMATSU D65EX-17	SIGMA, A/C, MS RIPPER	1049	2011	930	POR
KOMATSU D65PX-16	PAT BLD, A/C	80572	2011	1,638	POR
KOMATSU D65PX-16	ST. BLD, A/C	80530	2011	1,426	POR
KOMATSU D61EX-15E0	PAT BLD, A/C, MS RIPPER	B46666	2011	943	POR
KOMATSU D61PX-15	PAT BLD, CAB, A/C	B41185	2007	2,845	POR
KOMATSU D61PX-15E0	PAT BLD, CAB, A/C	B45208	2008	1,994	POR
KOMATSU D51PX-22	PAT BLD, CAB, A/C	B12278	2011	573	POR
KOMATSU D37PX-21A	PAT BLD, OROPS	5533	2005	2,386	POR
KOMATSU D39EX-21A	PAT BLD, A/C, MS RIPPER	2144	2007	945	\$99,000

WHEEL LOADERS 					
KOMATSU WA500-6	GP BKT, A-LUBE, BIAS	A92296	2007	8,257	POR
KOMATSU WA500-6	GP BKT, BIAS, SCALE	55028	2006	9,072	POR
KOMATSU WA500-6	7.25 YD, RDLS, STKSTR	55735	2011	2,978	POR
KOMATSU WA380-6	RDLS, MONO, QC	A54005	2011	5,914	POR
KOMATSU WA380-6	4.5 YD, RDLS	A53469	2008	6,364	\$137,500
JOHN DEERE 544J	3 YD, QC	DW544JZ601109	2006	7,510	\$80,000
HI LIFT 988H	HI LIFT	BXY00572	2005	17,132	POR

HYDRAULIC EXCAVATORS 					
KOMATSU PC800LC-8	15' ARM, CTWT RMVR, QC	55215	2009	5,117	\$549,000
KOMATSU PC600LC-8	11' ARM, QC, MEGAHYDS,	55260	2010	890	POR
KOMATSU PC600LC-8	14' ARM, QC	55099	2007	4,327	POR
KOMATSU PC400LC-7L	11' ARM, QC	A86665	2005	7,892	\$140,000
KOMATSU PC450LC-7	15' ARM	K40305	2006	5,919	\$212,000
KOMATSU PC350LC-8	10' ARM, QC, THUMB	A10551	2011	1,061	POR
KOMATSU PC228USLC-8	9'6" ARM, QC, THUMB	50026	2010	1,932	POR
KOMATSU PC200LL-7L	ROADBUILDER, QC, 42" B&C	A86003	2005	6,435	\$145,000
KOMATSU PC160LC-7	8'7" ARM, QC, 36" B&C, & 60"	10372	2005	4,623	POR
KOMATSU PC138USLC-8	8' ARM, BLADE, THUMB, QC, BKT, RAKE	21509	2008	2,407	POR
KOMATSU PC40MR-2	6'3" ARM, 24" BKT	10275	2006	2,121	POR
KOMATSU PC35MR-2	OROPS, QC, 3 BKTS	6142	2005	3,834	\$19,000
CAT 330CL	QC, 3 BKTS 36", 42" & 60"	CAP01281	2004	8,139	POR
DAEWOO DH130		151	1993	7,262	POR

MOTOR GRADERS 					
KOMATSU GD655-3E0	14' BLADE, A/C, MS RIPPER	51614	2008	1,167	\$230,000
KOMATSU GD655-3E0	14' BLADE, A/C, MS RIPPER	51683	2008	1,958	\$215,000
LEEBOY 785	CAB, A/C	78549639	2008	623	\$145,000
LEEBOY 685B	CANOPY, AWD, FRT PLOW	68549642	2008	565	\$98,000



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Manufacturer/Model	Description	Serial No.	Year	Hours	Price
FORESTRY EQUIPMENT					
TIMBCO T445D	BUNCHER	FT4C1573072699	1999	20,000	\$49,000
TIMBCO T425	BUNCHER	AT4C0509111594	1994	17,887	POR
WARATAH 759G	FS22 HOTSAW	WC759GX001037	2005	5,300	POR
VALMET 911C	HARVESTER W/HEAD	911C3225	1987	14,915	\$38,900
VALMET 890	FOWARDER (CONSIGNED)	8909068	1998	15,532	\$52,500
VALMET 890	FORWARDER W/TRACKS, CHAINS	8907026	1999	13,000	\$65,000
EX10	370.2 HARVESTING HEAD	FT4C2535021605	2005	9,101	POR
ARTICULATED HAUL TRUCKS					
KOMATSU HM400-2	ARTIC. TRUCK	2085	2006	723	\$450,000
KOMATSU HM350-2	ARTIC. TRUCK, T. GATE	2107	2008	6,765	POR
KOMATSU HM300-2	ARTIC. TRUCK, T. GATE	2368	2008	3,595	POR
KOMATSU HM300-2	ARTIC. TRUCK	2816	2011	3,130	POR
KOMATSU HM300-2	ARTIC. TRUCK, T. GATE	2209	2007	5,363	POR
KOMATSU HD605-7	69-TON HAUL TRUCK	7115	2004		POR
KOMATSU HD605-7	69-TON HAUL TRUCK	7125	2004		POR
CAT 777D	100-TON HAUL TRUCK	3PR00495	1997		POR
CAT 777D	100-TON HAUL TRUCK	3PR00496	1997		POR
AGGREGATE EQUIPMENT					
48X60	JAW CRUSHER	B-5699			POR
NORDBERG C110	JAW PLANT W/VGF FEEDER	C11025711	2010	616	POR
2248	CR JAW, 4,816 HR FEEDER, 3-AXLE	34045	1975	1	\$137,000
METSO HP300	PORTABLE CONE PLANT	127096	2010		\$461,760
HP300/6203	CLOSE CIRCUIT PLANT,	PCS339111	2011	1	POR
JP3042	PORTABLE JAW W/VGF, ELECT	48358	1992	1	POR
BR350JG-1	MOBILE CRUSHER	1307	2001	4,574	\$235,000
PIONEER FT2650	TRACK MOUNT JAW, MAGNET	410592	2011	1,562	POR
METSO LT106	JAW CRUSHER	76140	2011	1,589	POR
KOLBERG 271	SCREEN PLANT	42166	2004	2,030	\$95,000
SPOMAC 5X16-3	WASH PLANT, 36" SCREW		2007	1	POR
METSO CV100	SCREEN ALL	30160	2007	381	\$80,000
METSO FS303	6X20-3 PORTABLE SCREEN, 2 AXLE	500829	2008	1	POR
WESTEC 36"X100'	RADIAL STACKING CONVEYOR	3930	2011	1	\$87,500
IDAHO BUILT 36"X50'	RADIAL CONVEYOR	41804	2006	1	POR
MISCELLANEOUS					
HAMM HD 130HV	84" ASPHALT, HI VIBE	H1820059	2008	550	POR
HAMM HD 120V	78" ASPHALT ROLLER	H1820070	2008	1,663	POR
HAMM HD 120HV	78" ASPHALT, HI VIBE	H1630354	2007	654	POR
HAMM HD 90HV	66" ASPHALT, HI VIBE	H1810462	2008	832	POR
HAMM HD 13K	51 COMBO ASPHALT ROLLER	H1396138	2008	327	\$34,200
HAMM HD 13VT	51" COMBO ASPHALT ROLLER	H1720556	2008	692	\$28,950
HAMM HD 13VV	51" ASPHALT ROLLER	H1720581	2008	933	POR
INGERSOLL-RAND DD158HF	84" ROLLER	181625	2005	2,143	POR
INGERSOLL-RAND DD130HF	84" ROLLER	1750338	2004	4,255	POR
CAT CB334E	24" ASPHALT ROLLER	4F00330	2005	3,706	\$19,000

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