



JOHN DEERE

CONSTRUCTION & FORESTRY

REVIEW

JULY '04

It all started in 1885 with a shovel and a passion to succeed....p/3

Boom time in Kernersville....p/6
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Tripling revenue in two years...p/9

Track loaders, they're





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INSIDE TRACK

BY **BOB BROCK**

Fosbury Flop Required.



John Deere has raised the bar on dealer support with the introduction of the New Model Qualification Process. This process will give our customers the best support in the industry by requiring dealers to meet specific prerequisites before they sell you a new model machine.

We're not asking our dealers to jump through hoops, just to new heights. Training requirements demand that each dealer location has certified technicians and salespersons. Critical parts for each new model, as well as special tools and support publications, must also be on the shelf.

John Deere has a long-standing passion for dealer training. Add this initiative to the Web-based John Deere University with multimedia capabilities and our instructor-led training curriculum, and you can see that when it comes to training people, John Deere takes a back seat to no one. What's more, with Deere training comes accountability in the form of an exam. If someone doesn't test 80 percent or better, he retakes the course.

The people at our dealerships work hard, which I think makes the New Model Qualification Process that much more impressive. It would be easy to say, "We'll catch up with this training and parts stuff later," but that's not the way John Deere does business. We don't want people to be leery of buying a new model machine, and this process is our way of acknowledging that you expect us to get it right the first time.

Let our competitors do the limbo under this dealer support bar. When it comes to supporting new models of equipment, our folks are perfecting the Fosbury Flop.

Sincerely,

Bob B. Brock
Senior Vice President, Sales and Marketing
Worldwide Construction & Forestry Division

COVER STORY

A PERPETUAL PARTNERSHIP

The road from shovels and steam power to hydraulic excavators.



In the early 1990s, Pierce Flanigan III (above) switched to an all-John-Deere fleet.

In March 1885, Patrick Flanigan, an Irish immigrant to Baltimore, launched his construction business. His chief assets were several small tools, a new wife, and a passion to succeed in construction.

On the cover: A John Deere 650H dozer works for P. Flanigan & Sons at the Baltimore-Washington International Airport.



Not all products sold at all locations.

Moreover, through the Hibernian Society of Baltimore, Flanigan had befriended a group of young Irish workmen who had come to America in search of a better life. Flanigan's firm and friends soon found a growing market in placing underground pipes to transport household wastes for disposal in "charcole wells" or nearby streams. By the early 20th century, Flanigan owned an extensive network of sanitary sewers that remained in service until they became part of Baltimore's public system in 1918.

Tracing the history of the company's business also shines a spotlight back through the lineage of modern construction equipment. Flanigan was one of the first to own a steam-operated trenching machine, which replaced laborers with shovels. In 1908, asphalt paving was introduced for street surfacing, and Flanigan bought a Cummer portable hot-mix plant.

In the early 1900s, the company used four-masted schoo-

ners to ship granite paving blocks, quarried in Maine, down the coast to Baltimore. Then in 1914, Flanigan purchased a fleet of 10-ton Packard trucks — the first ones bought in Baltimore — to replace mule teams and wagons for hauling earth, asphalt, and concrete.

Profit oriented

Hit fast forward to 2004. P. Flanigan & Sons Inc. is still based in Baltimore, and posts annual revenues of between \$60 and \$70 million. About 85 percent of the earthmoving/paving contractor's work is publicly bid, and the rest is privately negotiated. Clients include the city of Baltimore, the Maryland State Highway Administration, the Maryland Port Authority, and Baltimore-Washington International Airport.

The company's choice for earthmoving equipment is

John Deere. The contractor's president and owner, Pierce Flanigan III, credits the productivity and low hourly ownership costs of Deere equipment with greatly helping in his firm's success. "We're very profit oriented," says Flanigan. "We want to be very smart in bidding the work, and we're very efficient and productive in the execution of our projects. We employ 100-percent union labor, and we have a highly productive work force of about 280 employees."

Flanigan's first piece of John Deere equipment was a backhoe loader purchased in the early 1970s. In those years Flanigan owned several pieces of earthmoving equipment built by International Harvester, a line that eventually was bought by Komatsu in the early 1990s. That's when Flanigan switched to an all-John Deere fleet.

"We wanted to deal with an American company, and John Deere looked like a good company," Flanigan recalls. "We have a good relationship

with our John Deere dealer, and are very pleased with the performance of our John Deere equipment."

Flanigan's current earthmoving fleet consists of more than a dozen John Deere machines, including two 650H Dozers, one 330LC Excavator, a 444H Loader, a 544H Loader, a 672CH Motor Grader, and five backhoes loaders.

In recent years, that Deere fleet has swung into action on a \$46-million infrastructure project at Baltimore-Washington International (BWI) Airport. Begun in 2001, the big project comprises the complete reconstruction of five taxiways and one airplane hardstand for the new Southwest Airlines Terminal at BWI.

Despite an extremely rainy winter over 2002–2003, the contractor has met all major milestones — thanks in large part to the productivity of their John Deere equipment, says Flanigan. Work will finish this August, on schedule.

For much of the project, earthmoving crews have worked around the clock, seven days a week, except when it rained. "The rain started in September of '02, and it rained almost constantly until May of '03," says Keith Jones, project manager. "We pumped water, we cut ditches, we did everything we could do to drain water away from the work area."

High production

At the peak of activity, Flanigan crews and equipment kept 68 trucks busy hauling earth to a stockpile at the airport. Production per shift reached about 3,000 cubic yards, or 6,000 cubic yards per 24-hour day.

Key John Deere equipment included a 650H Dozer working at the cut, 750C and 850C Dozers working at the stockpile, a 330C LC Excavator, and two 892 Excavators. "All of the operators wanted to run the 650H," says Jones. "It has air conditioning, and the operators like the hydrostatic transmission."

Adds Flanigan, "Our guys really love that 650H. We've used it for a lot of finish grading work — trimming ditches and cutting slopes. That's the most accurate fine-grading dozer that we know about."

What's more, the 330C LC Excavator "is perfect" for loading on-road dump trucks, Flanigan says, and adds, "We were able to stay on time at the airport because of the productivity of our John Deere equipment."

Pierce Flanigan III, 61, is the fourth generation of family management for the company. At age 92, Pierce Jr. is still somewhat active in the business, and is consulted on major decisions. The next generation? That is Pierce IV, now 26, who is an estimator with the firm.

At John Deere, we're quite sure that Patrick Flanigan would be proud of his family. And we're pleased to be a part of the company's success. ■



At left, most earthmoving consisted of truck loading at the \$46-million Baltimore-Washington International (BWI) Airport project. Above, a 650H Dozer prepares the grade for utility installation. Flanigan's BWI managers above are Steven Wellen, left, project superintendent, and Keith Jones, project manager.

Boom times at Deere-Hitachi



Established in 1988, Deere-Hitachi is a 50-50 venture between John Deere and Hitachi Construction Company. Today, approximately 90 percent of all Deere-branded mid-sized excavators are manufactured at the Deere-Hitachi plant in Kenersville, North Carolina. Machine models include: 120C, 160C LC, 200C LC, 230C LC, 270C LC, and 330C LC.

It's a sad irony that folks who manufacture heavy equipment don't look happier in hot markets. There's something about the fatigue associated with working three full shifts a day, six to seven days a week, month after month that burnishes off some of the luster of double-digit growth.

"We're pushing full-capacity, and we're thrilled about that," says a weary, but smiling Bryan Swerbinsky, Chief Financial Officer, Deere-Hitachi Construction Machinery Corporation. "Although defining 'full capacity' is an inexact science here at Kenersville because we're doing everything we can to expand our manufacturing capabilities. This is a cyclical business, and there's a lot of pressure in a climate where you know every machine you don't build is one you won't sell.

"It's my job to not let us be distracted by this 'go-go' atmosphere — especially as it pertains to safety. It's the first thing I think of when I wake up in the morning. We've always put our people first at Kenersville. Our work is heavy and it's intense, so it's critical that our commitment to a safe workplace never waivers.

Welders wanted: Robots can't complete every weld, which is why over 120 highly skilled welding technicians work at Kenersville. Our welding technicians are a big reason why John Deere excavators have the strongest, most consistent welds in the industry.

Each month Deere-Hitachi cuts over one-million pounds of plate steel. Laser-cutting technology performs high-definition cuts. Intricate or beveled edges are cut with plasma cutting technology. The Oxi-fuel machine pictured here cuts steel up to 40-mm thick.

"This is not the time to cut corners on quality, either," continues Swerbinsky. "Market share matters because it's an important benchmark for success, but it's not a means to an end. We plan to be in business for a long time, and we know the only way to build brand loyalty with our customers is to give them the best value. Building the best excavators in the world is what we're all about."

The Kenersville plant has grown substantially over the last three years by almost any unit of measure. Breadth of line? They've added four models in the last three years. Work force? They've added a third shift and over 200 employees since 2001. Production equipment? They are currently expanding their investment in robots and machine tools to create expanded capacity. >>>



Twenty robots do 85 percent of the welding at Kenersville because they provide a more consistent and higher quality weld. Robots also eliminate the need for putting their human counterparts in uncomfortable, poor ergonomic positions. This summer, Deere-Hitachi installed a new tandem wire-welding system that increased production efficiencies dramatically.



The high-tech, non-polluting paint system uses electrostatic-charged parts and paint to create an enduring bond. A heat-curing process ensures a long-lasting finish.



The control valve is the heart of the hydraulic excavator. During assembly, extreme care is taken to prevent contamination to the hydraulic system. That's why all hoses and pipes are covered until right before they're assembled.



Manufacturing matrimony . . . folks on the line call this the marrying station. It's where the bottom gets hitched to the house.



Deluxe C-Series cabs have 28 percent more glass than the previous model.

These investments are well timed, because the 6- to 50-metric-ton excavator market in North America has risen rapidly over the last 18 months to approximately 18,500 units per year.

Since the beginning of 2004, the Kenersville facility has seen an 85 percent increase in production over the first six months of 2003. But even at that, Swerbinsky wishes they could do more. "Forecasting is such an inexact science," sighs Swerbinsky. "I thought we were aggressive with last year's market predictions, but the market has really taken off. We're trying to meet demand, but it's an uphill battle.

"We keep close tabs on housing starts and road-building data, and right now those two stats bode well for the market in 2005. But I've found the best methodology for identifying contractor buying trends is to listen to our customers who visit us here at the plant. What better way to gauge market conditions than to hear it from the people who live it everyday? I urge our dealers to order early and often because their customers are telling me that demand is definitely going to be there." ■



"No one welds booms and arms like Deere-Hitachi. Take a minute to compare the uniformity of our welds, and I think you'll agree."

Bryan Swerbinsky, Chief Financial Officer,
Deere-Hitachi Construction Machinery Corporation

John Deere helps Murray triple revenue in just two years.

PARTNERS IN GROWTH

"We made up our minds to work with John Deere for our entire fleet."

— Shawn Murray, president and CEO



Full of energy and purpose, a curly-haired Shawn Murray strides into the room and greets us with a friendly smile and handshake. He's president and CEO of Murray Demolition, which is probably the only demolition contractor to work across all of Canada. And indeed, Murray's business is going very well these days.

"We started in January of 2002 with \$16 million in revenue and 88 employees," Murray recalls. "This year we'll do \$46 million in revenue — nearly triple that of '02 — and we have 230 employees across Canada. We have no operations in the United States; we have enough to do in Canada." The company is based in Toronto, and has other offices in Sydney, Nova Scotia; Montreal, Quebec; and Edmonton, Alberta.

"Our focus and growth is in the industrial demolition business," says Murray. "We're capitalizing on this negative trend in Canada. Many of our industries are shutting down. It's good for me, but not for my kids. We focus on steel mills, pulp and paper mills, automotive plants, petrochemical facilities, and more." About 65 to 70 percent of Murray's business is industrial, and the rest is office and commercial structures. "Most of our work is low-bid, lump-sum contracts," says Murray. "About 10 to 15 percent of it is negotiated." >>>



A John Deere 750 excavator, fitted with a shear, demolishes a large automotive complex in the Montreal, Quebec, area.

"The John Deere 225C LC Excavator multi-functions extremely well."

— Frank Victoria, operator

Rapid rise

At any given time, Murray is working 25 to 30 various demolition projects across Canada. Many are huge facilities — major forces in the Canadian economy. Current projects include:

- The Hearn Generating plant in Toronto, a giant coal-fired power plant that will produce 30,000 tons of scrap metal;
- A giant automotive manufacturing complex — with more than three-million square feet under roof — in St. Therese, Quebec, which is a suburb of Montreal; Murray is joint ventured with Delsan AIM on the project;
- A former Boeing plant in Toronto, with 1.4-million square feet of specialty manufacturing space;
- A Petro-Canada plant in Edmonton, Alberta, which involves the demolition of 17 huge storage tanks;

• The Sydney Steel Mill in Sydney, Nova Scotia, a three-year contract that will produce 110,000 tons of scrap metal;

• The Princess Margaret Hospital in Toronto, a 500,000-square-foot hospital complex. In early 2002, as president of Philip Demolition, Murray bought the company's assets from Philip Services Corp., a large corporation that sought to get out of the demolition business. Under Philip, Murray had been given several pieces of non-John Deere equipment. "Our field managers and operators were not happy with non-John Deere equipment, and years earlier we had begun the move toward standardizing on John Deere," says Murray.

So when Murray bought the business, his John Deere dealer — alone among major equipment manufacturers — stepped forward to extend Murray credit, to understand his business and his needs, and to do business with him. With that, Murray made it official: John Deere would be his exclusive equipment supplier and business partner. Today, Murray owns 23 John Deere machines, most of them excavators that range in size from the 120-metric-ton model to the 750-metric-ton model. The company rents eight more machines, and is considering the purchase of other excavators.

"John Deere and our company are like partners in growth," says Murray. "Considering that we only started two years ago, John Deere went out on a limb to provide us with equipment and support.

"John Deere was the first company to come forward and get involved with us in the demolition industry," says Murray. "They had a keen interest in our attachments. And they worked with our welders and mechanics at improving the weight distribution to handle the attachments. A John Deere 750 Excavator,

for example, can handle a 26,000-pound shear, but it takes some extra counterweight. And several years ago, some attachments required special pumps to be added, and John Deere people worked with us on sizing and adding those pumps."

Not farm equipment

"Eight or nine years ago, under Philip, we were one of the largest demolition contractors in Canada, and we were expand-

"Until they saw how our equipment worked, they couldn't believe how well set up we are," Murray continues. "We would show up on the job with two 100,000-pound John Deere excavators and four attachments — two shears, a grapple, and a bucket — and flip the attachments back and forth to attack the entire project.

"Our competition would show up with three or four different types of machines —

"The 450C LC is very smooth, and it's quick."

— Amadeu Demelo, operator

ing into the U.S.," says Murray. "We used John Deere equipment. All of my American friends in the demolition business looked at me sideways and asked why I was using farm equipment to do demolition.

all with their own various types of attachments, with each suited only for its own carrier," Murray says. "They would show no loyalty to any make or model, and in our eyes it was very inefficient. We had made up our minds to work with John Deere for our entire fleet."

"The John Deere 450C LC is the Cadillac of this business."

— Fernando Goncalves, project superintendent.

Quick-change artists

By standardizing on John Deere excavators and a common coupler, Murray's demolition attachments are interchangeable among most of the company's carrier machines — on jobs across Canada. It's efficient. One Toronto-based manufacturer makes all of Murray's couplers for John Deere excavators.

"We worked with our John Deere dealer to set up all of our machines with a universal coupler," says Murray. "Our couplers can accept a bucket, breaker, shear, or grapple. If we need a breaker in British Columbia, we know it needs to fit a 100,000-pound machine, and I can just send a breaker. I don't need to know which carrier it is. And some of the shears will fit on various sizes of machines as second members on the boom — or as third members on the stick.

Continued on page 14

Two John Deere excavators team up to remove a wall section from a large automotive complex in St. Therese, Quebec, Canada.

Move over Cat, John Deere track loaders are back!

And they're taking over

After a long absence, John Deere returned to the track-loader market with a vengeance. In the past three years, the original 655C and 755C, and now the recently updated Series-II models have rapidly become the machine of choice in many parts of North America.

One of the most aggressive markets for the two John Deere workhorses is Atlanta, Georgia. In a wide variety of applications, these machines are gaining popularity for their power, quality, and value.

"Cat had the market to itself and everybody got comfortable running them," begins Greg Bell, sitework superintendent for Western Summit Constructors. We caught up with Bell in his Norcross, Georgia, office and asked him to compare his Deere track loader to his Cat 963. "It took a while for us to get used

to the John Deere controls on our 755C — they are set up a little differently than the others. But once our operators got adjusted, they liked it better than our Cat 963C."

Bell oversees four separate operations in the Atlanta area. His Denver-based company is a premier environmental contractor, specializing in municipal and industrial water and wastewater facility construction. Their John Deere track loader is working on a sprawling 49-acre water treatment plant in Atlanta for Gwinnett County.

"I'm a big track-loader fan because of their versatility," admits Bell. "We use them for general excavating, backfilling, and loading trucks. The soil around here is clay, and when it gets really wet we can't afford to have a rubber-tired loader on the job. For example, you need a rubber-tired loader and a dozer

to clean a ditch in the mud where a track loader can do it alone with ease.

"We were pioneers in this area — we had one of the first 755Cs around here. Deere did a great job on their first try with this machine and made sure it was put together right before they released it."

Bell says his company's 755C is equipped with a standard bucket and is comparably equipped to his Cat 963C — without a ripper or third valve.

"In horsepower, speed, and maneuverability, the John Deere is very competitive," he says. "When I first sent the guys out to run the 755C, they were a little unsure, but once they got used to the way it handled, they were impressed."

"Maintenance-wise, we've had no problems in the past two years with the John Deere," he adds. "We put one fuel pump on

it (it was under warranty). The undercarriage wore equally with the Cat — and the 755C was right there with the other track machines as far as turning the bushings. There's quality in the undercarriage, that's for sure."

"We do a lot of governmentally funded projects and team up with other companies. We are running a joint venture here, so we have to sell the equipment when the job is done. The biggest question we have, since the machine is so new, is the resale value on the 755C. I've been watching the auction results closely, and it looks like the resale prices are decent."

The resale prices for the first 655C and 755C were strengthened by John Deere's commitment to its track loader line with the recent introduction of the 655C and 755C Series-II models. According to Dan Alband, John Deere's product consultant, the biggest change for the Series IIs is the new V-pattern forward and reverse lever. "A lot of our customers wanted us to provide the V-pattern lever so their operators did not have to spend time adjusting to the in-line control," says Alband. "We also increased the low-speed range. We knew we had

two strong units from the time we introduced them."

Tommy Reid of Canaan Construction Co., Inc., McDonough, Georgia, is impressed by the rugged, powerful, easy-to-operate design of his John Deere 655C Series-II and two 755C Series-II track loaders.

"They're stout, well-built machines," states Reid. "And I really like their speed. They have more power and breakout power than the Cat 953C and the 963C. They seem to be much heavier and ride lower to the ground, which gives them good stability. I also like the visibility. You can really see what you're doing. We're real happy with the ride we get out of them, too."

"You just can't beat these new John Deere track loaders," continues Reid. "They just handle better than Cat, and I think they're tougher. We use our Deere loaders for just about everything. They are very versatile."

Reid says his company started in 1969 with a John Deere 450 Dozer. He's since expanded his operation to five machines and now does roadwork, grading, storm and sewer pipe installation, and site preparation — all within a 100-mile radius of

Atlanta. He employs 10 people, including some sharp operators whom he says "can run anything."

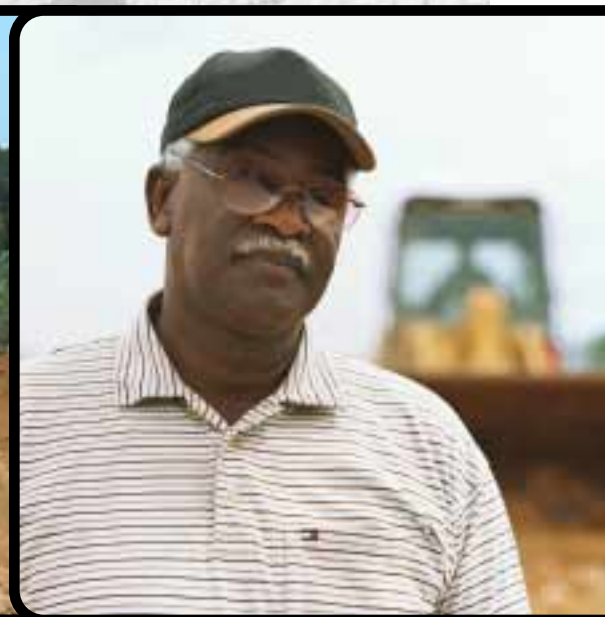
"I guess I can run just about anything, too. It took us some time to get used to our first John Deere track loader, but not long. Once we learned the controls, we liked the John Deere much better."

"I've been with Deere a long time," notes Reid. "Like I say, I have a Cat 953C Long Track and like it. But since Cat changed its equipment, I like the John Deeres better. I'm thinking about another 655C Series II. We are really pleased with the one we have."

In a wide band from central Georgia up through Pennsylvania, the track loader is the way to go for many contractors. John Deere's 655C and 755C and Series-II Loaders have quickly become the benchmark in this market — a trend that's also taking hold in other North American markets. From operator comfort to their smooth ride to their ease of handling, this powerhouse team puts more power and capacity into the hands — and more cash in the pockets — of their owners. ■

Speed, power, dependability, and stability make the 655C and 755C Series IIs versatile machines in everything from road work to site prep for Canaan Construction, McDonough, Georgia. "They just handle better," says owner Tommy Reid.

Greg Bell, Western Summit Constructors, Norcross, Georgia, is glad John Deere has reintroduced its quality track loaders. Bell, a track-loader fan because of its versatility, says his company has one of the first 755Cs in his area.





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"And by standardizing on John Deere, when we travel across Canada, any dealer can service our equipment," Murray says. "The support from our John Deere dealers is fantastic."

"Eight years ago, we had three 100,000-pound non-John Deere machines," says Murray. "We took all three of them and had them reworked to mirror the John Deere booms,

"At a large automotive complex in the Montreal, Quebec, area, (above, and below), a 120 Excavator sorts scrap metal."

sticks, and pin arrangements. After that experience, we never bought another machine from that competitor. The cost of all the rework wasn't worth it.

"Another advantage of John Deere excavators is that they have better weight distribution for demolition attachments than non-John Deere excavators," says Murray. "Some excavators are built for mass excavation, but with John Deere excavators, the weight is distributed more toward the counterweight in back, which makes for a better balance with our heavy shears mounted out in front."

"One competing manufacturer brags about their cycle times, that they can move more earth per hour than anybody," says Murray. "Cycle

time means nothing in demolition. We're looking for horsepower, balance, and stability over the tracks. We're not in a race to tear down a building. Precise control is much more valuable."

Murray values his relationship — which he calls a partnership — with his John Deere dealer. "The dealer network has gotten involved in working with us," says Murray. "The others just wanted to sell us a machine. They didn't get involved in our business."

"John Deere knows that we will buy our next machine from them — and they don't take advantage of that," Murray notes. "We're so busy that John Deere has stepped up and rented us additional machines to get us over this hump of increased business."

If you'd like a shot at rapid growth in your business, give your John Deere dealer a call. The partnership works for Murray and it can work for you. ■



DOZERS

CONSTRUCTION EQUIPMENT



700H XLT



DARE TO COMPARE

- > 115-hp 6.8-L turbocharged six-cylinder Deere diesel
- > Seven-roller oscillating Dura-Trax™ undercarriage
- > Joystick-controlled hydrostatic transmission
- > T-bar controlled six-way all-hydraulic blade



Looking for the best grading dozer under 130 horsepower? Demo the new 700H XLT. With 22-inch shoes and 102 inches of track on the ground, its seven-roller oscillating undercarriage takes rough terrain in stride. Combined with a full-featured hydrostatic drivetrain, responsive six-way blade, and unrestricted visibility, the 700H XLT is one fine grading machine. For more information, see us.

Joystick gives low-effort one-hand control of steering, forward/reverse travel, and ground speed.



JOHN DEERE
Nothing runs like a Deere®

G-SERIES

- > 74-92 SAE net hp
- > 14'3"-15'8" digging depths

WRAP YOUR EYES AROUND IT.

As you can see, the G-Series Backhoes' spacious walk-through cabs have even more of what it takes to help operators do their best. Forward visibility is virtually unobstructed. Narrow ROPS posts, floor-to-ceiling tinted glass doors, and expansive curved windshields provide a panoramic view of the work ahead. Visibility to the rear is just as revealing. Stop in today and we'll show you all of the reasons why the G-Series Backhoes are clearly superior.



JOHN DEERE
Nothing runs like a Deere®

And nobody works harder than your John Deere dealer.

