

BREAKOUT

FALL ISSUE 2019

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FIRST

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Fleet management is not one-size-fits-all. Especially when it comes to acquiring equipment, everyone's situation is different. This is also true when looking at tax incentives like Section 179 and bonus depreciation.

Last year's tax law rolled out Section 179 and bonus depreciation updates before year-end, giving companies more time to assess equipment needs, evaluate options, and determine how the incentives would apply to their benefit. The same is true this year, as both incentives remain unchanged from last year, something expected to remain for the next few years to come.

Perhaps the most significant change that came from 2018's tax law affected used equipment. In the past, the Section 179 deduction could be applied to used equipment, but bonus depreciation could not – that changed last year, opening an exciting opportunity for those looking to buy used equipment.

Year-end seems to come faster and faster every time, so I encourage you to be proactive with your fleet management decisions. It's a smart move to start assessing equipment needs now, evaluate if a purchase makes sense, then speak to a trusted tax advisor to confirm expected benefits.

Whether looking to upgrade or refresh machines, we're here to help you find the solution.



Chris Cooper
COO, RDO Equipment Co.

- Have an address change for **BREAKOUT?**
Contact RDO Equipment Co. at 701.551.0328.



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日本からのメッセージ

[message from japan]



“While improving fuel economy of machines has been the single most important environmental measure in the past, today, we can largely give back to the environment by controlling the operations and movements of construction machinery, which also leads to work style reform at the customer level. The HCM Group has expanded its connections with customers in terms of working to solve social issues together by not only supplying products, but also delivering value through solutions for machinery use and how to manage and operate entire work sites.”

Kotaro Hirano

President, Chief Executive Officer and Director
Hitachi Construction Machinery Group (HCM)

from the
cab

“

This has got to be the nicest
machine I've ever run,
and I'm not just
saying that!

”

CHRIS SOPER

Operating a ZX345USLC-6
Metric Civil Contractors Ltd.
Served by Wajax, Vancouver, B.C.





PUTTING — THE — FAMILY BUSINESS FIRST

How hard work and an entrepreneurial spirit forged the next generation of Kang Construction.

Ferlin Kang didn't always know he wanted to go into the construction industry. Born and raised in Calgary, Alberta, he was exposed to the energy and opportunity that comes with living in a growing, evolving city. Ferlin knew he could pursue different paths in life, but he also knew how unique it was to have the opportunity to carry on his father's business as a first-generation Canadian.

"My father had humble beginnings, immigrating from Asia. He had been in construction since the 1960s before starting Kang Construction Ltd. in 1982 in Calgary," Ferlin said. "When I was in my teen years, I started working with the company and thought there was no way I'd be doing this."

But for Ferlin, the opportunity to carry on the family business was something he grew interested in, and soon began to enjoy.

"My father came here, established himself, started a business and became an entrepreneur. Being able to grow the business to this point is not something to take lightly," Ferlin said. "I didn't want that legacy to go away."

And that legacy will remain intact. Ferlin is now the vice president of the 60-employee Kang Construction, as his father, Alvin, gradually steps back.

FORGED FROM ORANGE

Initially, Kang Construction began carving out a niche in the petroleum industry. Due to an industry need for excavation, Kang Construction purchased its first excavator in early 1988: a Hitachi EX200LC. It was the first excavator of its kind to operate in Alberta.

"For us, the Hitachi brand loyalty reaches all the way back to our beginnings as a company when we first purchased our EX200," Ferlin said. "Hitachi's always been known for manufacturing heavy equipment that is tried, tested and true. They're very reputable and providing the right equipment for the right job is always very important to us."

The EX200 wasn't the only "first" for this company. In December 2018, Kang Construction was also the first company in Alberta to purchase the ZX345USLC-6.

"Our fleet of Hitachi excavators ranges from a 470, which is our largest, to the 225, 160, 135, 85, all the way down to the minis. We also have a 350 that has a long-reach telescopic boom mounted to it for deep excavations, or we can change it to a 60-foot-long-reach boom," Ferlin said. "Just from our fleet, you can see the versatility that Hitachi equipment provides."

While Kang Construction began with a niche in the petroleum industry, they have since grown drastically. Their growing fleet is a result of growing services.

"We started to go more into the earthwork side of things and away from the petroleum side toward the 2000s," Ferlin said. "We got into more detail and mass excavations for commercial, retail and industrial projects."

"A NEW MACHINE LIKE THE 345 IS PERFECT WHEN WORKING NEAR A SENSITIVE HOSPITAL ENVIRONMENT."

FERLIN KANG



BRINGING AN EDGE TO THE FLEET

Soon, Kang Construction expanded to offer installation of water and sewer underground utilities to their projects. This is where the 345's versatility really shined.

"With the inner-city job sites, we deal with some tighter areas," Ferlin said. "Accessibility of the 345 is definitely a positive."

As it has grown, Kang Construction has tackled larger, high-profile jobs within the area. Recently, the company has been working at the Foothills Hospital Calgary Cancer Centre connector, providing earthworks, and water and sewer utilities to the project.

"The 345 worked out really well for this project in the sense that we have a new Tier 4 engine in there, which just gives minimal emissions," Ferlin said. "A new machine like the 345 is perfect when working near a sensitive hospital environment."

Another advantage of the 345 is the power it brings to tight spaces as a reduced-tail-swing model.

"The fact that it's a reduced-tail-swing and has power, that's just an added bonus," Ferlin said. "It's perfect for our fleet."

PRODUCTIVITY IS THE NAME OF THE GAME

If Ferlin had to choose one word that is most important to Kang Construction, it would be “productivity.” As technology advances and the needs of their clients become more stringent, he has to rely on equipment that can deliver.

“If equipment works efficiently and safely, that’s paramount,” Ferlin said. “Breakdowns or reliability issues are critical in our business. I find that for us, Hitachi works.”

For their Hitachi equipment needs, Kang Construction turns to Wajax, one of Canada’s longest standing and most diversified industrial products and services providers.

“Our dealer support from Wajax has been fantastic. We’re able to get anything we need from them quickly to keep us up and running,” Ferlin said.

Along with contributing to the bottom line, Hitachi excavators are a favorite among Kang Construction operators, too.

“Getting a new piece of equipment is always like Christmas to everybody,” Ferlin said. “They love the 345. They find that being inside the machine, it’s quite roomy. They’re not crunched like they are in some other machines.”

THE FUTURE OF KANG

Ferlin has hopes that the company will continue to grow in Calgary, a city which he describes as “opportunistic.” And he is grateful for the growth Kang Construction has seen thus far.

“We’ve always been aggressive, ever since our small beginnings. But I couldn’t have envisioned us being involved on the types of jobs we’re working today, 15 years ago,” Ferlin said. “We are excited to see the legacy continue for our company.”

As for the company’s culture, Ferlin plans on keeping a family mentality at the core.

“I think in our current society, sometimes family might be overlooked. Family is very important to me and has always been,” he said. “We always try to treat our company and employees like family, and I don’t see that changing in the future.”

Kang Construction Ltd. is serviced by Wajax, Calgary, Alberta. ■

AT A GLANCE: KANG CONSTRUCTION'S FLEET



ZX35U-5



ZX225USLC-3



ZX85USB-5



ZX345USLC-6



ZX135US-5



ZX350LC-5



ZX470LC-5



ZXI60LC-5 (x2)





An orange Hitachi ZX210F-FE-6 sat gloriously in the Deere-Hitachi Specialty Products (DHSP) factory in Langley, British Columbia. A factory-installed Waratah HTH622C 4x4 was already hanging on the Hitachi, and a congratulatory banner hung in front of the machine. The stage, or rather the factory floor, was set for a Gold Key event – a celebration of a customer receiving the keys to his machine. And Shane Kropp, owner of SK Trucking Ltd., was that happy customer.

RELYING ON HITACHI

Shane is no stranger to the Hitachi brand. As the owner of two ZX350LC-6 excavators, one ZX290LC-5 excavator and two ZX210F-FE-6 processors, Shane has relied on Hitachi to grow his stump-to-dump logging business in Slave Lake, Alberta.

"I enjoy the machine. The durability of the machine is excellent, and I've had really good luck in the past so I decided to keep with Hitachi," Shane said.

Shane began trucking when he was 20 years old. That soon turned into buying trucks. What started as one truck soon became six trucks and a loader. As Shane began to load logs and haul wood, he decided it was time to start his own logging business after previously working to haul logs for his father. That was 2014, and Shane said he hasn't looked back.

And it doesn't seem the business will stop with Shane's generation. Shane brought his father Dennis and his two sons, Seth and Skylar, to the Gold Key event.

CELEBRATING ORANGE

Skylar, Seth, Shane and Dennis Kropp at the DHSP factory, Langley, British Columbia.



"My kids are eager to learn how to log, and the oldest one's going to start logging this summer running processors, and he's very excited," Shane said. "I think it's neat having three generations at the event. Dad coming and the kids – I thought that was pretty awesome."

In fact, Shane's son Seth had the honor of starting the ZX210F-FE-6 for the first time and then lifted the boom to break the banner.

"He enjoyed that," Shane said. "I could tell he was very excited. He may not have acted it, but he was very excited."

ROARING FOR ORANGE

The Brandt Group of Companies was named a Hitachi forestry products dealer recently – one of three dealers that now support Hitachi forestry customers in Canada.

Shane's new ZX210F-FE-6 was the first Hitachi machine Brandt ordered and sold. This means Brandt, who has been a John Deere dealer since 1992, is now enjoying seeing orange Hitachi machines complement its existing full-line offering.

"It's an important milestone," said Rod Bowes, Vice President of Sales, Forestry and Road Positioning Technology, Brandt Group of Companies. "It's an important opportunity for Brandt to become a Hitachi dealer. We have a very dedicated focus in forestry. We spend a tremendous amount of time helping support our customers in their businesses and the addition of Hitachi to our product line allows us to reach out to new customers and provide them with the same level of premier support we provide to every Brandt customer."



"HITACHI BUILDS A GOOD PRODUCT. THEY'RE SOLID."



Shane Kropp
SK Trucking Ltd.

For Shane, it's an addition to his strong network of dealer support.

"Brandt's service is excellent including their parts," Shane said. "I've bought lots of parts from them. They have a good selection and good pricing."

Combining that level of service with Hitachi's quality was something Brandt team members were notably excited about.

"The internal announcement of Brandt becoming a Hitachi dealer was done at a sales meeting, and the crowd of sales people were extremely excited to say the least. There was a roar in the crowd when the announcement was made," Rod said. "It's a big deal for Brandt. We're proud to have the opportunity to represent a brand like Hitachi, further it in the market and bring their customer satisfaction to the next level."

AN APPRECIATION FOR HITACHI

Through a joint venture established in 1988, DHSP manufactures Hitachi and John Deere forestry swing machines ranging from 26- to 46-ton models. The factory's Gold Key event was a true celebration for not only the customer but also for Brandt as a Hitachi dealer.

"This was a significant event in terms of it being the first Hitachi machine that was sold by Brandt," said Jarvis de Groot, Product Marketing Manager at DHSP. "It was the first Hitachi machine ordered by Brandt as well."

The event also meant DHSP team members could meet the customer who bought the machine they built.

"The Gold Key event is significant to the factory employees because it's an opportunity for them to see the other end of the machine life," Jarvis said. "The factory employees typically don't see the machine once it leaves the factory doors; it's complete and it's gone. But now this gives them an opportunity to see the customer who uses the machine, and it's just a really good experience. It ties the two ends together – the manufacturing and the end customer."

Jarvis said he enjoys hearing from customers as they experience the efficiency, reliability and durability of Hitachi machines.

"What we hear from our customers in general is that they really like our products, including our ability to integrate the Waratah head as a factory install," Jarvis said. "Our products are a quality product when they leave the factory. DHSP machines are just very effective out in the field and very fuel efficient with low downtime. So, it's really good to hear from the customers that way."

For Shane, the Isuzu engine makes the difference as to why he chooses Hitachi. He plans to use his ZX210F-FE-6 nearly 24 hours a day until next spring. He estimates the new machine will have 10,000-12,000 hours on it within four years. He's confident the machine will handle the heavy workload.

"I really like the Isuzu engine," Shane said. "It works very well. The fuel economy is great, which really helps your bottom line. You've got to watch every dollar. Every move counts. With a new machine, there is less downtime and more productivity. Hitachi builds a good product. They're solid."

SK Trucking, Ltd. is serviced by Brandt Tractor Ltd. in Slave Lake, Alberta. ■



It's all good!

**How RL Causey keeps
it all in perspective by
putting people first.**



Robby Causey

Robby Causey is a laid-back, simple guy. He's lived in Murrells Inlet, South Carolina, his whole life. His mom lives right down the road from him. He doesn't travel much and prefers to stay around the house. If he needs to get away from it for a while, he'll spend time at Garden City Beach – less than 30 minutes away.

Even though he's an even-keeled guy, Robby has worked tirelessly over the years to build his construction company, RL Causey, by hiring the right crew and taking care of them.

"When I was in middle school and high school, I worked for my dad," Robby said. "He was in the lawn business and then we ventured out into the landscaping business. I went out on my own in '95, and I grew it from the landscaping business to where we're at now. It's been a pretty wild ride, and I've enjoyed it."

Behind the scenes

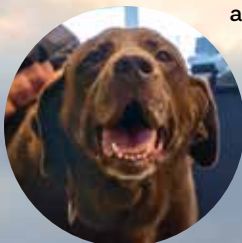
Today, RL Causey employs nearly 100 people. Despite its growth, the company has kept the feel of a tight-knit, family business. Robby's "better half," Annette, works in the office and helps run day-to-day business operations. In fact, Robby and Annette grew up together and went to the same high school.

"Without Annette, I probably wouldn't be here," he said. "She's very important to me. I've known Annette all my life, and it just clicked and works."

Randy Pettit is another team member keeping RL Causey on track.

"Randy is our head estimator," Robby said. "He helps run the office and has been with me since the beginning. He is very well respected throughout the sitework industry."

Perhaps the friendliest employee in the office is Moose – Robby and Annette's 115-pound, 9-year-old chocolate lab. Annette takes Moose to work every day.



Moose

"If he's in trouble, it's her dog; if he's not in trouble, it's my dog," Robby laughed. "Doesn't matter what kind of day I've had, when I come home, he's wagging his tail and he's happy. So, it's just us three – Annette, Moose and me – and that's what I like."

Playing in the dirt

While Annette, Randy and the team run the office (with Moose's supervision, of course), Robby's out in the field with his guys.

"I'm not much of an office guy," he said. "I talk with them probably five or six times a day, but I'm just not an office person. Never have been and I probably never will be. I'm an outside guy. If I don't get a phone call before 6:30 a.m., it's normally going to be a pretty good day. If it rains that night, well, then I know it's going to be a little bit of a rocky start because if you don't have plan B, C and D in effect, you've got problems."

If you're on an RL Causey job site, you can almost guarantee you'll spot a Hitachi excavator working. Robby has run an all-Hitachi excavator fleet since the beginning.

"We play in the dirt," he said. "We do clearing, earthmoving, utilities – water, sewer, pipe – everything is pretty much done in-house, except for curb and asphalt. When I first decided to start clearing lots, I tried buying Hitachi. Mr. Roddy Stanton with L.B. Smith was my Hitachi dealer, and he got

me hooked up with the guys at Hitachi. That's when I bought my first one, an EX200. I didn't forget that because he helped me greatly in getting it, and I've just kept right on with them."

Robby has worked with his current sales rep, Bob Simmons (formerly with L.B. Smith, now Flint Equipment), for more than 20 years. They play golf every Sunday and give each other a hard time.

"Bob has been great to work with over the years; just don't listen to anything he says about what happens on the golf course," Robby smiled.

RL Causey's Hitachi fleet consists of roughly 50 excavators ranging from a ZX35U-5 compact up to the ZX470LC-6. They still have an EX200 working on jobs.



Annette





Putting people first

While Robby enjoys his work, he's thankful for his crew and makes them his first priority.

"I've got a great group of guys that work for me and have been with me for a long time. That means a lot to me," he said. "I'm a people person and I try to take care of my guys. It's not about me, it's about them. One that stands out is Joe Turbeville, who has been with me since the landscaping days, and has operated Hitachis for the company for all these years."

When it comes to equipment, Robby keeps his guys happy with Hitachi.

"My guys do not like to share; they keep their own equipment and I've accepted that," he said. "They take care of it and if something goes wrong, they know what happened and how it happened."

"Hitachis are smooth and very reliable," Robby said. "We've still got some of the older machines and we use a lot of them for clearing, so that's why you see a little bit of bruises on them. They just keep right on running, though. When you've got an engine that's got 15,000 hours on it and you've never been into it, that's good in my book."

Bill Barber, operator for RL Causey, currently runs a shiny, new ZX350LC-6 and is a fan of it.

"This machine is sweet! It's as smooth as silk, really strong and stable, and has great power and speed," he said.



Bill Barber

"We've got a long stick on it since we have to dig down about 18 feet. It cuts through all the material like butter. The cab is so comfortable; it's like sitting at home watching a Green Bay Packers game."

Charles Johnson, another long-time operator for RL Causey, runs a ZX470LC-5 on a D.R. Horton residential development that will include 1,000 home sites. RL Causey is moving about 500,000 tons of dirt for the project, and Charles said he has the right machine for the work.

"Hitachis are smooth and move a lot of dirt – fast! Can't ask for anything better than that," he said.

At the end of the day, Robby said it's his family and his guys that continue to inspire him to keep moving forward.

"I enjoy seeing the guys that work for me prosper," he said. "Whenever one comes to me and says, 'I just bought a new house,' it makes me feel great. Or 'I've got a new vehicle thanks to you.' I like that. To me, it's not about the money. I just like doing things for people, and it's just the way I was raised. I grew up with a loving family – not wealthy, not rich – just a great family. I've been well blessed. It's all good."

RL Causey, Inc. is serviced by Flint Equipment Co., Charleston, South Carolina. ■

"I'm a people person and I try to take care of my guys.

It's not about me, it's about them."

Robby Causey
Owner, RL Causey



INTRODUCING THE NEW EX2600-7

As part of Hitachi's new EX-7 Series line, the EX2600-7 delivers efficiency, reliability and durability in the toughest mines. This excavator features Hitachi's fuel-saving technologies and customer-driven enhancements.

SPECS

NET POWER

Cummins: 1119 kW (1,500 hp)

MTU: 1150 kW (1,542 hp)

OPERATING WEIGHT

Backhoe: 257 000 kg (566,588 lb.)

Shovel: 259 000 kg (570,997 lb.)

BUCKET CAPACITY (ISO HEAPED)

Backhoe: 17 m³ (22.2 cu. yd)

Shovel: 15 – 16.5 m³ (19.6 – 21.6 cu. yd)

- + **Individually controlled hydraulic pumps** utilize an electric regulator on each main pump, optimizing engine power and lowering fuel consumption.
- + **A larger hydraulic oil cooler** with variable speed fan reduces energy demand and creates a more reliable hydraulic system.
- + **Cylinder stroke end control** helps ensure structural longevity and operator comfort by using angle sensors to help reduce the cylinder pump flow rate for smoother movement.
- + **A pressurizer system in the cab riser** reduces dust infiltration, extending service life of the electronic components within.
- + **The underslung low bend configuration** of the front attachment hoses removes the need for clamping, helping reduce chafing and increasing reliability.
- + **Optional Aerial Angle™ system** provides a real-time bird's-eye view around the machine.



