



Mr. Anthony D. Salzman, President of V-TRAC

It takes a human pioneer to lead a corporate pioneer. In 1993 Anthony D Salzman, his wife and four year old daughter re-settled from their luxury home on Manhattan's Fifth Avenue to Hanoi's Government Guest House. America's economic embargo against Vietnam was still in force. Hanoi was an isolated quiet city with very little infrastructure. The main road from the airport to the city was too narrow for occasional cars going in opposite directions to pass each other with all wheels on the road, motorbikes were scarce, and dominant sound on Hanoi's streets was the "whoosh" of thousands of bicycle tires.

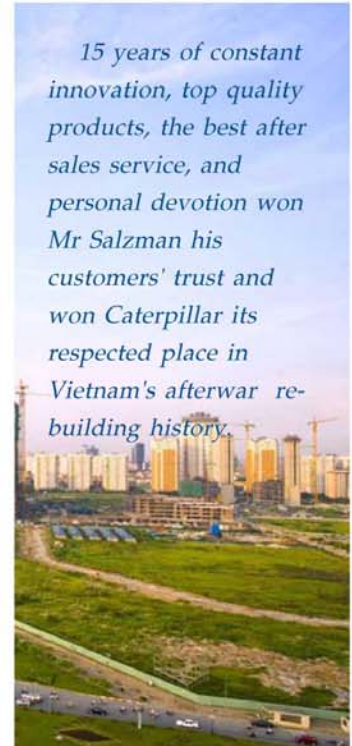
Meeting with the mining workers from Quang Ninh, a very famous mining province in North Vietnam in 1968, Ho Chi Minh said "The mining industry should be developed as a model for other industries to follow". When Vietnam opened its doors, Caterpillar Inc., an American

industrial giant and global leader was eager to play its role in Vietnam's infrastructure and natural resource development. Caterpillar had a little idea how to start up in Vietnam, so the company formed partnership with Mr Salzman to take on this difficult assignment. Operating costs were high and market entry difficult. For example, one year's house rent received from a foreign tenant was often enough for the landlord to buy a second house of the same value as the first one. All business activity - even fax machines - was regulated, travel from one city to another required registration with the police, and international phone calls cost \$7.00 per minute with quality so poor that conversations were difficult. But Mr Salzman did not come to Vietnam for an easy life. He came to proudly make Caterpillar the symbol of a new chapter of history between the United States and Vietnam based on mutually

beneficial economic relations.

By early 1995 Vietnam was finding it more difficult to open its doors to foreign business than had been expected. Mr Nguyen Sinh Hung, then Minister of Finance once told Mr Salzman "we are trying to open the door, but something is broken inside the lock". It had cost Salzman and Caterpillar many millions of dollars of personal and corporate money to set up V-TRAC at Caterpillar's international standards, but after returning from a seminar at one of Vinacoal's mines, a Caterpillar mining representative sighed "Our estimates were wrong, there is no market for us here". Salzman altered the strategy of V-TRAC, the joint venture he formed with Caterpillar, by shifting focus from traditional Caterpillar sale and service business to importing knowledge needed to help create the markets Caterpillar would eventually serve.

15 years of constant innovation, top quality products, the best after sales service, and personal devotion won Mr Salzman his customers' trust and won Caterpillar its respected place in Vietnam's afterwar re-building history.



15 years of TRUST



Mining is one of Caterpillar's global core sectors, so Mr Salzman focused on upgrading equipment, operating procedures and supplier performance standards in Vietnam's entire mining industry. Vinacomin's leaders had decades of prior experience with Komatsu (Japan) and Belaz and Kamaz (Russia), but Caterpillar was only known through academic study. So, it was a risky move for Vinacomin (then Vinacoal) to purchase their first fleet of 15 Caterpillar 769 modern technology trucks from Mr Salzman. But Mr Salzman himself was living in Hanoi and reassured Vinacoal's leaders with his personal promise to make the new fleet a success. At one mining industry event attended by 1000 guests, several mine directors gave speeches giving many statistics of present and future production improvement. When it was Mr Salzman's turn to speak, he said all numbers had already been supplied except one. He announced his mobile phone number to the public forum saying "My job is to ensure your Caterpillar equipment operates perfectly, so please call me any time I can help."

Not long after, the Director of Vinacoal's Coc Sau mine did call Mr Salzman to complain bitterly that most of the new fleet was out of service due to defective suspension leaking hydraulic fluid. Mr Salzman rushed to Coc Sau in Quang Ninh province where the mine director and a panel of technical experts explained that Caterpillar's front suspension was not suitably designed for Vietnam's conditions. They brought a sample component from a Caterpillar truck and showed Mr Salzman how much smaller it was than a similar component from Komatsu and Belaz. A Caterpillar factory expert was flown in and he concluded that the problem was Coc Sau's haul roads, not Caterpillar's suspension. Coc Sau countered that Caterpillar needed to re-design its products to be more suitable for

the prevailing conditions. The negative spiral continued and, referring to the leaking hydraulic fluid, local newspapers wrote "Caterpillar trucks have runny noses." Vinacoal announced devastating news of a two year test period during which no more Caterpillar equipment would be purchased, while Caterpillar figured out a technical solution.

After reviewing the situation Mr Salzman met Vinacoal's leaders to try to convince him that the haul roads truly were the root problem, and the solution was to rebuild the

previous speed, hence nearly doubling their productivity. This was the start of an eight year period during which Vinacomin purchased more of its equipment from Caterpillar than from any other maker.

After introducing revolutionary haul road design, Mr Salzman introduced drainage designs to further improve the haul roads, and he introduced many other cost saving concepts. Mr Salzman arranged seismic studies which concluded that many of Vinacomin's mines could use "ripping" technique to reduce the amount of blasting, and save cost of explosives. He introduced matched equipment planning to ensure machines working together are correctly sized for each job, and he transferred the cost of holding spare parts from Vinacomin to Mr Salzman's V-TRAC, and reduced Vinacomin's waiting time for most parts from 6 months to 6 days! In 2005 Salzman and Caterpillar's District Manager Grant Allen cut the ribbon at the commissioning ceremony introducing Vinacomin's first fleet of 100 tonne trucks, the largest and most efficient in Vietnam.

Ho Chi Minh's testamentary wish was for a strong Vietnam included a strong national mining industry and modern infrastructure. Mr Salzman and Caterpillar are proud of their role in making that dream come true. This year Vinacomin plans to extract 45 million tones, nearly 10 times as much as it could manage when Salzman and Caterpillar arrived in 1994. Salzman and Caterpillar built their business on principles of integrity, excellence, and determination to do the best for their customers. 15 years of constant innovation, top quality products, the best after sales service, and personal devotion won Mr Salzman his customers' trust and won Caterpillar its respected place in Vietnam's afterwar rebuilding history.



Company executives cut ribbon at a ceremony in 2005 to mark Vinacomin's first fleet of 100 - tonne trucks, the largest and most efficient in Vietnam

haul roads by using a "motor grader". Mr Salzman understood the dilemma posed by his suggestion to buy another expensive machine with no assurance that it would solve the problem. Mr Salzman and Caterpillar agreed to supply a motor grader without any obligation for Vinacoal to purchase, and an expert to demonstrate the new road building process, and measure results. The test continued until the end of Vinacoal's two year freeze on purchasing Caterpillar machines. The results proved that the new haul road design enabled trucks to run at nearly double their