

**Operator (Operator Instructions)**

Our first question comes from the line of Frank Mitsch from BB&T Capital Markets.

**Frank Mitsch - BB&T Capital Markets - Analyst**

Good afternoon. Nice job, fellows.

**Charles Bunch - PPG Industries - Chairman and CEO**

Thank you, Frank.

**Vince Morales - PPG Industries - VP IR**

Thanks, Frank.

**Frank Mitsch - BB&T Capital Markets - Analyst**

You'd hardly know there are concerns about the economy out there. It's the best result in several years at a minimum in the second quarter.

We've been hearing a little bit about, on the paint and coatings side, the raw materials have become tighter. I think you eluded a little bit about how the price inflation of raws has outpaced your selling prices. Can you talk about the availability of raws? Is that hampering your volumes to any extent?

And I know that, I think Bob mentioned, that you've got some price initiatives underway, selective price initiatives underway in that sector. Would you anticipate that would fully offset by year's end the raw material inflation that you've seen so far in that sector?

**Charles Bunch - PPG Industries - Chairman and CEO**

Frank, this is Chuck.

I would say that we had a few spot shortages during the second quarter. There were a couple suppliers that had unexpected outages or production problems. It probably shifted some business around for us, but we don't think we lost any orders on an ongoing basis, and, if anything, probably a little of the activity would shift into the third quarter, so availability is not a major concern for us you right now.

And pricing has stabilized in the market for our principle raw materials. Some of the feed stock costs as we talked previously in propylene or ethylene are actually drifting down, so at this point we don't see supply issues, and we think that raw material pricing has stabilized, albeit at a higher level than we saw it at the beginning of the year.

**Frank Mitsch - BB&T Capital Markets - Analyst**

All right. Terrific.

And obviously nice job by Mr. McGarry and his team. Can you comment a little bit about the pricing that you've realized; the \$80 in the second quarter? I guess you've got \$35 to \$50 on tap in caustic for the third quarter. Chlorine, \$50 on the table for the third quarter. What are the statuses of -- statuses I don't think is the right Latin term, stati -- that might work, what is the status of that, of those increases, as well as natural gas you indicated was going to be marginally higher, how does that interplay work out as we look at the third quarter?

**Charles Bunch - PPG Industries - Chairman and CEO**

Well, if I stick with your first part of the question, Frank, the pricing environment in chlor-alkali is firm. We have now been implementing the \$80 that was announced in the second quarter. The industry didn't get all that at once. It was phased in over the second quarter and now, with the \$35 increase announced in July, we think that this will be implemented on a customer basis, probably taking into consideration at what phase they were in contract, so right now, we do not anticipate any significant problems in implementing the second or this smaller third quarter increase.

Volumes have stayed up on the caustic soda side. Inventories are low, and we feel confident about the pricing environment for caustic soda. There has been a price increase initiative in Europe, stable pricing in Asia, so on a global basis, we think we have a solid pricing environment for caustic soda.

On chlorine, there was a \$50 announcement here in the third quarter. That we expect to be phased in over the course of the quarter, depending on contracts. There's a little more resistance with the PVC customers, but with the other merchant chlorine customers are receiving price increases, so here, too, we feel that the pricing environment for chlorine is stable to firm.

**Frank Mitsch - BB&T Capital Markets - Analyst**

Chuck, if I could read into your tone, it doesn't seem to me like you're a man troubled by the possibility of a double dip coming up; is that fair?

**Charles Bunch - PPG Industries - Chairman and CEO**

Well, I think, if you recall, you know what we've been through over the last couple of years in the chlor-alkali business, Frank, in our description of our results here for the second quarter, and it's probably been a trend for a little longer, the industrial activity has been quite good.

Strong restarting from recession levels, but the construction markets, especially in the developed regions have been weak. When we had these same economic conditions here in North America, weak construction markets, therefore weak PVC production, that strengthens the opportunity for firm pricing in caustic soda.

So we have shown in 2007, 2008 that strong industrial activity, while we have weak construction activity, actually helps the merchant players like PPG Industries and it strengthens the environment for caustic soda, so at this point even if we continue this economic environment that we saw in the second quarter, we feel quite optimistic that we're out of the trough for the chlor-alkali business and that we should continue to build on the momentum that you saw from us here in the second quarter.

**Frank Mitsch - BB&T Capital Markets - Analyst**

Terrific. Thank you.

**Vince Morales – PPG Industries – VP IR**

Thanks, Frank.

**Operator**

Our next question comes from the line of Kevin McCarthy of Banc of America.

**Kevin McCarthy - BofA Merrill Lynch - Analyst**

Yes. Good afternoon.

Would you elaborate on the relative strength that you saw in auto OEM versus the industry? Is that a function of geographic mix in North America and Asia or did you, perhaps, gain share or maybe are aligned with the right brand owners at this point?

**Charles Bunch - PPG Industries - Chairman and CEO**

Kevin, this is Chuck.

I would say that what we've seen is a good customer mix on the part of our PPG customer portfolio and automotive OEM. I would say one the biggest up sides for us, though, has been our position in China. We are the number one automotive OEM coating supplier in China. We have a broad based customer array, including the global, the global players like General Motors or Volkswagen and also a very good position with the domestic and regional producers, so I would say we have some gain from there.

We're also very well aligned with the German producers now. That hasn't always been the case for PPG, but if you look at our position with BMW or Mercedes, the German automotive producers have been the strongest in Western Europe. We're well aligned there.

We're also seeing good growth in Russia, where we have a nice position. General Motors and other customers here in North America, I think we're well-positioned. But, I would say the single biggest factor in our volume gains are coming from our position in China.

**Kevin McCarthy - BofA Merrill Lynch - Analyst**

With regard to fiberglass, I think you mentioned you're operating near 100% capacity at this point. Is the demand strength there being driven more by electronics or by reinforced plastics there?

And then, you know, given, given the notion that you're nearly sold out, what does the future look like? In other words, should we anticipate greater pricing power or possible expansions required at some point?

**Charles Bunch - PPG Industries - Chairman and CEO**

On the two markets for fiberglass, both of them are running equally well, so if you take our reinforcements business, which is primarily supplied for PPG here in North America and in Western Europe, we are operating at a sold out capacity basis. We are implementing price increases for reinforced products, and we have almost full capacity utilization. We have one item furnace that we are attempting to bring on here in the second half of the year, so we are sold out in the West, and implementing price increases.

Again, a lot of this is driven by capacity reductions, by ourselves and many of our competitors during the recession, and we think the environment is very solid for the coming years now, because of some of these capacity rationalization. On the electronics side, which is -- we participate through a large joint venture that we have with Nan Ya Plastics in Taiwan and China. That business is booming, and we are running at capacity.

There have been a number of significant price increases, and both sides of the business or end use markets, reinforcements and electronics are driving both the volume and the profitability improvements that we see in that business unit that's reflected overall in the segment, and so we feel pretty good about fiberglass right now.

**Kevin McCarthy - BofA Merrill Lynch - Analyst**

Great. Thank you very much.

**Vince Morales - PPG Industries - VP IR**

Thanks, Kevin.

**Operator**

And our next question comes from the line of John McNulty.

**John McNulty - Credit Suisse - Analyst**

Just two quick questions. It sounds like you're -- you think the economy and the industry economy in particular is going to gradually keep improving. Is there any areas where you saw incremental weakness as you went through the quarter?

**Charles Bunch - PPG Industries - Chairman and CEO**

Incremental weakness as we went through the quarter? I would say no. If you look at, geographically, probably the industrial economy that's still growing, but at a slightly slower rate would be Europe. We are seeing, even automotive OEM production. We are forecasting a modest volume improvement in the second half. This would be 5% or below. The rest of our industrial activity, we think will be up in the second half in Europe, but certainly not as strong as what we're seeing in Asia, Latin America, or even the North America markets.

So right now as we went through the second quarter, we had pre-announced guidance in the middle of June, and we expected, I think, at that time to make, make the middle to higher end of the range, but actually the second half of June finished strongly, and a couple of businesses notably chlor-alkali continued to, continued to accelerate through the rest of the month. We didn't see any fall off in sales or orders in key markets in Asia or North America, so through the second quarter and now here, starting in the third quarter, we have not seen an inflection point; certainly not down, and the continuation of the current trends that we've talked about in these announcements.

**John McNulty - Credit Suisse - Analyst**

Great. Great. Thanks for the color on that.

And then with regard to your architectural business, you indicated that the DIY market was stronger than it sounds like the stores business or the contractor business that you do. Was it positive in stores negative or were they both negative and it was just a degree of one being worse than the other.

**Charles Bunch - PPG Industries - Chairman and CEO**

They were both negative for us in the second quarter. DIY a little less so than the stores or contractor business. Not appreciably different, although obviously when we go through retailers or independent dealers, those aren't direct sales, sometimes we will move inventory into their locations and depending on when they move out from the warehouses or get on the shelves, we don't always see as regular an order pattern as we would in the stores. It wasn't an appreciable difference, but we volumed in both places, less so though in DIY.

**John McNulty - Credit Suisse - Analyst**

Great. Thanks very much.

**Operator**

Our next question comes from the line of Sergey Vasnetsov from Barclays Capital.

**Sergey Vasnetsov - Barclays Capital - Analyst**

Good afternoon.

**Vince Morales - PPG Industries - VP IR**

Hey, Sergey.

**Charles Bunch - PPG Industries - Chairman and CEO**

Good afternoon, Sergey.

**Sergey Vasnetsov - Barclays Capital - Analyst**

Chuck, if you compare your volume recovery, specifically from the industrial coatings business maybe by large segments and by regions versus the underlying markets, where would you say you're gaining some market share? It sounds like it was the case in automotive OEM.

Is it true and in which other segment or geographies, if that's the case?

**Charles Bunch - PPG Industries - Chairman and CEO**

I would say after automotive OEM our view, although again this is a business that goes through two step distribution. Automotive refinish had a very nice quarter. We think we are gaining share there, and that is a global business for us, so we're well-positioned in the fast growing regions like China, but we think we're gaining share in that business.

Aerospace, we had a modest volume improvement there. We're gaining share, although our shares in that business unit are already quite high. And the other businesses we feel that we have more than held our own, although I can't say at this point, we don't have enough market data from the second quarter -- the other businesses, such as our general industrial business, our protective and automotive marine coatings business, these would be businesses that we felt, we didn't see any appreciable share loss, and it could turn out when we get all the data that these could be either stable to actual market share gains, but certainly automotive OEM, automotive refinish, aerospace, would be coatings businesses where we were gaining share.

**Sergey Vasnetsov - Barclays Capital - Analyst**

Okay. And when you think about the sources of that share gain, is it close base so you can compete more effectively, do bring some new technology that you didn't have and other people didn't have for the past couple of years? What is it that allows you to gain some share?

**Charles Bunch - PPG Industries - Chairman and CEO**

I would say the principle reason for gaining share in these markets is technology and global positions, so if you take automotive OEM, we're very well-positioned globally. We've worked hard to establish ourselves in markets like China, and not only with the global players, but with the domestic players. We have a full product array to meet all of their needs.

You know there is a move in automotive OEM to what we would call a shorter or compact process, where we can deliver cost savings, but provide the same corrosion and decorative protection, so I would say that, clearly, it's global position and technology in automotive OEM. In refinish, we feel that we have the best water-born or water-based refinish system out there; that's helping us gain share especially in markets or regions where they're going from a solvent-based to water-based mandated system, so we think we're well-positioned there.

And we have always been not only the market leader, but the technology leader in our aerospace products, and so I think in all three of these, it would be global position, but technology. We have a better cost base, certainly, in businesses after our restructuring, and I think you see the effects of that, but certainly we're not trying to win any business by just pursuing a lower price strategy.

**Sergey Vasnetsov - Barclays Capital - Analyst**

Okay. Thank you.

**Vince Morales - PPG Industries - VP IR**

Thanks, Sergey.

**Operator**

And our next question comes from the line of John Roberts from Buckingham Research.

**Charles Bunch - PPG Industries - Chairman and CEO**

Hi, John.

**John Roberts - Buckingham Research - Analyst**

Hi. I'm a little surprised that DIY North America volumes were down. You have easy comps there, there's not a lot of commercial exposure. I thought there was some negative weather in March quarter that might have benefited the June quarter and you had the housing stimulus that drove turn over very high during the quarter?

**Charles Bunch - PPG Industries - Chairman and CEO**

Well, if you look at the DIY segment --I haven't seen the big box retailers comps yet, but if you remember, our, our first quarter numbers were very weak in January and February, and then we had a very strong surge in March that showed some strength for us in the first quarter. We also had some weather, certainly in the second quarter. I don't know across the country, but certainly here in the northeast, June was a very wet and rainy month.

I would say that it's a little early for us to see all of the market data out there, but, certainly, we don't see the same momentum on either the DIY or our Company-owned stores side, although we're working hard at it. Taking costs out. But there's just not as much market strength as we would have hoped.

**John Roberts - Buckingham Research - Analyst**

Okay.

And then secondly on slide number four, where you show the sales volume index, could you just provide me maybe some of the outliers, so -- optical is probably at a new high, fiberglass sounds like it's at a new high, and then you have some things that must be down still 20% from their 2008 level like commercial construction coatings or some of those. Could you -- you know most things are probably near the average, but where are the outliers?

**Charles Bunch - PPG Industries - Chairman and CEO**

Well, I would say the weakest business that we had would be in our glass operating or reporting segment and that would be not the fiberglass business, which drove a lot of the improvement, but it would be that performance glazings business, and that is you primarily a North America commercial construction and North America residential construction play. So that was probably the weakest business out there from a volume standpoint for PPG.

The other two businesses that were weaker from a volume standpoint, we talked about architectural and EMEA, down about 5% and the North America architectural business is similarly down. So I would say of the businesses in our portfolio, those would be the three and coincidentally they are all construction related here in the developed economies in North America and Europe.

**Operator**

Our next question comes from the line of David Begleiter, from Deutsche Bank.

**David Begleiter - Deutsche Bank - Analyst**

On industrial, on your industrial businesses, what's your visibility and order book? I know you're expected continued growth, but what do you actually have booked for the next period of time? And how typical is that?

**Charles Bunch - PPG Industries - Chairman and CEO**

I would say, you know as we've looked, let's take the biggest business in that segment which is automotive OEM. We have visibility typically two to three months out, and there's good forecasting, not always completely accurate for the full year, and if you take the North America business, we started this year thinking that North American auto and light truck builds would be a little under 11. Then I think at this meeting three months ago, we said, "hey, 11 to 11.5," and now I'd say it's probably 11.5, maybe 11.6, so you know we have continued to see, you know, a good momentum out there inventory levels are in balance, so our forecast, if anything, have moved up slightly.

In Europe, we aren't expecting as strong a second half, but there is still volume growth as I've mentioned earlier. Russia is better than we thought. The German producers are stronger. In China, even though we're probably not going to have the easy comps that we had in the first three or four months of the year, there is still good growth in Chinese automotive OEM productions, so that we're not going to be plus 40% as we were in the first three or four months, but we're still, we were saying all along that we thought that production could be up 15% to 20% in China for this year. We're still sticking to that forecast, probably at the upper end of that.

And we haven't seen things appreciably slow down in China at this point, so I would say in automotive, we're not seeing any significant deviation from what we've been looking at. On the industrial side, that is a whole range of products, including appliances, consumer electronics, coil and extrusion, and I would say that the business has been solid, if not great, like automotive OEM. We haven't seen any inflection points yet. Certainly as I've talked about our electronics and fiberglass is booming, so at this point we are watching, because obviously there's some negative sentiment. If you look at the media and what they're projecting for the second half.

We have talked about the one market that we thought in China may be overheated, which is that Chinese construction, especially residential construction market, we have much less of an exposure there. We have an architectural business in China, but it is the smallest of our major coatings businesses. We're doing fine there as well, but we are watching that one, so at this point we have not seen an inflection point. We're watching, and we're a little cautious because of some of the headlines out there, but you know our businesses continue to perform well, and we haven't seen a drop off yet.

**David Begleiter - Deutsche Bank - Analyst**

And Chuck, just on raws versus price in Q3, would you expect your prices to now exceed your raws?

**Charles Bunch - PPG Industries - Chairman and CEO**

If they would, it would be, I think slight, I think we are trying to implement price increases now, and as I told you stabilizing, in a stabilizing environment for coatings, raw materials in the third quarter. As I said, we may, we'll recapture what we haven't been able to get, whether we over-capture it, I'm not sure at this point. But I think, you're going to see a more stable environment going forward, and we will catch up a little bit here in the third quarter on pricing.

**David Begleiter - Deutsche Bank - Analyst**

And, for Bob -- Bob, on your tax rate, I know that geographic mix has shifted, lowered your tax rate for this year. Given the continued growth in those regions, do we stay at 28% in 2011 as well?

**Bob Dellinger - PPG Industries - SVP Finance, CFO**

At this point, I would stick with that. We certainly looked at this since we got a new forecast in, but right now I think that's pretty confident to model 28%. We saw strength in Europe in our industrial base, at an attractive tax rate. We had Latin American turn profitable and we're offsetting with net operating loss position, so those were favorable to our rate, and yes, I feel pretty comfortable with 28%.

**David Begleiter - Deutsche Bank - Analyst**

Thank you.

**Vince Morales - PPG Industries - VP IR**

Thanks, David.

**Operator**

Our next question comes from the line of P.J. Juvekar of Citi.

**P.J. Juvekar - Citigroup - Analyst**

Hi, Chuck.

**Charles Bunch - PPG Industries - Chairman and CEO**

Hi, P.J.

**P.J. Juvekar - Citigroup - Analyst**

Disappointing to see North American architectural volumes down. Correct me if I'm wrong, DIY was up last year. I'm wondering why is it going down this year and is it the case that maybe you lost share at those?

**Charles Bunch - PPG Industries - Chairman and CEO**

I'd say it's a little early for us to say. We certainly don't feel that on the state side, on the paint side. It depends on the promotions during the quarter. We know that we have the mid- and lower price points. That was a more favorable position during recession environment. It may not be quite as favorable now.

We are promoting our products adequately. We haven't seen anything on the paint side yet that would show us we have a loss share, but I would say that overall, it's still been a sluggish environment out there. And again, depending on when we have our sales into the retailers, it doesn't always match up on a quarter to quarter basis with the sales out the door.

**P.J. Juvekar - Citigroup - Analyst**

Okay.

And you had a price increase in your stores earlier in the year. Did that stick in this environment and then can you talk about your next price increase that you mentioned?

**Charles Bunch - PPG Industries - Chairman and CEO**

Yes, we did have a price increase in our architectural stores business in the first quarter. That was eventually followed by the other competitors in the market. At this point, we have not announced another price increase in our stores business. And so we are monitoring the market and our position and depending on if we continue to see this stable raw material pricing environment, then we will not necessarily initiate a price increase in our stores business.

**P.J. Juvekar - Citigroup - Analyst**

And then, if you take a step back, can you just talk about your outlook for the 2010 painting season? Just talk about stores versus big boxes, and what are you seeing on the remodeling activity?

**Charles Bunch - PPG Industries - Chairman and CEO**

Well, I think what, what we're seeing is a continuation of the trends that we've seen over the past certainly year and a half. We have not seen a resumption of strong volume activity in our stores business, which is a contractor oriented -- these are contractor oriented stores. This is the commercial contractors as well as the residential painters. I don't see any reversal of the trend that we had commented on last year. If anything, maybe the resident shall piece is slightly stronger, but more than offset by the continued weakness on the commercial side.

DIY, I don't have all of the from the big box retailers that compared, but not only in their same store sales, but their paint department sales, but I would say on balance, the DIY is probably a little bit stronger than the contractor business, and I would think that these will be confirmed as we go through the third quarter and see some of our, some of the major retailers releasing their same store sales growth.

**P.J. Juvekar - Citigroup - Analyst**

Thank you. Thank you very much.

**Vince Morales - PPG Industries - VP IR**

Thanks P.J.

**Operator**

Our next line comes from the line of Dmitry Silverstein with Longbow Research.

**Dmitry Silverstein - Longbow Research - Analyst**

Good afternoon, gentlemen. Congratulations on a very strong quarter. A couple questions, although most of them have been answered.

Number one, you mentioned that you are going to have a little bit of a seasonal slow down in the automotive build rate sequentially. On a year-over-year basis, how do you look at this business given the cash for clunkers program in both the US and Europe last or is that not concern given how strong your position is in China and how rapidly thing are growing there as well as your market share gains that you've been able to get over the past year?

**Charles Bunch - PPG Industries - Chairman and CEO**

I would say on the automotive OEM side there were scrappage programs in just about every region and country in the US, if you look at the cash for clunkers specifically, it was a third quarter 4 quarter 2009 was to the comparable for us in 2010, 2009 will be not as good as second quarter, because if you remember, the second quarter of last year, that's when we had the bankruptcies of GM and Chrysler, that was probably the industry at its weakness so obviously on a year over year basis, we're going not show the same degree of improvement in the second half that we think that sales will continue to improve versus last year's level, without cash for clunkers.

In Europe, again, the eastern European countries, Russia, they're coming out of their recession rather well, and production there is growing. Germany, benefiting, I think from a stronger German economy and export opportunities with that weaker Europe, so I think even without the scrappage programs that a number of European countries had instituted last year, we're still going to see modest sales growth in Europe.

And in China, they did have some incentives in 2009, especially for smaller cars. Most of those are projected to decline in the second half or certainly into 2011. But right now, we see the growth rates moderating somewhat in China in the second half, again, because of the strength of 2009, but still solid growth in that market, even if some of the incentives from the Chinese government for the small vehicles are withdrawn.

**Dmitry Silverstein - Longbow Research - Analyst**

That's helpful. Thanks.

You talked about the importance of fiberglass business to the profit improvement your seeing in the segment. Can you quantify for us or at least ballpark for us how big that business is within the glass division?

**Charles Bunch - PPG Industries - Chairman and CEO**

On a sales basis, they're about equal. The two businesses, although in fiberglass, we do have two Asian joint ventures that don't show on the sales line that do help us on the net income line, but the businesses are about equally, have an equal weight in sales in the segment.

**Dmitry Silverstein - Longbow Research - Analyst**

And profit, I'm assuming is significantly more coming from the fiberglass, if not all?

**Charles Bunch - PPG Industries - Chairman and CEO**

Yes, the improvement, all the improvement came from the fiberglass business in this quarter and we look to see that trend continuing, because there's a lot of momentum right now in fiberglass and we're going to get some additional pricing, the performance glazing or flat glass business, again, commercial construction, still weak out there.

We're doing a lot of good cost work. Have a number of new product initiatives. We have some opportunities we think in solar energy, but right now, overall, that weakness in commercial construction is overshadowing all the good work we're doing in other parts of the business.

**Dmitry Silverstein - Longbow Research - Analyst**

Got you.

Is the fiberglass business, is there much difference in the growth rates between epoxy coat -- epoxy resin systems versus urethane resin systems.

**Charles Bunch - PPG Industries - Chairman and CEO**

I would say the biggest would not be in those areas. They would be -- these are nylon, and polypropylene based systems that they're going into on the re-enforcement side. You have epoxy resin systems as substrates with fiberglass on the electronics side. We've seen strength in both of those; electronics has been booming, but the reinforcements business, which goes into a lot of industrial applications, like automotive, that's been very strong. We're seeing more, more use of fiberglass and plastics systems in automobiles because of the lightweight advantages.

We're also seeing a little more activity on wind blades. An important part of our, what we would call our direct to raw product line in fiberglass, goes into wind blade production. That's been a little I know consistent over the last couple of years. We think wind power is the most competitive alternative energy source, but some of the funding and financing for these big projects has been stalled out, so we haven't seen quite as much growth there as we anticipate but longer term, wind blade production for fiberglass and solar energy, glass production for performance glazings should be good market drivers for us in future years.

**Dmitry Silverstein - Longbow Research - Analyst**

Got you. Okay. That's helpful.

Last question. On the tax rate, you talked about 28%. Is that going to be a rate for the year, implying that in the second half you're going to be you know kind of more in the 26%, 27% range or is that the tax rate for the second half of the year.

**Bob Dellinger - PPG Industries - SVP Finance, CFO**

That's the tax rate for the full year.

**Dmitry Silverstein - Longbow Research - Analyst**

Full year.

**Bob Dellinger - PPG Industries - SVP Finance, CFO**

Okay. We had added a \$0.07 benefit in the first half in the second quarter associated with the 28% rate for the first half; we'll have a 28% rate in the second half; 28% rate for the full year.

**Dmitry Silverstein - Longbow Research - Analyst**

Got you Got you. Okay.

That's all I have. Thank you very much.

**Charles Bunch - PPG Industries - Chairman and CEO**

Thank you.

**Vince Morales - PPG Industries - VP IR**

Thank you.

**Operator**

And our next question comes from the line of Arun Viswanathan from Susquehanna. Hello, your line is open.

**Arun Viswanathan - Susquehanna Financial Group - Analyst**

Sorry, I had my line muted there. Thanks for taking my question. Question on the commodity chemicals segment. What -- can you just update us on how the pricing initiatives are going, and you expect any weakness there if you do see some slowness in industrial activity in the second half?

**Charles Bunch - PPG Industries - Chairman and CEO**

Well, I think I went through, I went through some of the pricing initiatives for both caustic and chlorine, reviewed what had happened, in the first and second quarter, here in the third quarter. We're seeing, as I mentioned, a very solid pricing environment for caustic soda. We think industrial activity is maintained. Inventory levels are low.

The cost basis for US-based industry in chlor-alkali because the lower natural gas costs, lower ethylene, the export environment is solid, the dollar, after a period of strengthening seems to be now reverting to a weaker footing, and, in fact, if I look at anything over the last weak week or so on the Euro dollar, that's going to be, that's going to help us a little more than we got helped in the second quarter, and it will also I think potentially keep European imports out of North American as I mentioned. INEOS has just announced a price increase for caustic soda in Europe.

Asia aluminum settlement in caustic was up, so I would say that the pricing environment right now is very solid and if industrial activity -- if we see a return to the conditions that we saw 18 months ago, or industrial activity dropped off, could that change this outlook? Conceivably, but right now we haven't seen that, and, if anything, we're seeing more of a reversion to the conditions in 2007 and 2008, which lead to record caustic soda prices and drew significant earnings improvement for, for our chlor-alkali business.

**Arun Viswanathan - Susquehanna Financial Group - Analyst**

Okay. Thanks.

Right, so most of the other operational questions have been answered. The only other one was, just on the corporate level, that was -- what's the right corporate level you think would be on a quarterly basis expensed?

**Bob Dellinger - PPG Industries - SVP Finance, CFO**

What I would do is average the first two quarters and use that for the basis for the second half of the year.

Okay. Good enough, thanks.

**Bob Dellinger - PPG Industries - SVP Finance, CFO**

Yes.

**Operator**

Ladies and gentlemen, I'd like to turn the call over to management for closing remarks.

**Vince Morales - PPG Industries - VP IR**

I'd like to just thank everybody for their patience during our technical issues and we appreciate everybody's time today and look forward to talking to you next quarter.

Thank you.

**Operator**

Ladies and gentlemen, we thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a great day.