

A Global Platform

**An Interview with Charles E. Bunch,
Chairman and Chief Executive Officer, PPG Industries**

EDITORS' NOTE After joining PPG in 1979, Charles Bunch held positions in finance and planning, marketing, and general management in the United States and in Europe during his first 12 years with the company. He was named General Manager of Architectural Coatings in 1992, Vice President of that unit in 1994, and Vice President, Fiberglass, in 1995. Bunch was elected Senior Vice President of Strategic Planning and Corporate Services in 1997,



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and Executive Vice President, Coatings, in early 2000. He was named President, Chief Operating Officer, and board member in July 2002; CEO in March 2005; and to his current post in July 2005. A native of Philadelphia, Bunch received a degree in international affairs from Georgetown University and a Master of Business Administration degree from the Harvard University Graduate School of Business Administration. He is a member of the board of directors of the H.J. Heinz Company and the PNC Financial Services Group.

COMPANY BRIEF With sales in 2009 at \$12.2 billion, Pittsburgh-based PPG (www.ppg.com) is a global supplier of paints, coatings, optical products, specialty materials, chemicals, glass, and fiberglass, and operates in more than 40 countries. PPG shares are traded on the New York Stock Exchange.

Were you surprised at the severity and speed of the economic crisis, and where do you see us on the road to recovery today?

Yes, I think all of us at PPG were surprised at how rapidly the economic conditions deteriorated in the second half of 2008. We saw it first with the automotive companies and some of their difficulties, as well as the financial organizations. From September on, I don't think any of us had seen a deterioration as broad or as rapid as what we experienced. Even the severe recession we had in the early '80s didn't compare.

Are you seeing stability within the industry, and have there been improvements in the business?

We have stabilized in North America and in Europe. We've seen a little bit of a

recovery in the automotive sector, which was probably the hardest hit in this recession. However, the recovery is from a very low point. A year ago, North American automotive production was down more than 50 percent, with an automotive build rate in 2009 that was less than 9 million units – something we hadn't seen in more than 40 years. So from that low point, we are seeing signs of a recovery. It started in the third quarter of 2009 with Cash for Clunkers, and we've seen some

gradual strengthening of the business; this year, we're probably going to have 11 million builds, which is more than a 20 percent improvement from where we ended 2008. But, this industry performed at 15 to 16 million builds for most of this decade. So we're still talking about very low levels of a recovery, but it is a recovery nonetheless, at least in that market segment for PPG. We have a lot of other end-use markets, notably the construction industry, and we haven't seen a strengthening there yet. We think things have bottomed out in residential construction, and that is an important market for us here and in Europe. But in commercial construction, another important market for us, we have yet to see signs of a recovery – in fact, things are probably still getting worse.

We are very much a global company, so we have more than half of our sales outside North America, which makes a difference. The one region of the world that is continuing to grow is the Asia-Pacific region. Asia-Pacific had a little bit of a pause at the end of 2008 and the beginning of 2009, but we've seen a recovery through the rest of the year, so we're back to the pre-recession levels if not higher in Asia-Pacific.

How critical is the concept of sustainability to the culture of PPG, and how important is it to drive that through the organization?

It has always been our commitment to our stakeholders that we hold environmental, health, and safety performance as a paramount value. This is important in North America, but it's even more pronounced in Europe, and it's an emerging set of values in Asia as well. Sustainability is an important issue with our customers, and it's really just

the beginning of this trend. So it's important for us, our customers, our suppliers, and our employees. But the world community at large is also expecting companies, including companies engaged in chemical process industries like we are, to maintain very high standards of environmental, health and safety performance. There are a number of initiatives that we're leading and responding to in order to make sure that our stakeholders know how important these values are to us and to ensure we're helping them meet their goals as well. Energy efficiency and sustainability are key attributes that our customers are looking for, so we're emphasizing this area in everything we do.

Is there a good understanding of the opportunities this industry, and PPG in particular, offers to the next generation of leaders for the company?

It is more challenging today in our economy in North America to interest younger people in manufacturing industries. As our economy continues to mature and evolve into a more service-oriented economy, we don't have as easy a task in recruiting talent into our business because, for whatever reasons, manufacturing or making things is not a core value in our society. What strikes me is that recently, as a response to some of the high unemployment levels, there is an emphasis on job creation in Washington that indicates that they want the U.S. to become more of an export nation. I would challenge the government on what proposals they have made to encourage and support manufacturing in this economy. If you go to a country like China, you'll see much more support for manufacturing companies. That is an issue for us in this country and in Europe, as our economy moves to more service-based industries. So we have some challenges and we have to work a little harder than we had in the past, although in this economy, it is probably a little easier to recruit talent when you have a 10 percent unemployment rate and people are looking for a job.

Do you ever think about slowing down?

If I'm thinking about slowing down, then it's time to step aside. With the degree of change in the world today, if you're not committed to keeping up, you should step aside. ●