



October 11, 2007

Barbara Fry
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Dear Ms. Fry:

On behalf of Kelly-Moore Paint Company I hereby state that Kelly-Moore fully supports the position of ARB Staff that there will be no averaging provision in the new SCM. Kelly-Moore believes that the use of averaging creates both an unfair business practice environment in the industry and also creates incentives for price-wars in order to secure business in categories with high gains in averaging credit.

Unfair business practices occur when larger companies are able to use averaging to gain business with high VOC products that smaller companies are unable to compete with. If a smaller company does not make the types of high volume products that offer good averaging potential, then that company is forced to comply with a VOC limit in categories that the larger company can effectively ignore through averaging.

Companies who use averaging also have incentive to reduce prices on high volume/low margin products that offer good averaging potential (such as interior flats). They are able to make up the loss in profits through the sale of low volume/high margin products that are offered at VOC levels that exceed regulated limits (such as industrial maintenance). This reduces the profitability of companies who compete in the first category without the benefit of sales within the other higher margin categories.

Averaging also forces an undue burden upon the limited resources of both the industry and the air districts in maintaining records and filing for averaging credit. It is for these reasons that Kelly-Moore does not support the inclusion of an averaging provision in the new SCM.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Wirdzek", is placed over a light gray rectangular background.

Todd Wirdzek
Technical Director
Kelly-Moore Paint Co, Inc.