

General Motors is firmly opposed to the South African policies of apartheid. The Corporation has spoken out publicly and privately against such policies on many occasions and continues to attempt, wherever possible, to change the policy of apartheid through the channels open to foreign manufacturers operating in South Africa.

Furthermore, General Motors is convinced that, by its presence and adherence to sound and reasoned operating principles, it has the opportunity to be a positive force for change of the government's apartheid policies.

From an economic perspective, it should be noted that the South African Government's apartheid policies dampen the vitality of the country which limits the improvement in the standard of living of non-whites thereby minimizing the chances for long-term economic growth. However, by providing necessary education and job training, a significantly worsened shortage of skilled workers will be avoided resulting in the ability to produce and consume the goods and services a growing economy demands.

GM is only one company. Many other firms have active programs for social development; however, only through the combined efforts of churches, corporations, unions and other concerned parties can we hope to effect significant and peaceful change.

GMSA Involvement

During the early 1970's, South Africa's apartheid policies garnered much attention in the United States from many groups including several church organizations, the Federal government and the general public. Stockholder proposals were submitted to General Motors to withdraw all manufacturing operations from South Africa as a protest to that government's apartheid policies. Although GM's stockholders voted against this proposal, they also gave management clear direction to work aggressively within all available channels to improve significantly the living and working conditions of non-whites, including the areas of education and job training.

GM operates in many countries, and in each, we are a guest. We must abide by the laws and customs of each location. In order to effect change and provide true equal opportunity to non-whites, it became clear that we were going to have to work to get laws changed and modify the current customs of South Africa.

We have pursued this commitment through many avenues, including meeting with government officials, cooperating with other companies on various joint efforts and by endorsing and actively participating in the Sullivan Statement of Principles of firms operating in South Africa.

Statement of Principles

As you know, the Statement of Principles developed by Reverend Leon Sullivan represents an initiative by U.S.-based companies operating in the Republic of South Africa to promote desegregation and racial equality in employment practices and quality of life inside and outside the work environment. These goals are aided by the six principles which are non-segregation of the races, equal and fair employment practices, equal pay for comparable work, initiation of training programs to prepare non-whites for administrative, supervisory and technical jobs, an increase in the number of non-whites in supervisory positions and improvement in quality of employees' lives outside work.

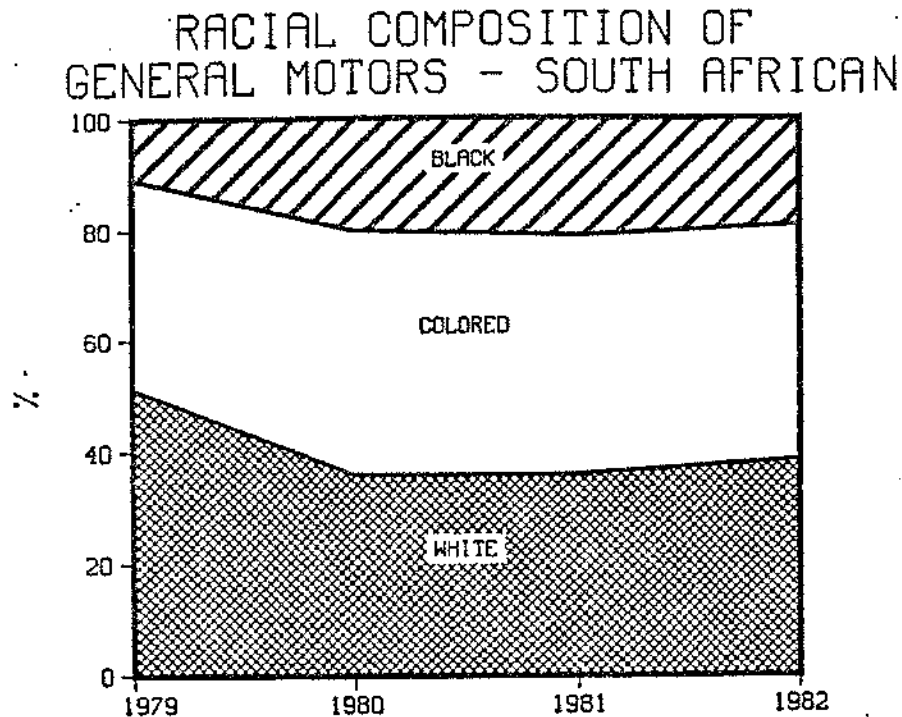
The strength of the Sullivan Principles is that they have provided a road map for GMSA in designing, implementing and introducing various programs over the years as I am sure they have fulfilled similar functions at other companies. Since their introduction in 1977, approximately 150 companies have endorsed the Sullivan Principles. Of the Sullivan Companies, all but one have totally desegregated facilities and are providing common medical, pension and insurance plans. All are giving black employees higher average annual pay increases than white employees. The number of blacks in training programs and in supervisory positions have grown rapidly. The amount spent on community development programs, including health, housing, education and recreation, has more than tripled since 1979. Some would argue that these achievements are irrelevant to the fundamental issue of apartheid and that they are largely cosmetic in nature. In this regard, in addition to the achievements mentioned above, there is little doubt that it was primarily the pressure of the U.S. Sullivan Signatory Companies that led the South African Government to change its labor legislation, eliminating a variety of discriminatory practices and legalizing collective bargaining for black workers. This was an important gain for blacks. Certainly no one familiar with labor history would consider collective bargaining rights as irrelevant or cosmetic.

It is General Motors belief that the continued cooperative implementation of these simple principles is the most effective and appropriate way for foreign-based companies operating in South Africa to contribute to achieving social justice and racial reform in that country.

Facilities

GM South African is a manufacturing company concentrating on the assembly of automobiles and manufacture of various components including engines. General Motors employs about 4,200 people and also supports numerous

supplier and dealer organizations which employ additional thousands. Below is a chart which details racial composition of GMSA's workforce from 1979-1982.



In order to implement programs geared to achieve racial equality, it was necessary to completely desegregate our facilities. After many years of working toward that goal, all GM South African facilities were totally desegregated by mid-1980. This included locker room facilities, as well as the new rest room facilities in the plant area, all of which were completely rebuilt as part of the facility desegregation project. Further a new cafeteria was designed for fast service and employe convenience. A midday meal, subsidized by GMSA, is available to all employes at relatively low cost.

In addition to the above reconstructed facilities, GM South African has also completely reconstructed and relocated to a more convenient site a medical facility at our Kempston Road plant. This facility, staffed with a full-time non-white female doctor and 16 nurses and assistants, operates as a fully integrated treatment center for industrial injuries and diseases. Other activities in the Medical Department extend to the treatment of social diseases, such as alcoholism and tuberculosis as well as training in nutritional requirements.

In addition, a family guidance clinic is conducted on the premises and a senior registered nurse works as a health visitor among employe families in the non-white residential areas.

Labor Relations

As you know, during the past few years the trade union picture in South Africa has changed considerably with the emergence of new trade unions which have the potential to evolve into a substantial political force for the non-white population. Consistent with our operations elsewhere, GM acknowledges the right of its employes to engage in union activities, including the formation of a union.

To emphasize this policy, a statement to this effect is included in the GM South African employe handbook which is published in English, Xhosa and Afrikaans.

In South Africa, most labor agreements are negotiated through the medium of an Industrial Council, formed by voluntary agreement between employers and registered unions in an industry. One of the main functions of the Council is to negotiate and regulate wages and conditions of employment, the agreements of which are also entirely voluntary. In addition to the Industrial Council system, collective bargaining also takes place through conciliation boards and more recently on a direct company basis.

To ensure that employe complaints do not remain undetected or unsettled by management, GMSA maintains several labor relations channels. One of these is based on a formal written grievance procedure which permits employes to register complaints and be assured of a fair hearing. Participation by the shop stewards is an integral part of this procedure.

Further, plant labor relations representatives maintain regular contact with employes in the plant and assist materially in the maintenance of good labor-management relations. In addition, to further promote good communications and understanding of workplace-related matters, shop stewards representing all trade unions meet regularly with labor relations personnel to discuss matters of mutual concern. These meetings have proven to be a valuable opportunity for GMSA.

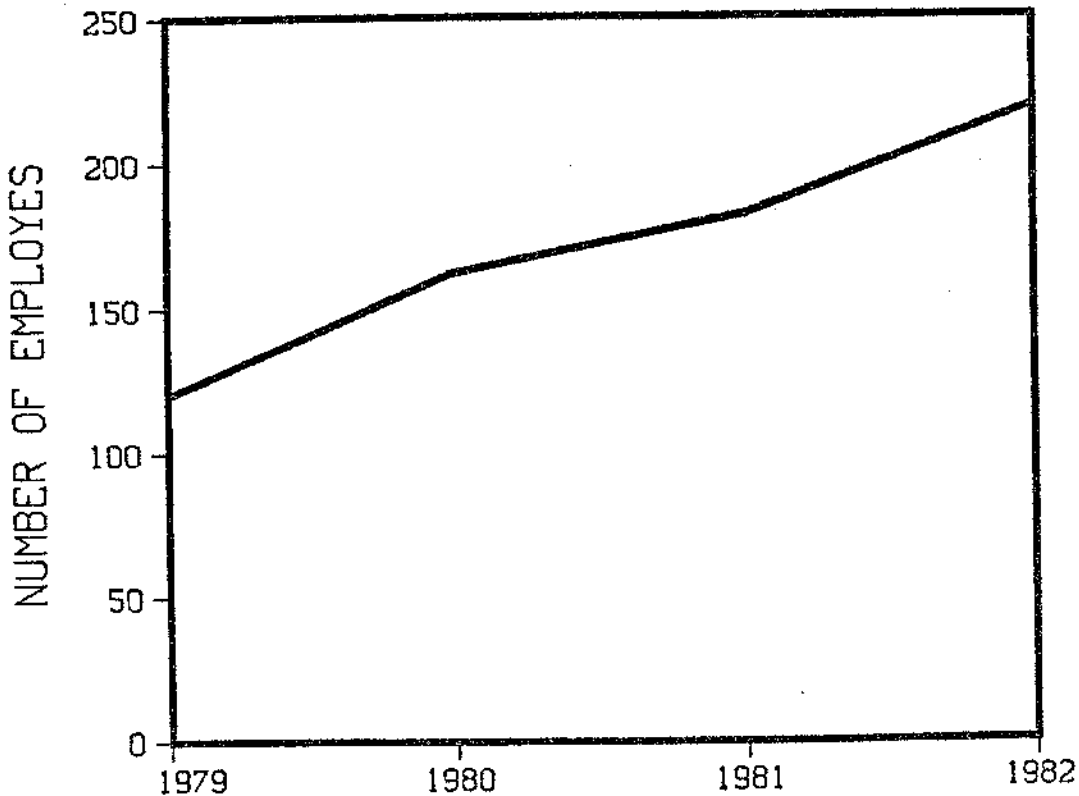
Job Training

GM South African has devoted substantial effort to assure that its employes receive the proper training for their current, as well as future, job assignments. Although GMSA has always had training programs for its employes, it was hampered in earlier efforts by several obstacles, including the prevailing low level of education for non-whites, government job reservation legislation which restricted certain categories of work to white persons and resistance by white unions to apprenticeship training of non-whites.

The GM South African Training Center was opened in November 1979 as a further step in addressing the long-term training needs of GMSA, which was implemented as part of the modernization and integration program mentioned earlier. Classroom courses and the latest hands-on equipment are available for management, technician, apprentice and operator training.

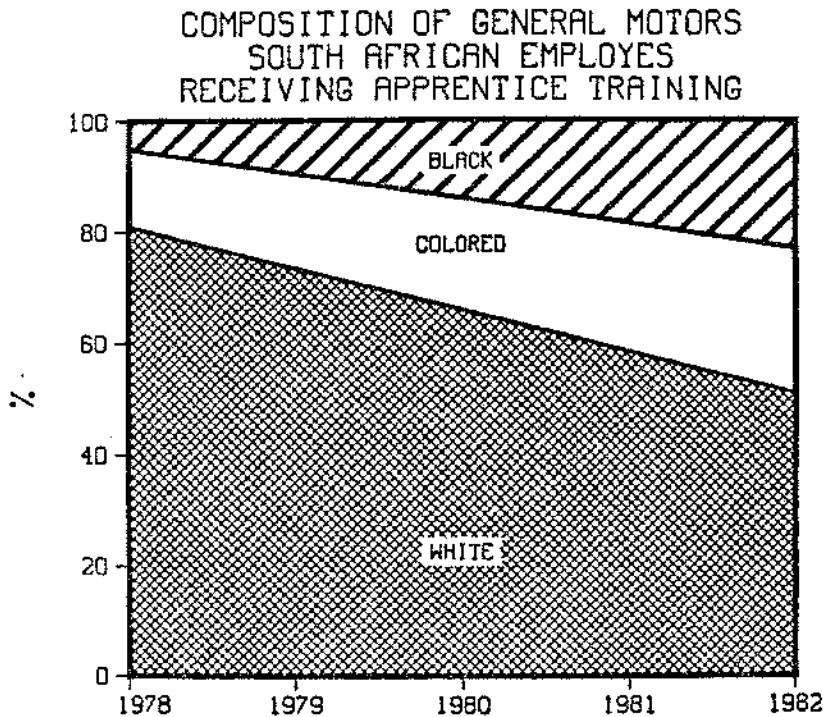
The Center is currently staffed by a multi-racial group of 19 instructors. With the opening of the new Training Center coupled with relaxation of job reservation legislation, GMSA was able to accelerate non-white skilled trades training. Below is a chart detailing the number of non-whites who have received management training since 1979.

NON-WHITES RECEIVING MANAGEMENT TRAINING SINCE 1979



Highlighting a few management training courses, during 1982 a new five-day Management by Objectives Program was introduced to the entire salaried staff. Additionally, pre-foreman and assistant foreman training courses are conducted to provide promotional opportunities for hourly rate employes of all race groups.

In addition to management training courses, the Training Center currently provides apprentice instruction in eight skilled trade classifications such as toolmaking, automotive mechanics and electrical. Currently, there are 80 employees enrolled in the apprentice training programs. The graph below shows the growth in the number of nonwhites participating in this program during the past few years.



Operator training courses are also provided at the Training Center; courses include riveting, spray painting, forklift driving and metal finishing. Since 1980, over 800 employees have had formal operator training.

Social Actions

GMSA has been very active in many community-oriented activities, believing that a positive social environment is a constructive factor in the community. To coordinate our efforts and improve overall performance, GMSA established a Social/Community Action Committee, with an objective of coordinating a comprehensive program for GMSA today and in the future. The Committee is chaired by the Managing Director and members include all department heads and many divisional managers.

GMSA has contributed heavily to the Urban Foundation (\$430,000), whose primary activities are concerned with improving education and housing for blacks. GMSA and other corporations have contributed to Project PACE, which is a project for the planned advancement of community education in Soweto. PACE provides commercial training for students necessary to prepare them for jobs within industry.

A major joint effort of GMSA and other companies in the Port Elizabeth area was the establishment of the New Brighton Technical Institute. This Institute provided the first technical training center for black South Africans. As a result of this successful corporate effort, the government is currently sponsoring 14 more schools throughout the country.

Complementing donations to various community activities, GM South African actively pursues a recreation program designed to foster and encourage sports activities among employes and the communities through sponsorship and organized events.

The GEMSA Club, was built and is maintained by GM South African. It is situated in a colored residential area and provides rugby, soccer and cricket fields, tennis courts and a clubhouse for employes and the adjacent colored community. The Club also hosts many black sports teams and social functions.

In addition, GM South African augments existing local government programs to improve recreational facilities for blacks. Following this approach, three full size swimming pools have been equipped with floodlighting to extend hours of use, new tennis courts have been built and others improved including a completely reconstructed facility incorporating Olympic-size cycle and athletic tracks including full floodlighting. Many successful recreational events have been organized and sponsored by GM South African using this and other facilities.

The recreational programs are administered via a full-time GMSA employe, who is the coordinator of recreation and community programs.

Academic Improvement Programs

One of the primary obstacles to promoting non-whites was their prevailing low level of education, brought about by an inadequate non-white educational infrastructure.

To overcome this obstacle, GMSA developed a number of educational programs ranging from elementary school to college for employes, children of employes and the local community. GM South African makes available to selected non-employes of all races a number of undergraduate scholarships for any South African university. The program provides for full tuition and residence fees toward undergraduate study, including books and supplies.

In addition to this special scholarship program, GMSA offers a full tuition refund program for its employes that also covers books and equipment.

Basic training in language instruction is provided to all employes during normal working hours who wish to acquire reading and writing skills. In addition, language training is also provided for non-employe residents of black and colored communities. Instructors from the communities are also given training to provide literacy training in their own neighborhoods.

To encourage and assist children of black employes in furthering their education, all school fees are provided free by GM South African; to date, nearly 8,500 sets of books have been issued. Continuing employe family educational assistance, a number of high school scholarships are available to children of all employes.

One of the more far reaching community educational programs is GMSA's Adopt-a-School project. Currently 21 black schools have been adopted in the Port Elizabeth area. The program provides assistance in many forms to local schools in the community, including managerial, financial and vocational guidance. The adopted schools offer an array of curricula, including a facility for the physically handicapped, and currently assist more than 10,500 students annually.

Housing Assistance

Improvements in the quality of life of coloreds and blacks is further achieved through a variety of housing programs. A housing task force consisting of senior members of GMSA management was formed to consolidate internal efforts as well as to serve on various external committees to extend GMSA's social/community action principles and philosophy to other companies and communities both inside and outside the Port Elizabeth area.

Specifically, GM South African operates several different housing programs for both employes and the local communities in general. As an example, GM South African loaned the City of Port Elizabeth \$575,000 to augment available City funds for construction of homes in the Hillside colored area. The loan provided for the construction of 94 homes of which 55 were purchased by GM South African employes.

A home ownership program for blacks in Kwaford was provided by GM South African subsidizing the interest on a \$1.2 million loan which provided for some 235 new homes and a 600 pupil primary school.

Direct employe assistance is provided by a home improvement loan program. These loans are interest-free for one year. Since program inception in 1973, over 1,700 employes have participated. In addition, a home ownership program which provides down payment assistance to coloreds and blacks has been in existence since 1973.

Non-White Business Development

To further improve conditions of non-whites outside of GMSA, a task force has been established to identify, train and appoint non-white businessmen as both suppliers and dealers. GMSA actively pursues a policy aimed at expanding the number of non-white suppliers. Currently, 21 such firms have been identified and provide a wide variety of commodities, including wiring harnesses and upholstery.

In addition, there are 11 non-white GMSA dealers; GMSA sales and technical staffs work closely with these dealers to assure success.

Further, GM South African is very supportive of the initiatives of the National African Federated Chamber of Commerce or NAFCCO. This is a black organization committed to promoting entrepreneurial activities of black businessmen. GMSA has hosted their annual meeting and continues to sponsor seminars for local black businessmen. Further, GMSA works with other organizations developing non-white businesses.

Conclusion

Supporting American corporate presence in South Africa does not also mean supporting apartheid. Presence in a country needs to be distinguished from supporting the country's policies. There are some American firms with a corporate presence in China, the Soviet Union, and Yugoslavia. But that cannot be construed as an endorsement of communism. More importantly, the Sullivan Principles don't accept mere presence as the criterion for a favorable rating. They require an active and increasing involvement in improving the working and living conditions of blacks. There is a rigorous annual measurement and grading process for participating firms and the standards are upgraded annually.

It is important to emphasize that the kind of constructive change sought in South Africa is not -- and cannot be, the sole responsibility of the major foreign companies based there, or even of the entire business community, domestic and foreign, in South Africa. There are many other institutions -- churches, employer and union organizations, the media, universities, civic organizations and others -- which have important capabilities as well as responsibilities.

It is important to keep in mind that no alternative will bring quick results. There is no magic solution, neither divestment or anything else. Even though this alternative is slow and frustrating, we believe it is preferable to a violent solution. If American companies had heeded those urging disinvestment in the 1960s and 1970s, blacks would undoubtedly be worse off today economically, socially and educationally, and they would not have gained the trade union rights they now enjoy. It has taken American civil rights workers decades to achieve their goals in a much more favorable environment. The task is hard, but not impossible, as long as companies are present, working together in a joint well-organized effort, and setting an example for others to emulate.

The future of South Africa can be built upon the willingness of all South Africans to resolve their differences. In our opinion, the single most important factor in the creation of a more promising socio-economic climate in South Africa is a resolution of that country's pressing social problems which have their origin in the apartheid system. General Motors remains hopeful that these problems will be resolved peacefully and on a basis which is just and equitable to all segments of South Africa's population.