

My name is William Broderick; I am Director, International Governmental Affairs, for Ford Motor Company.

Ford opposes passage of the bill under consideration, H.B. 4516. It needs to be emphasized that opposition to this bill is a morally responsible position and does not constitute support for racism or racist governments. Let me explain why.

First, the bill will do nothing to improve the situation for Black South Africans. Companies like Ford and other active signatories of the Sullivan Principles are doing, and will continue to do, more to improve the status of Blacks and to eliminate discrimination against them, by staying in South Africa than by withdrawing.

The Sullivan signatories can point to significant progress for their Black employees and families, not only in the workplace but also in health, education and housing. They have also played an important role in getting the South African government to eliminate discrimination in its labor laws against Black workers, and to change its discriminatory laws relating to trade unions. The result has been a major growth in Black trade unions in the last three years. These advances would not have occurred had the American companies withdrawn in 1977 instead of signing the Sullivan Principles. The statement that our presence in South Africa supports the apartheid system is false. American companies implementing the Sullivan Principles are contributing to the elimination of the apartheid system. Mr. Daniel Purnell of the Rev. Leon Sullivan's staff will discuss this matter in more detail.

The second reason for opposing this law is that it will adversely affect the earnings of state pension funds. Divestment will increase the risk to the pension funds' investments and will, over the long run, lower the rate of return on those investments. This should be a matter of grave concern to retired State employees and retired teachers; and indeed, to all active State employees who will some day be drawing pensions.

There is ample evidence to support this statement. Studies and analyses of the results of divestment have been made, in different forms, in several states. These include Oregon, Illinois, Rhode Island, the District of Columbia, Connecticut, and most recently, Ohio. These studies all point to the problems of increased risk and possible lower rates of return. Let me quote just four sentences from the conclusions of the Ohio Retirement Study Commission's report, published in June 1983.

"A total divestment and exclusion policy affecting 16 percent to 20 percent of the Ohio Retirement System's combined funds could have significant consequences and might result in lowered returns, higher risks and less diversification. Many of the largest and most successful American corporations have business operations in South Africa. A total divestment/exclusion policy would prohibit investment in any of these major corporations. The type of portfolio which resulted would likely be made up of a larger percentage of middle sized companies which could create some diversification problems, higher risk ratios and perhaps smaller rates of return over the long term."

Mr. Chairman, in light of findings such as these I think the State of Michigan would be most imprudent to approve this legislation without, at the very least, a careful examination of such studies. I would hope the State would want, in addition, to commission its own study, to see whether these widespread findings that divestment is risky to pensioners, are in fact valid.

Finally, this bill, requiring the State to divest holdings in most of the largest industrial firms in Michigan, will clearly not contribute to the image of Michigan as offering an encouraging climate for new investment.

For these reasons, Mr. Chairman, Ford Motor Company recommends that your committee not approve H.B. 4516.

I am submitting for the record, some documentation in support of my statements regarding both the status of South African Blacks and the findings of other states' studies regarding the risks of divestment.

Thank you.