THE UNIVERSITY OF MICHIGAN

SENATE ASSEMBLY

Minutes of Regular Meeting of 17 January 1983

ATTENDANCE

Present: Thornton, Barnard, Barritt, Beck, Bishop, Blass, Briggs, Brooks, Browne, Burdi, Caffesse, Cares, Carter, Cassidy, Cooper, Courant, Crane, Dahl, Easley, Evans, Fellin, Green, Deniston, Hilbert, Hildebrandt, Hopwood, Hultquist, Janecke, Kelsey, Keren, Knudsvig, Loup, Meyer, Moerman, Morash, Mosher, Taylor, Nagy, O'Meara, Pollock, Powell, Rae, Ringler, Robinson, Root, Rucknagel, Senior, Simon, Stevenson, Radine, Whitehouse, Wieland

Absent: Bailey, Barald, Bulkley, Catford, Danielson, Adler, Weiss, Haddock, Hagen, Hollinger, Kahn, Kaplan, Lawrence, Lockwood, Ludema, Maassab, Martin, Regezi, Rinne, Smith, Solomon, Weiner, Young

CALL TO ORDER AND MINUTES

The meeting was called to order by Professor Bishop at 3:22 p.m. and the minutes of the meeting of 13 December 1982 were approved.

ANNOUNCEMENT

The February meeting of the Assembly will be on the 14th, because the ordinary meeting time, the third Monday, is in the winter recess period.

NOMINATIONS AND APPOINTMENTS

The Assembly unanimously approved SACUA's nominees for replacement positions on the Tenure Committee and Research Policies Committee and for a three-year term on the Distinguished Faculty Achievement Awards Committee.

SOUTH AFRICAN INVESTMENTS

Professor Bishop reported that there had been a request to bring before the Assembly the issue of University investment in companies doing business in South Africa. He also reported that the Financial Affairs Committee has been working on a resolution concerning this issue but the resolution is not yet ready for presentation to the Assembly. He said that most of us agree that apartheid is abominable but it is unclear whether investment policy can bring about changes. He then introduced James Brinkerhoff, Vice President and Chief Financial Officer, who made the following remarks.

Recent legislation prohibits state public educational institutions from investing in firms operating in South Africa (after April, 1984) or the USSR (after January, 1983); the Civil Rights Commission has yet to identify firms operating in the USSR, and the University has not yet discussed this part of the legislation. It has discussed South African investments at great length over the last five years. A complicating factor is Regental autonomy in financial management, an issue often addressed by the state Supreme Court; when he signed the bill requiring divestiture, Governor Milliken asked the attorney general for an opinion on its constitutionality.

The University owns $43 million worth of stock in 34 companies operating in South Africa, including Xerox, IBM, General Motors, Ford, and Dow. Their South African sales and assets are less than 1% of their total sales and assets. The Financial Affairs Committee has twice recommended retaining these investments but encouraging the companies to improve conditions in South Africa. It felt that judicious exercise of stockholder rights would have more effect than immediate divestiture. (Harvard has adopted a similar position). Current Regental policy is to ask each company operating in South Africa in which the University owns stock or bonds to (1) affirm the Sullivan principles, (2) take corporate action to encourage political, economic, and social rights in South Africa, and (3) make regular public reports of corporate progress toward such improvements. If these requests are not honored, the University sells its holdings in that company. Compliance is determined by means of the Arthur D. Little report on progress toward the Sullivan principles (whose standards are becoming tougher) and reports from on-site investigations by the Investors' Responsibility Research Corporation of which the University is a member.

Vice President Brinkerhoff concluded his remarks by expressing confidence that the companies in which the University invests are making progress, and by pointing out that the new state law singles out universities and does not impose divestiture on, for example, the state pension fund.

DISCUSSION

In reply to a question from Professor Carter about the University's voting policies, Vice President Brinkerhoff said that the University generally votes through proxies. There are Regental guidelines (adopted in 1978, amended in 1979) on when to vote against management. The University's vote on shareholder proposals depends on the particular issues. The University does not vote on social issues other than South Africa.

Professor Dahl asked whether the University had, since 1978, voted for a shareholders proposal on South African assets or subsidiaries. Vice President Brinkerhoff repeated that the University votes in accordance with the Regental resolution.

Professor Hildebrandt asked whether the University has tried to act in concert with Harvard and other schools to oppose South African policies. Norman Herbert, in the audience, replied that we have talked with Harvard, and we often vote the same way, but no joint decisons have been made. Vice President Brinkerhoff added that we have acted informally with the University of Minnesota on resolutions to adopt the

Sullivan principles. We also work directly with the companies involved, and we sell our stock if the results are unsatisfactory.

In reply to a question from Professor Carter, Vice President Brinkerhoff said that University contributions to CREF are not covered by the state law; CREF has its own board of directors and shareholder responsibility committee.

Professor Easley asked about the criteria for judging progress by subscribers to the Sullivan principles and about progress made during the last five years. Vice President Brinkerhoff replied that the criteria are the evaluations by A. D. Little (based on a very detailed questionnaire) and the Investor's Responsibility Research Group. Large companies (General Motors, Ford) are making acceptable progress, while others (Black & Decker) are tooling up for changes in hiring patterns.

In reply to a question from Professor Bishop, Vice President Brinkerhoff confirmed that divestment is viewed as the ultimate step if a company is not meeting goals. The University's first objective is to improve company policies, and it has sent representatives to some corporate headquarters to encourage adoption of the Sullivan principles.

Professor Nagy asked why the law singles out educational institutions. Vice President Brinkerhoff suggested that he ask his state representative.

Professor Pollock asked who will decide the University's action. Vice President Brinkerhoff replied that, for the Regents, the main issue is constitutional, and they will decide what action to take after getting an opinion from legal counsel.

Professor Thomas Gies, chair of the Financial Affairs Committee, added three further arguments against divestiture. (1) A precedent established in this case could apply to investments in any of the numerous countries whose governments do not enjoy our total approval. (2) There is a legal basis for the position that the University is obligated to manage its investments prudently, taking every precaution to develop financial improvement. (3) It is inconsistent for state institutions to shun the stock of the corporations that the state seeks to attract as employers. He added that the Financial Affairs Committee expects to adopt a resolution on South African investments on the second Tuesday of February: he invited comments about the issue.

OLD BUSINESS

Professor Green inquired about a letter from Professor David Bassett which implied that guidelines for unclassified research were to be on today's agenda. Professor Bishop said that the letter had been written with that expectation, but the guidelines will in fact be on the March agenda. Professor Green asked that SACUA ensure that any material, such as this letter, to be discussed in the debate is made available to all Assembly members. He recalled that in a previous debate several Assembly members found it necessary to defend themselves against allegations in the Eynon report, which other members had not seen. Professor Nagy felt it would be inappropriate for SACUA to distribute to the Assembly the opinions of a particular person; he said that circulation of Professor Bassett's letter is Professor Bassett's responsibility. Professor Bishop agreed to Professor Green's suggestion that SACUA discuss the problem.

NEW BUSINESS

Professor Barnard asked why Professor Easley is ineligible for nomination for SACUA (as indicated in documents distributed to the Nominating Committee). Judith Nowack replied that Professor Easley is already on SACUA, as a replacement for Professor Brown, until July, 1983; if she were to resign,then she would be eligible for election. The Senate rules require that at most one member of SACUA be from the School of Nursing. Professor Bishop suggested that the Nominating Committee discuss the question.

ADJOURNMENT

The meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Andreas Blass
Senate Secretary