

Testimony

Of

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Before

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As prepared for delivery

Chairman Serrano, Councilwoman Lopez, other distinguished members of the Council, good afternoon.

As you who have worked on this issue know all too well, Ciudad Juarez, Mexico, is home to an ongoing human rights crisis. The city is located just across the U.S. border from El Paso, Texas, and has a large concentration of assembly plants, called maquiladoras, owned by multinational corporations. Amnesty International reported that the profitability of these plants is dependent on the hiring of cheap labor, most of whom are women. Since 1993, hundreds of these women have been killed and countless more have been reported missing. Many of the victims lived in remote areas and traveled by bus, and sometimes walked across unlit waste ground and streets to and from work in assembly plants in

Ciudad Juarez. A 2002 report issued by the Inter-American Commission on Human Rights found that Mexico's response to the killings was and remains deeply deficient. Serious safety and security concerns persist in and around the area's industrial parks.

The issue has received attention at the highest levels of the U.S. government. In June 2004, Senators Jeff Bingaman of New Mexico, Kay Bailey Hutchinson of Texas, and Mary Landrieu of Louisiana introduced a bi-partisan Senate resolution, SR 392, condemning the murders, expressing condolences to the victims' families and setting out a list of actions for the U.S. State Department to carry out in support of the Juarez investigations. A similar bi-partisan resolution, HR 466, was introduced in the House of Representatives by Representative Hilda Solis of California. Reports indicate that the topic has come up in discussions between President Bush and Mexico's President Vicente Fox.

However, much work remains to be done. On November 20, 2003, Councilwoman Margarita Lopez sent a letter to Comptroller Thompson asking that he look into this matter. Our office initiated an investigation to find out how many companies in which the New York City pension funds invest own facilities in Ciudad Juarez. As a result of that research, Comptroller Thompson issued a letter dated April 13, 2004, to more than 100 companies in the pension fund portfolio which reportedly operated facilities in Ciudad Juarez. The Comptroller requested that these companies provide our office with an explanation of the specific actions they are taking to protect their employees.

Our involvement in this issue and our willingness to take a leadership role is in line with the long history of shareholder activism that has been a hallmark of Comptroller Thompson and the New York City Comptroller's Office.

The Comptroller's Office has a tradition of encouraging corporate responsibility in the companies in which we invest our pension dollars. Comptroller Thompson's predecessors, Comptrollers Goldin, Holtzman, and Hevesi, each took an activist approach in their roles as custodians of the city's pension funds.

New York City Comptrollers and the Trustees of the City's pension funds have shared the common belief that, as fiduciaries, they must ensure that the corporations in which they invested posed minimal reputational risks to investors, and Comptroller Thompson has embraced and advanced this belief. For example, Comptroller Thompson and the Trustees are leading a shareholder campaign urging U.S. companies who are doing business in rogue nations to stop doing so. As a result of pressure brought by the Comptroller's office, Conoco-Philips has agreed to end its dealings with those nations that sponsor terrorism. We are continuing efforts to press other companies who continue to do business in rogue states. This kind of irresponsible behavior threatens the very viability of the companies in which we invest. As shareholders in these companies we must take the long view even if – and especially when – management does not.

Our reasons are as practical as they are idealistic. The Comptroller believes strongly that corporations that conduct business in an irresponsible

manner – either by engaging in discrimination or polluting the environment, mistreating employees or doing business in rogue nations – pose enormous risks to investors. Comptroller Thompson believes that investors have tremendous power – and responsibility – to change corporate cultures. There is a simple but persuasive logic to this approach. A company that is working to build long-term shareholder value by including in its business plan responsible economic, environmental and social behavior makes a wiser investment than one that does not. There is ample evidence to suggest that companies that take this approach provide better returns to shareholders over time than those that don't. As long-term investors, selling our shares in these companies is simply not a viable option. Attempting to encourage companies in which we invest to behave responsibly is.

That is why the Comptroller has asked companies with operations in Ciudad Juarez in the pension funds' retirement portfolio to provide him with a report on the security they provide their employees.

The accompanying report you should have before you lays out the responses in detail. Out of the companies that we contacted, forty-three companies responded that they had no facilities in the area of Ciudad Juarez; 31 companies disclosed having facilities in the area and twenty-nine companies failed to respond. The number of workers at facilities ranged from a mere few to many thousand. For example, one facility employed five thousand workers.

Of those companies that responded, 31 companies with facilities in the Ciudad Juarez area listed actions they have taken to provide security at their facilities. A majority of companies reported that private bus transportation is provided for workers to and from work, and that criminal background checks are performed prior to hiring bus drivers. A few companies responded that they have taken steps to ensure that female workers are not left alone and that male employees are the last to be dropped off. In some cases, bus routes have been modified to allow for workers to be picked up and dropped off as close to their homes as possible. Some companies reported that bus drivers have been trained to watch for suspicious activities and that safety seminars are provided to female employees. A majority of companies also reported that their facilities are secured with closed-circuit surveillance and are monitored and patrolled by armed security officers. One company reported that it provides breakfast, lunch and dinner for all workers. Another reported that it has ceased distribution of cash payments to workers at its facility and has instituted direct pay deposits to employee bank accounts.

While we are gratified by the many responses that we have received, we are at this time unable to provide further verification of each company's efforts. Some of the companies in which we invest have detailed substantial and responsible measures that they have undertaken. Some provided unsatisfactory responses, and most troubling, some refused to respond. We are deeply disappointed by this lack of cooperation and this failure requires us to take additional measures.

The funds' legacy of shareholder activism demands that we leverage the full force of our rights as investors and take appropriate action. The Comptroller sought and received approval from the Trustees of the City's pension funds to submit a resolution to at least two companies – Ford Motor Company and Hewlett Packard -- that have not provided a response to our inquiries. These resolutions ask the Board of Directors to review each company's operations in Ciudad Juarez and address the adequacy of corporate security measures in that area.

We chose these two companies because both maintain large operations in Ciudad Juarez. The New York City pension funds own 6.7 million shares in Ford worth approximately 84.9 million dollars and 9.8 million shares in Hewlett Packard worth approximately 178.9 million dollars. We intend to submit this resolution to these companies in the coming weeks. If the companies agree to place the resolution before investors, shareholders will have the opportunity to vote on them sometime early next year.

Comptroller Thompson firmly believes that by being good corporate citizens we can ensure the safety of corporate employees and also enhance the performance of our investments. The Comptroller is fully committed to this issue, and intends to do whatever it takes to ensure that these companies provide shareholders with a thorough accounting of what they are doing to assure the safety of their employees. It is clear that further work needs to be done and the Comptroller's office will continue its efforts to do its part.

On behalf of the Comptroller, I would like to thank Councilwoman Lopez for raising this issue and Chairman Serrano for holding this hearing today. We are looking forward to continuing to work with you on this topic.

Thank you.