

The Royal Dutch/Shell Group of Companies *Alternative* Corporate Report 1987



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## A Message from Two Presidents



Owen Bieber

Richard L. Trumka



Dear Fellow Investor:

We are asking you today to take a few minutes to read our report on the performance of one of the world's largest corporations—the Royal Dutch/Shell Group of Companies. The report explains the reasons behind the current worldwide boycott of Shell products, shareholder concerns of company mismanagement, and why an investment in Royal Dutch/Shell is a bad risk at this time.

The boycott of Royal Dutch/Shell has grown dramatically since its inception in January, 1986. Endorsed by over 70 national organizations representing over 20 million Americans, the boycott has been active in 25 of Shell's market cities across the United States. The campaign also has spread internationally to 11 other industrialized countries on three continents.

The boycott is being carried out because of Royal Dutch/Shell's activities in South Africa—particularly, the company's role in supplying petroleum products to the South African military and police, the enforcers of the racist and undemocratic system of apartheid, and its actions in suppressing the rights of its workforce.

The shareholders of Royal Dutch/Shell are increasingly voicing their concern about a company policy that has incurred a worldwide boycott, damaged the company's image as a responsible actor in the world community, and hurt the company's overall performance, in order to maintain a subsidiary which represents less than one percent of the company's worldwide assets.

In fact, some investors are so concerned that they have begun an initiative to convene a special shareholders meeting of the Royal Dutch Petroleum Company, the 60 percent owner of Royal Dutch/Shell, to discuss this issue and vote on a resolution demanding that the company withdraw from South Africa. As this report goes to press, the owners of nearly 12 million shares of Royal Dutch Petroleum Company stock worth over \$1 billion—representing large public employee pension funds, banks, insurance companies and religious institutions—have joined the call for such a meeting.

Other institutions, including union pension funds, public employee pension funds, universities and religious institutions have chosen to divest their holdings—worth tens of millions of dollars—in Royal Dutch/Shell.

The sooner that Royal Dutch/Shell withdraws from South Africa, the better—not only for all of those who seek the hastiest and least bloody end to apartheid, but also for the company itself and its shareholders.

Sincerely,

A handwritten signature in cursive script that reads "Owen Bieber".

Owen Bieber  
President  
International Union, UAW

A handwritten signature in cursive script that reads "Richard L. Trumka".

Richard L. Trumka  
President  
United Mine Workers of America

## The Case Against Shell

The Royal Dutch/Shell Group of Companies is a major sustainer of the racist system of apartheid in South Africa. Through its supply of oil, Royal Dutch/Shell provides a vital natural resource that South Africa does not possess.

By refining that oil and providing it to Pretoria's military and police, Royal Dutch/Shell directly fuels the wheels of apartheid. Significantly, South African law defines oil as a "munition of war." By investing large amounts of capital in South Africa, Royal Dutch/Shell (hereafter referred to as "Shell") helps prop up the crisis-ridden South African economy.

### **Shell Has Significant Investments in South Africa**

Royal Dutch/Shell's corporate investment in South Africa is estimated to be \$400 million. Among Shell's more significant operations are:

- 50 percent ownership of South Africa's largest oil refinery (200,000 barrels/day) in Durban
- joint ownership (with Mobil, BP and the South African government) of the offshore receiving dock outside Durban where almost all the crude oil imported into South Africa is discharged
- operation of an oil pipeline (with South African Railways)
- more than 850 gasoline stations through which Shell markets its products in South Africa
- extensive operations in the chemical, zinc, lead, household gas and stoves, and candle industries.
- 50 percent equity in the Rietspruit coal mine in eastern Transvaal which produces about 6 million tons of coal each year.

### **Shell Supplies Crude Oil to South Africa**

Shell has been a major supplier of crude oil to South Africa in violation of United Nations and OPEC-nation oil embargoes. The Amsterdam-based Shipping Research Bureau has identified Shell-owned, managed, or chartered tankers delivering at least 23 cargoes of crude oil to South Africa between 1979 and 1982, totaling approximately 4.5 million tons.

Since 1981, the company has claimed that it has banned direct crude oil sales to South Africa.

However, company officials acknowledge that middlemen may sell Shell-owned oil to South Africa. Furthermore, company officials in Europe disclaim responsibility for how their South African subsidiary obtains the oil it refines, saying it is free to "make its own purchase agreements."

In fact, the *London Observer* reports, Shell has worked out an agreement with another oil trader, whereby Shell supplies the trader with "free destination" oil from Oman for "resale" to Shell South Africa, despite the fact that Oman officially embargoes its oil to South Africa.

The Shipping Research Bureau also has documented that Shell has been using intermediaries to ship its crude oil from wells in the Far East nation of Brunei (where Shell has exclusive rights to the oil) eventually to South Africa.

Commonly, oil contracts are drawn up in secret and ownership of cargoes can change hands sev-





eral times in quick succession. Customs documents frequently are forged and the huge oil tankers transfer oil on the high seas—or enter South African ports bearing code names. All of this tends to make South Africa's oil untraceable.

But the Shipping Research Bureau has documented 56 massive oil shipments from Brunei Shell Petroleum to South Africa in recent years—totaling 2.3 million tons valued at about \$1.3 billion—most of it ending up at the Shell-BP refinery in Durban.

A common pattern (see illustration) has been for Brunei Shell to sell its crude oil to a subsidiary of the Japanese Marubeni Corporation, which then sells the same oil to an international trader operating out of Switzerland named Marc Rich (who is wanted in the U.S. for tax evasion). Rich's company then delivers the oil to the offshore oil depot, co-owned by Shell, outside of Durban.

#### Crude Realities of Shell's Oil to South Africa:

Marubeni Corp.,  
subsidiary in Japan  
receives Shell's  
Brunei oil, then sells  
it to Marc Rich of  
Switzerland

Shell ships 2.3  
million tons of its  
crude oil from Brunei

Marc Rich's trading  
company arranges  
shipment down to  
South Africa

The Shell South  
Africa Tower.  
Shell has been supply-  
ing oil to South  
Africa for more than  
70 years.

"A sophisticated network of international oil traders and shipping companies secretly directs oil tankers that pull out of Persian Gulf ports with doctored customs documents and false invoices. Transfers are made among tankers on the high seas or at special transshipment ports such as Rotterdam. In the end, the tankers regularly unload their cargo at offshore oil buoys outside the ports of Durban and Saldanha Bay, furnishing South Africa with an estimated 14 million tons of oil every year."

—The Washington Post, front page  
story, November 29, 1986



Crude oil shipments  
discharged at off-  
shore depot co-owned  
by Shell outside  
Durban

**"The sale of Shell assets in South Africa for political reasons would be no more than a symbolic act."**

**—Lo van Wachem, President, Royal Dutch Petroleum**

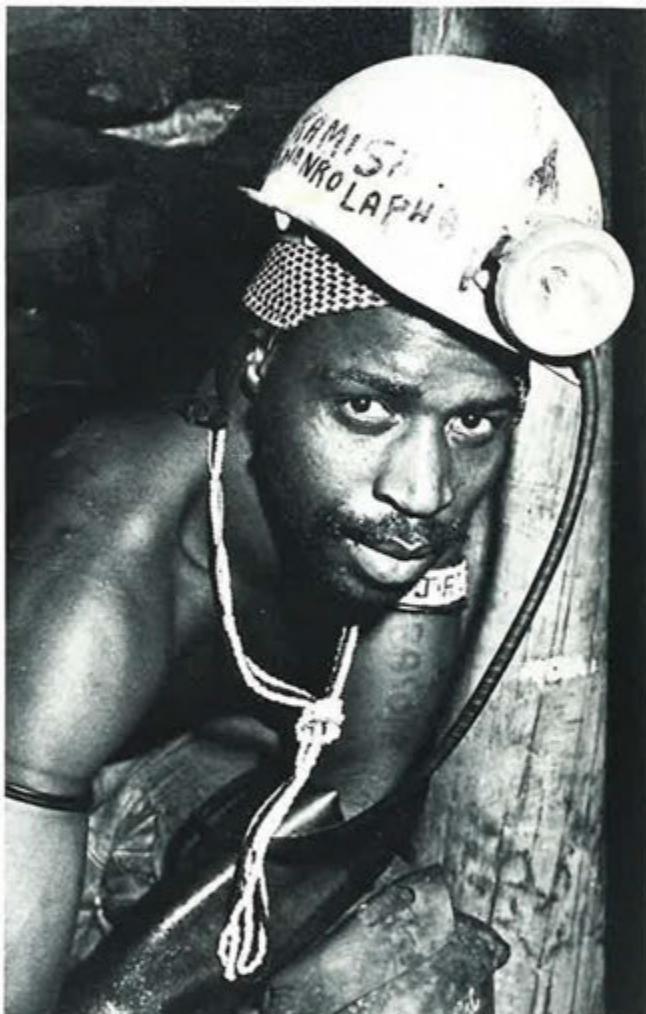
#### **Shell Fuels the Military and Police**

Shell South Africa also refines and sells petroleum products to the South African military and police. According to South Africa's National Supplies Procurement Act and the Petroleum Products Act, Shell must, as a condition for investing in South Africa, supply oil to the military and police.

Shell's top management has claimed that it is powerless to cut off these supplies. According to Shell Transport and Trading's former chairman, Sir Peter Baxendell, Shell's South African subsidiary "is free to manage its own business affairs *within the laws of the country within which its operations are conducted*" (emphasis added) — that is, within the laws of apartheid. To impose trading restrictions because of apartheid "would constitute interference in the internal affairs of South Africa and Shell South Africa," he stated.

A Royal Dutch Petroleum spokesman recently admitted in a letter to a major Dutch newspaper, "The South African government is authorized to compel companies to deliver goods where they are needed. This means that... deliveries [to the army and police] are possible."

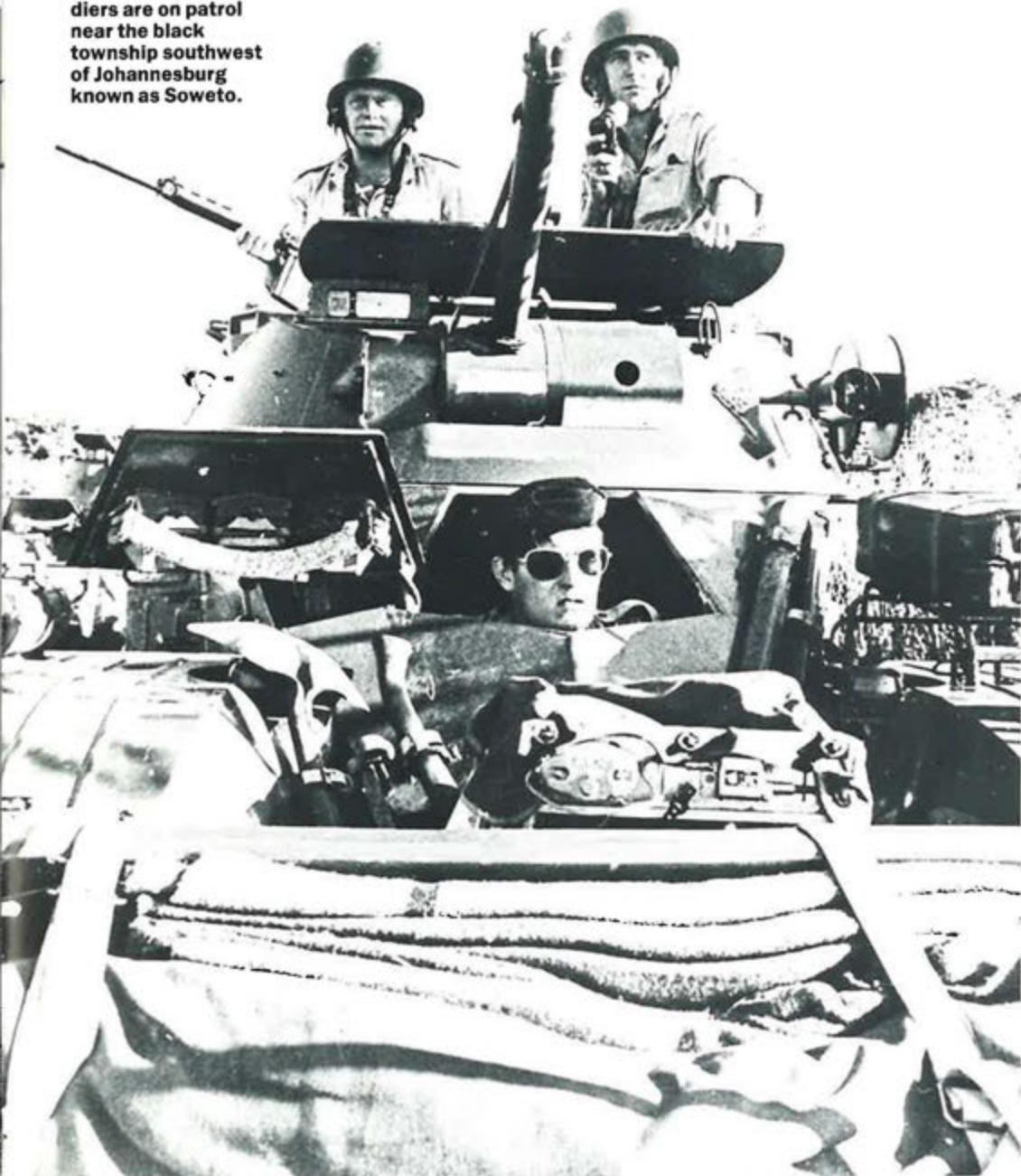
Furthermore, the company hides behind South Africa's censorship laws, arguing that, according to Baxendell, "oil is a security subject covered by the security laws" of South Africa. Shell's Michael Pocock has stated, "We have no reason to feel ashamed of the record and action of our subsidiary in South Africa. I feel proud of them."



The company's behavior at its Rietspruit coal mine showed the extent to which Shell is willing not only to abide by apartheid laws, but use them with a vengeance. In February, 1985, the Rietspruit mine management called in armed guards and the South African police who fired rubber bullets and tear gas at the miners, assaulted them, fired 120 workers, evicted them from their homes, and forced the remaining miners back to work at

**South African coal miner from Shell's large Rietspruit mine in the Transvaal**

Fueled by Royal Dutch/Shell, these South African soldiers are on patrol near the black township southwest of Johannesburg known as Soweto.



gunpoint—all because the miners wanted to hold a memorial service in honor of a miner killed at the mine in an accident. It was this action that caused Shell to be cited as a union-busting company by trade unions and federations around the world.

However, even if Shell was a model employer, the issue of the company's strategic support of apartheid would remain.

Even a "good" employer must operate within the context of the repressive apartheid system. And this particular employer provides essential resources to the South African military and police who enforce that system.

Some multinational corporations—especially those, like Royal Dutch/Shell, which have not yet pulled out of South Africa—argue to their shareholders that the socially and politically responsible policy is to remain operating fully in South Africa to help the black majority in a transition away from apartheid.

This rationalization, however, is not shared by black South Africans. They remain convinced that the

Royal Dutch Petroleum Company (headquartered in The Hague, Netherlands) 60 percent owner of Royal Dutch/Shell

Royal Dutch/Shell Group of Companies (world headquarters in The Hague)

Shell Transport and Trading Company (headquartered in London, England) 40 percent owner of Royal Dutch/Shell

Shell Oil Company Houston, Texas

Shell South Africa Johannesburg, South Africa

About 300 Other Shell Subsidiaries in 100 nations

**"Foreign companies in South Africa should stop kidding themselves by saying they are there for our benefit. That's baloney. Whether they like it or not, they are buttressing an evil system."**

—Bishop Desmond Tutu, 1984 winner of the Nobel Peace Prize



Cyril Ramaphosa,  
General Secretary of  
the National Union of  
Mineworkers, the  
largest of South  
Africa's black trade  
unions

Indus South Africa Committee/Södertälje, Sweden

white minority regime is committed to apartheid and that the system cannot begin to be dismantled until substantial economic pressure is applied. And they know that as long as corporations such as Shell continue to provide the South African economy with needed capital, technology, goods and services that apartheid will flourish.

That's why black leaders ranging from Bishop Desmond Tutu and imprisoned opposition leader Nelson Mandela to the heads of the black trade unions and the South African Council of Churches are urging further disinvestment.

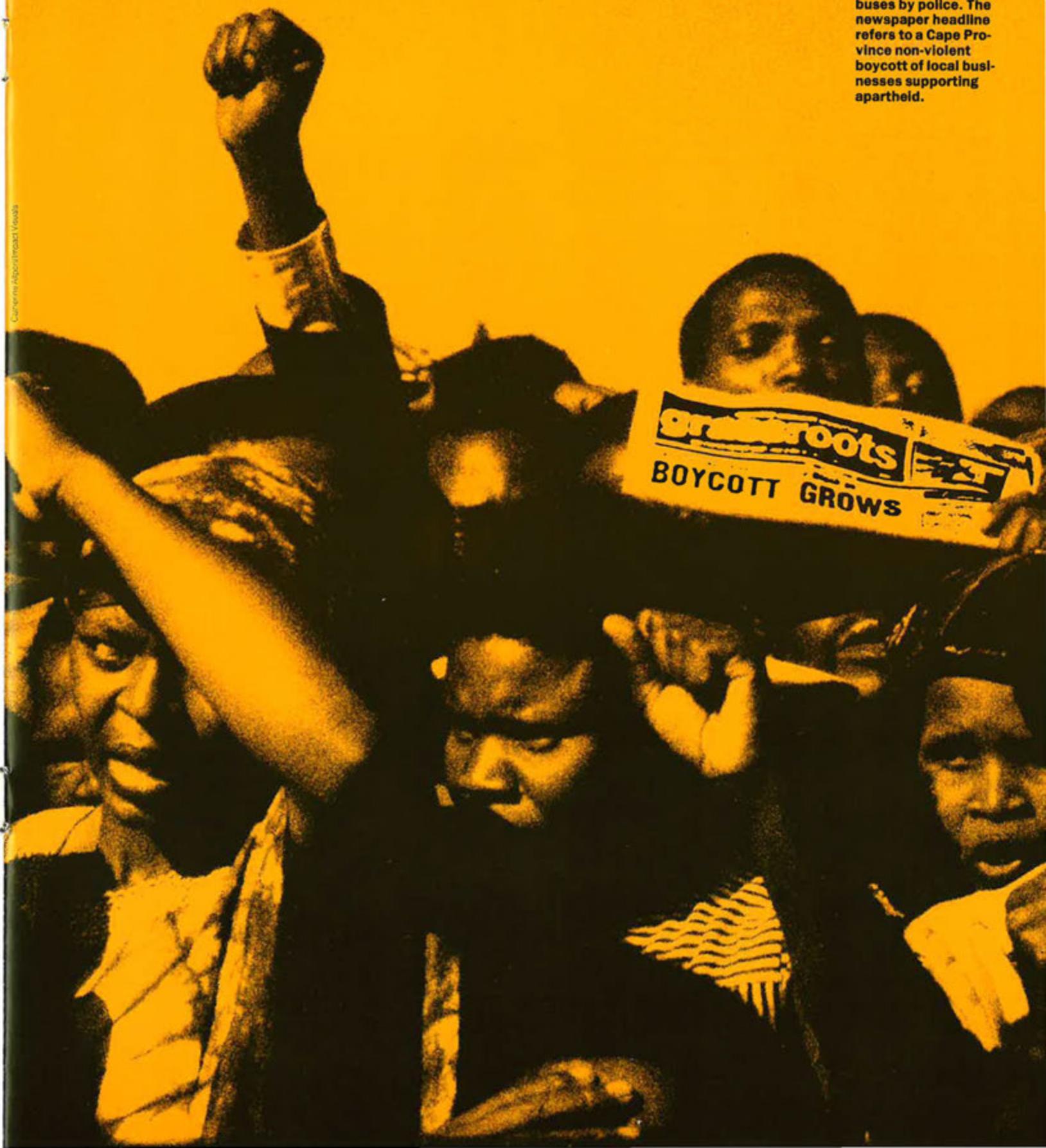
Bishop Tutu, winner of the Nobel Peace Prize, said it best in 1984: "Foreign companies in South Africa should stop kidding themselves by saying they are there for our benefit. That's baloney. Whether they like it or not, they are buttressing an evil system."

Worst of all from the standpoint of the corporation's shareholders and investors, Shell remains committed to cooperating with the apartheid regime — and refuses to even let the issue be voted upon at its shareholders' meetings.

This is not only bad business within an immoral environment: it is bad management jeopardizing Royal Dutch/Shell's image and profits in every nation for the sake of a shopworn and shameful commitment to one nation in which Shell has less than one percent of its assets.

That heralds a profoundly unwise investment for all current and future shareholders, individual and institutional alike.

Walking to the funeral of murdered civil rights lawyer Victoria Mxenge, these South Africans were forced off their buses by police. The newspaper headline refers to a Cape Province non-violent boycott of local businesses supporting apartheid.



## The Shell Boycott Is Working

"The Shell boycott is one of the more dramatic examples of the escalating pressures that have faced most multinational corporations operating in South Africa."

—The Washington Post, front page; November 29, 1986

Because of these activities in South Africa, an international boycott of gasoline and other petroleum products produced by Royal Dutch/Shell and its subsidiaries (including Shell Oil in the United States) was launched in January, 1986, by a large coalition of labor, church and civil rights groups.

The boycott already has been successful in causing substantial reductions in the corporation's sales and the loss of important contracts internationally.

More than 70 organizations in the U.S. are helping to direct the Shell boycott, including the UMWA and the UAW, the Free South Africa Movement, the AFL-CIO with its 89 affiliated unions and 13.1 million members nationwide, the National Education Association, the NAACP, the National Organization for Women, and the Rural Coalition of 140 citizen action groups. The combined membership of individuals represented by these organizations totals more than 20 million Americans.

Full-scale boycott activities also are being carried out in Royal Dutch/Shell's home-base countries of Great Britain and Holland, and in:

Sweden	Denmark	Norway
Belgium	Italy	Australia
Canada	Portugal	Ireland

Earlier this year, the Anti-Apartheid Movement in Great Britain turned its energies from Barclays Bank — which recently succumbed to pressure to withdraw from South Africa — to Royal Dutch/Shell. This influential organization intends to conduct the same type of consumer and shareholders campaign

against Shell which eventually was so persuasive to Barclays.

In such a competitive market as gasoline and oil products, consumers increasingly are willing to switch brands and send the kind of message to Shell it most hates to hear: reduced sales and profits as long as it stays in South Africa.

The international Shell boycott has been in effect only since early 1986, yet already it has received wide attention both in the news media and, more significantly, in the boardrooms of institutional investors and at the headquarters of Royal Dutch/Shell and its subsidiaries.

The heat is being applied and there are distinct signs that Shell is starting to sweat. Corporation officials have admitted openly that the boycott has been effective.

### Shell Official Says Boycott Is Effective

Calling the boycott "an onslaught," John R. Wilson, the chairman of Shell South Africa, told his senior executives late in 1986, "We would have difficulty pretending" that the Shell Boycott is not a major factor in company discussions.

Wilson also conceded that "Strategically, one couldn't choose a better or bigger target [than Shell].... Shell's position is not comfortable. The threat of disinvestment is real. It is important that everyone accepts that."

Wilson also informed his staffers that Shell South Africa "is involved in a struggle for survival" and may be forced to pull out of the country unless the apartheid government pushes ahead faster with racial reforms.

GUARDIAN 3-2-87

Boycott campaign worries Shell

FINANCIAL TIMES

US funds urge Royal Dutch to pull out of S. Africa

By James Buchan in New York  
TWO MORE US pension funds rescheduled, JANUARY 27

THE WALL STREET JOURNAL, TUESDAY, JANUARY 27  
Royal Dutch/Shell Is Target of Anti-Apartheid  
THE HAGUE — International anti-apartheid groups plan to step up their campaign against the oil giant Royal Dutch/Shell

2 funds call for meeting  
Royal Dutch's S. African business quest

By Trudy Ring

Two large tax-exempt funds have called for a special shareholders' meeting concerning Royal Dutch Petroleum Co.'s South African operations. New York City Teachers' Retirement System and the \$45 million Mutual Benefit Fund of the American Baptist Board Church invited the two funds to have representatives at the first time shareholders' meeting in South Africa. The two funds represent a special company in South Africa, based in The Hague. The Netherlands-based fund, which includes shareholder resolutions calling for it to leave South Africa, operates there through a subsidiary. The annual meeting is scheduled for March 21.

PENSIONS & INVESTMENTS

**Shell Discredit Cards**  
were issued by  
leaders of the  
Boycott Shell Com-  
mittee in Washington  
early last year as the  
boycott was  
announced. Joining  
UMWA President  
Richard Trumka  
(center) and UAW  
President Owen  
Bieber (right) was  
Randall Robinson,  
director of the Free  
South Africa  
Movement.

"If the bottom line of Royal Dutch/Shell is adversely affected internationally, the shareholders will have to reconsider their position," Wilson ventured.

Reaction to Wilson's candor hit the white South African community like a bombshell. Under the headline of "SHELL SHOCK!" the *Johannesburg Sunday Times* commented that "Any move by Shell to run down its operations would be a heavy psychological blow to South Africa."

Even President P.W. Botha remarked about the pervasive impact a Shell withdrawal would have on the South African economy.

#### **Boycott Has Hurt Company Sales**

Actions by millions of citizens in 12 nations participating in the Shell boycott were among the factors which led Wilson to make these observations.

In the United States, in several cities, sales at Shell stations have plunged, gasoline prices have been



Ray Crown Page One Photo/AF

drastically lowered, and dealers have resorted to offering promotional gimmicks to regain customers. Several station owners even have abandoned Shell and switched gasoline brands.

Several institutional shareholders have divested their stock in Shell companies in response to the boycott. These have included:

- The Los Angeles County Board of Investors, which sold \$15 million worth of stock;
  - The City of Detroit, which sold \$3 million worth of stock;
  - Harvard University, which sold \$32 million worth of stock;
  - Several labor unions and religious groups, which sold more than \$12.5 million worth of stock.

recently urged its member churches to intensify action against Royal Dutch/Shell, noting that "oil is the only strategic raw material that South Africa does not possess. Shell not only refines it for South Africa, but also has appointed armed security personnel to work with the South African Defense Force."

The International Confederation of Free Trade Unions, representing 90 million union members in 94

The National Council of Black Mayors (whose members include such thriving cities as Los Angeles, Atlanta, Chicago, and Birmingham) resolved that its members will

work to divest all city funds from Shell companies, withdraw Shell credit cards issued to city employees, and ban purchases of Shell products by city agencies. The National Black Caucus of State Legislators approved an identical resolution.

Overseas, Shell boycotters have persuaded Shell's largest bulk purchaser in Great Britain, the Inner London Education Authority, to cancel its \$18 million oil contract. The company is losing other contracts from other municipalities throughout Great Britain.

In Denmark, the city of Copenhagen is expected soon to join other smaller Danish municipalities in switching to Shell competitors for its fuel supplies. The largest city in Norway (Oslo) has given Shell a deadline of August 1, 1987, to pull out of South Africa or lose all its municipal contracts there. In Sweden, even the Shell gasoline station owners have called for Shell to get out of South Africa.

The World Council of Churches recently urged its member churches to intensify action against Royal Dutch/Shell, noting that "oil is the only strategic raw material that South Africa does not possess. Shell not only refines it for South Africa, but also has appointed armed security personnel to work with the South African Defense Force."

The International Confederation of Free Trade Unions, representing 90 million union members in 94 countries, is also actively promoting the boycott, as are seven other international labor bodies representing 30 million members around the world.

**"If those [anti-apartheid] pressures reach intolerable levels then the company would have to give serious thought to pulling out of South Africa. . . . Clearly the boycott action against Shell is growing. Shell South Africa contributes a small portion of the Group's total income—about one percent. And clearly if the international pressures are such that the bottom line of the Group is affected, the shareholders would have to think again about its presence in this country."**

—John R. Wilson, Chairman, Shell South Africa

Shell's international market for its cheap South African Rietspruit coal also is evaporating. Among the industrial nations which have banned imports of South African coal are the United States, France, Canada, Australia, Denmark, and Sweden. Port workers in England and Wales have refused to unload South African coal, and some Dutch power plants have stopped using it to generate electricity.

Faced with this loss of business, Shell Oil's spokesman Tony Cimino told the *Washington Post* that, "The boycott is a concern to Shell. This could adversely affect the business of our dealers and jobbers. They're the ones who see the picketers and have the customers turned away . . . ."

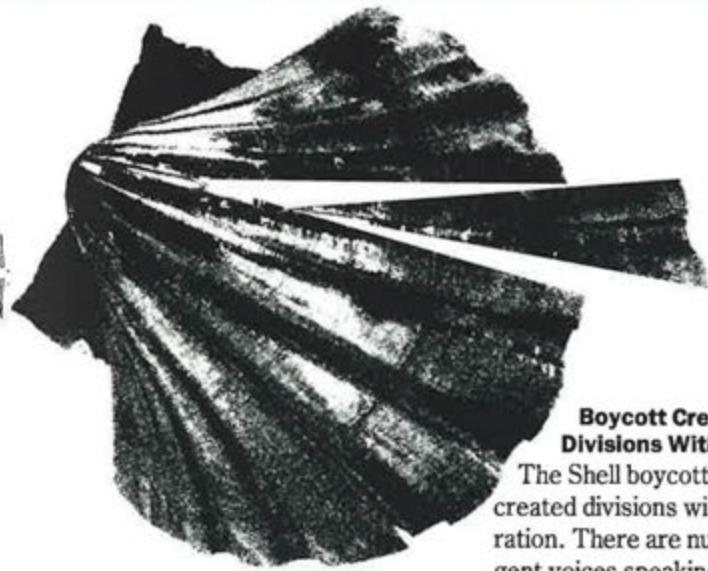
A Business International report on South Africa observed several months ago, "A global campaign to force the Royal Dutch/Shell Group to withdraw from South Africa is beginning to draw blood. . . . The growing pressure on the company opens an ominous new chapter in the disinvestment debate, with European activists introducing the same tactics against Shell that have proved so successful in the U.S."

The United States alone provides Royal Dutch/Shell with more than 40 percent of the multinational's global profits. The company's long-term interests in the U.S. market and in the other industrialized countries where the boycott is active should be sufficient to convince Royal Dutch/Shell and its shareholders that their interests clearly lie outside of South Africa.

Lunch hour picketing in Washington, D.C., earlier this year included Richard Womack, Civil Rights Director of the AFL-CIO, and Blondell Stewart of the Communications Workers in front of the Shell Oil Company's legislative offices.



Dean Curts of USA TODAY



### Boycott Creates Divisions Within Company

The Shell boycott already has created divisions within the corporation. There are numerous divergent voices speaking for Royal Dutch/Shell on the corporation's role in South Africa — several dismally at odds with each other from the viewpoint of shareholders

trying to assess the company's true policy. Here's a sampling from the Shell smorgasbord:

"If the bottom line of Royal Dutch/Shell is adversely affected internationally, the shareholders will have to reconsider their position."

—John R. Wilson, Chairman, Shell South Africa

"Our boat seemed to develop a leak in 1985. Far from crossing the Rubicon, most South Africans, I am sure, felt that they were drowning in it by the end of the year. Not only was the country in the trough of the business cycle, but its people were in turmoil."

—John R. Wilson, Chairman, Shell South Africa, 1985

## Boycott in U.S., Europe Vexes Royal Dutch Shell

*Labor, Rights Groups Seek Disinvestment*

Second in an occasional series

By Michael Isikoff  
Washington Post Staff Writer

It began with a murky labor dispute at a South African coal mine: The death of a worker in a dump truck accident led to a strike by miners over their right to hold a memorial service. As tensions escalated, private security forces using tear gas and rubber bullets were called in and 129 workers were fired by management.

That February 1985 incident at South Africa's Rietspruit mine, half

last spring, gasoline fire bombs exploded at Shell stations in the Netherlands, and there have been reports of vandalism at a handful of other Shell stations. On Nov. 15, during an international "day of action" against Shell, a company service station in Denmark had its gas hoses cut and sugar dumped into its gas tanks.

The Shell boycott is one of the more dramatic examples of the escalating pressures that have faced most multinational corporations operating in South Africa. The extent to which those pressures have spread across the Atlantic was underscored last week when Britain's Barclays Bank announced it will be leaving the country, following the lead of such major U.S. firms as General Motors Corp. and International Business Machines Corp.

But there is another dimension to the debate over Shell that has prompted antiapartheid activists to target the company. Royal Dutch Shell, a giant Dutch-British concern with headquarters in London and The Hague, is the oil company with the largest and most extensive investments in South Africa. As a result, they say, Shell's operations there symbolize one of the most sensitive issues in the debate over South African disinvestment: the crucial, and secretive, role that in-

"It is difficult to view the situation in South Africa with anything but foreboding and sadness for the human tragedy that seems to be developing.... New investment will come now only when genuine political change is underway."

—Lo van Wachem,  
President,  
Royal Dutch Petroleum Co.

"I find the logic of the anti-apartheid movement so wrong. If you really applied the logic, you would pour money into the country.... a Marshall Plan thing. I really think disinvestment is the last thing you do."

—Peter Holmes,  
Chairman,  
Shell Transport and Trading Co.

"One is imbedded in a terrible system (in South Africa). When it becomes clear that one cannot do much, then one has to pose the question as to whether it is morally justified to work in a country with a reprehensible regime.... If we were not already there, then I would not have gone to South Africa."

—G.A. Wagner,  
Supervisory Board Chairman,  
Royal Dutch Petroleum Co.

### SOUTH AFRICA

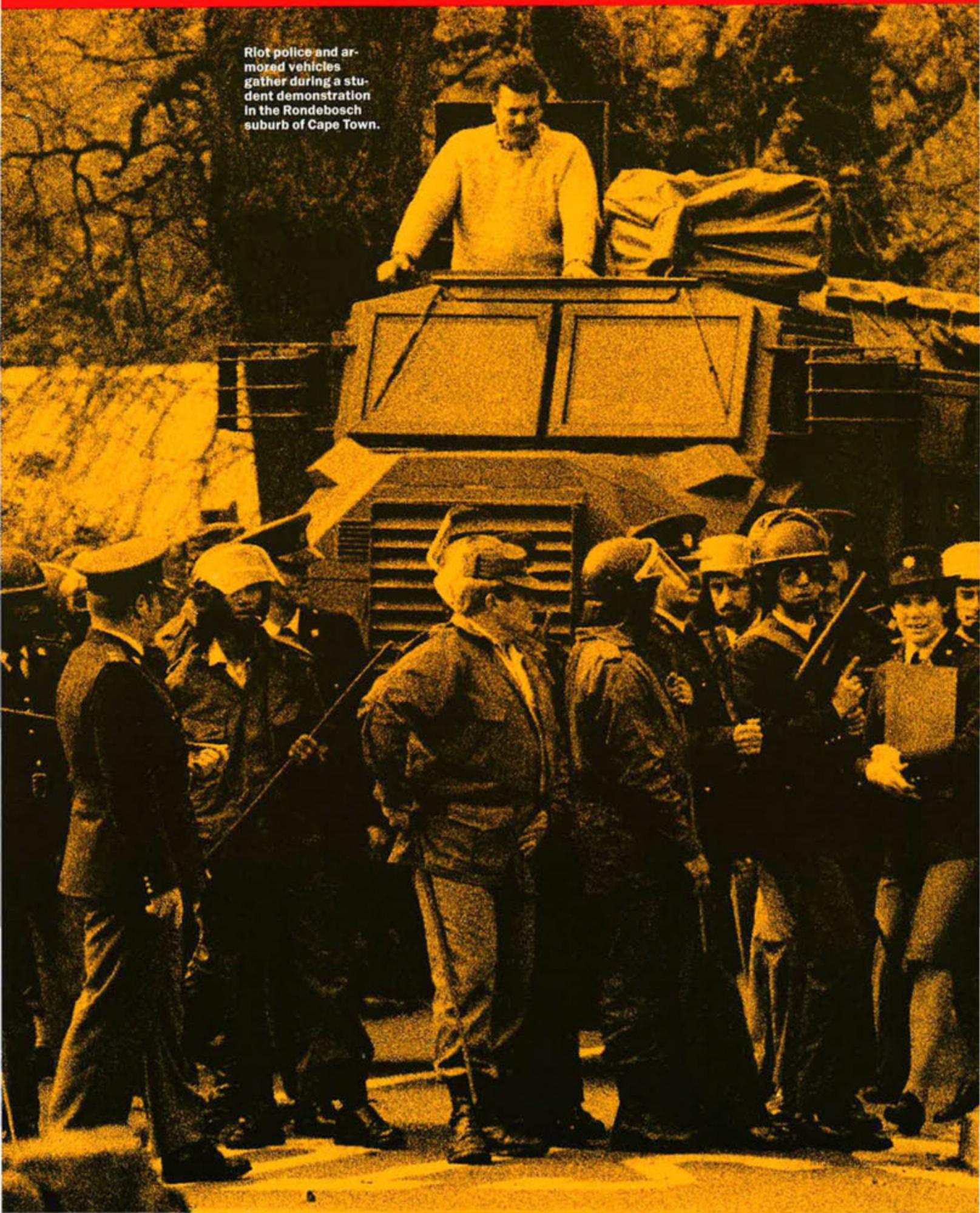
INTERNATIONAL PRESSURES

of which was owned by Royal Dutch Shell, was the spark for what has turned into an international boycott of Shell spearheaded by a coalition of American labor and antiapartheid groups demanding that the company pull out of South Africa. In the United States, the campaign has produced picketing in front of Shell gas stations in more than 20 cities, demonstrations in front of Shell corporate offices and the cutting up of hundreds of Shell credit cards.

In Europe, where boycott activity has spread to seven nations, some of the consequences have been more disruptive: On two occasions

See SHELL, A17, Col. 3

Riot police and armored vehicles gather during a student demonstration in the Rondebosch suburb of Cape Town.



## Shell's Mismanagement

Corporate mismanagement is a primary reason why universities, municipalities, labor unions, pension funds, church investors and other institutions are swiftly moving to divest their sizeable holdings of Shell companies' stocks and bonds, and why others are calling for a special shareholders' meeting to address this issue.

Investors are concerned that the company is willing to incur a worldwide boycott just to protect one subsidiary which represents less than one percent of the corporation's global assets. They are worried that senior Shell management is willing to let the corporation suffer financial losses due to its ongoing commitment to the apartheid regime.

Shareholders are furthermore concerned that the corporation's management has expressed a remarkable ignorance over the activities of its South African subsidiary, particularly in regard to Shell South Africa's supply of petroleum products to the South African military and police.

The company's response to these concerns has been less than credible. Royal Dutch Petroleum president Lo van Wachem states that "The fact remains that we do not know whether Shell South Africa supplies oil products to the South African military and police because Shell South Africa is not allowed by law to tell us. We appreciate that people may find this difficult to believe, but it happens nevertheless to be true."

Company management has made similar statements with regard to Shell South Africa's importation of crude oil into South Africa. Michael Herbert, Director of External Affairs for Shell Transport & Trading Company, was quoted in the *Washington Post* of November 29, 1986, as saying; "Nobody in this office or in The Hague knows where the [crude] oil comes from. Obviously, Shell South Africa knows, but they are not allowed to tell us . . . I realize that doesn't sound very credible and this is one of the problems we face. But it does happen to be true." Mr. van Wachem has issued similar statements on the importation of crude oil into South Africa.

Both van Wachem and Herbert admit to the company's "credibility" problem. Shell South Africa is a wholly-owned subsidiary of the Royal Dutch/Shell Group of Companies. The actions of Shell South Africa are thus the *responsibility* of the management of the Royal Dutch/Shell Group of Companies, and, ultimately, the responsibility of the shareholders of Royal Dutch Petroleum Company and Shell Transport & Trading Company. Management's admitted ignorance of the activities of one of its subsidiaries is a serious breach of its responsibilities to the shareholders of the company.

"What we are saying is that if the international pressures reach intolerable levels, the company will have to give serious thought to pulling out of South Africa."

—John R. Wilson,  
Chairman, Shell  
South Africa.  
*The London Daily  
Telegraph*

"Any move by Shell to run down its operations would be a heavy psychological blow to South Africa."

—The Johannesburg Sunday Times, October 19, 1986, under banner headline "SHELL SHOCK"

## **Shareholders Call for Special Meeting**

Some shareholders are so concerned that they are currently attempting to force a special shareholders' meeting of the Royal Dutch Petroleum Company to vote on Shell's withdrawal from South Africa.

Royal Dutch Petroleum has firmly refused to let this issue be voted upon at its regular 1987 shareholders' meeting in May. But Dutch law and the corporation's own bylaws require that an extraordinary shareholders' meeting must be conducted if investors holding 10 percent of the Royal Dutch Petroleum shares request the special session.

As this publication went to press, nearly 12 million of the 27 million shares required to force the shareholders meeting and vote on South Africa had been obtained—mainly through large institutional investors such as public employee pension funds in New York and California, the American Baptist and Presbyterian churches, Mellon Bank and Wells Fargo Bank.

The institutional investors who initiated the call for the special meeting argue that "First, as shareholders we have a responsibility to ensure that the company and its subsidiaries operate in a responsible and prudent manner in the communities in which they do business. It is our concerted opinion that the activities of the Royal Dutch/Shell Group of Companies in South Africa violate standards of ethical conduct because the company's very presence in South Africa supports the policies of the government."

**Marching to Pretoria**—The cream of the white South African power structure, featuring President P.W. Botha and his wife (third and second from right front) join other dignitaries and corporate officials in reviewing black members of the South African Defence Forces last November.



**Chain link fence separates young black South Africans from a white community near Johannesburg**

Investors also have been concerned about other examples of mismanagement which have created added huge liabilities for the corporation. Among the issues of concern are the following:

**■ Massive Liabilities Follow Shell's Pollution:**

In Denver, a federal judge has ordered Shell Oil and the U.S. Army to pay out \$357 million—and as much as *\$1.9 billion*—in costs to clean up the Rocky Mountain Arsenal northeast of the city. The 27-acre facility once operated by Shell Oil to produce deadly chemical weapons, nerve gas, and toxic commercial pesticides, has been frequently described as one of the most contaminated parcels of land in America.

**■ Price-Gouging Violations Cost Shell \$180 Million:**

Shareholders were stunned to learn early this year that the Houston-based Shell Oil Co. had agreed to pay out \$180 million to settle claims made by the U.S. Department of Energy that it had grievously overcharged its customers on crude oil and refined products from 1973 through 1981. It was unclear whether further price-control violations, penalties and settlements for the period 1981–1986 would be forthcoming.

**■ Shell Oil Risks Safety and Health of Employees, Causing Penalties:**

Further Shell mismanagement became widely publicized late in 1986 when the U.S. government charged Shell Oil with 61 "willful" violations of safety and health laws at Shell's refinery in suburban

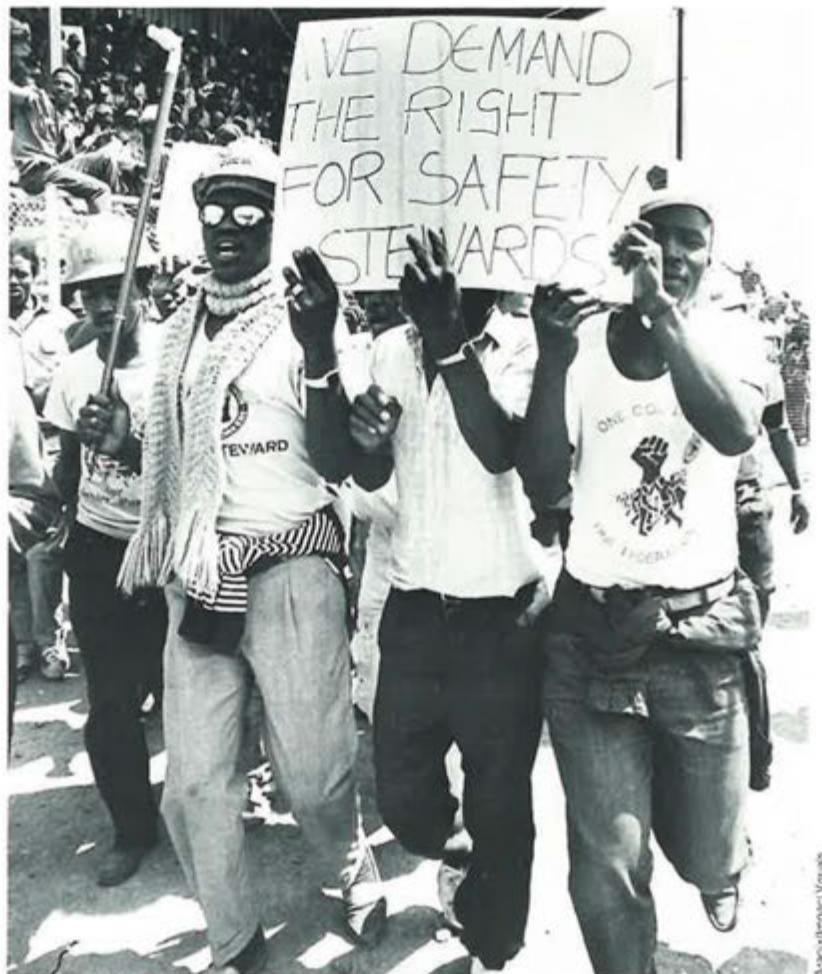
Houston, Texas. The government's OSHA announced fines totaling nearly \$250,000 after it learned of a wide spread of injuries to Shell workers (including burns, contusions and inhalation of toxic substances) which had never been reported to OSHA. Shell said it plans to fight the charges.

#### ■ Shell's Faulty Pipes Cause Consumer Health Hazards and Lawsuit Losses:

Shell managers, lawyers and shareholders are facing a nightmare product-liability situation stemming from a Shell Chemical product known as polybutylene (PB) pipes. Used in residential and municipal water and sewage systems, the Shell piping systems not only have been falling apart—but the fittings usually used with the PB pipes frequently emit formaldehyde into the water. Formaldehyde is believed to be a potent cancer-causing chemical for humans and animals.

The PB piping systems—which in Wisconsin have been failing in 30 to 50 percent of the houses within three weeks to three years of installation—have been banned by plumbing officials all across America and a California jury ordered Shell to pay out \$5.2 million because its managers tried to prevent disclosure of possible health hazards from the PB systems. Shell also agreed to pay out \$9 million as settlement of a PB system lawsuit filed by the City of San Antonio, Texas.

All of the above failings of Royal Dutch/Shell management are factors—along with, of course, last



Safety on the job is a major issue for South African coal miners employed by Shell, four of whom demonstrated at a commemoration service late last year at Secunda for 177 of their colleagues who perished in the Kinross mine disaster.

year's drop in world oil prices—contributing to the corporation's 16 percent plunge in net income during 1986 (\$3.99 billion) compared to 1985 (\$4.76 billion). In the United States last year, the picture was far worse: Shell Oil's dollar net income fell by 47 percent.

Yet despite the erosion of its profits, its contracts, its stature in the financial world, and its corporate image to consumers around the world, Royal Dutch/Shell persists in remaining in South Africa

with the effect of supporting apartheid.

There are two stark words for this: poor management.

In its 1985 business report, Shell South Africa states bluntly that its responsibilities are to shareholders, employees, customers and society—in that order.

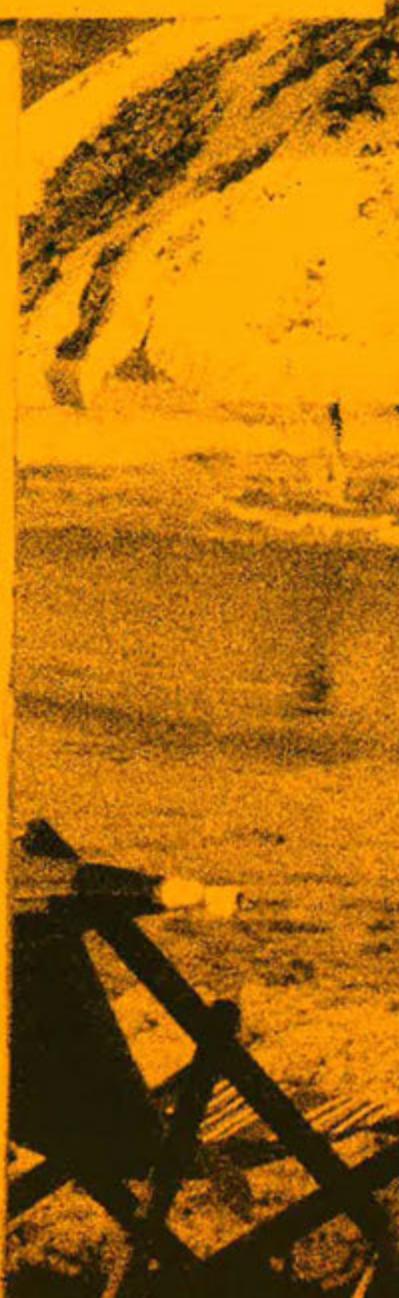
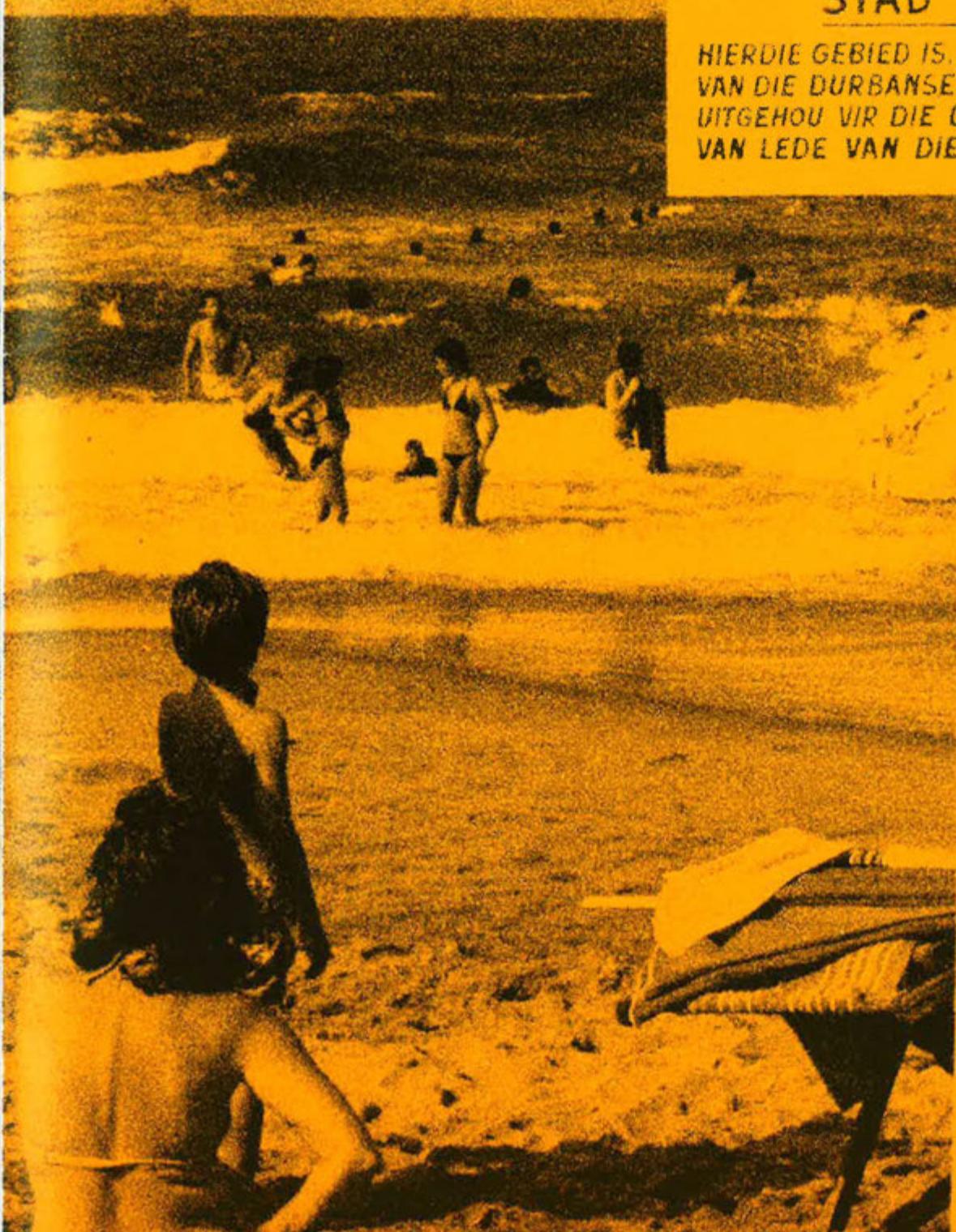
It is increasingly clear that the corporation's South African policies are undermining its responsibilities and commitments in all four categories.

## CITY OF DURBAN

UNDER SECTION 37 OF THE DURBAN BEACH  
BY-LAWS, THIS ~~BATHING AREA~~ IS RESERVED  
FOR THE SOLE USE OF MEMBERS OF THE  
WHITE RACE GROUP.

## STAD DURBAN

HIERDIE GEBIED IS, INGEVOLGE ARTIKEL 37  
VAN DIE DURBANE STRANDVERORDENINGE  
UITGEHOU VIR DIE UITSLUITLIKE GEBRUIK  
VAN LEDE VAN DIE BLANKE RASSEGROEP.



## Shell is a Bad Investment

What do these major American corporations know that Shell doesn't?

**"We had hoped that the pace of change to dismantle apartheid would permit us to forecast a time when we would not have to operate a business under an apartheid system. We have reluctantly concluded that our hopes were not justified and that we must now make the business decision to withdraw."**

**Colby H. Chandler  
Board Chairman and CEO,  
Eastman Kodak Company**

**"We probably were having more discussion and answering more questions from the news media about South Africa than anything else in the history of the company," said Dan Collins, manager of corporate information [for Bell & Howell Co.]**

**"At some point, people started saying, 'Hey, what are we talking about here? Why allow something that small to have such a major impact on the rest of the company? . . . Let's get the hell out."**

**The Washington Post  
November 17, 1986**

There could hardly be a worse time to invest in the economy of the Republic of South Africa.

With sanctions having been forced upon South Africa by the U.S. Congress and other governments, the situation is even darker than it was in late 1985 when Landis McKeller, an economist at the Wharton Econometrics Forecasting Associates in Philadelphia offered this assessment: "It would be difficult to imagine a worse operating environment for businesses."

A highly respected Wall Street firm, Rinfret Associates, warned its clients in 1985 that "South Africa could deteriorate rapidly into another Rhodesia-like situation of protracted guerilla warfare. Corporations operating in South Africa should be prepared to write-off the country if this occurs. We are not pushing the panic button. But we are advising clients to be prepared for the worst. It could happen at any time."

Frost & Sullivan, a New York-based consulting firm to many top U.S. corporations, has observed the steady deterioration of South Africa's economy as social and political instability spreads. Richard Hull, a Frost & Sullivan senior advisor, months ago assessed South Africa to be in a "pre-revolutionary stage" and predicted that "turmoil will clearly escalate."

Nearly two years ago, Frost & Sullivan gave South Africa's investment risk a "D + " over the following five years.

But the investment risk of Royal Dutch/Shell is even worse as long as it remains in South Africa. The

company already has been victimized there by explosions and arson at its oil storage facilities, its industrial laboratory and the oil pipeline it jointly owns.

Clearly, Royal Dutch/Shell is a corporation not only under siege but wavering under unprecedented pressure. As *The Washington Post* recently summed it up, "There are growing signs that the Shell boycott campaign has rattled the world's second largest oil company . . . In the U.S., company officials are openly expressing fears that the boycott might escalate and hurt the independent dealers and jobbers who operate about 11,500 Shell gas stations."

Royal Dutch/Shell tacitly acknowledges that the boycott and increasing public awareness of Shell's role in supporting apartheid is causing consternation in Shell boardrooms around the world.

When asked last year during an interview, "What happens if there is a further increase in the international pressure on Shell and the damage becomes very great?", Royal Dutch Petroleum President Lo van Wachem responded, "We would then ultimately be faced with having to make a very unhappy choice between our responsibilities with regard to Shell South Africa and its employees, on the one hand, and the other Group companies and their employees."

In an official letter to van Wachem urging Shell to stop fueling the South African military and police, New York City Comptroller Harrison Goldin declared that "The provision of goods or services to the government, its agencies and



New York City Comptroller and American Baptist Churches joined forces recently to pressure Royal Dutch Petroleum Co. into withdrawing from South Africa. Speaking at a March news conference were (from left) Gordon Smith, Treasurer of the Ministers and Missionaries Benefit Board of the American Baptist Churches; Harrison J. Goldin, Comptroller of the City of New York; and Kenneth Zinn of the United Mine Workers of America.

enterprises constitutes support for apartheid—a morally reprehensible policy.

"At the same time, we believe that the reckless, public-be-damned attitude evidenced by companies (such as Shell) that continue to make these sales to the Republic of South Africa makes them a poor investment," the New York City financial expert concluded.

South African police patrol graveyard near Port Elizabeth awaiting a funeral procession for eight blacks killed in April, 1986

"It is up to the international community to exert pressure on the South African government.... especially economic pressure, to go to the conference table.... This is our very last chance for change because if that doesn't happen... it seems the bloodbath will be inevitable."

—Bishop Desmond Tutu, October, 1984



## Conclusions on the Shell Game in South Africa

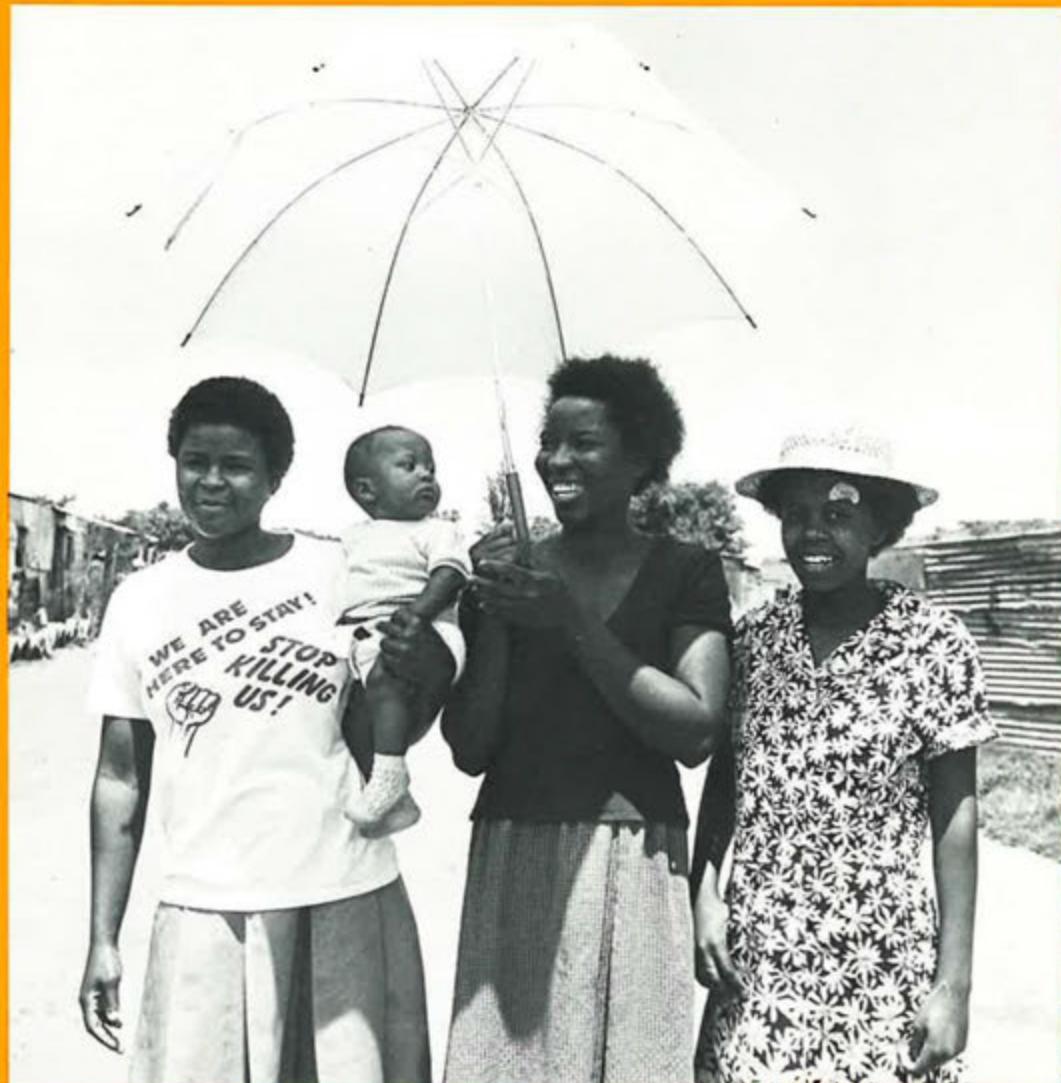
Despite its denials and efforts to improve its public relations within South Africa and around the world, Royal Dutch/Shell remains in crisis-ridden South Africa selling petroleum to that country's military and police against the wishes of the country's black majority population.

Efforts at convincing Shell's corporate management to leave South Africa on rational or moral grounds have proven fruitless over many years. As good executives, Shell's concern is making profit.

But now that profit is threatened by a worldwide boycott of all Shell products. It is a boycott which company officials have called an "onslaught." It is a boycott which Shell officials have said is effective in costing the company money. It is a boycott which has hurt the company's image around the world.

Yet, Shell remains in South Africa, holding on to a subsidiary valued at only \$400 million, less than one percent of the company's global assets. Management's intransigence does not make sense to the company's shareholders, consumers or employees. *It's just not good business.*

**Until Royal Dutch/Shell pulls out of South Africa, an investment in Royal Dutch/Shell is a bad risk.**



Paul Wartberg/Afrophoto/Stock Photo

Three women were among the many families living near Dukasie, South Africa, who faced eviction from their homes last Christmas because they were resisting "resettlement" into a less desirable area.

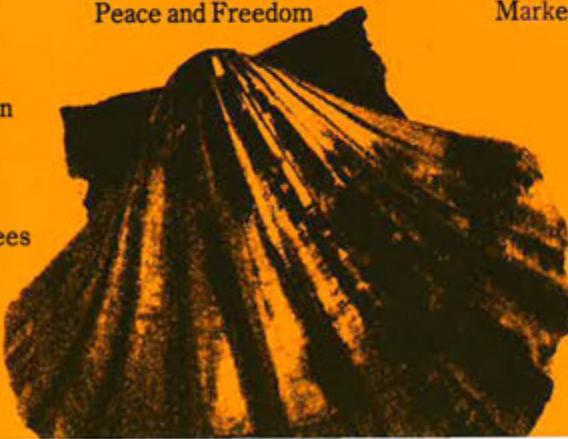
**U.S. Endorsers  
of The Shell Boycott**

A.F.L.-C.I.O.  
A. Phillip Randolph Institute  
Allied Industrial Workers of America  
Amalgamated Clothing and Textile Workers Union  
American Committee on Africa  
American Federation of Government Employees  
American Federation of State, County, and Municipal Employees  
American Federation of Teachers  
American Postal Workers Union  
Americans for Democratic Action  
ACORN  
Associated Actors and Artistes of America  
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Bakery, Confectionery and Tobacco Workers International Union  
Brotherhood of Railway and Airline Clerks  
Citizen Action  
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Citizen's Clearinghouse for Hazardous Wastes  
Clergy and Laity Concerned  
Coalition of Black Trade Unionists  
Coalition of Labor Union Women  
Communications Workers of America  
Episcopal Churchpeople for a Free Southern Africa  
Free South Africa Movement  
Graphic Communications International Union  
Groundwork for a Just World  
Hotel Employees and Restaurant Employees International Union  
Industrial Union Department, AFL-CIO  
Interfaith Center on Corporate Responsibility

International Association of Fire Fighters  
International Association of Machinists & Aerospace Workers  
International Alliance of Theatrical & Stage Employees  
International Chemical Workers Union  
International Council of African Women  
International Federation of Professional and Technical Engineers  
International Ladies Garment Workers Union  
International Longshoremen and Warehousemen's Union  
International Molders' & Allied Workers' Union  
International Union of Bricklayers and Allied Craftsmen  
International Union of Electronic, Electrical, Technical, Salaried and Furniture Workers (IUE)  
Leadership Conference on Civil Rights  
Mechanics Education Society of America  
N.A.A.C.P.  
National Alliance of Postal and Federal Employees  
National Association of Letter Carriers  
National Black Caucus of State Legislators  
National Conference of Black Mayors  
National Education Association  
National Organization for Women  
National Rainbow Coalition  
Newspaper Guild  
North American Farm Alliance  
Office and Professional Employees International Union  
Pesticide Education and Action Project

Progressive National Baptist Convention  
Retail, Wholesale, Department Store Union  
Rural Coalition  
Seafarers' International Union  
Service Employees International Union  
Southern Christian Leadership Conference  
TransAfrica  
Transport Workers Union  
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United Automobile, Aerospace & Agricultural Implement Workers of America  
United Brotherhood of Carpenters and Joiners of America  
United Electrical, Radio and Machine Workers of America (UE)  
United Farm Workers of America  
United Food and Commercial Workers  
United Mine Workers of America  
United Paperworkers International Union  
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