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August 30, 2007

Via Email: rule-comments@sec.gov
Via U.S. Postal Service

Nancy M. Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File Numbers S7-16-07 and S7-17-07

Dear Secretary Morris:

Teamster-Affiliated Pension and Benefit funds hold approximately $100 billion in equity assets representing the retirement security of roughly 1.4 million active and 600,000 retired members of the International Brotherhood of Teamsters (IBT). On their behalf, I submit the following comment on the Securities and Exchange Commission's (SEC) proposed rules regarding the rights of shareholders to propose bylaw amendments concerning board procedures for director nominations, as well as the open-ended questions posed by the Commission regarding the broader structure of Rule 14a-8.

As investors, we expect the SEC to protect the rights of shareholders and create policies that will foster corporate accountability and investor confidence in the capital markets. Unfortunately, we believe the Commission's S7-16-07 and S7-17-07 proposals do just the opposite. The proposed rules would curb-not protect-- investors' rights and would undermine legitimate efforts by long-term investors who seek to have meaningful elections of corporate directors charged with protecting their interests and investments.

We believe the proposed rules would:

- Strip shareholders of their fundamental right as company owners to propose meaningful changes to how their board representatives are elected;
- Deny both management and shareholders the benefits of allowing them full consideration of profound electoral reforms; and,

- Disenfranchise and isolate long-term investors at a time when increased accountability, transparency and engagement are vital to the success of our capital markets.

Additionally, we believe these critical policy concerns are so fundamental and far-reaching they warrant the consideration and acumen of a full commission so as not to risk partisanship. Commissioner Roel Campos' imminent departure from the commission, in our opinion, requires the SEC to take no action on these proposed rules at this time and steadfastly preserve shareholders' current rights under Rule 14a-(8).

We further believe that the open-ended questions posed by the Commission for general comment on Rule 14a-8 undermine the robust and dependable governance process that has generated meaningful policy reforms over the past 30 years--improving corporate accountability and facilitating productive shareholder-management relations.

We urge the SEC not to adopt either rule and instead allow investors and companies to explore the possibilities afforded them by the ruling of the Second Circuit in the AFSCME case. The court's ruling has created a vital opportunity for investors to posit reforms that will finally give them a meaningful voice in the election of directors. We believe it would be shortsighted for the SEC to adopt new rules on this issue in haste before investors are able to test and evaluate this newly available proxy access option.

Fundamental Equity Rights in Jeopardy

The integrity of the process by which directors are nominated and elected is critical to investor confidence. As owners of a company, shareholders are entitled to help shape this process through the submission of governance proposals that receive the attention and consideration of other shareholders and management.

However, the proposals set forth in Files S7-17-07 and S7-16-07 strip shareholders of their due rights as company owners to propose bylaw amendments concerning shareholder nominations of directors.

Equally damaging, file S7-16-07 would give shareholders only nominal access to the proxy for their proposed bylaw amendments regarding shareholder nominations of directors. In practice, the proposal's five percent ownership threshold and additional disclosure provisions would render electoral proxy access proposals off-limits for most long-term shareholders.

The five-percent ownership threshold permitting submission of shareholder-proposed bylaw amendments concerning director nominations under File S7-16-07 is unreachable for even major institutional shareholders. As media accounts report, even the largest U.S. pension funds rarely hold one percent of a major company. By creating

such a steep benchmark with the five-percent ownership provision, we believe that the SEC would disenfranchise both individual and institutional investors, nullifying the proposal's stated intention of facilitating shareholders' exercise of their rights.

It has been suggested by Chairman Cox that the electronic shareholder forum, another aspect of File Number S7-16-07, would facilitate greater interaction among shareholders, providing them an opportunity to form a group that collectively meets the five-percent threshold. While such a forum might indeed facilitate greater online interaction between shareholders, it in no way alters the unreasonable challenge presented by the five-percent requirement or the message such a threshold sends to investors about their rights in the director election process.

Also, of deep concern, is the proposed rule's one-year holding period. If adopted, this would enable short-term investors such as hedge funds to use proxy access as a tool for short- term gain at the expense of "long-term value creation." A more reasonable holding period is at least two years. The Teamsters Union supports the fundamental belief of the Aspen Institute's Corporate Values Strategy Group's Guiding Principles for Corporations and Investors that concludes the proper focus for investors and issuers should be long-term value creation.

Further, the onerous disclosure provisions in File S7-16-07 would make compliance unnecessarily arduous and would hinder shareholders' ability to informally engage with management. The provisions "would require disclosure regarding any meetings or contacts, including direct or indirect communication by the shareholder proponent, with the management or directors of the company that occurred during the 12-month period prior to the formation of any plans or proposals, or during the pendency of any proposal."

By requiring the tedious recording and disclosure of all communications over the course of a year, these unduly burdensome requirements would discourage much of the informal dialogue that occurs throughout the filing process between proponents and management. This dialogue is often key to establishing productive, good faith shareholder-management relationships. Formalizing all communication in this way would lead to an increase in shareholder proposals and no-action requests and create a more adversarial relationship between proponents and companies.

Proof that dialogue between companies and proponents has been beneficial is found in the steady drop of no-action requests to the Commission. In 2007, the Staff received and responded to 356 no-action requests, compared to 370 in 2006. These numbers represent a sharp drop from 450 no-action requests in 2004 and 2005, and in our opinion reflect greater success in negotiating a resolution of these issues between companies and institutional investors. Any interference in this process will needlessly undermine the significant progress that's being made.

Benefits of Shareholder Democracy

The SEC's reluctance to grant shareholders the right to propose electoral proxy access amendments impedes shareholder democracy and denies the majority of investors the benefits of considering and voting on important reforms.

We urge the SEC to consider that, regardless of any submission ownership threshold, shareholder-proposed bylaw amendments regarding director nominations would still need the support of a majority-and in many cases a supermajority-of shareholders to take effect. Therefore, amending File S7-16-07 by calling for a significantly lower ownership threshold would more effectively strengthen shareholder democracy and make the proposal of such bylaw amendments far more meaningful.

In this vein, we encourage the SEC to consider the precedent set by many companies and investors who have embraced with great success corporate governance reforms proposed by shareholder proponents owning far less than five-percent of the company.

As an example from our own experience, in 2007 the International Brotherhood of Teamsters General Fund filed non-binding shareholder resolutions at six companies urging the adoption of a majority vote standard for uncontested director elections. In each case the fund held far less than one percent of the outstanding shares, and the resolution was met with majority support, with at least five of the companies adopting the proposed standard. In fact, the proposal was withdrawn at three companies and garnered support averaging 65 percent at the remaining companies. One of the adopting companies-International Paper Company-endorsed the resolution when it went to a vote and another company-CSX Corporation-later heralded the reform, saying it "reinforces CSX's commitment to corporate governance practices that provide a greater level of accountability to our shareholders."

These valuable efforts by minority shareholders underscore that a five-percent submission threshold for proxy access proposals-or any shareholder proposals, for that matter - could deny companies and shareholders the meaningful benefits reaped from shareholder engagement in the proxy process.

Integrity of the Market Remains At Stake

Years after the devastation caused by Enron, WorldCom and others, stock option backdating scandals and executive windfalls persist, raising serious questions regarding board oversight and accountability. These continuing management problems erode investor trust and threaten the retirement security of hundreds of millions of workers.

While moderate reform efforts have made effective strides in increasing transparency and investor engagement, the persistent executive pay scandals reinforce that proxy access is critical for shareholders to hold directors accountable and maintain confidence in the markets.

Proxy contests, though permitted under state law, are not a feasible option for most shareholders, for whom the cost of such endeavors is prohibitive. Even with the benefits of reforms like majority-voting standards for director elections, under the current system shareholders are largely left to vote on management's nominees, making directors less accountable to investors.

We believe that the success of the capital markets requires investor confidence in corporate responsibility, performance, and accountability. A failure by the SEC to protect investors' rights to enhance all of these areas could have serious long-term consequences for shareholders and the capital markets alike.

Open-Ended Questions on the Shareholder Resolution Process

Finally, we are deeply concerned by the open-ended questions regarding the broader structure of Rule 14a-8 that accompany the proposal in File Number S7-16-07.

We urge the Commission not to seek changes to Rule 14a-8 as implied--given its profound value in fostering accountability and facilitating meaningful reform. The robust governance processes outlined by Rule 14a-8 serve both shareholders and management by creating a healthy, predictable structure in which shareholder concerns are vetted and addressed in a productive manner. By giving shareholders a dependable process through which to voice their concerns and ideas, Rule 14a-8 creates constructive engagement and dialogue between investors and management, resulting in the increased accountability and integrity upon which the success of our capital markets depends.

We fear that any rollback of shareholder rights under Rule 14a-8-including allowing companies to opt-out of federal regulation under Rule 14a-8; permitting companies to use electronic petitions for non-binding resolutions in lieu of Rule 14a-8; and, increasing submission thresholds for the filing of resolutions-would have catastrophic effects on shareholder-management relations and corporate accountability and would replace the current standard of efficiency and order with regulatory chaos.

Any effort to weaken shareholder rights as outlined under Rule 14a-8 would represent a sea change by the Commission in its mission to defend investors' rights which we would vigorously oppose if a formal rule were to be proposed. The Commission has never in its history placed itself in a position where it rolled back investor rights. It shouldn't start now.

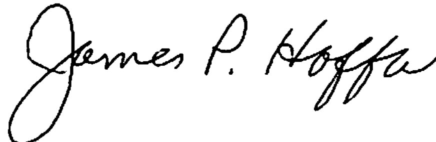
Conclusion

Electoral proxy access is a critical investor issue that garners powerful shareholder support. In 2007, three proxy access shareholder resolutions achieved average support of 44% - showing tremendous momentum for a new shareholder proposal. As a testament to our own conviction on this issue, in 2004 more than one hundred trustees representing forty-six separate Teamster-affiliated funds wrote letters encouraging the SEC to adopt a new rule under 14a-8 to permit shareholder-nominated director candidates to appear in the corporate proxy statement and on its proxy card.

We oppose both of the Commission's proposed rules, as we believe they undermine the SEC's core mission to protect investors' interests. We urge the SEC not to adopt any changes that would impact proxy access or roll-back shareholder rights as provided by Rule 14a-8-particularly without having given investors and management the chance to test and assess the new proxy access options afforded by the AFSCME ruling. If we can be of further assistance please do not hesitate to contact Jamie Carroll, Project Manager, International Brotherhood of Teamsters, Capital Strategies Department, at (202) 624-8990 or **jcarroll@teamster.org**.

Thank you for the opportunity to present our views on this important matter.

Sincerely,



James P. Hoffa
General President

JPH/jc