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DEPARTMENT OF  
DATA MANAGEMENT

CITY OF SACRAMENTO  
CALIFORNIA

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SACRAMENTO, CA  
95814-2601

916-449-5763

November 28, 1990  
BW-07:ab

Joint Budget and Finance/  
Transportation and Community Development Committee  
Sacramento, California

Honorable Members in Session:

SUBJECT: Purchase of Commodities and Services from  
Firms Affiliated with South Africa

SUMMARY

This report requests that the City Council grant a waiver in accordance with Sections 4(a), 4(c)(1), 5(a) and 5(c)(1) of City Resolution 87-030, concerning the use of Professional Service Firms and Purchase of Commodities from firms affiliated with South Africa.

BACKGROUND

With the acquisition of an IBM mainframe by the City in 1986, a long term commitment was made to IBM compatible hardware, software and maintenance. Since then, the experienced reliability and quality of the IBM acquisitions and services, as well as the desire for continuity of vendor support, has made IBM the vendor of choice, even when acquiring used hardware. In many cases, no other vendor offers required operating software for the IBM mainframe and no vendor provides the quality of support and service for IBM hardware and software that IBM provides. The selection of used IBM equipment available for purchase by the City surpasses that offered by other vendors which have no South Africa affiliation.

## ANALYSIS

In evaluating vendor's business ties with South Africa for purposes of satisfying anti-apartheid ordinances, there are several categories of business.

1. Companies with direct investment or employees in South Africa or Namibia.
2. Companies with no direct investment or employees in South Africa or Namibia, but have non-equity links via contracts, licensing, distribution, franchising, trademark or technological agreements.
3. Companies without investments or formal non-equity links, but whose products are distributed in South Africa or Namibia.
4. Companies with no relationship of any kind with South Africa or Namibia.

IBM is a Category 2 company. Due to this relationship, IBM has declined signing the City of Sacramento "South Africa Divestment Affidavit". Although no IBM commodities are manufactured or produced in South Africa or Namibia, IBM is listed in the U.S. Business in South Africa 1990, "Section II, U.S. Companies With Non-Equity Links to South Africa or Namibia".

According to the above referenced book, IBM sold its South African subsidiary March 1987 to a trust, Information Systems Management Ltd. (ISM), "headed by two of the South African subsidiary's managers and two of its outside directors (one of whom is black)... Under IBM's agreement with ISM, all employees are to have profit-sharing and an employee ownership plan...ISM is now the sole distributor for IBM products in South Africa. In addition, IBM provides marketing and servicing training to ISM employees."

In April 1990 IBM issued a statement regarding its relationship with South Africa and its commitment to a South Africa Projects Fund through 1992 to "help Black and other non-white South Africans move into the mainstream of South African society through education, economic development and legal reform." IBM stated that ISM will not sell IBM equipment to the South African police, military or apartheid-enforcing agencies, and will continue to meet IBM's commitments for fair employment.

Other governmental agencies such as Chicago, San Francisco and Los Angeles have exempted IBM from their South Africa ordinances for reasons of compatibility with existing hardware.

POLICY CONSIDERATIONS

With a waiver approved for continuing IBM purchases, where economically feasible, other vendors offering the same commodities or services will be considered in lieu of IBM. Otherwise, where compatibility or cost savings are key issues, IBM will continue to be the vendor of choice.

RECOMMENDATION

It is recommended that, in the best interest of the City, the City Council grant authorization for a waiver in accordance with Sections 4(a), 4(c)(1), 5(a) and 5(c)(1) of City Resolution 87-030.

Respectfully submitted,

*Barbara Weaver*

Barbara Weaver

Recommendation Approved:

*Walter J. Slife*

Walter J. Slife  
City Manager

Contact Person:

Barbara Weaver  
449-5763

December 11, 1990  
All Districts

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

RESOLUTION GRANTING A WAIVER IN  
ACCORDANCE WITH SECTIONS 4(A), 4(C)(1),  
5(A) AND 5(C)(1) OF CITY RESOLUTION 87-030

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

In accordance with Sections 4(a), 4(c)(1), 5(a) and 5(c)(1) of City Resolution 87-030 that International Business Machines Corporation (IBM) be granted a waiver to continue as a vendor providing services and commodities to the City of Sacramento.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_