INVESTIGATING THE IMPACT OF THE YEAR 2000 PROBLEM

RECENT EVENTS

Several key events have occurred since the close of the 105th Congress. The following is a partial list.

PRESIDENT'S YEAR 2000 COUNCIL

- On January 7, 1999, the President's Council on Year 2000 Conversion released its first quarterly summary of assessment information from its numerous industry-sector working groups. This report almost exclusively described the coordination processes at work in the various sectors and revealed little quantitative information on Y2K readiness.

UTILITIES

- On January 11, 1999, the North American Electric Reliability Council (NERC) issued its second quarterly report (fourth quarter 1998) to the Department of Energy. It boasted a 98% participation rate in its survey and reported steady progress in Y2K remediation. However, 56% of the nation's 3,200 electric utilities have yet to complete the most difficult phase of remediation and testing with less than 5 months to go to NERC's self-imposed deadline of June 30, 1999. The report indicates that several utilities will

not make this deadline, including one-third of the nuclear power-generation facilities.

HEALTHCARE

- The stockpiling of medications to insure that 26.5 million chronically ill citizens are protected during the Y2K period remains an open issue. The Special Committee's Vice Chairman, Senator Christopher Dodd, has requested that the President's Council on the Year 2000 develop a policy and procedural solution by May 1, 1999.

TELECOMMUNICATIONS

- On January 14, 1999 the Network Reliability and Interoperability Council presented its initial findings on the remediation efforts of the telecommunications industry which revealed that the industry plans to be Y2K ready by June 1999.

- The Teleco Forum completed its network testing and plans to release its report in February 1999. The Forum found no major interoperability problems in the network configurations tested. This testing focused heavily on the networks providing local

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phone service.

- The Alliance for Telecommunic a-tions Industry Solutions (ATIS) began testing for inter-network interoperability with results e x-pected by the end of the first quarter of 1999. This testing will focus primarily on long distance phone service. ATIS will also be testing the Government's Eme r-gency Phone System.

- In January 1999, the Joint Tel e-communications Resources Board (JTRB), which advises the President on emergency tel e-communications allocations, met to discuss what role it would play in a Y2K emergency. This was the first meeting of the JTRB during the Clinton admin istration.

TRANSPORTATION

- The December 1998 U.N. mee t-ing of Y2K leaders from over 100 countries identified ports and maritime shipping operations around the world as an area of great concern. There is very little known about the Y2K readiness of this sector, which greatly i n-fluences the global economy. In the U.S., over 95% of imports and exports go through U.S. ports. To raise the visibility of the seriousness of this issue worl d-wide, the International Maritime Organization, a U.N. affiliate, will host a major conference and workshop on this topic in London during March 1999.

- The American Public Transport Association, the major trade a s-sociation of American mass transit organizations, convened a Y2K workshop in Houston in January 1999. Over 100 org ani-zations were represented. However, this was a small pe r-cent of the over 6,000 mass transit organizations in the U.S. Frank presentations at this meeting revealed that major me t-ropolitan transit operations were not going to be completely ready for January 1, 2000. Conti n-gency Planning and Continuity of Business Plans are a must for many entities in this sector if major disruptions in public transit systems are to be avoided in the early part of 2000.

FINANCIAL SERVICES

- The results of third quarter SEC filings of public companies were mixed. While a far larger pe r-centage of public companies addressed Y2K in their filings, many disclosures revealed little in the way of significant i nformation.

GENERAL GOVERNMENT

- The United States Fire Admin i-stration is currently conducting a survey of 4300 Public Safety A n-swering Points to assess the readiness of 911 Systems nation wide. Less than ten percent of those surveyed have responded to date, and no firm concl u-

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sions can be reached about the data at this point.

- FEMA has commenced the first of a series of ten regional Y2K Preparation and Consequence Management Workshops. These workshops are intended to pr ovide a forum where emergency management and fire services communities can discuss initial Y2K compliance assessments, potential consequences of Y2K disruptions, and coordination of local, state and federal r esponses. These workshops are in preparation for the national-level Y2K consequence ma nagement exercise scheduled in Washington, DC in June 1999.

- FEMA made significant strides in preparing the nation's emergency services by initiating the process to amend the national Federal Response Plan to account for potential Y2K disruptions and events. This plan coordinates the Federal government's response to major emergencies and di sasters. FEMA also initiated a series of regional contingency planning meetings in February to coordinate Federal and local Y2K preparations.

GENERAL BUSINESS

- In December 1998, the Food Supply Working Group, chaired by the US Department of Agr iculture, of the President's Council on Y2K Conversion released an

initial assessment of Y2K and the food supply. The assessment covered three areas: domestic food supply; imports and exports; and transportation. The report said, "the state of readiness within the food industry is e ncouraging. An interruption in the food supply so severe as to threaten the well-being and basic comfort of the American public is unlikely." The assessment is based on a December 11, 1998, report by the Gartner Group on behalf of USDA.

- The National Federation of Ind ependent Businesses, released the report, "Small Business and the Y2K Problem, Part II," on January 5, 1999. It concludes that for most small business owners Y2K is not a priority. For those that have taken action to address Y2K, the cost has been minimal.

- On December 16, 1998, Food Distributors International (FDI) completed their second survey intended to measure their me mbers' Y2K readiness. Both surveys indicated that all respo ndents had a Y2K compliance program. However, the second survey highlighted two areas of concern: late Y2K program target completion dates and the lack of plans to perform business cont inuity or contingency planning. FDI plans to repeat this survey at six-week intervals.

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- On February 5, 1999, the Senate Special Committee on the Year 2000 Technology Problem held its first hearing of the 106th Congress. This was the first of two hearings focusing on the Y2K preparedness of the food supply – from 'farm-to-fork'. Senator Richard Lugar, Chairman of the Senate Agriculture, Nutrition, and Forestry Committee; The Honerable Daniel Glickman, Secretary of the Department of Agriculture; Tyrone Thayer, Corporate VP & President of Cargill Foods; Allen Dickason, CIO of Suiza Foods Corp; and Ken Evans, President of the Arizona Farm Bureau provided expert testimony at the hearing. Testimony indicated significant progress has been made since October 1998 within the United States food supply chain. However, it also showed that there is much remaining to be done in the remaining months of 1999. The second hearing is scheduled for March 2, 1999 and will include witnesses from SUPERVALU, Kroger, Kraft, Nestle, the Food Marketing Institute, and Grocery Manufacturers of America.

- On February 17, 1999, FDI released the results of their third Y2K member survey. As with the previous two surveys, both late Y2K program target completion dates and the lack of plans to perform business continuity or contingency planning are a concern. However, the responses did indicate increased confidence in respondent's ability to meet their own internal Y2K goals.

INTERNATIONAL

- On December 11, 1998, the United Nations sponsored a daylong international Y2K event. Over 120 member nations sent representatives. For many nations, this represented an opportunity for coordination with their neighbors and trading partners. Unfortunately, for others, it marked the beginning of their countries' Y2K remediation efforts.

- On January 26, 1999, the World Bank released the results of its survey of 139 developing countries. Only 54 countries had initiated national Y2K programs, and just 21 were taking concrete steps to remediate their computing systems. The World Bank concluded that developing countries face serious hurdles in addressing their Y2K problems, including lack of awareness, funding, and available IT professionals.

- A survey by Taiwan's Y2K office indicated that 40% of one million small- and medium-sized businesses have taken no action to remediate their computer systems.

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PENDING LEGISLATION

- S. 96 - The Y2K Act (Introduced January 19, 1999)

  The bill intends to regulate inter-state commerce by providing for the orderly resolution of disputes arising out of Y2K-based problems. Among other things, the bill provides that a Y2K action may not proceed to trial unless the defendant has been given the opportunity to fix the problem; imposes a cap on punitive damages; and sets forth liability rules that apply to product sellers, renters, and lessors.

- S. 174 - The Y2K State and Local Government Assistance Programs (GAP) Act of 1999 (Introduced January 19, 1999)

  The bill provides funding for states, through grants, to help states and local governments make programs they administer Y2K compliant. Grant applications must describe a proposed plan for the development and implementation of an applicable Y2K compliance program, along with a proposed budget, a request for a specific funding amount, and an identification of a funding source for completion of the plan if applicable.

- S. 314 - The Small Business Year 2000 Readiness Act (Introduced January 27, 1999)

The bill establishes a program under which the government, through the Small Business Administration, will guarantee loans made to small businesses to remediate their Y2K problems and to provide relief for a substantial economic injury incurred by the small business as a direct result of Y2K problems.

- H.R. 179 The Businesses Undergoing the Glitch (BUG) Act (Introduced January 6, 1999)

  The bill provides a tax deduction from gross income for the Year 2000 computer conversion costs of small businesses. The aggregate amount allowed as a deduction is limited to $40,000.

- H.R. 192 - The Year 2000 Consumer Protection Plan Act of 1999 (Introduced January 6, 1999)

  The bill provides judicial and administrative proceedings for the resolution of Year 2000 processing failures. Among other things, the bill requires the clerk of the court receiving a Y2K-related complaint to refer that complaint to a mandatory arbitration proceeding, sets forth a standard of proof for recovering damages for Y2K-related failures, and places a cap on punitive damages.