

Lake County Contractors Association

Professional Practice

Report

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Y2K - Again

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As the end of the year approaches, plenty of comment, prediction, theory and alarmist opinion will abound about what will happen up to and through January, 2000, as it already has - and here is some more. It appears that number of accounts of free falling elevators and flamed-out passenger jets are declining. The "Y2K Bug", or a computer's inability to operate properly, is and will have far reaching effects.

The source and manifestation of these effects takes several forms for contractors. Normally contractors are a resilient and innovative bunch - when it comes to field technique. This is an especially challenging circumstance for contractors as they are notorious for 'making do' with all kinds of equipment and resource scarcity, especially computer systems.

This will be an added burden for contractors in this 'market'. A number of contractors retain custom written software by a directly retained programmer, most of which does not allow adequate date calculation data. One advantage of canned software is that those companies usually offer a contract for an annual fee that provides the customer with updates as written which are expected to fix this issue. System 5 out of Milwaukee is one company that advised their customers last year that they would not be fixing their package and that they would close business after 99. One modest sized contractor in Madison, WI had already spent \$500,000 by September of 98 rewriting their accounting software.

What might we see in the construction business? A number of things that will affect all businesses. The economy should see a different pattern and history than if the next couple years were not crossing a millenium. The speaker at the Association's January 99 Economic Forecast meeting, Mr. Mitchell Held of Salomon Smith Barney said that while Y2K will probably be blamed for any unsteady economic activity, that he expected a slight dip in growth in the next couple '99 quarters and upturn in the first half of 2000.

What will this make people do? Banks have started incorporating covenants into their loan agreements that require 'compliance' not only of the customer directly but in the major customers and suppliers of those customers. This is usually a questionnaire requesting specific assurances and steps taken to review and update systems. Most of us have already received such communications that also require signed certification that the bank, or the customer or supplier, will suffer no Y2K damages due to inaction of the recipient. And of course we haven't seen, but would expect, some legal consequence, no foreign environment to the contractor just new material - in a field that is foreign to many contractors. And speaking of legal consequence, lawsuits are already filed. By September '98, fourteen lawsuits had already been filed by software purchasers complaining that publishers of product they had purchased would not fix known problems without a charge. Usually, you will find that the next version of programs you are using are "Y2K compliant", meaning your existing version is not - and no free fix is offered, you are forced to upgrade. Last year, another economist predicted a 70% chance of recession due to the problem. And of course, any prediction such as that is self-fulfilling.

Legislatively, WI state representative Sheryl Abers plans to introduce legislation to call out the National Guard on Dec 31 on the possibility that public utility failures will produce disorder.

So what should and can be done? To comply with those pesky covenants, most entities seem to be using questionnaires. A variety of simple formats abound, the most important element of which is the certification and signature, whether or not legally binding. In addition, your response to one you receive could be an opportunity to promote yourself by indicating the going forward steps you've taken.

There is a quite healthy albeit certainly disruptive and potentially painful process and result. Unplanned redirections of resources are risky and not normally prudent but in this case we have no choice. Contractors' systems will receive a

technology makeover which will have a positive effect on their operation in years to come, addressing to a degree their level of technological obsolescence.

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