



Speech by

Mr. R. CONNOR

MEMBER FOR NERANG

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YEAR 2000 INFORMATION DISCLOSURE BILL

Mr CONNOR (Nerang—LP) (5.42 p.m.): Before I speak specifically to the Bill, I think it is important to put on record some background to this year 2000 problem. I, like many of the members in this House, have been asked questions such as, "Are we going to have power or telephone? Am I going to be able to get money out of the ATM machine? Is our water and sewerage going to work?", and other questions in that direction. I am reasonably optimistic about Australia's and Queensland's ability to deal with the Y2K problems, and I believe that at a State Government level, at least at this stage, we are certainly headed in the right direction and that generally these likely problems will be mostly mitigated.

It is the problems that we have not foreseen that I believe will most likely come back and bite us. There is one aspect that I believe that those within the industry and Government should consider. As well as trying to deal with the front end of the problem, that is, trying to identify possible areas or facilities that are likely to be computer dependent, we should consider coming at it from the other end and trying to identify where the microchips are being used; in other words, going right back to the chip manufacturers and finding out, firstly, what their different chips are used for and, secondly, the type of equipment into which they are being installed. I believe that this would create an additional database of potential problems. I have spoken to people within industry and academia in this regard, and they are looking into the feasibility of tracing it forward from the chip manufacturers. I am not suggesting that individual chips and the sale of individual chips be traced forward—that would certainly not be feasible—but I think it is feasible to trace forward the types of chips and the types of processes, equipment and facilities they are going into. This will identify the potential problems that we have not thought of.

While I am generally optimistic about the outcomes from the remedial work that is being done on Y2K issues, I think it is worth while putting on record some of the precautions that are being recommended. I now quote from the United States Government's hotline that is also reproduced on a US Government web site. The web site is: www.y2k.gov/java/y2k/message.htm. The US Government's recorded hotline recommends the following precautions for US citizens—

"As always, it is a good idea to: have batteries for flashlights and radios, have a 3 day supply of water and non perishable foods, and make sure the gas tanks in cars are never less than half full. The Y2K phenomenon is also a good reminder to take care of billing, banks, and tax records. Having a file of recent copies of records and statements at home makes good sense at any time. Stay informed. Consult reputable sources such as your local government, your bank, your utility company, your pharmacist and ask what they are doing to be Y2K ready."

And further, the US Government site says—

"In winter months, it's just good sense to keep bottled water, some canned foods, and candles and batteries on hand because mother nature, not the Y2K bug can cause power outages or make a trip to the grocery store more difficult."

Interestingly, they felt there would be little or no interruptions to food supply. However, they did consider—

"Minor power outages may occur, the electrical industry is already prepared to meet that challenge on a daily basis because of the many natural occurring events that they must be prepared to handle."

So, generally, for the ordinary citizen there are few or no precautions needed, and the likely impact upon them is very small. And even then, with the minimum of precautions, these problems can be dealt with.

However, at a business level, it is a different story. It has been estimated at this stage by the Australian Bureau of Statistics that Australia's Y2K bill will blow out to at least \$20 billion and could top \$32 billion, which is four times larger than earlier estimates by other leading forecasters, such as the Gartner Group. And also, according to the ABS, there are in fact about 1,500 businesses expecting to spend between \$1m and \$10m each to fix their Y2K problems and nearly 400,000 organisations that feel that they will have to spend some money, but not greater than \$10,000, in relation to Y2K. So, according to the ABS, over 400,000 organisations within Australia have already been, or will be, bitten by the Y2K bug. So the Y2K bug is especially significant to Australian business, especially small to medium businesses that probably have thought that it does not affect them, and I refer to the member for Moggill's statements about the figures of the Australian Bureau of Statistics.

I would like to refer briefly to the April 1999 edition of Charter, the journal of the chartered accountants. The article looks at an audit of an accounting firm in Sydney that was undertaken in November/December last year, just six or seven months ago. Interestingly, all of their computers were either 1997 or 1998 models, so they were certainly not old computers. It was a relatively average sized chartered accounting firm in Sydney with 23 professional staff and three administrative/para professionals. To quote the article—

"The partners of the firm were sickened by the results of the review."

The article quotes them as saying—

"Had we been caught unaware in 2000 by this our business would have disappeared inside two weeks—and some of our clients would have sued our backsides off."

I should remind members that this is not a computer magazine, and it is not a scaremongering popular journal. This is the professional journal of the chartered institute and a real-life review of a real accounting firm in Sydney done quite recently. And these were the results. The firm had 27 desktop PCs, most of which were networked to a server. Once they did the test, there were 13 failures out of the 27—almost half. It should be remembered that this was just hardware failing, nothing to do with the software component. Of these 13 failures, five of the PCs could not be repaired and had to be replaced. The firm's network server which, at the time, was less than 18 months old, was also found to be non-compliant. The Windows operating system on all their PCs and some laptops they had, again all less than two years old, all 1997 and 1998 models, also was non-compliant. The server network system, Windows NT4—even though they had been assured by their external network support provider that it was Y2K compliant—also was non-compliant and had to have an additional service pack and Y2K hot fixes.

Then we move on to the application—the actual programs. In an accounting firm, as one can appreciate, the most strategic programs that operate would be the accounting packages. The leading accounting package being used was also found to be non-compliant and, following some forward date simulations, resulted in clearly incorrect answers. Looking into it further, it was discovered that a number of accounts that they had worked on had been sent out with errors and had to be recalled, requiring several reworkings and considerable alterations—extremely embarrassing, of course, for a major accounting firm.

Further simulations, including rolling forward the system's clock, found general PC failures and crashes. The firm then looked at its external relationships and the readiness of its industry clients. Of the firm's top 30 clients, 22 were utterly dependent upon computer systems and eight of those clients were running accounting software recommended, installed and supported by the accounting firm—all of which were non-compliant.

To put it simply, if nothing had been done, not only would the total hardware and software systems within the accounting firm have crashed, but, on the lead-up to that, massive accounting errors would have occurred, leaving the firm open to massive litigation. At a minimum, it would have closed the operation down for some time and, according to the firm itself, would have closed the firm down for good.

We then move on to that accounting firm's relationships with its major clients. Twenty-two of the major clients would most likely have gone broke and eight of those 22 were using the software that the accounting firm supported and supplied. Again, this would leave the accounting firm open to massive litigation for the system breakdown within those client firms. Up until this simulation and the disastrous results, none of the partners of the accounting firm had discussed Y2K matters with any of their major

clients. They simply felt embarrassed about it and, in effect, simply did not want to be seen as, as they call it, "a Y2K nut".

This one example should send shivers through just about every small to medium, especially professional, firm in Queensland. If one does a quick survey of the number of firms, one will find that most of them have a complete misunderstanding of the problem. Most of them feel that if they have late model computers they will not have a problem. Wrong! This Sydney accounting firm was using all late model computers, yet five of them had to be replaced and all of them would have crashed because of non-compliant software or hardware.

The problem is very real and it needs attention from the most senior level within an organisation. One should not stop within one's own organisation but should also look at one's clients and one's suppliers. At least in the case of the accounting firm, the firm did not have to look at the other end of the supply chain. However, most companies will need to look both ways because, if firms are dependent upon the supply of particular products or services for the continued operation of the organisation, if their suppliers go down the firm is out of business as well.

I will now go through some of the common misunderstandings. Firstly: Y2K only affects big business. Wrong! As clearly demonstrated, even small to medium businesses can be dramatically affected by Y2K. Misunderstanding No. 2: "I don't have a computer, so it won't affect me." Again, wrong! What about the 30 billion embedded chips in non-computer operations, lifts, traffic lights or fax machines etc? The uses are almost infinite. There are 30 billion embedded chips and experts estimate that 2% of them will be affected. That does not sound much until one considers that 600 million machines are likely to crash. What are they? Where are they?

The next misunderstanding: the problem starts and ends on 1 January 2000. Again, wrong! Many computers need to move forward in time to make calculations. In accounting packages, spreadsheets and other programs, the start of the financial year on 1 July will cause dramatic problems because of the need for the package to consider the first half of 2000 in this financial year.

But it goes further, and this is some of the reason why accounting firms are already having problems. Many of the forward simulations take into account two and three years into the future and when the computer sees next year as the year 1900, or something else, it makes it virtually impossible to obtain correct calculations.

The next misconception: "I'll simply buy new computers." There may be plenty of supply around now but that does not mean to say that that will be the case in January next year. The Charter magazine states that some of the major firms are ordering 2,000 computers at a time. It also does not mean that they will be available in the type or configuration required.

Another popular misconception: "I'm insured, I'm okay." Insurance is about unforeseen problems. Y2K is not unforeseen and many insurers are imposing a blanket Y2K exclusion on their policies. So it is certainly worthwhile checking through this.

I refer to an article by Clayton Utz in the latest Issues magazine dated 1 March 1999. I strongly recommend that anyone in business in Queensland reads this article because it goes through, step by step, where one should be as a firm in Queensland right now and what one should be doing about it. It is a very worthwhile article.

I would now like to speak specifically to the Bill and just give a little bit of background to it. Firstly, I would like to put it in an Australian perspective. As most people will understand, the Queensland Bill comes about as a result of the Commonwealth Act to ensure that all organisations are properly covered and to extend the Commonwealth legislation into State jurisdictions.

It also has an international perspective. The Australian Commonwealth legislation follows similar legislation in the United States. But in the Australian context and, of course, subsequently in the Queensland context, the most significant aspect where protection is required is in relation to section 52 of the Trade Practices Act. Under that section, corporations are prohibited from engaging in conduct that is misleading and deceptive, and damages are recoverable merely by showing that loss has flowed from the breach and that lack of good faith need not be shown—I repeat: lack of good faith need not be shown.

This has meant that, up until this disclosure Bill, lawyers felt the need to advise their clients on limiting their comments on Y2K matters. In effect, this legislation, amongst other things, is believed to extend the protection to organisations that are making the disclosure in good faith, irrespective of whether any loss flows from the statement being misleading or deceptive.

For those who wish to have a further understanding of the background to this proposed legislation, a very useful web site is that of the Information Technology Association of America. Its web site is www.ita.org/y2k/irdaguide.htm. While this question and answer web site associated with year

2000 problems is specific to the American legislation, it does give a good background to the Australian and Queensland legislation.

There is another aspect of that web site worth noting. It also sets out a qualifier of the legislation in the United States, and that is as follows—

"There were no hearings, nor is there an extensive set of committee reports that might have aided in statutory interpretation."

While the American legislation was certainly far more rushed than the Australian and Queensland legislation, this is still one of the areas that perhaps has one of the greatest repercussions. I refer to the lack of available statutory interpretation at this stage.

There are numerous critical words within the legislation which will need to be interpreted in this particular context. I have little doubt that this will still allow for a legal feast in the future. Hopefully, this legislation will go some way to limiting this problem. However, there is still a lot more work to be done, and I have little doubt that we will be back in here amending this legislation in the not too distant future. I look forward to seeing some regulations in relation to this that will give some greater interpretation and specifics to some of the quite broad-ranging and far-reaching aspects of the legislation. I will highlight some of the areas that I foresee are likely to be contentious in the future.

I will touch briefly on specific areas of the Bill that I believe need a greater level of clarity, and I give notice to the Minister that I will be seeking further clarification, where possible, on these clauses during the Committee stage.

In relation to clause 7(1), I will be asking whether the Minister will be releasing regulations that clarify this section and, in particular, subsection (f), together with clause 9.1 and clause 10(1)(b) and clause 10(3)(a) in Part 1. In the Committee stage I will be detailing the concerns that I have with these clauses and parts thereof; more specifically to look at the issue of certainty and the potential for the development of regulations that may help in giving a little more certainty to them.

I now move on to another matter that relates generally to information technology but not specifically to the Y2K issue. At the same time, it may help to bring the overall awareness of these types of matters, as well as many other IT related issues, to the community generally. I wish to raise the issue of the dissemination and communication of these and other IT related matters to the community at large in order to develop the critical mass of understanding and education that will help to deal with Y2K-type issues.

Mr CONNOR (Nerang—LP) (8.30 p.m.), continuing: The need for a better understanding and more skills associated with this very new and very fast growing industry cannot be overstressed. The extent of the problem is probably best highlighted in a computer online newsletter that can be found at: computerworld.commission/home/news. It says that the Information Technology Association of America has commented—

"Through the end of this year there will be 400,000 open information technology positions in US companies."

That figure comes from the Metta Group Incorporated, whereas the ITAA's own figure is some 346,000 open vacancies in the United States alone. In fact, 80% of those corporations believe that the problem is not getting any better and that in most cases it is getting worse.

There is little doubt that, with Australia following closely behind the United States into the information age, Australia is suffering and will continue to suffer similar proportionate levels of skills shortages. In fact, the chief executive of the Intel Corporation, the manufacturer of most of the chips that are in PCs—a fellow by the name of Craig Barrett—estimates that over the next few years more than 1 billion people will have access to the Internet and over \$1 trillion will be exchanged online. Without the necessary skills, Australia and Queensland will not be able to play their proper roles in the electronic commerce future that is rapidly developing. They will also have difficulty in dealing with Y2K associated problems as well.

Just one very successful method of disseminating expertise into the community is via a movement that is growing in momentum in the United States called the Community Network Movement. It is committed to all the community being involved in this information revolution. Community nets are, in effect, the community sectors of all different types actively generating virtual online communities—communities of different interests. They can be based on schools, localities, other educational institutions and not-for-profit organisations where these common interests can be fed into a virtual community.

There has been considerable success with seniors networks, ethnic networks, special interest networks and sporting groups. These community nets are still in their infancy in the United States and are just starting to gain an understanding in Australia. This movement pushes for universal access to the net and looks very closely at its social impact as well as its economic impact.

Valuable information in relation to this can be found on the Association for Community Network's home page on www.acm.org. I highly recommend the site to the Minister and stress the potential benefits that this movement could give to both Queensland and Australia. It is no coincidence that the United States Department of Commerce, through its national telecommunication and information administration, has heavily funded the establishment of these community networks, and the Canadian Government has just announced that it will do the same. Interestingly, this funding has not come from the social arm of Government but from the commercial arm.

It is seen that economically the best way to develop this level of skill, understanding and education throughout the community is through community organisations themselves of all different types using non-price mechanisms to help deliver and gain universal access and critical mass to the underserved and underprivileged parts of the community. I commend this movement to the Minister and ask that he looks closely at the benefits associated with it.
