

United States Senate

WASHINGTON, DC 20510

SENATE YEAR 2000 COMMITTEE CALLS ON RUBIN TO ADDRESS Y2K THREAT AT G-7 CONFERENCE THIS WEEKEND

WASHINGTON, D.C., May 13, 1998 -- As the failure of industrialized nations to prepare for the year 2000 computer problem poses a significant threat to the U.S. economy, members of the Senate Year 2000 Committee today called on Treasury Secretary Robert Rubin to make Y2K a top priority of discussions this weekend at the G-7 Summit in Birmingham, England.

"On his return from Great Britain, we look forward to calling Secretary Rubin before the committee to report on his year 2000 discussions at the G-7 Summit," said Sen. Bob Bennett (R-Utah), chairman of the Senate Year 2000 Committee. "These talks, and others like them, will produce invaluable information for the United States as we work to avert the potential disasters associated with the Year 2000."

"Considering that the clock is ticking on this issue, it shouldn't be pushed to the back burner," said Senator Chris Dodd (D-CT), vice-chairman of the committee. "This is an issue that has vast implications, and the U.S. has to be a global leader in trying to solve this problem as quickly as possible."

A copy of the committee letter is attached. It is signed by all members of the Senate Special Committee on the Year 2000 Technology Problem -- Sen. Bob Bennett (R-UT), chairman, Sen. Chris Dodd (D-CT), vice-chairman, Sen. Daniel Patrick Moynihan (D-NY), Sen. John Kyl (R-AZ), Sen. Jeff Bingaman (D-NM), Sen. Susan Collins (R-ME), Sen. Gordon Smith (R-OR) and ex-officio members Sen. Ted Stevens (R-AK) and Sen. Robert Byrd (D-WV).

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May 12, 1998

The Honorable Robert Rubin
Secretary
Department of the Treasury
15th Street & Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Rubin:

We, the members of the Senate Special Committee on the Year 2000 Technology Problem ("Year 2000 Committee"), are writing you on a matter of some urgency pertaining to this weekend's meeting of G-7 (plus Russia) Finance Ministers. We are greatly troubled about the seeming lack of urgency of the major industrialized nations in preparing to deal with the Year 2000 computer problem and hope that you will make this issue a top priority for discussions with your counterparts during the G-7 conference and that you will be able to provide us with a report of your discussions on this topic when you return.

As you know, the Senate has created the Year 2000 Committee as the focal point for all aspects of the millennium technology problem that could adversely impact U.S. economic growth. While we are by no means sanguine about the readiness of all segments of the American economy, we are particularly concerned about the potential impact of international economic disruptions. We strongly believe that the United States must exercise its leadership in the global community to keep such disruptions and dislocations to a minimum.

The simple fact is that many computer systems, including most of the systems that support the international banking and financial sectors, will not be able to process the year 2000 as the year that follows 1999, either shutting down, reverting instead to the year 1900 or defaulting to some other date. At worst, this problem could bring critical banking systems, including those of key central banks, and the major capital markets to a complete halt and with a disastrous loss of financial data and records. The problem, of course, is not limited to the financial services sector, extending into virtually every part of the global economy. Breakdowns in international air traffic control, foreign oil and gas pipelines or in the global telecommunications network all have extremely serious repercussions for the United States. We would note the recent statements by the Central Intelligence Agency that it is "concerned about the potential disruption of power grids, telecommunications and banking services."

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While there is still time, though barely so, to avert a major crisis, recent reports indicate that other industrialized nations are not treating this problem with the seriousness or resources necessary to prevent major economic dislocations. The Federal Reserve Board, for example, has repeatedly warned about the lack of preparation in other nations, going so far as Governor Kelley's statement in February that the Federal Reserve "believe(s) that certain countries around the world have not embarked on aggressive compliance supervision and examination programs, so that there is a likelihood that banks in those countries have not yet begun to effectively address the problem and will now find it increasingly difficult to be ready."

The Federal Reserve has also estimated that the U.S. will divert \$50 billion from other productive activities to remediate the Y2K problem. There is no such estimate for other industrialized countries. It is obvious, however, that there will be negative effect on the U.S. economy should our trading partners be unable to sustain normal business functions following the millennial date change. Several large U.S. banks are already warning of international financial disruptions of a magnitude similar to, or larger than, the current Asian financial crisis.

Given the risks posed by the Year 2000 computer problem and the finite amount of time left to address this disabling computer flaw, we strongly urge you to make this a priority topic of discussion during the upcoming G-7 conference. Thank you for your attention to this vital matter and we look forward to your analysis of those discussion when you return.

Sincerely,

Robert F. Bennett

Christopher Dodd

Joseph

Jeff Sessions

Carl

Susan Collins

Robert C. Byrd
Ex officio Member

Richard Blumenthal

Ed Stewers
ex officio Member