The year of programming dangerously

It is somewhat ironic that the Year 2000 problem has become known as Y2K. This shorthand method of notation does save space and characters, but that's what caused our original problem. To save computer storage space, century digits were truncated from the year — not a problem until the century rolls over and the computer is faced with the Boolean logic problem of year 0 (2000) needing to appear greater than year 99 (1999).

The millennium's approach has produced some very inventive behavior. It has been a boon to survivalists, who have been preparing retreats and safe havens from cataclysm. Others see an impending Armageddon as inevitable fulfillment of destiny.

We hear a range of dire predictions, and although we still await the new year, already some warnings of catastrophe have simply failed to materialize. For example, we were warned that the champagne supply would have been bought up by party-givers by early this year. Yet such is not the case. (No pun intended.)

What does Y2K mean to those of us in transportation? Initially, the concern is over continued movement. The Panama Canal will be closed Dec. 31 and the Coast Guard has considered similar measures at U.S. ports.

Meanwhile, the Federal Aviation Administration is reassuring the public. FAA Administrator Jane Garvey has publicly announced her intention to be airborne to demonstrate her confidence, and other aviation industry leaders have announced similar plans. On the other hand, Virgin Atlantic has announced plans to ground its entire fleet, explaining it as a concession to employees and their families.

Well-run U.S. companies have made elaborate plans, which feature strategies to address a range of potential problems. These include procedures to fuel tractors should oil companies be unable to make deliveries, or if power failures prevent fuel pumps from working. (The answer is to store fuel in advance in tanks that can fuel by gravity.)

Overall, general economic health is the primary concern. Transportation companies are generally leading economic indicators. Business declines in advance of recession and increases in advance of recovery. To date, economic strength seems unaffected. Asian economies are recovering from the crisis that started two summers ago. Many economists are concerned about Japan's attempts to manage yen's exchange rate, and whether China might be forced to devalue the yuan to remain competitive.

Dr. Edward Yardeni, of Deutsche Morgan Grenfell, is one of the leading economists on Wall Street forecasting a Y2K recession. He has declared that his mission in life is to convince people that there is no way that we are going to get this problem fixed in time. He has no quantitative model. He maintains his position as "more art than science...economic models sound like science, but it is clear that what you put in affects what comes out."

Yardeni believes there is a 40%-60% chance of a global recession arising from Year 2000 problems. This would be the most significant global economic jolt since the 1973-1974 global recession created by the Organization of Petroleum-Exporting Countries' oil-price changes. He is not alone in his fears. David Wyss of S&P DRI, contends his detractors understate the problem. "If I'm Chicken Little, they are ostriches."

A global recession would be devastating to many industries.

Given their current financial plight, many steamship lines could respond to such a crisis by exiting the industry. Transport carriers in other modes would also be affected.

The inevitable bankruptcy of many carriers would drag down host of their creditors. It would also spawn major asset redistribution through bankruptcy, allowing remaining carriers to increase capacity at a fraction of replacement cost. This would further exacerbate price competition, and probably force other carriers to exit markets.

Long-term, I believe the major impact of Y2K may well be the introduction of enterprise resource planning systems (ERP). These systems, installed at astronomical expense and hardship, were necessary at many companies in order to achieve instant Y2K compliance.

Although many purchases have described these acquisitions as strategic, the reality is that modification of existing systems was unthinkable, so companies turned to instant ERP solutions. (The recent slowdown in sales of ERP providers lends credence to the Y2K effect on sales.)

ERP systems are changing the way companies view the world. Much data exists in these systems to make information available that can improve financial results. These systems can also change the way companies look at supply chains. Rather than continuing to reduce expense in individual sectors, companies are now viewing their entire go-to-market strategy with the intent of increasing revenue, profit and shareholder value.

These changes are transforming the transportation and logistics industries. Carriers must become either full-service logistics providers or low-cost transportation commodity providers. Companies in the middle, always an uncomfortable place, will need either to transform or face the risk of extinction.

Theodore Prince (Ted_Prince@kleinschmidt.com) is senior vice president of sales and marketing at Kleinschmidt Inc., an electronic-commerce provider.