

BCA Market Perspective ©
The Supply Chain Quandary
Burgess B. Chambers and Mitchel Brennan
October 2021

Congestion in our ports and rising consumer demand have created a mass shortage of materials across the spectrum of consumer and industrial products. We have come to the realization that we have a broken transportation system, exacerbated by the ballooning of U.S. retail sales in the first six months of 2021 to \$3.2 trillion - an increase of 22% over the same period in 2020*.

In February 2021, President Biden issued an Executive Order directing Federal Agency actions to secure and build up America's supply chains. In June, he organized a Supply Chain Disruption Task Force to focus on transportation sectors, including ports, trucking, and rail. The Secretaries of Agriculture, Commerce and Transportation were directed to submit a plan to the President to solve the problems within one year. The request also solicited input from the general public in developing solutions in the freight and logistics sector. Federal Agencies are looking into a large number of causes for the supply chain bottlenecks: pandemic related labor shortages, freight and handling limitations, distribution, trucking regulations, warehouses and logistics, intermodal transportation, and cybersecurity risks.

As the top importer in the world, the U.S. appears to have been disproportionately impacted by supply disruptions, especially with key components like semiconductors. There are numerous supply and parts shortages in many critical areas of manufacturing. Covid related events have closed shipping ports in China and caused worker shortages in the port of Los Angeles and elsewhere. Cargo ships are left anchored off the coast of California waiting weeks before docking. According to a McKinsey report, shipping charges have risen as much as six fold since 2019.

There is also a shortage of trucks and drivers in the U.S. With airline bookings collapsing by 90% in early 2020, more cargo had to be transported by trucks. Unfortunately, the trucking system was not prepared to step in and remains a major bottleneck even 18 months later. When the pandemic began in early 2020, shipping companies saw a rapid drop in business and feared the worse. Cutting back on employees in hindsight was a mistake that helped set the stage for the ensuing bottlenecks. Trying to get employees to return has proved challenging, as competing economic forces have encouraged workers to stay home.

More people staying home has led to a substantial increase in online purchases, only adding to the strain of retail demand that could not be supplied. While Federal Agencies scramble to find solutions to supply chain disruptions, the root cause will naturally dissipate, as people go back to work and resume their normal lives.

*UConn Today; 10/2021;

