

Peter Friedmann's View from Washington, DC
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Now Everyone's a Supply Chain Expert

If, two years ago, you had asked the young lady working at the car wash if she knew what the supply chain was, you'd have gotten a blank stare. But today, she will explain to you that they are out of car wash detergent "because of the supply chain." Then she will tell you about all the ships floating around outside of Los Angeles. And now, children are hearing that good Santa is being prevented by the evil "Supply Chain" from delivering their presents.

If there is anything positive about this crisis, it's that all of us engaged in trade and transportation are now "experts" – neighbors and family who didn't really know what you did, now do, and suddenly, what you do is important! Instead of "my son the doctor," it's "my daughter is in charge of her company's supply chain."

If you are enjoying all this attention, then you'll be glad the supply chain crisis will continue through the end of 2022. Unless something dramatic happens in our economy, the data is showing that replenishment of distribution center inventories will not catch up with the outflow to consumers and manufacturers until then.

Did this all happen because of COVID? The answer is an emphatic NO! We have had cracks in our supply chain, both international and domestic, for decades. When the flood of imported consumer goods and manufacturing components began last year, it finally revealed how derelict we've been in addressing these deficiencies.

It's not that we haven't known what those deficiencies were. From time to time Congress has attempted to legislate solutions, but entrenched interest groups opposed each effort. But now, the supply chain crisis has forced everyone to recognize that the country must address those deficiencies to not only mitigate the current crisis but to also prevent ongoing harm to our economy.

We have the lowest allowable truck weights in the world. Our national truck weight is 80,000 pounds gross vehicle weight (GVW). A number of states allow more – up to 105,500 lbs. with an extra axle. That's also the Canadian model. Weights above ours are standard in Europe and Asia. But California sticks to 80,000 pounds, creating a type of "wall" impeding the transport of imports and exports through the cities of Los Angeles, Long Beach, and Oakland. Even powerhouses such as Anheuser-Busch, Coca-Cola, Pepsi, and International Paper have been unable to win Congressional approval for a higher national truck-weight limit. Why? Because the railroads maintain a permanent (and effective) lobbying campaign against the higher weights.

We have a shortage of truck drivers. It does not help that we prevent high school graduates from becoming a truck driver. The minimum age for a commercial drivers license (CDL) is 21 years, but with state regulatory and insurance requirements, it's

effectively 23 years. By that time the person has found some other career. Think about it: A young person joins the Army, and at age 19 is driving a multimillion-dollar vehicle through battle-torn Afghanistan or Iraq, dodging rockets and grenades. But we don't trust that person to drive a truck loaded with cotton or hay here in the U.S.? It makes no sense!

In the frightening Container Port Performance Index, the World Bank and IHS Markit ranked 351 container ports around the globe on their efficiency and performance. Los Angeles was ranked 328, Long Beach at 333. Why? Our ports are not automated, thus they operate for limited hours. So we are left here in the U.S., with marine terminals that shut down for lunch, to argue about whether the gate hours can be expanded by just a few hours a day while overseas, automated ports operate 24/7.

Trade used to be about, well, trade policy: Should we allow the import of so many manufactured and consumer goods, and what should the tariffs be? Today trade is also a supply chain issue. If we continue to "offshore" to far-flung locations around the world, how can we expect not to be challenged by those lengthy ocean or air supply chains?

These challenges are not new, and there are entrenched interests fighting to maintain the status quo. Until we have the political will to address them, the supply chain crisis will continue. Every person in this country will soon become a supply chain expert. At least our friends and family will understand what we are talking about all the time.

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