

MARK WESTBY COMPANY

What a Mess

We all understand how COVID has interrupted the supply chain. However, there are festering problems that have led us to the road we are on. For starters, due to our reliance on Chinese manufacturing our trade imbalance now stands at \$67.76 billion; almost double what it was in September of 2020, and \$20 billion more than predicted. The cost of shipping a container from China to Long Beach/Los Angeles hit \$20,000. At the beginning of this year, the cost was \$5,000.

As early as 2002 during the “West Coast Labor Lockout,” it was widely reported that the LA/LB ports were already at full capacity. Even if more vessels could enter, the surrounding roads, highways, and rail systems were already congested. There was little available warehouse space. The ports were wide open to the seas but landlocked.

In 2012, the Obama Administration signed over ownership of the Long Beach Port to Hong Kong’s “Orient Overseas International” on a 40-year lease. That same year, the US Army Corps of Engineers deepened the LA/LB channel to 53 feet allowing passage of the world’s largest cargo ships. However, no federal investments were made to the surrounding infrastructure. In 2013, China passed the United States as the largest trade nation and now has complete ownership of 96 ports in 63 countries.

In the heat of the “Trade War,” the Trump Administration threatened to cancel the Long Beach lease and pressured Hong Kong to sell. The Department of Homeland Security and even some of our international allies voiced concerns over China’s appetite for the world’s ports. In 2019, it was acquired by Macquarie Infrastructure Partners. Then, the pandemic hit our shores and the modernization of our roads and bridges hangs in limbo as politicians fight over the definition and expense of “infrastructure.”

The Bureau of Labor Statistics reported the loss of 1.52 million truck transportation workers during the pandemic. There remains a shortage of 60,000 truck drivers and 430,000 warehouse/distribution employees. Most ports and railyards report persistent labor problems. The White House claims none of the disruption is due to the need for more workers. Our president said none of it is due to a shortage of truck drivers either. Claiming he was once a truck driver himself, he advised truckers should drive more at night. For the rest of the American supply chain, he said we need to “step it up.”

In my opinion, the three weeks of “intense negotiations” at the White House were little more than reports from the major retailers, FedEx, UPS and others on what they have already been doing or do every year in anticipation of the Holidays. Perhaps, just more of it this year.

The more mysterious negotiations were between the White House, Port Executives, and the Unions representing the Longshoremen, including Jim Hoffa from the Teamsters. What did it take for the Longshoreman to agree to work more hours, and why wasn’t it happening before 100 ships were sitting in the Pacific Ocean waiting for a dock?

