

Q: Who is to blame for the supply chain issues?

Brian Lockhart: As is the case with most crises in the world, there is plenty of blame to go around. Also true is that with more than 100 container ships off the coast of California waiting to port, it will create an opportunity for the future that others will take advantage of. There have been changes in consumer spending patterns since the pandemic began, largely driven by government stimulus payments and lockdowns altering people's lifestyles. Certain products were more difficult to source because of raw materials or manufacturing that were impacted by COVID. The current problem, however, is more of a broad transportation problem caused by a lack of truckers to haul freight coming in from overseas. The American Trucking Association has stated that the industry is short 80,000 truck drivers, the highest in history. The shortage is caused by closing schools during lockdowns and regulatory actions taken by states like California and AB5. Originally thought to impact just the 'gig' economy like Uber drivers, the restrictions on classifying Independent Contractors have very much impacted trucking in California. There are also regulations stipulating zero emission trucks over the next decade, making it difficult for some companies to justify spending on equipment that may not be compliant during its expected lifespan. Throw in poor planning and reliance on just-in-time inventory, and you end up with a mess that only complicates the current inflation challenges.

Clint Pekrul, CFA: There seems to be plenty of blame to go around, but it seems that the supply chain issues are due to a confluence of many factors. On the one hand, consumer demand can increase quite meaningfully in a fairly short period, especially when you have a global shutdown (more-or-less) due to a pandemic followed by a "grand reopening." Demand soars, but it takes more time to increase capacity at the ports, hire workers and build warehouses. What we're seeing with the supply chain now is a perfect storm of sorts.

Truckers, ports, warehouses, etc., are processing record amounts of goods, but they face shortages of workers. According to the Labor Department, the warehouse industry had a record 490,000 job openings, and the trucking industry had a shortage of over 80,000 drivers. As far as who is to blame, it depends on who you ask. Truckers say that the longshoremen aren't working at full capacity and blame the ILWU for not allowing the ports to operate on a 24/7 basis. Still, others say there is not sufficient automation at the ports to allow for quicker processing times. At any rate, it doesn't seem that the current supply chain issues will be resolved any time soon, especially with the holiday season approaching.