



[Executive Insights](#) is a series by Shipping and Freight Resource, that brings you unique perspectives and thoughtful analysis of what is happening in the world of maritime, shipping, freight, logistics, supply chain, and trade – directly from industry experts..

The US supply chains have been facing several disruptions since the onset of the pandemic leading to global disruptions characterised by port congestion leading to long queues, extended container dwell, burgeoning ocean freight rates, choked warehouses and intermodal issues..

In an **exclusive interview**, I caught up with **Retd. General Stephen R. Lyons (SL), Port Envoy within the US Supply Chain Disruption Task Force** to discuss the various issues surrounding disruptions and their impact in the US market..

**HM : Good morning General, and welcome to Executive Insights by Shipping and Freight Resource**

**SL :** Hey, good morning, Hariesh, thanks for having me. It's a real pleasure to meet you.

**HM : General, we'll start with the first obvious question.. You are the second port envoy within the supply chain disruptions task force.. Do you consider this will now become a permanent role of which administration comes in..??**

**SL :** The first thing I'd like to do is thank John Pocari, who was the 1st port envoy and did such an incredible job at collaborating across a really broad spectrum of stakeholders.

I think what the envoy position does is it really underscores the administration's emphasis and priorities and really understanding of how critical port congestion is and the implications to broader macroeconomic implications like inflation.

We all know the disruptive impacts of the pandemic and really, so many areas. Well, the market will eventually correct itself and our job at the task force is to try to help accelerate that correction.

I'm encouraged by the collaboration. I'm really encouraged by the incredibly hard work by everybody to restore consumer confidence and then bring prices down in the supply chain.

Your question about whether is this a permanent position is a fair one. I do not believe it is.

I think when you look at the congressional legislation that directs the Department of Transportation to stand up a multimodal freight office, and some of the initiatives to really enhance transparency and accountability across the industry, I think that will go a long way in the long run.

And I think the port envoy position is more of a temporary position to try to accelerate a market correction.

***HM : So, you believe that this problem will sort itself out and things will return back to normal and then people can get on with their lives..??***

**SL :** Well, I think eventually, markets do correct themselves. We are seeing some positive indicators. For example, order ship times are declining, we're seeing some indicators that we'll probably see some deliberate decline in price over the coming months and quarters and when you look at inventories, they are very high and when you look at shelves you don't have the shortages that you, you once had.

So, there are some positive indicators, but it does take a while for the market to correct itself on its own. When you consider just the dramatic impact of the pandemic and you know that when you reach points of gridlock, it takes a while to recover yourself.

***HM : Speaking about gridlock, as the largest economy in the world, the US plays a crucial role in global shipping.. The recent supply chain disruptions in the USA have had a domino effect on the supply chain disruptions in the rest of the world in terms of port congestion, and capacity shortage of both ships and containers..***

***In your view, what was the genesis of the supply chain disruptions in the USA.. Was there a build-up to what happened in 2021..??***

**SL :** Well, it's a great question and I think we have to think our way back to 2020 at the very beginning of the pandemic when we just didn't know what we didn't know at the time. And so many things, so many disruptive things occurred that were just normal day-to-day issues.

The world stopped as we knew it. Labour stopped, people stopped going to work, and manufacturing stopped. Transportation didn't stop, but it was certainly disrupted.

You had so many disruptive factors on a global scale. We've had disruptive factors on regional scales before, but we've never seen the magnitude of the global scale of this COVID pandemic.

So, when you think about that, and then you have to think about just much later, this enormous demand for consumer goods, this spike off the charts, really driven by stimulus, driven by the fact that services were no longer available and so that money transitioned into consumer goods. People were investing in staycations, and doing renovations at their homes because they couldn't go on vacation. These kinds of things really led to an enormous spike in freight.

The good news is that record volumes of freight did move, the bad news is record volumes of freight did move, and right now we're still feeling the bullwhip effect of that period of time.

Over the last couple of years, there's so much inventory in the system that our warehousing and distribution centres are full and so there's no place to go. That leads to a lot of times what we call beneficial cargo owners, the retailers, manufacturers, builders, etc. storing cargo in transit at terminals for example.

Now, terminals were designed to be transfer points, not storage points and when you leave that much cargo in there, you get a perfectly predictable queue. I just would say that when you look at that scenario and then you superimpose it upon a supply chain that by design is very lean because supply chains are very expensive, very complex, but very lean.

There are some levels of resiliency, but not a lot and it's a basic queueing theory here. When you really approach the top level of utilization of any particular node, top-level capacity, your queues or your backlogs really go up in a nonlinear kind of fashion and that's what we saw and that's what we're still seeing to some degree, lessening to some degree than it was last year, but still very problematic.

The theory of victory as I call it, or if we really want to achieve success in the short term, it's really about committing to fluidity at terminals. The congestion at terminals is really the number one impediment to solving the supply chain disruption issues.

The theory is simple, freight and motion have to stay in motion and transportation conveyances must stay in the cycle.

So, it might be something as small as a chassis that a 40' van container sits upon.

On my first trip out to Chicago when a chassis street dwell goes from 2 or 3 days which was the norm, to 8,9,10 or 12 days, you need 25,000 chassis to make up the difference. You can't invent those overnight. Those building lines are booked for years out.

So, what we've got to do in the near term is to be really focused on how to be more efficient with what we've got, and the key to that is going to be fluidity and beneficial cargo owners, the consignee of the cargo, committing to remove their cargo from terminals.

In some cases, some are doing very well, in other cases, they're not incentivized to do that for a number of reasons, but they don't recognize perhaps that leaving their cargo in the terminal is actually much more damaging at a macroeconomic scale.

**HM : I'm glad that you brought up the subject of fluidity because in terms of that, what impact do you expect that the [Ocean Shipping Reform Act \(OSRA\)](#) or the American Ports Access Privileges Act will have on the future of your supply chains..?? Will these two pieces of legislation help with the fluidity..??**

**SL :** I work closely as you can imagine with the Federal Maritime Commission, and I think what OSRA represents is opportunities for a Regulatory agency like FMC to enact rules that really are designed to improve fluidity at terminals, that's really key and they completely get that and they're committed to that, but also improve transparency.

This is a very opaque industry and we've really got to get at a little bit better at data sharing and these kinds of things. And I think you're aware, Commissioner Bentzel got some ideas on that. They're very complementary to what the Department of Transportation is working with, with the freight logistics optimization workflow initiative, it's really a grassroots initiative to share data.

So, I think there are opportunities certainly there that'll come more I would say in the mid-term. You know the is a draft piece of legislation.

Seeing that I reviewed it, I'm not going to comment specifically on that. I just would say that for me, from my own perspective, given my military background, I just remain a very strong advocate for our US flag industry as well as our maritime crews which are so critical to the maritime ecosystem.

And it's really not just about commerce and American prosperity, of course, it's about that, but they also play a key role in our National Defence as an auxiliary fleet.

**HM : I don't know if you have had the chance to study the [World Bank's Port Productivity Index](#), which placed Long Beach and Los Angeles the two biggest ports in the US, dead last in the list of global ports while the other main ports in the USA like New York, Savannah, Seattle, and Tacoma also ranked poorly..**

**The best performing US port was the Port of Virginia in that list, which was #23. Do you have any perspective on why you think that the bigger and busier ports have fared so poorly compared to the smaller ones and are there any steps that are being taken to improve this..??**

**SL :** Well, it's quite a reasonable question. I don't focus on rankings as much as I do on outcomes. All of our ports are critical to American prosperity, you know.

80% of the imports move via surface through our ports. It's really the lifeline for the American economy. In the case of, LA and Long Beach, when you look at the San Pedro Bay Port complex, unquestionably the largest complex United States processing record volumes

of cargo, you gotta give our labour a lot of credit, particularly for working through the pandemic, and these ports will always have a positional advantage for the Asia trade lanes.

There's no question about that. And so, you have to look at places like LA and Long Beach and give them really a lot of credit for the amount of work that they're doing as a vital artery, the lifeline, really, to the American economy.

When you look at the port annexes it's a reasonable view to take. What that would tell you is our ports at large, particularly the largest ports are not models of efficiency for a number of reasons. When you look at the ship queues, when you look at the container dwell, when you look at the lack of fluidity through our ports it shouldn't be surprising that they're not scored very highly.

Now as you say, what's going on there? Well, a lot of it we talked about, a lot of it is pandemic. Certainly, there are a lot of infrastructure deficiencies and I'm really excited about the [Bipartisan Infrastructure Law](#) which provides \$1.2 trillion.

This is about our kids and our grandkids. This is a once-in-a-generation opportunity, really, to link together and knit together our infrastructure to support American prosperity. And you know part of it, it also is our organizational framework if you look at one port to the next and you look at it from an efficiency perspective, how it's organized has something to do with that, too.

I just go back to and look at outputs and how much production that LA and Long Beach and all our ports are producing which is so critical.

Is there work to do? I think we ought to look at those indexes and I think we ought to, we must as we modernize, become much more efficient.

***HM : Do you think automation is going to help with this improvement in port productivity..?? Because that is key to improving the supply chain performance, especially in the USA and also because what happens in the US affects other ports or other parts of the world. What is your position on the automation of the ports?***

**SL :** I just say we live in a digital world, right? And automation is absolutely essential to port modernization and enhanced productivity. I don't think we ought to chase automation for automation's sake. We ought to really be thoughtful and smart about how we approach automation, but automation must be part of our modernization strategy.

Now here's the issue though, that does not mean that does not equate to the loss of jobs. We have to take a very comprehensive approach to modernize **AND**, not **OR**, **AND** preserving the livelihoods of our incredible longshoremen and all the people out there or labour that work so hard to keep our economy running.

This should be a win, win scenario, not an either-or scenario so the answer is yes, there is a place for automation, there must be, we live in a digital world, but we also must protect our labour.

**HM : Yes that's a big debate.. I'm sure many countries who have automated their ports have also had these issues and I think that that is something that will continue for many more months or even years to come.**

**You mentioned previously about the US flagships and its importance.. Foreign carriers have been lambasted by many people, including the President, accusing them of cartel type behaviour and including unjust and unfair practices.**

**Do you see an immediate evolution of an American container carrier, for example, in the near or distant future to compete against these foreign carriers..?? Where is the US with that..??**

**SL :** I think it's important for everybody to understand that each of these global steamship companies have US subsidiaries, very proud US subsidiaries, by the way, with offices in the United States longstanding. Many are Voluntary Intermodal Sealift Agreement (VISA) participants that support the Department of Defence in mobilization and these kinds of things.

And so there will always be a good connective tissue to US subsidiaries and their global parents. I do understand, you know, the broader frustration, but I think what we have to realize is these are U.S. companies, patriotic companies.

Having said that, the United States is a maritime nation, our livelihood, our American prosperity depends on it, and so we need to behave like that. It really is important that we have a viable US flag industry with competent mariners that can sail that fleet and the US maritime ecosystem is under pressure.

And so having been the Transcom commander, having run the defence transportation system, our nation needs US flag vessels and mariners and now, as I mentioned earlier, they become an auxiliary in wartime. So, we've got to balance all of that as we as we go forward.

**HM : And my last question to you is as a port envoy, what are some of the important and critical issues that you will be working on or trying to address, to progress the US supply chains and its maritime industry..??**

**SL :** Well, it's a great question. Every day when I wake up, I think of what's our North Star. And that is to **"restore consumer confidence in our supply chains and reduce costs to our consumers"**.

So, in the near term, as I mentioned earlier, it's about how do we accelerate market correction, how do we attack critical path congestion at terminals. This requires very active leadership by beneficial cargo owners to commit to fluidity. It also involves very active measures by ocean carriers and all the other stakeholders as well.

But these are the big players at both ends of the supply chain. Everybody is aware of the levels of collaboration, which are very high, but we have to deliver on that.

I think you know there's some positive news, we're seeing ship times come down, and we're seeing a leading indicator of decline in rates, and collaboration, as I mentioned, is high. There's no harder working group than our great logisticians out there.

So, I think in the near term we're going to continue to press on these issues and enhance the level of collaboration, we've done that through various avenues and I'm pleased with the level of collaboration.

In the mid-term, I would say it's about data flow data and transparency and you know [Freight Logistics Optimization Works \(FLOW\)](#) initiative, which is a grassroots initiative to share data. It's a recognition that no one stakeholder has a good view of the end-to-end supply chain, and we must collaborate and cooperate.

It's not a top-down federal initiative. This is a bottom-up grassroots initiative really facilitated by the Department of Transportation.

So, I'm actually really excited about that. Secretary Buttigieg spent some time talking about that last week.

Also in the near term, I would say, as you referenced earlier, the work that Federal Maritime Commission is doing regarding rulemaking, how do we enhance fluidity, how do we increase, again, transparency.

But in the long term, I mean this is where it gets exciting, right? This infrastructure investment plan is \$1.2 trillion, a once-in-a-generation opportunity. I think we really have to leverage this to really move to the future and that is exciting.

I mean, it's a piece of legislation that was long and coming and it is here and it's in our time that we can shape the future in ways that no one else before us has been able to shape them. So that part I think is exciting.

Myself, I'm really focused on the near term. And we'll continue to press, and I appreciate you and all your professional partners out there for all that you're doing to kind of expand and enlighten and really pressurize the system to improve a lot of progress.

But we're not at what I would call a new normal. We still have a lot of work to do to restore their level of reliability and confidence in the supply system to where you know in the pre-pandemic days your supply chain wasn't even a phrase people understood unless you were trying to squeeze cost, right?

But the reliability or unreliability of volatility in the case now leads to exorbitant costs for retailers in many cases their estimates are 6 to 10% of their annual revenue, you know, related to supply chain congestion. So that's how I see it you know in the near, in the mid and in the long term as we go forward.

***HM : Well, thank you very much for your time today General Lyons and I really do wish you all the best in your exciting role and also for you to achieve all the objectives that have***

***set out in your journey, and I thank you again for your time today and enjoy the rest of your day.***

**SL :** Hariesh, thank you so much. I appreciate it, I appreciate all you're doing and take care.