



Welcome home! How AI data centers supply chain uncertainties might drive re-shoring



By **George Lawton** September 1, 2026

SUMMARY: Velocity Chairman Kent Savage unpacks how growing uncertainties in the hidden substrata of AI data centers is driving re-shoring efforts.

Hyperscaler AI vendors have ambitious plans to spend hundreds of billions of dollars, and, on some counts, trillions, on new AI data centers over the next five years.

Constraints on energy, memory, and AI chips tend to grab the headlines. Yet these plans also

come at a time of growing procurement uncertainties driven by rapidly fluctuating tariff proclamations (and sometimes resolutions), trade restrictions, security-driven export and import restrictions, and unexpected shortages of key ingredients the industry has taken for granted.



Specialized resins used in data center equipment such as connectors are one example. Kent Savage, founder and executive Chairman of Velocity Group, a specialty contract manufacturer, says these are now seeing bottlenecks traceable to conflict in the Middle East.

A recent US Executive Order concerning the sourcing of critical electrical equipment, signed on 26 August, is another. And whatever happens to be going on with Canada this week, or this year, is a third, landing directly on long-established supply chains that run through America's industrial heartland.

I recently connected with Savage, who has been helping to address supply chain and procurement complexities for over thirty years across a bevy of companies. He built his supply chain chops pioneering vending machines for Ford front-line assemblers by providing them with cutting tool replacements on the plant floor. This turned a previously time-consuming replacement process into something as simple as buying a Coke from a vending machine, to keep plants humming. Savage recalls:

“ That early work helped us learn about the hidden shortages and more. We developed a deep understanding of the implications of not having what is needed when and where it is needed. Lack of a critical tool, part or component can shut down a manufacturing line. Lack of a \$0.25 O-ring three layers of security deep in a nuclear power plant can cost hundreds of thousands of dollars in maintenance delay. Supply chain shortages also create unnecessary costs, delays, inventory hoarding, and a drag on productivity.

More recently, he has been overseeing the consolidation and expansion in Ohio to improve quality, flexibility, and speed for medical, agricultural, and increasingly data center equipment. The data center side is a relatively new part of the business. But it's picking up steam as procurement teams sort out the logistics of the thousands of cooling assemblies, electrical enclosures, connectors, cable management systems, power distribution parts, and other precision components for power, cooling, and networking systems. That demand is putting real pressure on component manufacturers who must deliver highly engineered parts on aggressive timelines while also serving other booming markets such as grid modernization, EV infrastructure and industrial automation.

Until recently, the default was offshoring many of the low-value components used in data centers. Only a year ago, Velocity had no data center customers, and the work that has landed since is still, in Savage's word, *de minimis*, with most of it in pursuit rather than in production. He expects that moving into 2027 and the foreseeable future, data centers will be a strong and growing part of the business. The work is typically for Tier 1 and OEM suppliers in need of parts and components used by developers of data centers, power generation facilities, and related projects.

Data center vagaries

But offshoring suppliers adds risk because of potential overseas transportation delays, changing trade policies, and the impact of being in different time zones and speaking different languages on fast turnaround requirements. Data center developers also face millions of dollars in penalties for missed construction deadlines. This is boosting the need for suppliers that can provide not only high-quality components but also the production reliability and delivery certainty required to keep projects moving.

That penalty exposure does not travel all the way down the chain. Savage says it stops at the prime contractor, and that he has never been asked to sign up to it. What reaches his tier instead is price and lead time. In Velocity's case, Savage observes a strong uptick in input costs, on components he buys rather than sells. In March he put those same components at more than double their price of the previous July, and up 26% since January. They are now up about 35% since January, though he says the curve has flattened somewhat:

// The most affected parts are electronics with those containing memory chips seeing the highest increases and longest lead times.

Savage says the AI infrastructure business is driven by demand constraints, and that getting the parts they need overshadows low cost, supply chain risks and long lead times. Buyers willing to accept worse cost, risk and delivery in exchange for availability tend to outbid others. And there are valid reasons for this impatience. For example, [Google just paid SpaceX almost four times the lowest going rate](#) to bridge demand for its Gemini AI capacity, according to Semi Analysis research – presumably because of delays building out its own.

But it's not just GPUs and memory chips. Savage says:

// The race for chips is the headline. The other constraints are clear and very much on the minds of all those involved in scaling up to meet this demand. They are just not as obvious to those looking in from outside.

One challenge for Velocity is the vagaries of the data center business. There are far more data centers being planned than will likely be built, given grid connection queues, uncertain lead times, and questions about the long-term success of current business models. Savage acknowledges that a pragmatic approach will be required to an appetite for new data center kit that looks insatiable now and could vanish later, balanced against more humdrum but steady appetite in other sectors like agriculture and medical, yet he is bullish about growth long term:

// The ebbs and flows of data center operation are bets the hyperscalers and others are making. Our role is to provide reliable, high quality, on-shore manufacturing to those building and maintaining the AI ecosystems. This will be a decades long trend.

Despite some of the supply chain uncertainties in the US, Savage believes offshoring continues to maintain share due to momentum, switching costs, and, in some cases, low prices. That said, strategic sourcing decisions, particularly when they pose substantive risks to larger projects, need to consider total cost of ownership rather than piece part costs.

Other factors include on-time delivery, quality, intellectual property exposure, and the value of onshore collaboration. For example, Savage sees an increasing number of US manufacturers sending in their design engineers to adapt to supply chain frictions. This can include new designs that are lighter, use less of a constrained input, or that take advantage of new chemistries or manufacturing techniques.

Developing new suppliers is not a slam dunk, says Savage:

“ Standing up new suppliers takes a great deal of time and effort. The cost and effort required to manage an extended supply chain is now being recognized and addressed. For at least two decades, low-cost country sourcing was paramount in many procurement organizations. Now availability, speed, agility, reliability, and quality have become the primary drivers.

My take

Over the course of the last week, US President Donald Trump has been driving the news cycle about something to do with Canada, tariffs, and Lake America (formerly Lake Ontario). The last one has already made it to Google Maps. Less publicized was the [August 26 Executive Order 14420 to protect the security, integrity, and reliability of bulk-power system electric equipment](#). It will apply to a lot of the equipment going into data centers including power transformers, batteries, inverters and other supporting equipment, once the Department of Energy publishes the rules that say which.

There are some good reasons behind all of this that have to do with concerns about security backdoors, and these concerns were likely inflamed by discoveries in recent years of hacks on water infrastructure by a foreign power or two. And in the short run, this is likely to rejigger the supply chains for many of the supporting components that go into them. Both the electric grid and data centers are experiencing growing bottlenecks and queues while competing for some of the same supply chains. That, and tariffs of 0%, 10%, 50%, or maybe 145% depending on the month, mood, and Supreme Court ruling.

It must be a challenging time to be in procurement right now, but developing local infrastructure will go a long way toward smoothing out these hiccups, and toward letting procurement teams sleep at night.

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