

TESTIMONY OF
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BEFORE THE
U.S. SENATE
SUBCOMMITTEE ON SURFACE TRANSPORTATION AND MERCHANT MARINE INFRASTRUCTURE,
SAFETY, AND SECURITY
JUNE 28, 2016

HOW THE INTERNET OF THINGS IMPACTS SUPPLY CHAIN, LOGISTICS AND THE MOVEMENT OF GOODS



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ON BEHALF OF:



Chairwoman Fischer, Ranking Member Booker, and members of the Commerce, Science and Transportation Committee, thank you for the invitation and the opportunity to testify at today's hearing. As one of the nation's largest third party logistics providers, C. H. Robinson has a unique view of how goods and commerce flow from manufacturer to consumer. The transportation brokerage and third party logistics industries have grown substantially the last 10 years and I will provide you an overview of our role in the marketplace and policy recommendations to consider around the Internet of Things as it relates specifically to supply chains.

Introduction of Jordan Kass

My name is Jordan Kass and I am the President of Managed Services for C. H. Robinson. I joined C.H. Robinson in 1999 via the way of an acquisition. At that time I created a startup within the framework of CH Robinson. You may recall that was the peak of the dot.com boom and everyone was trying to figure out how to leverage internet technology. The business I began for CH Robinson was focused on bringing the internet into the world of logistics and supply chain. Today, that business has grown tremendously and we manage over \$3Billion dollars of logistics spend in 170 different countries on behalf of our customers. Our mission is to develop innovative technology platforms paired with managed services that help our customers connect, automate, and optimize their supply chains.

Introduction of C.H. Robinson

C. H. Robinson was founded in 1905 and facilitates the movement of over 17 million shipments per year. We have been named the #1 3PL for five years in a row by Inbound Logistics

magazine and have pioneered many industry innovations. We are also speaking today on behalf of the Transportation Intermediaries Association, which represents 1500 3PL's of all sizes. C.H. Robinson is a leading member of TIA and serve on their board of directors. C.H. Robinson is the 10th largest publicly held company headquartered in Minnesota, and we have over 150 offices across the United States. All of our offices are networked through a common proprietary platform, called Navisphere, which provides our employees, our customers and our contracted carriers' visibility to freight shipments across the country and across the globe regardless of mode.

We are a Fortune 250 company with annual revenues of more than \$13.5 billion serving manufacturing, retail and wholesale customers of all types across the economic spectrum. We do not own any commercial trucks ourselves, but rather build technology platforms and logistics services that allow us to streamline complex transportation management on behalf of our customers. We have developed the largest and most diverse carrier base in the US in order to transport our customer's freight. Our carrier base includes motor carriers, railroads, air freight, and ocean carriers. Leveraging our technology platform, our expert talent worked with approximately 68,000 transportation providers in 2015.

As I mentioned, the division of C.H. Robinson that I lead is focused on delivering technology and services that connect, automate, and optimize global supply chains. We work with some of the largest companies in the world and our platform serves as the technology these companies use to gain visibility and control over their supply chain. Our customers include companies like Microsoft, Delphi, John Deere, and Ocean Spray.

A major component of our value proposition is to route massive amounts of information and money quickly and accurately around the world. Our platform vis-à-vis the internet formulates the information and visibility pipes our customers require. Again, I want to emphasize that we do this on a massive scale.

This is enabled by increasingly sophisticated technology and automation across the supply chain. From the truck driver using a cell phone to search for available loads on our Navisphere Carrier app to railroads sending massive tracking data in electronic formats to customers desiring to know landed costs tracked to the item level, data and the Internet of Things is driving incremental change in our business. One example of the massive role data plays can be seen in our every increasing machine to machine communication. Every day, C.H. Robinson transmits and receives over 20 million electronic communications.

We are rapidly expanding the tools and information available to all trading partners across the supply chain. For example, single truck owner operators can use our app to perform a tracking check call just like a GPS equipped truck without ever picking up the phone and similarly a global shipper can view that tracking update anywhere in the world via a phone, PC, or tablet.

Businesses and transportation departments are part of global cross functional teams coordinating sophisticated supply chains across many silos. Production, customer service, sales, finance and transportation all work together towards an end goal of customer experience and agile market response. As Congress rightly considers the implications of how an increasingly connected world impacts policy and society, we would like to provide insights we see from a supply chain and flow of goods viewpoint. While other witnesses will discuss issues of privacy,

security, and IT infrastructure, there are many practical issues Congress should also consider regarding supply chain changes coming from the Internet of Things and how U.S. companies can lead in this industry.

We fully understand that this subcommittee does not have jurisdiction over all the issues we will mention. However, the Internet of Things crosses many of our company's silos and has forced us to look holistically with our customers at end-to-end supply chain practices. We want to reiterate that the greatest challenge Congress and this subcommittee may have with the development of the Internet of Things is that it will force the U.S. government to break down silos and work in cross-functional teams or be left behind for smaller countries and more agile governments to lead the way. Following are recommendations the Internet of Things working should consider:

Tax Rates

Many of the company's leading the revolution around the Internet of Things are operating with a tax code designed for manufacturing in the 1980's. For example, C.H. Robinson is primarily a service company with no assets and we pay the full US corporate tax rate of 35% annually in addition to state taxes. Even though we are #208 on the Fortune 500, we are a Fortune 100 corporate taxpayer when the Fortune 500 is ranked in terms of raw corporate tax paid. Over the last 11 years, our company alone has paid more than \$2 billion in federal corporate tax.

- If Congress wishes to promote and incubate globally leading companies in the internet of things based in the US, corporate tax reform is a pre-requisite.

World Class U.S Customs Agency

The Internet of Things provides companies the ability to source parts and inputs and sell globally. Consumers can now buy directly from overseas retailers and manufacturers and with the increase in the de minimis value by Congress from \$200 to \$800, we increasingly see the US Customs clearance process as a significant risk to supply chains. When the ACE system goes down for 2 hours during produce season in San Diego, or US EPA holds up a shipment at the port of Baltimore because they are understaffed, it impacts supply chains across the nation. Just as successful companies are now forced to work across silos, one of the biggest challenges that the Internet of Things will place on the US Government is on the customs service and their coordination with other government agencies of all types.

- Congress needs to make sure our U.S. Customs agency provides world class services and that they are able to work well across agencies to ensure a safe and efficient movement of goods or the US will not hold a leadership position regarding the Internet of Things.

Increasing Resources for Cargo Theft Deterrence

While many will be focused on personal privacy and the data collected on individuals through the Internet of Things, please also remember to strengthen cargo theft penalties. One of the unintended consequences of increased technology in the supply chain is the increased ability of cargo thieves to target specific freight across the country. Law enforcement is challenged to prioritize and investigate cargo thefts with victims and stakeholders in many diverse locations.

For example, a stolen load of almonds may originate in California, be stolen in Nevada, on a truck based out of Missouri and brokered by a company in Chicago.

- We recommend that Congress increase penalties for cargo theft and provide law enforcement resources to fund local and regional cargo theft specific law enforcement units.

Land Use and Planning around the rise of Mega Cities

A trend that we are monitoring closely is the trend of megacities. Increasingly, freight movement is concentrated in and between a handful of global cities that are seeing huge population and density growth, including cities in the U.S. like Chicago, Houston, New York, and Los Angeles. Providing goods to these urban populations is a growing logistics challenge Congress should monitor and prioritize. Issues of land use, truck parking, congestion, vehicle size, and operating hours all interact with the growth of the Internet of Things and the speed of change of delivery directly to the consumer.

Thank you for the opportunity to provide insight into how big data and the Internet of Things is impacting supply chains. We commend the committee on their focus on this important topic, but emphasize that the rate of change in the market continues to accelerate. We look forward to working with the committee and the working groups established by this legislation to quickly and specifically identify policy areas that will allow U.S. companies to continue to lead the world.