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Save Our Benefit
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GAO report confirms early warnings: DoD must move carefully on commissary and exchange reforms

WASHINGTON, D.C. (November 10, 2016) — A recently released GAO report affirms concerns about hasty changes to exchanges and commissaries voiced by military and veterans groups representing millions of commissary and exchange beneficiaries.

“A Government Accountability Office report ‘*DoD Commissaries and Exchanges—Plan and Additional Information Needed on Cost Savings and Metrics for DoD Efforts to Achieve Budget Neutrality*’ has confirmed our fears that the Defense Department’s plans have little basis in data, merit, and are deficient of methodical analysis,” stated Candace Wheeler, spokesperson for The Coalition to Save Our Military Shopping Benefits.

According to the GAO report, “DoD expects to achieve an estimated \$2 billion in reductions [to commissaries and exchanges] over a 5-year period [2017-21]. However, the report does not include any assumptions, a methodology, or specific timeframes related to cost savings initiatives that would lead to the \$2 billion savings.” The GAO found that without information to support DoD’s conclusion, “the department lacks assurance that its cost savings target is an accurate and achievable cost saving estimate, and decision-makers cannot evaluate the effectiveness of DoD’s efforts in achieving cost savings without reducing patron benefits.”

“The GAO report makes it clear that DoD doesn’t have enough information to know how its proposed changes will affect the resale system,” stated Joyce Raezer, executive director for the National Military Family Association. “We’re concerned about the long-term impacts on a benefit that thousands of service members and families rely on.”

“It’s troubling that reforms may be contemplated in the Fiscal Year 2017 Bill prior to the receipt and analysis by GAO of the report as mandated in last year’s Act,” the Coalition warned Congress in May 2016. The Coalition stressed that, “transformation reforms to commissary and exchange programs were being fast-tracked by the Department of Defense with limited process for review, without input from military families, and would be applied system-wide with no limitations on scope or duration.”

“The takeaway from this report is that setting metrics/benchmarks before making changes is good business from the standpoint of protecting the benefit and the proper way to manage a change of this magnitude responsibly,” said Lt Gen Dana Atkins, USAF (Ret), President of the Military Officers Association of America. “Congress acted in good faith by enacting statutory requirements to preserve current levels of patron savings and satisfaction and product quality. We agree with GAO the onus is on DoD to establish benchmarks, measure savings progress, and ensure those protections are fulfilled.”

“The GAO report should remind Congress and Executive Branch policy-makers to move carefully in order to protect troop-generated exchange funding from being diverted to pay what have traditionally been legitimate taxpayer obligations,” Wheeler said. “And, we want them to be transparent in efforts to manipulate commissary product prices in their drive to make these stores more self-sufficient.”

“NAUS is troubled that radical reforms may be inaugurated before such changes can be properly analyzed,” said Rick Jones, legislative director for the National Association for Uniformed Services. “It is clear, looking at the GAO report, that sweeping changes, like privatizing commissaries, pose a serious threat to one of the military’s most popular earned benefit. NAUS urges Congress and the Pentagon to refrain from drastic changes. Cost-cutting proposals that squeeze our men and women in uniform are unacceptable.”

Wheeler reiterated calls by the Coalition to have Congress or DoD set up a “Military Resale Patron Benefits Advisory Committee” to provide an independent patron view of DoD’s plans for these vital programs. Wheeler urged policy-makers to tread carefully on forcing manufacturers to divert funds for DoD’s benefit rather than continuing to contribute to patron product promotions and a wide range of benevolent programs, such as USO, Fisher House, and other military family support charities. The Coalition expressed concern that commissary transformation initiatives will also negatively impact socio-economic programs for the blind and disabled, and small Veteran and women-owned businesses.

“Hastily implementing these changes – absent significant further study and Congressional oversight – also poses a threat to relationships with dedicated grocery industry partners,” said Jack DuTeil, executive director of the United States Army Warrant Officers Association. “For more than half a century these patriotic businesses have provided hundreds of millions of dollars in support of our commissaries and exchanges. If these relationships are ruined, they may be impossible to reestablish.”

Commissary and exchange programs are a gift that keeps on giving to the military community—spinning off benefits far in excess of resources that are consumed—tens of thousands of jobs for family members; financing hundreds of millions of dollars in base infrastructure improvements; hundreds of millions of dollars in dividends that support MWR programs; and providing the support and financial base for services and programs for overseas and deployed forces.

Maximizing revenue has never been a priority for the commissary, nor should it be. The commissary and exchange mission is to provide military families with a vital non-pay benefit—the savings they realize by shopping there. “We are not opposed to responsible reforms in the way these programs are structured and managed but moving too far and too fast puts the entire system at risk,” said Wheeler.

There are several converging factors that could cascade and jeopardize the entire military family base support structure. If commissary sales decline and reduce exchange sales, which in turn reduces earnings traditionally channeled to support MWR programs. That would be particularly harmful at a time when appropriations for MWR programs are drying up, and exchange product restrictions and Government-only labor cost hikes are also buffeting exchanges. “I don’t think we want to find out where that tipping point is,” added Wheeler.

What GAO Recommends:

“GAO recommends that DoD provide information to Congress to support its conclusion about budget neutrality; develop a plan for achieving alternative reductions to appropriations; and identify specific metrics for customer satisfaction, product quality, and savings. DoD concurred with GAO’s recommendations.”

To access the GAO report highlights: <http://www.gao.gov/assets/690/680924.pdf> and complete GAO report: <http://www.gao.gov/products/GAO-17-38>.

The Coalition to Save Our Military Shopping Benefits – Over 2 Million Strong – is working to ensure service members (Active Duty, Veterans, National Guard and Reserve), their families and survivors have a voice in shaping policies that impact our nation’s ability to sustain healthy and vibrant commissary and exchange systems, and to protect these critical earned benefits. To join our efforts, visit: www.saveourbenefit.org and follow us on [Facebook](https://www.facebook.com/saveourbenefit).