

**Statement of**

**Thomas T. Gordy**

**President**

**Armed Forces Marketing Council**

before the

**Subcommittee on Military Personnel**

**Committee on Armed Services**

**United States House of Representatives**

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**Armed Services Committee.**

Chairman Heck, Ranking Member Davis, and Distinguished Members of the Personnel Subcommittee,

Thank you for your commitment to our Warriors and their families who continue to tirelessly serve and sacrifice in defense of our nation. And thank you for the opportunity to share views on behalf of the Armed Forces Marketing Council (AFMC) regarding efforts to reform the commissary benefit. In accordance with Rule XI, Clause 2(g)(5) of the Rules of the House of Representatives, a curriculum vitae and disclosure form are enclosed as exhibit 1.

As you are aware, to date there are no specific reforms that have been publicly proposed by the Department of Defense (DoD) since Congress passed and the President signed into law the FY16 National Defense Authorization Act (NDAA) last month. The FY16 NDAA requires the Department of Defense to submit to Congress by March 1, “a comprehensive plan to achieve by October 1, 2018, budget neutrality in the delivery of commissary and exchange benefits” while ensuring high levels of customer satisfaction, the provision of high quality products, and the sustainment of discount savings.

We are grateful to the Committee for establishing the benchmarks for any potential reform efforts. The AFMC has long held that while efficiencies and/or reform efforts are possible, they should not diminish the benefit to our military families. The AFMC also offers its appreciation to the Committee for continuing to fund the Defense Commissary Agency’s (DeCA) budget despite proposals to severely reduce the budget ahead of efficiency efforts.

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## Simple Model vs. Complex Model

As we begin our discussion today, we believe it is helpful to remember that Congress established the commissary as a non-pay compensation benefit for military personnel. The model that Congress forged is one that is as brilliant as it is simple - offering products at cost plus 6% to provide military families, regardless of where our nation asks them to serve, a non-pay compensation through savings on grocery products. All stakeholders in the commissary benefit, whether a patron, DeCA employee, member of industry or Member of Congress, understand the brilliance and clarity of this approach.

While no specific formal proposals have been offered to the Committee, over the course of the past two years, suggestions have been offered for commissary reform by both the Military Compensation and Retirement Modernization Committee (MCRMC) and the Boston Consulting Group (BCG) that would alter the model. The suggestion call for a more complex operational model through untested and under-analyzed pricing schemes and adjustments to product assortment, which will require a growth in both personnel and operational costs. These new, additional costs will have to be offset by the schemes in order to result in efficiencies. Several of these schemes place emphasis on generating operating margin from the patron at the expense of the original intent - products at cost plus.

Since we do not anticipate that there will be increases in appropriations to cover these costs, the revenue will have to be generated, and it can come from only one source: the military family.

The suggestions that have been offered are based on assumptions that product and pricing schemes are manageable and would still offer a benefit to military families. But even the suggestions have a caveat that they need to be further analyzed. The AFMC agrees and believes that full-spectrum analysis should be conducted on all efforts that would change DeCA's fundamental mission and seek to generate revenue from military families.

The AFMC also believes that accountability for the commissary benefit should remain with Congress. However, it appears the FY16 language waives congressional oversight through the waiver of Title X for at least the next five to ten years during a test pilot period. We hope that, if test pilots begin to fail to meet established benchmarks and/or the benefit for families begins to diminish, and if the DoD fails to act in an expeditious manner to protect the benefit, that Congress will step in to protect the benefit for our military families.

We also hope that Congress will only allow permanent changes to Title X for those concepts that are proven to be beneficial and efficacious to the long-term viability of the commissary benefit.

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## Quality of Life Ecosystem

We should also bear in mind that the commissaries are one part of the military quality of life ecosystem on military bases. Joining them in that ecosystem are the military exchanges and Morale, Welfare and Recreation (MWR) programs. If the commissaries are adversely impacted by the reform efforts and patrons begin to abandon what they view as a diminished benefit, it will adversely impact foot traffic in the exchanges, resulting in sales declines, which then would result in a decline in MWR dividends produced in the exchanges.

Today, military patrons give commissaries and exchanges some of the highest customer satisfaction index scores in the retail industry and military patrons, regardless of where they are stationed around the world, have access to high-quality, name-brand products that they know and trust at a price that saves them money.

Today, military families continue to enjoy significant savings in both the commissaries and exchanges, which support their quality of life and financial readiness, and are part of the non-pay compensation benefit package promised to our military personnel. The savings provided to patrons is an exceptional return on investment on the appropriated dollars spent on its delivery. Additionally, the military exchanges continue to provide a significant dividend in support of MWR programs. We agree with Congress that any effort to reform the commissaries should also weigh impacts on the exchanges and MWR.

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## A Reasonable Approach to Efficiencies

While the budgetary pressures of on-going deficits and the sequester have forced the DoD to make painful cuts to numerous programs, we recognize that resale is not immune to the pursuit of efficiencies. The AFMC believes that efficiencies can be achieved within the commissary system and should occur as long as they do not result in higher prices and diminished benefits for military families.

Unfortunately, what we have seen over the past few years as DoD has repeatedly requested draconian cuts to DeCA's budget, the efficiencies touted were not efficiencies at all in that they did

very little to reduce cost of operations. Rather they either transferred the cost of operations on to military patrons through higher prices or they diminished access to the benefit through reduced store hours or store closures.

We agree with the newly-appointed Deputy Chief Management Officer Peter Levine that efficiencies should drive the budget. We are encouraged by this new approach within DoD, which mirrors how any reasonable organization would approach reform and efficiencies.

We also agree with Congress that the efficiencies should not undermine the benefit to military families by adversely affecting customer service, product assortment and selection, and savings. In addition, we further believe that access to the benefit should not be adversely impacted.

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## Rule No. 1 of Retail - Don't aggravate your customer

The AFMC approaches reform efforts cautiously due to recent adverse impacts on retailers stemming from small changes in business models and operations. Two examples include Wal-Mart's clean store policy, which called for fewer products in each category and less aisle clutter (resulted in a loss of nearly \$2 billion in sales<sup>1,2</sup>), and J.C. Penney's attempt to offer everyday low prices to its customers (resulted in a devastating loss of sales<sup>3</sup>), both of which were costly to each retailer and resulted in the firing of senior leaders. They listened to their consultants, and even their customer surveys, but the changes ended up aggravating customers who either purchased less and/or shopped elsewhere.

The retail market place is very sensitive to change. As BCG discovered, even a 5% price increase on prices in the commissary would result in a 26% decrease in traffic. In other words, to generate \$143 million in revenue would cost DeCA \$1.333 billion in lost sales.<sup>4</sup> That should serve as caution to anyone interested in commissary reform, that efforts should be fully analyzed and evaluated, and carefully implemented.

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<sup>1</sup><http://adage.com/article/news/walmart-reversal-marks-victory-brands/142904/>

<sup>2</sup><http://consumerist.com/2011/04/18/walmart-declutters-aisles-per-customer-request-then-loses-185-billion-in-sales/>

<sup>3</sup> <http://www.investopedia.com/stock-analysis/043015/how-close-jc-penney-bankruptcy-jcp-kss.aspx>

<sup>4</sup> Boston Consulting Group, page 109

As Lee Scott, former CEO and current board member of Wal-mart has said, “Rule No. 1 of retailing is don’t aggravate your customer.” The AFMC agrees. Unfortunately, some have learned this truth the hard way. We hope this will not be true for commissaries.

The AFMC believes reform efforts should be a game of inches - proceeding slowly and only implementing concepts that can easily be reversed if negative effects begin to occur.

Therefore, this testimony will seek to offer opinions and/or concerns regarding the requirements of the aforementioned FY16 NDAA-required report as well as other commissary/resale reform suggestions that have been proposed by the MCRMC and BCG. Since the suggested reforms are speculative at this point, the AFMC reserves the right to alter its opinion once specific proposals and implementation plans have been developed, proposed and evaluated.

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## Budget Neutrality

The AFMC believes that achieving budget neutrality, or zero appropriations, while maintaining the required benchmarks is impossible. Appropriated dollars will be required to deliver a commissary benefit that achieves high customer satisfaction, the provision of high-quality products and maintains the current level of savings for the military patron. Without the appropriation, prices will have to be raised to offset costs. The AFMC believes raising prices to offset DeCA’s budget would set the benefit on a death spiral as higher prices result in a loss of sales which would then require cuts in service and/or additional price increases, resulting in the eventual closure of commissaries.

This is not without precedent. In the past, an attempt was made to have a self-sustaining commissary at Carswell Air Force Base which had been closed due to Base Realignment and Closure. The commissary was allowed to remain open but was managed like an exchange, selling items for profit to offset the costs. It was a dismal failure. Today the Carswell Commissary is back under DeCA control and operating and thriving as a full-fledged commissary.

Based upon that test, we do not believe commissaries will ever be self-sustaining and will require a sufficient level of appropriated support to maintain the savings benchmark.

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## Privatization

Privatization is a concept that has been reviewed on numerous occasions, including by the MCRMC, and was found to not be a viable option for delivering the benefit. The AFMC agrees. Any effort to pursue privatization further would be a waste of resources and manpower.

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## Resale Consolidation/Shared-Services

Historically, the AFMC has taken a position that resale consolidation, or consolidation of commissaries and exchanges into one resale organization, should only occur if a solid business case was presented that did not diminish the benefit for military patrons. Our position has not changed. To date, no such business case has been made, even after nearly \$20 million was spent on studies and task forces.

Based upon past studies, it is been made clear that consolidation is an expensive undertaking and would require significant upfront investments in financial resources. And since non-appropriated funds would be required to pay for consolidation, there likely would not be enough resources to pay for the consolidation as the costs would likely exceed the profits generated by the exchanges. That would result in no MWR dividend, requiring additional APF to offset the loss of dividends or the potential elimination of some MWR programs.

We understand, however, that shared services is a likely approach to finding savings and efficiencies. Granted, the shared services most likely would be among the exchanges, at least initially. We are concerned that NAF dollar savings from the exchanges would be funneled to offset commissary APF dollars. This would establish pressure on the exchanges to produce savings while DeCA would not be required to produce such savings. We believe that savings achieved by exchange efficiencies should remain with the exchanges and be used to reduce prices in the

exchanges and/or support quality of life programs in order to strengthen the benefit for military families.

We commend the exchanges for the efficiency efforts they have put in place in the past couple of years to reduce operational costs in the face of declining numbers of eligible patrons due to budget cuts and reductions in troop levels. As a result, though sales have declined, they have been able to strengthen the dividend for MWR programs.

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## Commissary Closures/Reduced Store Hours

We agree with BCG that increasing store hours, vice reducing them, would “strengthen DeCA’s value proposition” and make shopping at the commissary more convenient. Unfortunately, in previous efficiency efforts, DeCA reduced store hours and days of operations, as well as closed stores. Recent budget proposals called for further reductions in access to the benefit through this same practice.

If DeCA becomes dependent upon revenue generation to offset APF, it will need to make commissaries more accessible to patrons in order to grow sales and increase revenue. Reducing access to the benefit will only further erode the benefit and make it more difficult for DeCA to capture efficiencies.

We are also aware that, due to personnel turnover within DeCA, the commissary budget has been under executed for the past couple of years. Due to the gapped billets, service levels in the commissaries have been adversely impacted. We have been made aware that some commissaries have low staffing levels which result in long check-out lines. We hope to see a quicker hiring process that ensures sufficient staffing in the commissaries in order to maximize the service levels for our military families.

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## Private Label/Variable Pricing



In May 2014, the then-Vice Chairman of the Joint Chiefs of Staff testified before the Senate Armed Services Committee that if DeCA were able to carry “generic” products, more commonly referred to as private label, then DeCA could be more efficient. An example of Ibuprofen was used, claiming that DeCA only carried the name brand option, Advil, and that he could get a lower cost, “generic” option at the exchanges. However, the VCJCS was incorrect. In fact, the commissary carried a value brand option that was cheaper than any other private label brand offered. In fact, DeCA’s value brand had 47% Ibuprofen marketshare in the commissaries. Despite the false testimony by a senior DoD official, which was never corrected, private label has been offered as a panacea for DeCA’s budgetary woes. As a result, in the FY2015 NDAA, Title X was unfortunately amended to allow for private label products to be sold in the commissary.

Historically, the AFMC has opposed private label products in the commissary for numerous reasons. First, the commissary, through Congressional intent, is a name-brand benefit that offers national brands at cost-plus. That is what makes the commissary so appealing. Because these products are sold at cost-plus, even some of the tier 1 and tier 2 products are competitive with or cheaper than many private label brands outside of the gate. As such, DeCA developed its Value Brand Program which highlights those national brands that are priced the same or lower than the lowest priced similar items outside the gate. Instituting private label products in the commissary would displace these quality, national-brand value products with a private label product that may not be cheaper or of better quality than what is already offered.

There are important benefits associated with the national brand offering, such as:

- The products are widely distributed, promoted, and advertised. They are very popular with DeCA shoppers, as well as their civilian counterparts.
- National brands offer a familiar touch of home for military families. Wherever they are stationed, military families can buy the very same products to which they are accustomed and like.
- National brands offer a known, consistent standard of quality at a known value, offering commissary patrons the ability to gauge accurately the savings available to them at DeCA commissaries.

To implement a private label program is a complex undertaking that will require upfront costs to contract and develop products as well as additional ongoing costs to implement. And there will be additional costs to ship, stock, merchandise and promote the items - costs that are all paid by the vendor community today for the national brand items. As BCG points out, DeCA does not currently have the structure in place to fulfill all of the requirements to properly and effectively manage a private label program and would need to create the structure and hire additional people to manage the structure.<sup>5</sup> These costs will come from APF dollars without the benefit of having sold a single product.

But what BCG does not identify is how willing industry partners will be to continue to provide the in-store ancillary support, support that is not provided to other retailers, if DeCA is now competing with them at the shelf and generating profits from the products. This support includes promotional trade spending, retail store support to include schematic sets, distributor management, promotional signage, shelf stocking, and working with stores to keep computer assisted ordering data accurate.

If industry no longer decides to pay for and conduct the in-store support, these costs will have to be borne by DeCA. As far as we can tell, these costs have not been factored into any of the analysis. In BCG's report, they list all of the people they consulted. Unfortunately, industry was not included in their list.<sup>6</sup> Thus the AFMC believes their assumptions on revenue generation, lower product costs, and savings generated through the sale of private label products are flawed in that they did not take into consideration second and third order effects of introducing private label products in the commissaries.

Private label will change everything for everyone affiliated with delivering the commissary benefit. Pursuing private label requires a full-spectrum analysis which has yet to be conducted. Therefore, we believe further analysis is required to fully understand all of the costs associated with instituting private label before it is implemented.

It should be noted that many product recalls are related to private label products. Whole Foods and Wegman's, both of which are known for their private label products, had some of the highest number of recalls among retailers in the past two years. Overall, most product recalls are due to

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<sup>5</sup> Boston Consulting Group, page 124

<sup>6</sup> Boston Consulting Group, page 17

undeclared ingredients, for instance, nuts and other allergens present in products that did not disclose the items were present, creating a grave danger for many who are allergic to those ingredients.<sup>7</sup>

Under the name brand program, DeCA bears no financial risk or liability for recalled products. The national-brand manufacturer bears all responsibility. By instituting a private label program, DeCA may be exposed to additional risks, liability and costs associated with any recalls of private label products.

Additionally, because DeCA is a name-brand benefit, strong relationships have been forged between manufacturers, DeCA and the patrons, whereby cause marketing and promotional programs have been implemented that have helped to raise millions of dollars each year to support organizations like the National Military Family Association, the USO, and Fisher House, among others, as well as numerous camp and college scholarships for military children. By instituting private label, DeCA will remove products from the shelf that support these efforts and reduce the amount of revenue generated through these cause marketing efforts. While the APF may be offset, military families get less quality-of-life support from their benefit.

In the end, if the costs are deemed to be bearable, we still believe that implementation should proceed slowly to ensure DeCA does not get saddled with too much product that it cannot move or on which it may take a loss. The Council recommends a test of a few private label products in a couple of categories to see how the patrons respond to both the loss of the national brand with which they are familiar, as well as the addition of a new untested, unfamiliar brand on the shelf.

In order for DeCA to institute private label and generate revenue from the products, variable pricing will be required. In other words, DeCA will have to abandon the cost-plus model. No matter which way it is communicated, the reality is we are asking military families to bear the burden of paying for the commissaries. We view this as breaking faith with our military families and sets a dangerous precedent.

While efforts in the short term may be to keep prices and savings the same, future DoD leaders in a non-transparent manner may require DeCA to raise prices further to garner additional revenue to

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<sup>7</sup> <http://www.vocativ.com/culture/health-culture/ice-cream-listeria-recalls-fda/>

offset APF. It presents a dangerous and slippery slope for commissaries. If Congress changes Title X to allow for variable pricing, the AFMC recommends that it be tightly constructed to protect patrons from future price increases that further diminish the benefit.

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## Price Rationalization

The AFMC is concerned with the concept of price rationalization. This suggestion calls for the equalization, or normalization, of savings across regions and across categories throughout the commissary system. Under this concept, patrons in some areas of the country, such as Hawaii, Alaska, Virginia, California, and high cost-of-living metropolitan areas, for instance, will see their prices increased while people in low cost-of-living areas will see their prices decrease.

This will result in winners and losers among patrons, but may likely be a lose-lose proposition for DeCA. DeCA runs the risk of losing patrons in areas where prices would be increased, which include the highest performing stores in the system, such as Pearl Harbor and Ft. Belvoir. This is a very real concern given BCG's analysis of patron price sensitivity as was discussed earlier.

We are also concerned with how price rationalization would impact cost of living adjustments (COLA) for families in adversely affected areas. We would hope that, since cost of living would be higher due to the price increases, that the COLAs would be adjusted accordingly. In turn, there would be no benefit to the patron or the taxpayer.

Price rationalization among categories would mean higher prices on meat, produce, and dairy products in order to lower prices on items in the center of the store. It puts DeCA at risk of losing patrons and patron loyalty due to higher prices on this essential categories of products meat, which serve to make a trip to the commissary worth the trip. While DeCA is not allowed to have loss leaders to attract patrons, meat, produce and dairy prices essentially serve that purpose for DeCA, attracting many patrons who drive miles to the commissary in order to stock up on items in those categories. And that also leads to additional foot traffic and sales in the exchanges.

Additionally, price rationalization will add another complex layer of operations and increased costs to manage and implement. Today DeCA is a simple model - sell products at cost plus. To

shift to price rationalization would require operational data systems and people with the proper skill sets to analyze the data and manage the program. That will result in additional operational costs which as of yet are undetermined.

Further, we believe price rationalization will likely produce a perception that the benefit is being eroded, particularly on categories of products important to patrons. And in the modern world of social media, it could have an adverse effect on DeCA's reputation as we are now seeing in the Pacific related to produce as patron perceptions become shaped more by the negative of higher prices on key categories rather than by the positive of lower prices on other categories.

We do not believe sufficient analysis has been conducted on price rationalization to determine the costs and whether any benefits would outweigh the costs or substantiate taking the risk. We do believe that any test of price rationalization should be limited and developed in such a way that it can be easily reversed if points of failure begin to emerge.

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## Converting DeCA to a Non-Appropriated Fund Instrumentality

The AFMC is cautiously supportive of this effort depending on the final plan. We are foremost concerned about the impact on the nearly 60% of DeCA's workforce that is made up of military family members and the impact job losses and/or wage reductions would have on their financial readiness.

We are also concerned with the upfront costs with conversion and the impact conversion would have in the short term on employee morale and the service levels provided to patrons. These are issues that certainly would need to be mitigated.

We support efforts to operate DeCA more efficiently and certainly personnel costs are a major cost center for DeCA. Evaluating and reviewing salaries to ensure they are commensurate with NAF wages is an important step in this effort. The AFMC also supports a staff structure review to determine whether requirements are adequately being met or if too many people are employed to fulfill the requirements. As was stated earlier, some stores are not manned to appropriate levels and we believe this is having an adverse impact on service to the patron.

But we also recognize that DeCA has long needed payroll flexibility to garner the best talent that is not currently resident with the organization to help achieve some its more complicated goals that require people with specific experience and new skill sets.

The AFMC is optimistic about the opportunity but concerned with the financial challenges related to implementation and the impact on service to the patron.

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## Local Sourcing

The concept of local sourcing is an attempt to reduce overseas shipping costs, otherwise known as Second Destination Transportation (SDT). Congress intentionally established SDT as a means to ensure military patrons around the world receive the same price that they would had they remained in CONUS. SDT funds ensured that military families stationed OCONUS were not penalized for serving overseas. The Council believes there is no better use of taxpayer dollars than ensuring that our military families in stationed in overseas are able to access at affordable prices quality-made, U.S. certified products.

Currently, we are watching closely the implementation of local sourcing of produce in the Pacific. While we recognize that a series of challenges and missteps led to \$10.69 bagged lettuce and other outrageous prices on other produce items in Guam<sup>8</sup>, we anticipate the prices will normalize as better shipping methods and better ordering systems are employed.

The current attempt in the Pacific requires first destination shipping to the stores instead of first destination to a distribution center then SDT funds used to pay for shipping to the store. This means that all shipping costs are included in the price of the product, which we believe violates the spirit and intent of Congress when it codified SDT into law.

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<sup>8</sup> <http://www.militarytimes.com/story/military/benefits/on-base/2015/12/20/some-pacific-commissary-produce-prices-spike-under-new-contracts/77501250/>

Discovering more efficient shipping methods to reduce SDT costs are encouraged, but so-called efficiencies that simply transfer shipping costs to patrons stationed at OCONUS bases are a violation of trust and legislative intent.

Another concern about local sourcing of products is the challenge of American military families knowing what they are buying. For instance, how does a military mom know if the product she seeks to purchase, that has a label in a language she can't read, will not trigger an allergic reaction in her child? How does she know what the ingredients are? As mentioned earlier in regards to private label products, how does that mom know whether the local government standards will protect her and her family from products that do not properly disclose ingredients?

SDT also has helped U.S. Transportation Command (TRANSCOM) maintain a high level of readiness during peacetime. If local sourcing is utilized, what will be the impact on TRANSCOM and its readiness?

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## Shelf stocking

The issue of shelf stocking in the commissaries has been a perennial discussion. Currently, manufacturers pay third-party contractors to stock commissary shelves with their products. It has been proposed that if DeCA takes on shelf-stocking, it could capture the monies being spent by manufacturers on stocking in the form of lower prices on products, take those monies and pay either government employees or contracted labor to stock the shelves.

First, the assumption that manufacturers would offer a lower price is false. The price DeCA receives from manufacturers is equal to the lowest price offered to any retailer per DeCA contract. The money used to pay stockers comes from other sources within their companies and is not reflected in the price of the product.

Additionally, the private vendor community is able to contract for shelf-stocking at a lower cost than DeCA currently does. Due to federal contracting rules, DeCA's costs will always be higher, that is, unless it is converted to a NAF. But even then, it must meet required minimum federal wage rates.

Regardless of DeCA's status, this would become a new cost center for DeCA with no assurances that the costs would be offset by revenues or lower product costs. Instead of becoming an efficiency, it would become another layer of cost added to DeCA's operations.

Again, we believe further full-spectrum analysis needs to be conducted that includes conversations with the vendor community to better understand how stocking is funded today and the impacts that would occur if DeCA assumes responsibility for shelf stocking.

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## MILSTAR in Commissaries

The AFMC supports allowing military patrons to use their MILSTAR card in the commissaries. We believe this is an opportunity to reduce overhead costs without having any adverse impacts on the patron, while also allowing the patron to reduce their credit card payments due to lower interest. However, if MILSTAR use is permitted in the commissaries, we believe an equitable distribution of revenue should be mandated.

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## Veterans Shopping Online Benefit

Historically, the AFMC has supported expanding privileges to categories of veterans, particularly those who are combat-wounded or have service connected disabilities.

The VSOB is an opportunity to offer an online benefit to all veterans which would not impact traffic in the stores nor would it adversely impact current patrons.

We see this as a great opportunity to increase sales, enhance the benefit for all patrons, and help to generate additional revenue to support the resale systems and MWR. We also believe that a fair and equitable portion of profits be shared with the Veterans Canteen Support in support of warrior care programs.



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## Advertising

Since DeCA was formed in the early 1990's, the world has changed. Unfortunately, DeCA was unable to change and adapt to keep the commissary benefit relevant to the patron.

The world is online and patrons can get the price of any product at most any store in a matter of seconds. The AFMC believes the commissary benefit can be greatly enhanced if DeCA were able to better communicate its offerings to its patrons. We encourage a relaxing of advertising restrictions on DeCA to allow it be more relevant to shoppers.

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## Online ordering and Pick-up

In line with outside-the-gate retailers, DeCA has successfully tested an online ordering system for patrons that allows them to submit an order to pick up on their way home from work. However, there are costs associated with fulfilling the orders that should be offset by a convenience fee.

The AFMC views online ordering as a worth-while enhancement of the commissary benefit. We support allowing DeCA to charge a convenience fee to support this program and allow it to be expanded throughout the commissary system.

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## Conclusion

While there have been numerous suggestions recommended to reduce DeCA's appropriation, the AFMC does not believe sufficient full-spectrum analysis has been conducted to determine the overall complexities and costs associated with implementing and maintaining the concepts.

The AFMC believes that before any reforms that change DeCA's operating model and/or seek to generate revenue from military families are tested or implemented, that full-spectrum analysis be conducted to fully understand the operational requirements and costs to implement. The analysis

should consider additional costs that may be required if the vendor community no longer provides the in-store ancillary support it currently provides.

Additionally, we believe that any reform efforts that are implemented are done so gradually and in such a way as they can be easily reversed if negative effects start to occur.

Lastly, for the good of our military families, the good of the commissary benefit, the good of the military exchanges, and the good of MWR programs, commissary reform should not aggravate the patron.

Thank you Chairman Heck, Ranking Member Davis and members of the Subcommittee for your kind attention.

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## Exhibit 1

### Thomas T. Gordy Curriculum Vitae

Tom Gordy serves as the President of the Armed Forces Marketing Council, a position he has held since March 2008. In this role, he works to support and enhance the military resale benefit for military families by engaging with congressional and military resale industry leaders to address issues of concern to the members of the Council.

However, his work on military resale began in 2001 when he became personal staffer for a Member of Congress representing Virginia's Second Congressional District. The district included seven military bases and numerous resale and Morale, Welfare and Recreation programs.

Over the years, he has been involved in various issues related to military resale to include consolidation, commissary budget cuts, commissary efficiencies, interchange fees, product restrictions, base access for industry, tax issues, local sourcing, variable pricing, private label products, privatization, and more.

In 2007, Tom worked as a Senior Strategic Communications Consultant for The Wexford Group/CACI supporting the congressional and public affairs directorates of the Joint Improvised Explosive Device Defeat Organization.

In November 2002, Tom was commissioned as a U.S. Navy Reserve Public Affairs Officer. From March 2009 to February 2010, Tom was mobilized to active duty and deployed to Iraq as the Legislative Affairs Officer and Deputy Public Affairs Officer to U.S. Army Gen. Ray Odierno, Commander, Multi-National Forces-Iraq. He is currently assigned to the Commander U.S. Naval Forces South/Commander Fourth Fleet reserve unit in Mayport, FL and is the officer in charge of the public affairs branch.

Since October 2008, Tom has successfully owned and managed River Woods Retreat, a mountainside log cabin vacation rental in Virginia's Shenandoah River Valley. And from 1989 to 1998, Tom served as youth minister, associate pastor and pastor in various churches in northeast Louisiana and Juneau, Alaska.

From 2013 to 2015, Tom served on the Board of Trustees of the Virginia Veteran Services Foundation, which provides funding for veterans services and programs in the Commonwealth through the Veteran Services Fund.

As a volunteer, Tom is the chairman of the Victory Elementary School Advisory Council, Bristow, VA, is an Elder and Director of Grace Life Community Church, Bristow, VA, and supports the Navy Safe Harbor Foundation, Alexandria, VA, which supports wounded, injured and seriously-ill Sailors and Coast Guardsmen.

Tom is a native of Monroe, LA and is a graduate of University of Louisiana at Monroe (BBA) and Regent University (MA).

Tom is married to the former Theresa Mayo of New Iberia, LA. They have two children and reside in Northern Virginia.

**DISCLOSURE FORM FOR WITNESSES  
COMMITTEE ON ARMED SERVICES  
U.S. HOUSE OF REPRESENTATIVES**

**INSTRUCTION TO WITNESSES:** Rule 11, clause 2(g)(5), of the Rules of the U.S. House of Representatives for the 114<sup>th</sup> Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants), or contracts or payments originating with a foreign government, received during the current and two previous calendar years either by the witness or by an entity represented by the witness and related to the subject matter of the hearing. This form is intended to assist witnesses appearing before the House Committee on Armed Services in complying with the House rule. Please note that a copy of these statements, with appropriate redactions to protect the witness's personal privacy (including home address and phone number) will be made publicly available in electronic form not later than one day after the witness's appearance before the committee. Witnesses may list additional grants, contracts, or payments on additional sheets, if necessary.

**Witness name:** Thomas T. Gordy

**Capacity in which appearing:** (check one)

Individual

Representative

**If appearing in a representative capacity, name of the company, association or other entity being represented:** Armed Forces Marketing Council

**Federal Contract or Grant Information:** If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) or grants (including subgrants) with the federal government, please provide the following information:

**2015**

| Federal grant/<br>contract | Federal agency | Dollar value | Subject of contract or<br>grant |
|----------------------------|----------------|--------------|---------------------------------|
| None                       |                |              |                                 |
|                            |                |              |                                 |
|                            |                |              |                                 |
|                            |                |              |                                 |
|                            |                |              |                                 |
|                            |                |              |                                 |
|                            |                |              |                                 |

2014

| Federal grant/<br>contract | Federal agency | Dollar value | Subject of contract or<br>grant |
|----------------------------|----------------|--------------|---------------------------------|
| None                       |                |              |                                 |
|                            |                |              |                                 |
|                            |                |              |                                 |
|                            |                |              |                                 |
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|                            |                |              |                                 |

2013

| Federal grant/<br>contract | Federal agency | Dollar value | Subject of contract or<br>grant |
|----------------------------|----------------|--------------|---------------------------------|
| None                       |                |              |                                 |
|                            |                |              |                                 |
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|                            |                |              |                                 |

**Foreign Government Contract or Payment Information:** If you or the entity you represent before the Committee on Armed Services has contracts or payments originating from a foreign government, please provide the following information:

2015

| Foreign contract/<br>payment | Foreign government | Dollar value | Subject of contract or<br>payment |
|------------------------------|--------------------|--------------|-----------------------------------|
| None                         |                    |              |                                   |
|                              |                    |              |                                   |
|                              |                    |              |                                   |
|                              |                    |              |                                   |
|                              |                    |              |                                   |
|                              |                    |              |                                   |
|                              |                    |              |                                   |

2014

| <b>Foreign contract/<br/>payment</b> | <b>Foreign<br/>government</b> | <b>Dollar value</b> | <b>Subject of contract or<br/>payment</b> |
|--------------------------------------|-------------------------------|---------------------|---|
| None                                 |                               |                     |   |
|                                      |                               |                     |   |
|                                      |                               |                     |   |
|                                      |                               |                     |   |
|                                      |                               |                     |   |
|                                      |                               |                     |   |
|                                      |                               |                     |   |

2013

| <b>Foreign contract/<br/>payment</b> | <b>Foreign<br/>government</b> | <b>Dollar value</b> | <b>Subject of contract or<br/>payment</b> |
|--------------------------------------|-------------------------------|---------------------|---|
| None                                 |                               |                     |   |
|                                      |                               |                     |   |
|                                      |                               |                     |   |
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