



News Release

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Review cites system contributions to military families, Defense and Nation

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The network of businesses on military bases is known for providing savings to nearly 13 million patrons but a report now documents substantial contributions beyond these savings with \$23.7 billion in annual benefits to the nation and \$11 billion in benefits to the Department of Defense.

The *Military Resale and MWR Center for Research*, established by the American Logistics Association, released a major economic review of the military resale system documenting these benefits for the military community and the nation.

“The report demonstrates a remarkably high return for resources invested in this program, producing jobs, funding for vital military community programs, and promoting American industry,” said Pat Nixon, Association President. “The system blends the best of the private sector and government coming together to fulfill that reciprocal commitment to our men and women in uniform who have given so much.”

“The military resale system is a powerful engine behind the U.S. economy, producing \$18 billion a year in revenue and providing goods at affordable prices, no matter where military personnel are stationed,” said Nixon. “This system also produces \$10.97 billion in economic benefit to the Department of Defense for the \$1.757 billion provided in taxpayer support. This equates to a \$6.24 return for every \$1.00 of appropriations used.”

“The system has always stood on the fact that it contributes to military quality of life and supports the national security mission. However, challenges to the system over the past year necessitated the economic analysis,” Nixon said. “Some have chosen to set aside the quality of life mission support benefits of the system and concentrate on economics and numbers. The report clearly shows that the system stands up to fiscal scrutiny as well.”

A budget reduction proposal put forth by the Congressional Budget Office (CBO) cited \$9.1 billion in savings over ten years, but Nixon said the report released today shows that conforming to the CBO recommendations would actually cost DoD \$40.1 billion and effectively dismantle the program, setting it on a dangerous downward spiral. He pointed out that the CBO recommended a “grocery allowance” be provided to lower ranks but that this allowance completely excludes officers’ families and retired military.

“All defense programs need to tighten their belts and produce efficiencies, and the resale system is no exception,” Nixon said. “That’s why, as this report shows, the commissary and exchange programs have taken out hundreds of millions in costs, and continue to pare down costs without effecting benefits to the troops,” Nixon added. Because these programs yield a tremendous return to DoD, Nixon urged policy makers not to be shortsighted.

“The resale system is also the only benefit provided by the Department of Defense (DoD) to its personnel and their families wherein costs to the government decline the more it is used. While costs of other DoD programs have doubled and even tripled in the past ten years, the cost for the military resale system has been kept constant or dropped in real terms. It is also one of very few defense programs that is fully accountable and that has a clean audit,” Nixon said.

What the report shows is that this system is an integral part of the military fabric. Service members and their families are partners with the taxpayers in financing their own quality of life programs—to the tune of \$13 billion. “The system is way ahead of the rest of government in finding efficiencies and cutting costs. Further reductions would amount to policy makers eating the seed corn that sprouts massive economic benefit for the Department of Defense, military families, and the nation,” said Nixon.

Congressman Joe Wilson (R-SC), Chairman of the House oversight panel for the resale system cited the reports findings as proof of the systems contributions to the nation and DoD. “The Department of Defense military resale system is a driving force behind our nation's economy and I am very proud of its success,” stated Wilson. “Not only does the program efficiently serve our military, it also employs our military family members and veterans and supports our small businesses. I look forward to working as Chairman of the House Armed Services Subcommittee on Military Personnel to ensure that our military resale program remains effective and beneficial to our brave men and women in uniform and their families,” said Wilson.

According to the report, commissaries and exchanges are the largest employer of military families in the world and the leading employer of veterans in the nation. Nixon pointed to a pledge by the Association last year to hire 25,000 more veterans and family members in the industry that supports these programs, a goal that industry is half way toward meeting. The

military resale system also creates thousands of American jobs and markets billions of dollars worth of American-made product overseas.

"This report underscores just how valuable these benefits are for military families and ensuring an affordable quality of life," said Congresswoman Susan Davis (D-Calif.), Ranking Member of the Personnel Subcommittee, House Armed Services Committee. "The system is a powerful engine to create jobs, promote American industry, contribute to the Defense mission, and help underwrite vital community programs. It also recognizes the contributions of the tens of thousands of employees and managers of these programs in caring for our people across the globe," Davis said.

"This system stands out in support of a long list of Administration priorities to include: job creation, promoting American products abroad, accountability to taxpayers, government efficiency, supporting military quality of life, increasing employment opportunities for military families and veterans, aiding the disabled, and providing quality health care," Nixon said. "The system also provides millions of dollars in funding for on-base community programs and contributes to many military benevolent causes such as Fisher House, USO and Wounded Warriors, aid for returning combat veterans, and children of military who died in combat."

Nixon said the report shows the system has taken out billions of dollars in costs over the years. "Everyone says government should operate more like a business. Well, this is one part of government that already operates like a business," he added.

"The contributions outlined in this report to the nation, military personnel and their families, and the Department of Defense pay tribute to the tens of thousands of managers and employees of this system who everyday, worldwide, 24-7, give their best to provide for the best. The thousands of employees are the faces behind the bases, working hard every day and across the globe to deliver first class benefits to the troops and their families," Nixon said.

To read the executive summary or full report, visit the *Military Resale and MWR Center for Research* www.resaleresearch.org, which provides a virtual library of research and discussions about the military resale business channel.

The American Logistics Association (ALA) is a 90 year old trade association representing some of the largest consumer package companies and other companies that support improved quality of life for our military and their families through strong resale (commissary and exchange) and morale, welfare and recreation programs (MWR) for the Departments of Defense, Veterans Affairs and Homeland Security. For more information about the ALA or to sign up for the free weekly newsletter, The Executive Bulletin, go to the ALA website at www.ala-national.org



Costs and Benefits of the Department of Defense Resale System

Major Report Findings

Updated December 19, 2012

- The DoD resale system represents a blend of public and private sector management practices. The DoD operates hundreds of exchange and commissary outlets at installations around the globe producing \$18 billion a year in revenue and provides goods at affordable prices, no matter where military personnel are stationed.
- Appropriations are provided to support transportation of products, provide base support, and for commissaries to pay for operating costs so that products can be sold at cost to the patrons.
- The resale system provides \$23.689 billion in annual economic benefit to the nation or a \$20.36 return for every \$1.00 of appropriations used.
- This system produces \$10.97 billion in annual economic benefit to the Department of Defense for the \$1.757 billion provided in taxpayer support, a \$6.24 return for every \$1.00 of appropriations used.
- Military families benefit from the system with a \$10.51 billion in annual economic benefit to military service members and families for a \$5.97 return for every dollar of appropriations used.
- Direct cash contributions by the system to the government exceed the appropriations spent. The system nets \$373 million per year in reduced outlays required by the government.
- Military personnel are shareholders in their own resale programs. A portion of their paid transaction is allocated to recapitalization, saving the taxpayer money and building military family equity. Over the past 20 years, this investment in facility and other capital investments have amounted to \$12.5 billion. The total amount of this shareholder equity in the system is estimated at \$6.5 billion.
- Costs for these programs have been kept constant or dropped in real terms in the past ten years while costs of other DoD programs have doubled and even tripled.
- The system makes a major contribution to National Security, supporting deployed forces, often in forward combat areas valued at \$117 million annually.
- Provides employment for tens of thousands of military family members, making a major contribution to household income.
- Greatly reduces training costs for DoD by helping to keep good people in the Service.

- Is a global operation supporting military and families at overseas bases and remote locations. Stateside resale operations provide the base for projecting products and services to remote and overseas areas where there are no affordable alternatives for military personnel and families. This includes supply chain synergy and continuity, economies of scale sustained by stateside business volume, and a rotation base for resale personnel so they do not have to spend their entire careers in hardship areas.
- Provides \$4.5 billion in annual savings to military patrons.
- Reduces cost of living allowance payments by over \$738 million per year.
- Reduces the cost of food stamp and WIC programs.
- Provides thousands of retail and construction jobs.
- Provides economies-of-scale that reduces DoD transportation costs.
- Provides nearly \$220 million in annual health and retirement benefits for its personnel.
- Promotes the sale of nearly \$3.7 billion annually in U.S. products overseas.
- Provides \$330 million in vital community support funding for military installations.
- Reduces telecommunications costs to military personnel and DoD by \$250 million annually.
- Provides nearly \$600 million in Federal tax income to the Treasury from over \$4.6 billion in salaries.
- A study by the Congressional Budget Office (CBO) concluded that DoD could realize a \$9.1 billion reduction over ten years through organizational changes to the system including price increases and providing an allowance to certain lower ranking military personnel to compensate for the loss of the commissary benefit. The CBO report did not consider a number of factors including a decreased baseline that greatly underestimates the contribution that the resale system makes to the Department of Defense, military personnel and the nation, and would force the DoD to forego nearly \$41 billion in benefits over the same ten years while decreasing benefits to the nation accruing from the operation of these programs by nearly \$86 billion. Further, entire classes of beneficiaries would be excluded from this DoD benefit. No benefit would be provided to retirees, Medal of Honor recipients, disabled veterans, and other current beneficiaries.
- The resale system is the only benefit provided by DoD to its personnel and their families where costs to the government decline the more it is used.
- Is one of the most efficient organizations in Government with over \$700 million in annual efficiencies. If commissaries had not realized efficiencies, its appropriation requirement trajectory would have taken it over \$2 billion. Instead, its costs are under \$1.4 billion. Another \$500 million was saved by the Government in inventory reduction efficiencies.
- Ranks at the top in accountability to patrons and the taxpayers with clean audits and financial statements.
- Creates thousands of American jobs and markets billions of dollars worth of American-made product overseas.
- Is the leading employer in the nation for veterans.
- Supports a multitude of benevolent causes and is a leader in the nation in small business usage and employing disadvantaged, including the blind and disabled.
- Is a leader in socio-economic and green initiatives in the government.

Annual Benefits to DoD and the Nation