



## Look before you leap

*"...commissary closed one day a week. We can do better than that. That's not how a Great Nation should be treating its military and military families."*

**-- President Barack Obama – Camp Pendleton, August 2013**

The Senate Armed Services Committee has recommended a provision that would require the Secretary of Defense to plan for **and implement** privatization of commissaries at no fewer than the five largest bases in the United States.

Senators Inhofe and Mikulski have introduced the attached amendment #1728 to strike Section 652 of HR 1735 and replace it with language simply requiring an assessment of costs and benefits prior to any planning and testing of commissary privatization across DoD. The intent is to require DoD and GAO to study privatization and all relevant factors to ensure Congress has the information it needs prior to making a decision on potential changes to existing commissary operations.

*The Inhofe-Mikulski amendment offers a sensible, pragmatic and thoughtful approach to examining private operation of military commissaries.*

Senators Inhofe and Mikulski are right. Study before deciding to implement. Nearly 40 organizations – representing tens of millions of active duty, Guard and Reserve, retirees, military families, Veterans, and survivors – agree.

**The Military Compensation and Retirement Modernization Commission (MCRMC) surveyed the private sector and found no interest among major retailers to operate on military bases.** The Commission, chartered by the Senate, found that commissaries were worth preserving and recommended changes to the current structure—not privatization.

**Proposal cherry-picks largest stores** while abandoning stores that do not generate a profit and potentially leaving military families with no source of meeting their basic needs. This proposed pilot test will not adequately evaluate whether privatization will work across the entire system including in overseas and remote locations where delivery of the benefit is much more costly and provides greater challenges.

**The privatization proposal and other commissary language in the proposed Bill is a one-two-three-four punch to commissary patrons and military personnel and their families.** Along with the *privatization experiment*, the same Senate Bill that is being proposed also proposes to *raise prices by 30 to 50 percent* for commissary patrons. This Bill demands that commissary *patrons pay for the cost of transporting products to overseas areas* where military personnel are ordered to serve. It will severely *damage military exchange operations and cut off funding for military community programs*. Loss of traffic at commissaries will adversely impact sales in military exchanges by up to 40%. This will diminish the dividend that exchanges provide to support community programs for military families. This comes at a time when appropriations for these programs are already diminished.

**Any privatization must take into account DoD-unique factors.** Changing threats, announced and unannounced deployments of large units of troops, re-stationing of forces, adaptive force protection measures, the need to offer the same benefit worldwide, wherever military serve are concerns tantamount in considering privatization of commissaries. This argues for a careful review prior to deciding whether to implement. An FDA official said at a conference recently: While the food system has remained relatively untouched, "we've certainly studied it since 9/11 to assess what the potential impacts might be. And they can be catastrophic." Department of Defense Instruction 6200.03, Public Health Emergency Management, details roles, responsibilities and procedures for responding to public health emergencies, which include many of the potential threats to our food and water supplies. The Defense Commissary Agency, Army and Air Force public health authorities, in conjunction with installation security personnel,

conduct installation food and water vulnerability assessments as part of a broader DoD anti-terrorism effort. In a similar fashion, DoD Veterinary Service personnel, when conducting commercial food plant audits for the DoD-Approved Source Directory, evaluate a food plant's compliance with a list of food defense provisions. Combined, these efforts help reduce the risk of a local or regional intentional attack on DoD food facilities to include commissaries.

**Damages the Government's negotiating position.** Business 101 teaches that you don't give away your negotiating position before you even get to the table. The proposed language mandates privatization under **any** circumstances. If the private sector knows that, they will demand more concessions from the Government.

**The Government would have to guarantee the private sector's investment.** The Government would have to guarantee the private sector's investment in the stores to cover the risk caused by potential base closures, terrorist or other threat-related tightening of base security, and re-stationing or downsizing of forces. This guarantee would be "scored" and reflected on the balance sheet of the U.S. Government.

**Dramatic effect on employees.** Thousands of experienced military commissary workers would be displaced.

**Loss of jobs for military family members.** Over 60 percent of DeCA employees are military related and nearly 30 percent are military family members. These jobs are transferable, allowing them to retain their positions and seniority when the military provides permanent change of station orders.

**Not afraid of analysis... afraid of no analysis.** Commissaries are an efficient and accountable organization. Commissaries are used by almost the entire military community and they are considered to be vital forms of compensation by military families. However, the cost of these earned benefits are less than 0.3% of the entire DoD budget and less than 1 percent of the military's compensation budget. No programs provide more bang for the buck than the exchanges and commissaries. The existing commissary system is an efficient way to deliver this benefit. The commissary agency is an accountable organization with a clean audit for 14 years running. The Director of the Defense Commissary Agency testified that they have reduced costs 40 percent since the Agency was founded in 1991.

**The Administration agrees that it should be studied before implementation.** Said the White House on June 3, 2015--*“Currently, the Administration has concerns with commissary privatization and the willingness of private sector entities to participate in such a project. However, there is an independent study under way to determine whether privatization is a feasible option and we should wait for those results prior to making any policy changes.”*

**Disruption of existing system synergies.** The current system is integrated worldwide. Carving out some stores to be operated by the private sector will disrupt a working supply chain.

**What if privatization fails?** Once dismantled, it will be difficult to reconstruct the existing working capability.

**Marooning employees overseas.** Currently commissary employees have the opportunity to rotate between stateside and overseas locations. This rotation ability would be removed.

**Commissary patrons have invested in stores that would be handed over to the private sector.** Commissary patrons, through a 5 percent co-pay or surcharge have invested billions of dollars in the existing stores. Under privatization, this investment would be handed to the private sector with no guarantee of compensation to patrons.

**Will result in higher prices on groceries for military families.** The same proposed Bill proposes to eliminate the current 30 percent savings for military patrons. This loss of an average of 30% savings and up to 50% savings in some locales on a market basket of products for military families equates to over \$4000 per year for a family of four.

**The Defense Commissary Agency (DeCA) already receives best pricing.** Regardless of which private contractor operates the commissaries, the price they receive from manufacturers will not be lower than what DeCA currently receives.

**Subject patrons to sales taxes.** Under current law, private entities that operate on base as concessionaires to military exchanges are required to collect sales tax. That means military families would be required to pay sales taxes on groceries purchased in a privately-operated commissary.

**Outsourcing already takes place where it makes sense.** The cost of operating a privatized commissary will be higher in that some current roles and functions in commissaries are provided by private industry.

Distribution, promotions, and shelf stocking are already performed by private entities and helps to reduce the cost of operations for DeCA. A private entity will be required to pay for those functions, thus increasing the cost of operations.

**Assess impact on small business.** The existing commissary system has thousands of contracts with small and local businesses. These businesses would be negatively affected.

**Assess impact on the blind and severely handicapped.** The existing system supports a variety of programs that support employment for the National Institute for the Blind and the National Institute for the Severely Handicapped. These programs would be put in jeopardy.

**The Amendment is supported by:**

Air Force Association

Air Force Sergeants Association

American Military Partner Association

American Military Retirees Association

American Military Society

American Retirees Association

American Veterans (AMVETS)

Army and Navy Union

Association of the United States Army

Association of the United States Navy

Fleet Reserve Association

Gold Star Widows

Jewish War Veterans of the United States of America

Military Officers Association of America

Military Order of Foreign Wars  
Military Order of the Purple Heart  
Military Partners and Families Coalition  
National Association for Uniformed Services  
National Defense Committee  
National Guard Association of the United States  
National Military Family Association  
National Military and Veterans Alliance  
Reserve Officer Association  
Society of Military Widows  
American Federation of Government Employees  
American Federation of Labor and Congress of Industrial Organizations  
Armed Forces Marketing Council  
American Logistics Association  
International Brotherhood of Teamsters  
The Coalition to Save Our Military Shopping Benefits  
The Flag and General Officers Network  
The Retired Enlisted Association  
Tragedy Assistance Program for Survivors  
Uniformed Services Disabled Retirees  
United States Army Warrant Officers Association  
Veterans of Foreign Wars  
Vietnam Veterans of America