

STATEMENT BY:
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BEFORE THE SUBCOMMITTEE ON PERSONNEL
ARMED SERVICES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
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HEARINGS ON
MILITARY RESALE AND MORALE, RECREATION, AND
WELFARE PROGRAMS
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HOUSE ARMED SERVICES COMMITTEE**

Mr. Chairman and Distinguished Members of the Subcommittee:

The American Logistics Association (ALA) is most grateful to this Subcommittee for continuing its strong leadership in preserving and improving the commissary, exchange, and MWR benefits for service members, military retirees and their families.

It is an honor to be here today as Chairman of the Board of ALA representing nearly 250 of America's leading manufacturers, nearly 60 brokers and distributors, service companies, media outlets and more than 1400 individual members who are actively engaged in providing goods and services to the military resale and MWR activities. Our primary goal is to enhance the quality of life for active duty, Guard and Reserve, and retired military personnel and their families. Our members include companies listed on the Fortune 500 list such as Coca-Cola, Procter & Gamble, Campbell Soup Company, BIC USA, PepsiCo, The Clorox Company, Johnson & Johnson, ConAgra Foods, U.S. Nutrition, Kellogg's, H. J. Heinz, L'Oreal, Brown-Forman Beverages, Unilever, Masterfoods USA, and AT&T. Our members are also small businesses such as Strive Smart Strength, Inc., National Industries for the Blind, Lighting and Sound Karaoke, Fitlinxx, Mission Foods, Gopher Sport, NISH Company, Hunter Fan, School Specialty, Inc., Hawaii Coffee Company Veterans Imaging Service, Butterball, LLC, Highland Beef Farms and Empower IT.

ALA members supply goods and services to the military community and employ several thousand military spouses, family members and retired service members. ALA member firms, including brokers, manufacturers and distributors, offer employment opportunities through a wide range of full-time and part-time positions located on or near U. S. military installations around the world. Many military spouses have found career opportunities with our member companies.

Not only am I here today to speak to the relevance and engagement of ALA members within the military resale and MWR community, more importantly, I am here today as an advocate for enhanced quality of life for our nation's military service members, retirees and their families. The activities of organizations like ALA continue to give hope that there are watchdogs present to protect and promote the benefit and to speak on behalf of Service members and their families. The unwavering support of this subcommittee is another reason to have confidence that the benefit will be protected. However, there is reason for concern in the face of what could be disturbing trends within DOD.

I am proud to be ALA's spokesman and to reaffirm ALA's strong commitment to maintaining and improving the commissary and exchange benefit as an integral part of the total, non-pay compensation package for service members and their families. We support these dynamic programs; they provide a broad range of consumable products, goods and services for military personnel and their families, including essential financial support to MWR programs which benefit the entire military community.

Our association actively supports and promotes programs that enhance the quality of life for our military service members, retirees and their families. Exchanges are a key component of DOD's quality of life programs. Unfortunately, authorized patrons continue to be limited in their choice and selection of merchandise sold in exchanges. The Armed Services Exchange Regulation (ASER) delineates who is authorized to use the exchange benefit and what can or cannot be sold by the exchanges. Mr. Chairman, it is ALA's position that shoppers should have a choice without restrictions on merchandise sold in exchanges. Our members want and deserve access to all products that meet their families' needs at the reasonable price typical of the exchanges. ASER restrictions may well drive authorized patrons away from the exchange, negatively impacting their tendency to utilize the commissary and the exchange.

ALA appreciates this subcommittee's support for limited changes to ASER. While these proposals were not fully approved by Congress, ALA considers the effort to be a step in the right direction. Specifically, the subcommittee supported elimination of the prohibition on the sale of projection televisions and an increase in the cap on the unit cost to the exchanges on the sale of televisions from \$3,500 to \$4,000. In addition, the committee supported an increase in the cap on the unit cost to the exchanges on the sale of finished furniture from \$900 to \$1,100 and for a study to examine the demand for jewelry within the military market. To reiterate, the subcommittee's recommendations were a good beginning; however, the most equitable way to provide this benefit to deserving military families is to lift all ASER restrictions. Many of them have

been overcome by technological improvements and changing lifestyles, and are simply outdated. Others place simply an unfair and arbitrary restriction on the exchanges and their patrons.

ALA supports the primacy of exchange and commissary stores on all military installations and in military housing areas to include privatized housing areas. We believe that the current policy regarding this issue is appropriate. Civilian retail outlets should not have authority to operate in military housing areas or on military installations.

Exchange merchandise sales are the major source of funding for DOD's MWR programs. Each year exchanges provide hundreds of millions of dollars in dividends that are returned to military communities. In FY '06, for example, the exchanges provided more than \$235 million in dividends. Without these dividends, MWR activities would not be able to fulfill their mission, and as a result, many worthy programs such as child-care centers, youth activities and other quality of life programs would be negatively impacted.

Mr. Chairman, many of our MWR oriented members are concerned about the recent cancellation of exemptions to the Trade Agreements Act regarding the sale of items from non-designated countries to federal customers through GSA and other contracts under the Federal Acquisition Regulations. There are many key categories of products required by our federal customers that simply are not produced in any commercial volume in any nation compliant with the Trade Agreements Act. For example, one category of affected products is the basic

ceiling fan that is used extensively in military family housing and in federal offices.

As a result of the termination of the exemptions to the Trade Agreements Act, this key quality of life category is eliminated from all GSA Schedules and other forms of federal procurement. Unfortunately, there are a growing number of key categories of goods that are no longer available for federal procurement due to non-availability of production from approved sources.

ALA supports the former exemption process wherein warranted contracting officers may grant exemptions to the Trade Agreements Act in verified cases of product non-availability from designated sources.

Mr. Chairman, as ALA views exchanges and the MWR dividend resulting from sales, our members are increasingly concerned about program funding given today's realities. Added to that, exchange dividends in the aggregate will certainly decline when troops and military families return from Europe to be CONUS-based. In today's troubled world, service members and their families are being asked to endure ever-greater workloads and ever-greater sacrifices. Frequent, repeated deployments, often nearly back-to-back, greatly stress the force and every military family. In addition, Guard and Reserve operational tempo has placed enormous strains on Reservists, their family members and their civilian employers. At these times, the presence of vibrant MWR activities is crucial.

The exchanges deserve an enormous amount of credit for the millions of dollars contributed to service MWR programs. To ensure the well being of these important quality of life activities, DOD has made a commitment to provide appropriated fund support to Category A and Category B programs. However, budget pressures are causing the military services to reconsider this obligation. In the end, the troops and the families suffer and the nation loses.

ALA urges Congress to ensure that DOD honors its commitment to the troops to fund these programs at least to the 85 percent level for Category A and 75 percent for Category B requirements. These programs are especially critical to the readiness of our forces and the support of their families during this period of conflict and extended unpredictable separations.

ALA applauds Congress for passing a provision in the National Defense Authorization Act for FY 07 that mandates appropriated funds be used to ship goods for sale in overseas commissaries and exchanges. ALA strongly supports continued Second Destination Transportation (SDT) funding for goods shipped for resale by the Army and Air Force Exchange Service (AAFES) to overseas locations. Given ALA's concerns for the welfare of military families, we strongly urge Congress to sustain its aggressive oversight role and to continue opposing the Army's regular effort to duck its responsibility. The Army is the Executive Agent here and reductions to the SDT account that would result in the increased costs of exchange goods is being borne by service members. Of the many accounts within the budget of the Army, there are very few that have such a direct affect on the quality of life of service members and the communities in

which they live. It is a clear and present danger when responsibility for quality of life programs are placed in the hands of individuals who view this role more as a burden, than a privilege.

Mr. Chairman, ALA is committed to preserving the value of the commissary benefit that is widely recognized as the cornerstone of quality of life benefits and a valued part of the service members' total compensation package. ALA appreciates the subcommittee's provision in the FY 06 NDAA that establishes a moratorium through December 31, 2008 on commissary privatization studies to allow the Defense Commissary Agency (DeCA) time to reengineer its workforce prior to competing with civilian entities. ALA asks that you continue to monitor DeCA's progress and favorably consider an extension, if necessary, due to circumstances beyond DeCA's control.

ALA supports cost savings and effective oversight and management; however, we remain vigilant about the unrelenting DOD pressure on DeCA to cut spending and squeeze additional efficiencies from its operations. More than any other agency of the federal government, DeCA deserves credit for its years of effective reform initiatives and improved business practices.

Overseas rebasing and Base Realignment and Closure (BRAC) issues also are of significant concern to our members. ALA is concerned about the potential impact on every quality of life program during the Defense department's transformation, global repositioning, Army modularity, and BRAC initiatives. Serious consideration must be given to the implications of such initiatives, not only currently serving military members and their families, but to all in the

beneficiary population. ALA wants to ensure that necessary family support/quality of life program dollars and services are in line with DOD/Military Services rebasing plans, including critical family support/quality of life programs, such as MWR, child care, exchanges and commissaries, housing, health care, education, family centers, and other traditional support services.

It has been about half a century since the last massive military global repositioning or restructuring has occurred. History provides some insight to problems that arise when policies and plans fail to consider military personnel and their families, particularly in the area of recruiting and retention. Given the current fiscal environment and long-term financial challenges of war, ALA continues to express strong concerns about the importance of sustaining vital support services and quality of life programs. Mr. Chairman, no longer do we have to anticipate that these programs may be at risk, we know from military officials and current news reports that cutbacks in base operation accounts and reduction in base services because of funding shortfalls are real and are expected to get worse.

Either DOD will need to continue to ask for supplemental funding, or the Military services will have to fund transformation out-of-hide through program cuts that likely would hurt readiness. The most troublesome alternative is to fund changes by shifting the burden to service members and their families. That is, allowing them to come home to the United States or relocate to military and civilian communities that are unprepared, therefore threatening to degrade the

quality of life for troops and families at a time of unprecedented stress on the all-volunteer force.

As the military community continues to respond to heightened operations tempo and anticipates the movement of service members and families due to transformation initiatives, global rebasing, and base closure and realignment, ALA urges Members of Congress to protect the interests of all beneficiaries.

There have already been indications of problems and lack of military and civilian community infrastructure and resources in implementing recent Army modularity initiatives. The recent House passed Continuing Resolution eliminates more than half of the money DOD needs to meet its BRAC commitments. While DOD is in the process of reshaping our nation's military forces into a more modern and mobile force, a major element of this plan is the stationing of our forces in a more efficient manner. This efficiency is the essence of BRAC. According to the BRAC commission, if its recommendations are implemented, it would save U.S. taxpayers over \$20 billion. DOD is in the process of implementing these recommendations.

The \$5.6 billion in BRAC funding for FY 07 is directly tied to a very complicated schedule of troop movements. Delaying these projects for even one year will put in jeopardy the return of over 12,000 troops and their families to the U.S. These troop units cannot return to the U.S., if they do not have the facilities in which to live, work, and train. As many as 33 states could be affected by this funding shortfall.

ALA will continue to stay actively engaged in monitoring and reporting discrepancies related to the implementation of BRAC, not only to ensure the full impact of BRAC initiatives are realized, but to make sure that any fallout from other transformation initiatives like global repositioning and Army modularity are considered within each beneficiary community and to advocate for beneficiaries impacted by these initiatives.

Finally, Mr. Chairman, I would like to call your attention to a highly sensitive issue within the military resale industry – base access. The Department of Defense has missed an opportunity to take the best possible role in the implementation of a Department-wide system to provide base access credentials to those non-DOD employees who do business on military installations on a frequent, often daily, basis. In fact, military installations are looking and selecting stand alone solutions instead of capitalizing on the combined purchasing power of DOD's 1,100-plus locations. As a result, individual military facilities are developing their own programs and entering into contractual relationships in a sincere effort to comply with the implementation schedule expressed in homeland security and other directives.

Not surprisingly, installations seek to meet this requirement in a cost-neutral manner, passing the costs along to the individuals who apply for the credentials. Even small companies engaging in business with the commissary, military exchanges and other quality of life enterprises, will have many employees who call on multiple installations. This situation, caused by the Pentagon, might easily increase the cost to a company in excess of a thousand

dollars per employee per year – hundreds of thousands of dollars for some companies. While companies planned to absorb the reasonable cost of a Department-wide credential, this extreme additional expense will find its way into the cost of goods.

As prices go up in the commissary, the exchanges, and at MWR activities, the value of the resale and quality of life benefits diminishes. ALA member companies understand that they should pay a reasonable price for a credential that gains them access to all installations. The DOD Common Access Card does this for active duty personnel, civilian employees, contractors, and some family members and retirees. The Defense Department has had ample time to come up with one common form of credentialing for people who do business on military installations on a frequent, regular basis. ALA members, as well as many others, need a common credential that will allow timely, efficient access to military installations.

We urge Congress to ensure the Department of Defense develops a common credential program that will work for all military bases in the United States and overseas. DOD has a credential; now we need the system in place to read the credential at the base access point. Also, we ask this subcommittee to ensure the cost of these cards does not result in a burden on the uniformed service members, their family and that the program be moved forward so cards are issued within six-months.

In short, we urge Congress to pressure the Department of Defense to make a decision to implement a credential program that works across the Department.

Maintaining a dynamic military community with outstanding quality of life programs is essential in today's climate of repeated deployments, demanding workloads, and greater sacrifices by service members and their families. Without the continued support and active oversight of the Congress, the benefits now afforded to our military community may be placed in jeopardy and our service members, retirees and their families will suffer.

Mr. Chairman, ALA is grateful to this subcommittee for its active commitment to protect the commissary and exchange benefit, and its oversight and support of MWR and other quality of life support programs for the military community. Thank you, Mr. Chairman and Members of the Subcommittee for providing industry the opportunity to present its views on these critically important topics. More importantly, thank you for your stewardship of these important benefits that are essential to our military families' quality of life.