



## Cost and Benefits Response

to  
Washington Post Article ([link](#))  
"Costs and Benefits"

June 7, 2013

Dear Mr. Chandrasekaran,

I write regarding your June 2, 2013 article "Costs and Benefits".

Notwithstanding what we see as several inaccuracies, if you were trying to cite an example of waste, inefficiency or unnecessary programs in the Department of Defense, you could not have picked a worse example.

Besides the fact that our military folks are coming off two wars for ten years and all of the sacrifice for personnel and their families that come along with this, and besides the fact that it is imbedded with the Defense mission on many levels, let's look at the economics.

Commissary operations represent the best of the private sector coming together with the best of government to serve the best people in the world. It is an example of how government should work, not how government doesn't work.

Your article infers that if you can't reduce spending here, you can't reduce it anywhere. It ignores the fact that this is one place where spending has been reduced and continues to be reduced.

Of course we understand that Defense needs to get its costs under control. And that's exactly what the dedicated folks at this Defense Agency have done. Every day, each and every one of these public servants work hard at driving costs out of the system and maximizing savings for the people they serve. They are a model of efficiency, taking out over \$700 million a year in costs through store closures, consolidation and supply chain efficiencies at a time when the Defense budget had doubled and tripled. How about the billions of dollars that have been contributed to the government by patrons who finance their own store construction? What about the costs for construction that patrons had to bear when we down-sized in Europe and other overseas areas and expanded bases in the U.S. to accommodate troops coming home. How about the hundreds of millions of dollars in inventory savings that were given back to DoD when the supply chain was out-sourced? How about the hundreds of millions of dollars that is saved in offsetting cost-of-living allowances for troops assigned to high cost areas?

And they are accountable for their resources being one of the few organizations in the Department that have had a clean audit for 13 years running (contrary to what was published in your article).

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The article suggests that the private sector could take over the system. I think that you would find that they would cherry pick the big, high volume stores and leave the smaller, remote operations to fend for themselves—the very place where this benefit is most needed. And, let's not forget overseas, high cost areas where it's hard to find affordable and recognizable American brands.

We knew this debate was coming and that's why we did a report to analyze the economic costs and benefits of this program. We knew that in the budget debate that we would need the economic arguments along with the traditional arguments that it is compassionate to take care of people who sacrifice for their country and that the system is embedded in the mission of the DoD.

Commissaries are part of the solution to the DoD's and the Nation's budget problems, not part of the problem giving back to DoD and the Nation far more than they consume (as highlighted in the study that we provided to you) where the net cost to the U.S. Treasury is actually a plus. This program gives back far more in employment for military families and veterans, promotion of American products, jobs, and industry. It is a part of the Defense department that is living, breathing commerce, spinning off a multitude of benefits that go beyond the billions of dollars that patrons save every year by shopping there.

Indeed—as you correctly note—when the idea came up to diminish the benefit, there was a large hue and cry from beneficiaries, industry and Congress. There's a reason for that. People love this benefit and they value it far beyond what it costs proportionately to other defense personnel programs. Just take a look at the hundreds, if not thousands of comments you received in your own paper and all we ask is that the Post and Defense policy makers take a long look at the facts as they deliberate how to tackle our Nation's pressing budget problems.

Then the inaccuracies:

The list of misrepresentations in the article is long but allow me to clear the air on some of the more egregious items:

Commissaries never sold leftovers from the mess hall. In fact the mess hall usually ordered goods from the commissary or its sister organization troop subsistence.

The article cites "hidden" costs like rent, security services. The Defense Commissary agency pays for every service it receives from the installation.

The article claims a high volume store costs more to operate.... the operative number should be unit cost per dollar of sales. Commissaries have almost double the sales per employee hour, per register hour, per square foot than the leading supermarkets.

The broad brush stroke on compensation levels is unintelligible.

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Mr. Chandrasekaran, the win, win, win here is to use the commissary system as a model not as an example. It has and continues to demonstrate efficiency, a remarkable return on investment to the taxpayer, a model of fiscal responsibility and stewardship of taxpayer dollars. It has a positive effect on recruitment and retention and it is valued by the patrons far more than the cost of the program.

Finally, we need to stop this insanity of suggesting the burden of our nation's fiscal mess should be shifted to the backs of our military. These are the 1% of Americans that carry our colors into battle and pay the ultimate price with their service. You have been with them, you have seen who they are and what they do but I am not sure everyone understands about the military family and the challenges they face.

Patrick B. Nixon  
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