



Introduction

Executive Summary

— the bottom line up front

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 economic benefit to the Nation or a \$20.36 return for every \$1.00 of appropriations used.

This system produces \$10.97 billion in 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.

This includes \$10.51 billion in economic benefit to military service members and families for a \$5.97 return for every dollar of appropriations used.

When direct cash contributions by the system to the Government are measured against the appropriations spent, the system yields \$373 million per year in proceeds to the Government.

Box E-1.

New Math

When it comes to funding, most government programs know only how to add. The military resale system is business-based and commerce-oriented and therefore knows how to subtract yet multiply while doing more with less.

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 has amounted to \$12.5 billion. The total amount of 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. Health care in DoD costs 28.8 times what the resale system costs taxpayers and represents only 2.2 percent of expenditures for health care and family support services. The basic allowance for housing is 13 times higher than the appropriation for the military resale system. Yet, commissaries and

exchanges rank near the top for reasons military personnel stay in the service.

A study by the Congressional Budget Office concluded that DoD could realize an \$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. An extensive discussion of the impact of the CBO recommendations is at Appendix A. Further, entire classes of beneficiaries are excluded from this Department of Defense 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 wherein costs to the Government decline the more it is used due to economies of scale gained by this increased usage.

Defense policy-makers would be well-advised to carefully consider any reductions to this program as it is the seed corn that sustains much of the Defense personnel compensation package and the base and logistics infrastructure.

Further, the resale system:

- Is a powerful engine behind the U.S. economy, providing nearly \$18 billion in Gross domestic product.
- Ranks at the top in accountability to patrons and the taxpayers.
- 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 very few Defense programs that is fully accountable and that has a clean audit.
- Is the largest employer of military families in the world.
- 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.

Box E-2.**Military Resale and MWR Center for Research**

The Military Resale and MWR Center for Research is an open resource center focused on the military resale business channel.

The center is an additional resource to the portfolio of communication and outreach tools. The goal of the center is to provide a single trusted source for information, reports, studies and overall research on topics that address retail trends in general and in particular studies that are specifically directed at the military business channel.

Compassion—Taking care of military families stressed by ten years of two wars wherever they serve.

Mission—Performing vital services with 2 levels of necessity—direct mission support and providing a valuable non-pay compensation benefit that keeps good people in military service.

Economic—Providing a tremendous return on investment to the Department of Defense, military families and the taxpayer and the Nation.