



AMERICAN LOGISTICS ASSOCIATION

1101 Vermont Avenue N.W. Suite 1002 Washington D.C. 20005

Phone: (202) 466-2520 Fax: (202) 296-4419

www.ala-national.org

Reducing funding for shipping exchange and commissary products overseas

Items for consideration by Defense and Congressional policy makers

ALA Position

Using appropriations to offset the cost of transporting products overseas should not be eliminated unless DoD provides information to show impact on:

- Patron prices.
- Product quality
- Patron preferences and acceptance
- Ability of exchanges to generate earnings for MWR community support programs or recapitalization of exchanges
- U.S. jobs and manufacturing
- Security implications of procuring more products from overseas sources

DoD proposal

The DoD has suggested that they want to buy more products from overseas sources in order to reduce appropriations that are now used to ship these products.

Concerns and background supporting the ALA position

Both commissaries and exchanges use appropriations to underwrite the cost of transporting U.S. products to overseas bases. This long-standing practice is based on the belief that military personnel overseas should not have to pay higher prices for products and services just because they have been ordered to these overseas locations.

Exchanges and commissaries already have significantly reduced this expense in recent years by nearly \$100 million.

Reduction of funding for overseas transportation will have a direct impact on exchanges' ability to generate earnings for recapitalization and vital MWR military community support programs.

The concept of local sourcing is an attempt to reduce overseas shipping costs,

otherwise known as Second Destination Transportation (SDT). Congress intentionally established SDT as a means to ensure military patrons around the world receive the same price that they would have if they remained in CONUS. SDT funds ensured that military families stationed OCONUS were not penalized for serving overseas. There is no better use of taxpayer dollars than ensuring that our military families in stationed overseas are able to access at affordable prices quality-made, U.S. certified products.

Impact data is emerging regarding the implementation of local sourcing of produce in the Pacific. While we recognize that a series of challenges and missteps led to \$10.69 bagged lettuce and other outrageous prices on other produce items in Guam⁸, we anticipate the prices will normalize as better shipping methods and better ordering systems are employed but they will never return to the level of savings the patrons enjoyed before the contract change. (See attached article from Military.com).

The current attempt in the Pacific requires first destination shipping to the stores instead of first destination to a distribution center then SDT funds used to pay for shipping to the store. This means that all shipping costs are included in the price of the product, which we believe violates the spirit and intent of Congress when it codified SDT into law.

Discovering more efficient shipping methods to reduce SDT costs are encouraged, but so-called efficiencies that simply transfer shipping costs to patrons stationed at OCONUS bases are a violation of trust and legislative intent.

Another concern about local sourcing of products is the challenge of American military families knowing what they are buying. For instance, how does a military mom know if the product she seeks to purchase, that has a label in a language she can't read, will not trigger an allergic reaction in her child? How does she know what the ingredients are? As mentioned earlier in regards to private label products, how does that mom know whether the local government standards will protect her and her family from products that do not properly disclose ingredients?

Shipping U.S. products for commissaries and exchanges also has helped U.S. Transportation Command (TRANSCOM) maintain a high level of readiness during peacetime. If local sourcing is utilized, there is a potential impact on the U.S. Transportation Command.

Views of patron beneficiary groups

“Allowing contractors to pass the cost of shipping goods overseas on to commissary shoppers places an unfair burden on families living overseas. Our Association has long contended there is a difference between benefits offered to service members and families and expenditures the Department must assume as a cost of doing business. For example, if the Department chooses to station families in remote locations it needs to provide programs and services to ensure those families can enjoy an adequate quality of life. Similarly, if the Department chooses to send service members overseas, it needs to ensure

they are able to feed their families affordably. When lettuce costs more than \$10 a bag, as is now the case at commissaries in Guam and other Pacific locations following implementation of a new shipping contract⁴, the Department is failing to meet its obligations to military families. Forcing families to absorb the cost of shipping groceries overseas places an undue burden on families in those locations, who often have few other shopping options.” Testimony of the Military Coalition before the House Armed Services Committee, January 2016

“The Coalition believes strongly the SDT subsidy is a cost of doing military business, as the whole reason military members and families are assigned overseas is for military readiness. Therefore, we believe the SDT subsidy should be borne by the taxpayer through appropriated funding, ensuring our servicemembers and their families can eat healthy fresh food they are familiar with. Removing the subsidy results in it being figured into the cost borne by the contractor, and passed on to the patron. Servicemembers and their families are overseas at the pleasure of their government. They should not be responsible for paying for the cost of transporting necessary support goods to that location.” Testimony of the National Military Family Association before the House Armed Services Committee. January 2016

Attachment

Article from Military.com on Congressional investigation of overseas produce