

DoD may hike prices, close stores to cut commissary budget

By Karen Jowers
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Selling beer, wine and other products at a markup in commissaries is among the proposals being floated in the Pentagon as officials look for ways to save money, according to a source familiar with the discussions.

Defense officials, looking in every corner to find ways to save money, ordered Defense Commissary Agency officials to participate in a review laying out options for cutting its \$1.4 billion annual operating budget by one-third. The review is due in early July.

Other options being floated, according to the source, who spoke on condition of anonymity:

- Shutting down some smaller stores that are already under consideration for closure by DeCA.
- Eliminating the overseas transportation costs now paid by taxpayers, and spreading the cost throughout the commissary system. DoD currently pays the cost of getting commissary products overseas, so customers don't have to pay more.

All these options would require changes in law.

Beer and wine are sold only in exchanges. In 2009, commissary and exchange officials abandoned the idea of selling beer and wine in commissaries after conducting a study as required by Congress, although they never conducted a pilot test of sales.

Exchange service officials have opposed allowing commissaries to sell beer and wine, contending it would hurt sales in exchanges and reduce the dividends that the exchanges return to military morale, welfare and recreation programs.

Military exchange officials are just as concerned about the proposal to sell beer and wine at a markup in the commissaries, the source said. "They'd argue [the cost savings] is on the backs of the exchanges, because it takes business out of the exchanges' pockets."

Some products, such as tobacco, are sold at a markup. The Army and Air Force Exchange Service acts as a concessionaire, providing all tobacco sold in commissaries.

The tobacco is sold at the same cost as in the exchanges, and the exchanges receive the profit from the markup in commissaries. Traditionally, few Navy and Marine Corps commissaries have sold cigarettes. It's not known whether the proposal would result in the profits from tobacco markups going to the commissary system.

Exchanges sell items at varied markups and use limited taxpayer funds in their operations, while commissary operations are funded by taxpayer dollars. The 5 percent surcharge at the commissary checkout is used for renovation and construction of stores.

But taxpayers also pay for the transportation of exchange items overseas. "I would think the exchanges are concerned about the implication on their funding source," the source said. "If they lose their [overseas transportation funding] it would have an impact on their ability to pay dividends to morale, welfare and recreation."

"All of those proposals are extremely concerning," said Eileen Huck, deputy director of government relations for the National Military Family Association, when told about the proposals.

The commissary and exchange benefit "is very important to our families. Anything that lessens the value of the benefit, we'd be opposed to," she said.