

Commissary/Exchange Merger Update

Major changes to the commissary and exchange system are closer than ever. Without action by Congress, a four-way merger will occur between the Defense Commissary Agency (DeCA) and the three military exchanges: the Army and Air Force Exchange Service (AAFES), the Navy Exchange (NEX), and the Marine Corps Exchange (MCX). If the commissaries and exchanges are merged without the necessary protections for patrons and Morale, Welfare, and Recreation (MWR) funds, the results could be devastating for these programs and the businesses that are a core part of the military base community.

The National Defense Authorization Act (NDAA) for Fiscal Year 2019 prohibits using the fiscal year's funds for consolidation, but on 1 OCT, that ban is lifted. MOAA is following the proposed merger closely, and their concern has grown as the funding ban looms and they learn more about the DoD's desired path. The Defense Department commissioned a business case study to be conducted on the four-way merger last year. The Enterprise Management Task Force recommended moving forward with consolidation earlier this year. DoD reaffirmed their support last month with the public release of the report to Congress and accompanying memo, signed by Deputy Secretary of Defense David Norquist, approving consolidation.

The report to Congress outlines the DoD's support from the business case analysis conducted in 2018 by Boston Consulting Group. However, the analysis overview leaves many unanswered questions as to why a merger is necessary and how it will protect the servicemember and family benefits. It is unclear why a large-scale merger is the only course being considered to increase efficiencies. For a change of this magnitude, analysis for alternative courses of action should be weighed — and we don't know whether DoD conducted any analysis on this scale. Additionally, it is unclear what impact any consolidation efforts may have on MWR funds.

It is important to note that the exchanges are fully funded by revenue generated from sales while Commissaries are funded using appropriated defense funding. If DeCA is merged with the exchanges, DoD could use exchange profits to offset commissary appropriations. If this occurs, MWR funds would be reduced as well, hurting servicemembers and families. Reductions in MWR could have unintended consequences on readiness, as these support services are critical to military operations.

A promising sign is that Congress is directing the Government Accountability Office (GAO) to get involved. The House NDAA and Senate report language both call on GAO to reanalyze the business case analysis and validate the expected impact on patrons, employees, and the MWR funds. MOAA applauds the GAO review and is optimistic that their impartial review, if approved in the 2020 NDAA, will provide recommendations for how the DoD should proceed. GAO's review of the DoD's business reform efforts and plans highlight concerns about the DoD's analysis. A recent report indicates “[GAO] could not validate DOD's claims of cost savings related to business reforms it has already made.”

Congress should heed the early warning of the GAO study. The legislators are coming back from the August recess with a major task ahead, resolving the two versions of NDAA. There are many issues to come to a consensus on, and the future of the commissary and exchange system should be on their docket. Without Congressional action, the DoD is free to start consolidation without taking into consideration the ongoing GAO study. Readers are encouraged to take action and reach out to their member of Congress and tell them to adopt Section 631 of the House version (H.R. 2500). This section provides essential Congressional oversight and ensures an objective review is completed on the proposed merger.