

Commissary/Exchange Merger

This year could mean the beginning of more big changes to military exchanges and commissaries. By 1 JAN, a formal report was to have been submitted to Congress detailing why defense officials think it makes good business sense to consolidate exchanges and commissaries. A Defense Department task force has finished its work analyzing whether to merge the military exchanges into one entity, and, at this writing, various officials in DoD and the services are discussing whether to buy into their recommendations. The task force also reportedly lays the groundwork and a timeline for merging the exchange systems with the commissary systems.

It's not clear yet how the merger would benefit actual customers of exchanges and commissaries, as officials have reportedly been working on plans for "above-the-store" operational structures. But the merger business case analysis, prepared by Boston Consulting Group, reportedly claims about \$2 billion in savings over five years by merging all the systems. Some have expressed concern that the estimated cost to merge the systems could be around \$500 million, yet the savings are not guaranteed.

Acting Defense Secretary Patrick Shanahan signed a memo 29 MAY, when he was the deputy defense secretary, to form the task force to do a business case analysis and begin planning for the consolidation of the defense resale enterprise. Retired Army major general and former retail executive Keith Thurgood was named to lead the task force. He was the chief executive officer of the Army and Air Force Exchange Service from 2007 to 2010. Shanahan stated he had considered the views and responses of the military departments on consolidating the Defense Commissary Agency, the Army and Air Force Exchange Service, the Navy Exchange and the Marine Corps Exchange into one organization, as recommended by DoD's Reform Management Group.

He agrees that "a single consolidated organization offers the greatest potential to achieve the economies and efficiencies" that are necessary to ensure that the commissary and exchange benefits survive, the memo stated. Laws would have to be changed in order to consolidate the commissary and exchange systems. Defense officials got pushback from members of Congress on their plans to go forward with consolidation, which is why DoD is required to submit the report on the business case analysis. Congress will weigh in, and one possibility is that they will ask for an independent validation of DoD's conclusions.