

STATEMENT OF
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BEFORE THE
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Mr. Chairman and Members of the Panel, as I appear before you today it is my pleasure to report that the Defense Commissary Agency (DeCA) is stronger than at any time in its seven and one-half year history. The 1991 consolidation of the four separate service commissary systems into the Defense Commissary Agency has been successful. DeCA has reduced costs through organization streamlining and innovative management practices adopted from the private sector, while increasing patron savings from an average of 22 to 29 percent below supermarket prices. Today, DeCA's patrons find full shelves as they shop in modern stores which have much more customer appeal. As a result, military commissaries are ranked by patrons as the number one benefit, while commanders recognize that providing this important non-pay compensation aids in retaining a quality force. The defense reforms announced by Secretary Cohen stabilize the current base line of commissary operations and ensure funding for the basic commissary benefit, while providing the military services the oversight they require to safeguard the commissary's important contribution to the total compensation package for the soldiers, sailors, airmen and marines. From my perspective as the military's grocer, the Department's reform initiative is good for DeCA, good for the patron, and good for the military services.

I would like to take a few moments to tell you of two DeCA achievements which occurred since I last appeared before you. The first was DeCA's selection as one of the Executive Branch's eleven finalists for the Presidential Quality Award, the government's equivalent of the Malcolm Baldrige award to those companies who best exemplify modern and productive business practices. I was particularly proud when one of the evaluators, who came from the private sector, announced that he had never seen a government agency where the people were so excited about the work they do. I responded with pride, that my only regret was that at best the assessment team only had an opportunity to visit with about five hundred of DeCA's employees, and that once they got beyond the Fort Lee headquarters area, the same *esprit de corps* shared by the other 16,500 members of the DeCA family would absolutely astound them.

The second achievement was when researchers at the National Performance Review (NPR) wanted to identify the best practices in world-class courtesy, they came to America's leaders in customer service: Federal Express, Nordstrom department stores, the Ritz-Carlton Hotel Company and the Defense Commissary Agency (DeCA). That's right, DeCA. The NPR in, *World-Class Courtesy, A Best Practices Report*, related that DeCA employees are noted for going above and beyond the call of duty to take good care of their customers. To have the National Performance Review recognize us as a "World Class Courtesy" benchmark is a tribute to the day-to-day hard work done by more than 17,000 DeCA employees worldwide.

In the spirit of DeCA's long tradition of providing a valuable benefit to America's military, we will continue to improve our service to the millions of commissary patrons who shop at our stores each year.

As you can see, I am extremely proud of the DeCA family and believe these achievements constitute a long overdue vote of confidence for DeCA and its employees. These accolades have reaffirmed the importance of the commissary benefit to the military community and recognized DeCA for the contribution it makes in providing the quality of life our soldiers, sailors, airmen and marines so justly deserve.

The Defense Reform Initiative (DRI) acted to realign resource responsibility with the organizations that place the demands on the commissary system. While the Under Secretary of Defense for Personnel and Readiness will continue to exercise his statutory responsibilities by providing overall policy oversight, the DRI transfers the day-to-day supervision of the Defense Commissary Agency to the Secretaries of the Military Departments. The Fiscal Year 1999 budget funds the basic level of commissary operations and devolves the funding to the Military Services. In the past, commissary operations were financed from an appropriation made directly to DeCA. In the future, the Services will finance the operations of DeCA from their respective Operation and Maintenance (O&M) accounts. Our military leaders understand how important the commissary benefit is to their people and its impact on retention, but they are under increasing pressure to fund military operations and modernize equipment with declining budgets. The changes brought about by the DRI will allow the Military Departments to become more involved in day-to-day commissary operations by accepting financial responsibility for DeCA. On the other hand, devolvement will also allow the Services to enhance the benefit when they believe under a total force concept that it is in the best interest to do so, but only to the extent that they can afford to pay for enhanced benefits. Devolvement will allow the Services to determine the level of appropriated funds necessary to provide a viable commissary benefit. The changes brought about by the DRI are compatible with continual Congressional calls for operations that are more efficient and responsive to the military members.

To gain further efficiencies and better serve our shared customers, DeCA and the exchanges have engaged in a number of cooperative ventures. More cooperation is imperative as base closures and force structure reductions have had a significant effect on economies of scale. Restructuring and process reengineering are needed to optimize operations. By considering the resources supporting commissary, exchange and MWR programs together, the DRI will enable the Military Departments to have total visibility over the entire resale system. In some cases, it may be necessary for resale entities to pool their resources to take advantage of technology. The DRI will enable the resale activities to gain economies and effectiveness while allowing operations to be responsive to local consumer preferences. A more cooperative structure will have greater capacity to respond to a more mobile and discerning military population who want choice, convenience and good prices. More cooperation will let the military resale system provide its patrons the kinds of shopping and services members and their families have come to expect in the 1990s. Finally further cooperation in military resale, with all eyes on customer demand, can only lead to the best use of our resources and keep our patrons shopping inside the gates.

The DRI complements the Performance Based Organization legislation currently being considered by the Congress. The PBO designation has allowed us to capitalize on existing authority to enhance the commissary benefit. Three of these efforts are notable. The first is our adoption of the commercial grocery industry practice of entering into business agreements with manufacturers. Never before have sales been so important to the commissary. Most manufacturers budget funds to grow their market share. By focusing on category management, DeCA provides manufacturers the ability to grow their business. The manufacturers in turn, use these market development funds as an incentive for DeCA if specific product sales performance goals are met. The performance agreement is added to our contractual agreement when the category manager determines that the plan will grow

business for the company and DeCA. DeCA and industry have already entered into a number of performance agreements which have a potential value of \$9.2 million annually. I want to thank you for last year's amendment in the Authorization Act, which facilitated the success of this program. The second is the partnership we are forming with commercial banks to provide full banking service to DeCA's patrons inside our commissaries. We recently entered into arrangements with Nations Bank and the Fort Hood National Bank to open what are commonly referred to as "supermarket banks" at Charleston Air Force Base, South Carolina, Fort Hood, Texas and Bolling Air Force Base in the District of Columbia. The banks at Charleston and Bolling were opened last year and we are expecting Fort Hood to open later this summer. In-store banks will not only benefit DeCA's patrons, but promise to reduce DeCA's costs for financial management. Working with the Office of Personnel Management, the third effort uses the latest technology to create a "paperless" process to recruit and hire cashiers. This process has reduced our fill time from approximately 120 days to 8 days. I believe these three examples sum up the very essence of PBO--Operating Government like a business where it makes sense, will work better, and cost less. How successful PBOs will be is directly proportional to how willing we are to loosen the reins of traditional Government control. We look forward to further flexibilities as you consider the legislative proposal the Department forwarded for your consideration last session.

I would like to take a few moments to update you on several on-going DeCA programs. The first is our procurement of the Defense Commissary Information System (DCIS). DCIS is behind schedule. It is behind schedule because DCIS required more development than we originally anticipated. We have learned the hard way that it is not easy to purchase a commercial-off-the-shelf computer operating system that will interface with existing government information systems. However, we are now in Functional Qualification Testing (FQT), which is expected to continue through mid-March. The early FQT results are promising. Of concern, however, is the calendar. We had expected to have DCIS fully fielded by February 1999. But, because of the developmental delay, we have to modify our legacy systems to operate on January 1, 2000. Therefore, while FQT proceeds, we are in the process of evaluating the impact the DCIS delay and the year 2000 compliance requirement will have on our available dollar and people resources. Secondly, I am pleased to report that our point-of-sale modernization (POS-M) program is on track with an overall cost of \$50 million below the initial estimate. Thirdly, our review of our produce acquisition methodology promises to be another DeCA success story. The forums we held in December and January were very successful in informing industry why the review was necessary, reiterating our support for small business, and in obtaining input on potential ways to reduce our costs. We are still reviewing the valuable information received. At the very least this process has already resulted in the Defense Supply Center, Philadelphia reducing its overhead charges for CONUS support from \$12.6M in FY 97 to \$7.7M in FY 98. The Department will be forwarding the report you requested on our produce procurement in the near future. I would, however, like to publicly thank all those Members who have assisted DeCA in this endeavor to improve its produce acquisition strategy.

Because of the commissary's importance to retention of personnel, we must ensure that the benefit is preserved, and, where possible, improved. The best way to ensure that the benefit is preserved is to consistently demonstrate that patrons are being served in the most efficient manner possible. Thus, we are committed to continue the DeCA standard of improving service and cutting costs at every opportunity. In this way I submit that DeCA has come a long way in achieving the President's vision of providing a government "...that works better and costs less!"
