

# Committee, Military Resale Subcommittee Members Chosen for 115th Congress

## • WASHINGTON

On Capitol Hill, rosters have firmed up for subcommittees in the 115th Congress with primary oversight of military resale, with Republicans leading as the majority party in both the House and the Senate. Of the two chairmen and two ranking members of the House Armed Services Committee (HASC) Military Personnel Subcommittee and the Senate Armed Services Committee (SASC) Personnel Subcommittee, three are new to their positions.

### HASC MILITARY PERSONNEL SUBCOMMITTEE

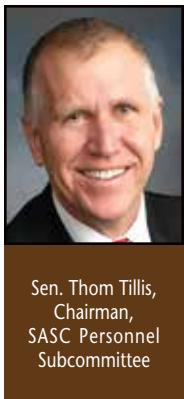
Among the new subcommittee members are some military service veterans and reservists helping to mitigate the loss of military experience of those departing. On the



Rep. Mike Coffman, Chairman, HASC Military Personnel Subcommittee



Rep. Jackie Speier, Ranking Member, HASC Military Personnel Subcommittee



Sen. Thom Tillis, Chairman, SASC Personnel Subcommittee



Sen. Kirsten Gillibrand, Ranking Member, SASC Personnel Subcommittee

Timothy Walz (Minn.) and Beto O'Rourke (Texas).

### SASC PERSONNEL SUBCOMMITTEE

Sen. Thom Tillis (R-N.C.) was selected as the new chairman of the Senate Armed Services Committee's Personnel Subcommittee (*see E and C News 1/17*), succeeding Air Force reservist Sen. Lindsey Graham (R-S.C.). Graham remains a subcommittee member.

Tillis recently said, "It's time to get past the election results, get over it and get to work. It's time to recognize that real people sent a mandate, but the mandate wasn't Republican, wasn't far-right, wasn't far-left. All they said was produce results. I'm going to produce results. I'm going to expect my members to produce results. I'm going to go into my conference when it looks like we're going down the path that doesn't produce a result and I'm going to call them out, and I'll hold my colleagues on the other side of the aisle to the same standard. . . ."

Tillis welcomes new Republican members Sens. Ben Sasse (Neb.), who has worked with both the Boston Consulting Group (BCG) and McKinsey and Company, and Army Guard and Reserve veteran Joni Ernst (Iowa), while losing Air Force veteran Roger Wicker (Miss.), Army veteran Tom Cotton (Ark.) and Marine Corps reservist Dan Sullivan (Alaska).

Ranking Member Sen. Kirsten Gillibrand (N.Y.) gains Sen. Elizabeth Warren (Mass.), but loses Sens. Richard Blumenthal (Conn.) and Angus King (I-Maine). Claire McCaskill (Mo.) returns to the subcommittee.

### FULL HOUSE COMMITTEE

The full House Armed Services Committee welcomed several new representatives to its membership. Chairman Mac Thornberry (R-Texas) stated, "The Armed Services Committee has a unique and solemn role in Congress' first responsibility, which is defending the country. I am grateful that these members are willing to dedicate their talents to rebuilding and reforming America's military."

HASC rolls added eight new GOP members, including Reps. Abraham; Bacon; Kelly; Scott DesJarlais (Tenn.); Mike Gallagher (Wis.), a former Marine Corps officer; Matt Gaetz (Fla.); Navy Reservist Jim Banks (Ind.) and Liz Cheney (Wyo.), daughter of former Vice President Dick Cheney.

Republicans leaving the committee include Reps. Kline; Heck; Randy Forbes (Va.); Jeff Miller (Fla.); Chris

Republican side, Rep. Mike Coffman (Colo.), a former Army Reserve and Marine Corps Reserve member, succeeded Army Reserve Brig. Gen. Joe Heck (Nev.) as the new subcommittee chairman. Heck ran for a Senate seat but lost.

Coffman recently said, "We've

got to challenge government to be more ... to be able to deliver their services more efficiently. No area of government ought to be immune to that. ... I don't think that they are going to compromise the benefit for our families, but they are threatening for the people who run the system, and I understand that. Change is always difficult. ... I would love to hear ... more about ideas to make this system more efficient."

Coffman and long-time member Rep. Walter Jones (N.C.) are the only Republican returnees to the Military Personnel Subcommittee.

Joining them on the subcommittee were six new Republican members, all with military backgrounds: Reps. Ralph Abraham (La.), who has served in the Coast Guard Auxiliary and the Mississippi National Guard; Don Bacon (Neb.), a retired Air Force brigadier general; Brad Wenstrup (Ohio), a lieutenant colonel in the Army Reserve and an Iraq war veteran who is the subcommittee's vice chair; Steve Russell (Okla.), a 21-year Army veteran who also served in the Iraq war; Martha McSally (Ariz.), a retired Air Force colonel; and Trent Kelly (Miss.), a 30-year veteran of the Mississippi National Guard.

Republican representatives not continuing on the subcommittee include Heck; John Kline (Minn.), who did not seek re-election; former deputy chair Tom MacArthur (N.J.); Elise Stefanik (N.Y.); and Paul Cook and Steve Knight (both Calif.).

On the Democratic side, new Ranking Member Jackie Speier (Calif.) welcomes three new subcommittee members: Marine Corps Reserve "Three Deuce Five" battalion veteran Ruben Gallego (Ariz.); Carol Shea-Porter (N.H.); and Jacky Rosen (Nev.), who was elected to Heck's former seat. Speier, Gallego, Shea-Porter and Rosen join returnees Robert A. Brady (Pa.) and Niki Tsongas (Mass.).

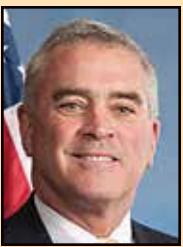
The Democrats lose long-time Ranking Member Susan Davis (Calif.), Army National Guard veteran

### HASC Military Personnel Subcommittee

#### Republicans



Jones



Wenstrup



Russell



Bacon



McSally



Abraham



Kelly

#### Democrats



Brady



Tsongas



Gallego



Shea-Porter



Rosen

# Committee, Military Resale Subcommittee Members Chosen for 115th Congress

Gibson (N.Y.); and Richard B. Nugent (Fla.). Miller, Kline, Gibson and Nugent did not seek reelection; Forbes was a defeated incumbent, losing in the primaries. Another former member, Rep. Ryan Zinke (Mont.), has been confirmed as interior secretary in the Trump Administration. Four other legislators, Reps. MacArthur, Bill Shuster (Pa.), Jackie Walorski (Ind.) and Tom Fleming (La.), are no longer serving on the Committee.

On the HASC's Democratic side, Ranking Member Rep. Adam Smith (Wash.) said of his new Democratic membership, "I am pleased to welcome the new members who will serve on the Armed Services Committee in the 115th Congress. The organization, support, and training of the U.S. armed forces is one of the most solemn responsibilities we hold in Congress. Those efforts will benefit greatly from your collective judgment and insight."

Smith welcomes Reps. Rosen; A. Donald McEachin (Va.); Salud Carbajal (Calif.), a former Marine Corps Reserve member; Anthony Brown (Md.), a former Army and current Army Reserve member; Stephanie Murphy (Fla.); and Ro Khanna (Calif.). In addition, both Shea-Porter and Colleen Hanabusa (Hawaii) return to the committee in the new Congress.

Democrats leaving the HASC include Reps. Loretta Sanchez (Calif.) and Army veteran Tammy Duckworth (Ill.), both of whom ran for Senate seats. Sanchez lost her bid, but Duckworth won hers. Others leaving the Committee include Reps. Walz; Gwen Graham (Fla.); Brad Ashford (Neb.); and Henry C. "Hank" Johnson (Ga.). Graham did not seek re-

election, Ashford lost his re-election bid, and Johnson and Walz are no longer serving on the Committee.

## FULL SENATE COMMITTEE

The Senate Armed Services Committee will have two new Republican members serving in the new Congress; Chairman Sen. John McCain (Ariz.) adds Sasse and David Perdue (Ga.).

The Republicans lost Sen. Mike Lee, who is no longer serving on the Committee, and Sen. Kelly Ayotte (N.H.), who did not win reelection. Sen. Jeff Sessions (Ala.) has been tapped by President Trump as the new administration's attorney general. Sen. Luther Strange (Ala.) — who was appointed to fulfill the remainder of Sessions' term as Alabama senator — takes over Sessions' SASC seat.

Ranking Member Sen. Jack Reed (R.I.) will have two new Democrats on the SASC, committee newcomers Sens. Warren and Gary Peters (Mich.), a former Navy Reserve member. Sen. Tim Kaine (Va.), the Democratic vice-presidential nominee, returns to the SASC in the new Congress.

Not returning to the SASC is Sen. Joe Manchin III (W.Va.).

For more, see [www.eandcnews.com](http://www.eandcnews.com)

## APPROPRIATIONS COMMITTEES

On the House Appropriations Committee (HAC) Defense Subcommittee, Rep. Kay Granger (Texas) returns to the subcommittee as the group's new chairman.

Republicans joining the subcommittee include Reps. Hal Rogers (Ky.), a former member of the Kentucky and North Carolina National Guard, who was previously chairman of the full HAC, and Martha Roby (Ala.).

As the new chairman of the full HAC, Rep. Rodney Frelinghuysen (N.J.), formerly chairman of the subcommittee, will continue to serve as an ex-officio member of the group. Leaving this subcommittee is Rep. Ander Crenshaw (Fla.), who did not seek reelection.

Rep. Pete Visclosky (Ind.), ranking member of the subcommittee, welcomes back his full contingent of fellow Democratic legislators, less Rep. Steve Israel (N.Y.), who did not seek reelection. Israel is replaced on the subcommittee by Rep. Henry Cuellar (Texas).

Sen. Thad Cochran (Miss.), the Republican chairman of the Senate Appropriations Subcommittee on Defense, oversees the same group from the previous Congress.

Sen. Dick Durbin (Ill.), the subcommittee's ranking member and the Senate's minority whip, adds Sen. Tammy Baldwin (Wis.). Baldwin, in effect, replaces Sen. Barbara Mikulski (Md.), a staunch defender of military resale benefits, who did not seek re-election.

With former chairman Sen. Mark Kirk of Illinois defeated in November by Sen. Duckworth, the Senate Appropria-

## SASC Personnel Subcommittee

Republicans



Graham



Sasse



Ernst

Democrats



McCaskill



Warren

priations Subcommittee on Military Construction, Veterans Affairs and Related Agencies will be chaired by Sen. Jerry Moran (Kan.), new to the subcommittee.

Joining Moran as a new member of the subcommittee is Sen. Marco Rubio (Fla.), replacing Sen. Bill Cassidy (La.), who is no longer on the Appropriations committee.

The Democratic ranking member of this subcommittee is Sen. Brian Schatz (Hawaii). He succeeds Sen. Jon Tester (Mont.), who remains on the subcommittee but not in the ranking capacity. The Democratic side of the subcommittee remains the same as it was in the 114th Congress.

**E and C NEWS**

## Family and Enlisted Leaders Testify on Resale, Quality of Life

### • WASHINGTON

Advocates for military quality of life and senior enlisted leaders testified before the Senate Armed Services Committee (SASC) Personnel Subcommittee on Feb. 14 on a series of topics — ranging from training, OPTEMPO, compensation and spouse employment to military health system reform, commissaries, exchanges, and Morale, Welfare and Recreation (MWR) programs — that affect the lives of servicemembers and their families, readiness, recruitment and retention.

Among those who testified regarding commissaries, exchanges and MWR during the SASC Personnel Subcommittee's "Department of Defense (DoD) Single Servicemember and Military Family Readiness Programs" hearings were Joyce Wessel Raezer, executive director of the National Military Family Association (NFMA), Master Chief Petty Officer of the Navy Steven S. Giordano; Sergeant Major of the Marine Corps Ronald L. Green; and Sergeant Major of the Army Daniel A. Dailey. The Tragedy Assistance Program for Survivors (TAPS) submitted a statement for the record.

### RESALE MATTERS

Although military healthcare reform consumed a great deal of the panel's attention, NFMA's Raezer was diligent in bringing up the issue of commissary savings. In her executive summary, Raezer urged the subcommittee to: "Please:

- Reject budget proposals that threaten military family financial well-being as a way to save money for the government.

- Keep military pay commensurate with service and aligned with private sector wages.

- Preserve the savings military families receive by shopping at the commissary and oppose any reform measures that would reduce the value of the benefit."

Times continue to be difficult for military families, Raezer emphasized, adding that the frequency of deployments hadn't changed and, "Military families still need continuous support ... they're still 'one man down' on the home front."

Shopping benefits are an important part of that support equation. Military families, she said, "consistently tell us the commissary is one of their most valued benefits. We view the commissary as an important

element of military compensation and thank Congress for fully funding it in the FY17 NDAA. However, we are concerned about changes to commissary operations that the Defense Commissary Agency (DeCA) is implementing pursuant to provisions included in last year's Defense authorization."

Specifically, Raezer noted, "DeCA is abandoning the previous 'cost plus 5 percent' pricing model and replacing it with variable pricing, in which prices would fluctuate based on local competitors' prices. DeCA has also announced plans to introduce private label products."

Taken together, the NFMA executive director said, "these changes represent a significant departure from DeCA's traditional business model. We are not convinced that DeCA officials have the expertise to manage these new systems."

Even if private label products do eventually prove popular with some customers, Raezer said NFMA nevertheless wonders "how including them in the product mix will generate enough revenue to reduce the need for appropriated funds, as DeCA claims."

If the assortment, pricing and private label changes do not generate the needed revenue — or if customers respond by shopping elsewhere — she asked, "How will DeCA make up the shortfall?"

### FAMILY INPUT

Raezer also pointed out that "DeCA has embarked on this transformation with little to no input from the military families it serves." The NMFA, she said, has suggested that DeCA reinstitute the Patron Advisory Council, "which would ensure greater transparency and accountability to commissary customers." Military families, she said, "rightly expect the commissary to offer high-quality products and shopping experience in addition to good value." Raezer added this focus on the customer "must not be lost as DeCA undergoes changes in its operations."

With so many issues coming to the fore in healthcare and compensation, the impacts of "commissary reform" — also known as transformation — on exchanges and MWR have been eclipsed, even though business at the exchanges represents a vital source of funding for MWR. "It is also important to remember," Raezer said, "that the Exchange retail stores



Raezer



Giordano



Green



Dailey

are highly dependent on foot traffic from nearby commissaries. Any threat to the health of the commissary is a risk to the military resale system as a whole."

The NFMA director said, "This is particularly concerning as services reduce funds for installation MWR programs. These programs are increasingly dependent on the Exchanges for funding. If Exchange sales revenues decrease, funding for MWR programs will go down as well."

### MONITORING THE BENEFIT

Recognizing the subcommittee's record of legislative support that has resulted in "programs and policies that have helped sustain our families through these difficult times," Raezer said, "We are gratified that both Congress and DoD have recognized the importance of commissary savings to military families and have expressed their commitment to preserving the value of the benefit. However, we are concerned about what will happen if the changes do not generate the expected revenue." Given the importance of the benefit, she emphasized, "we ask for close Congressional monitoring as DeCA embarks on this transformation."

TAPS also picked up on the theme of diligent oversight, saying, "We join with our associates in The Coalition to Save Our Military Shopping Benefits in expressing our concerns about threats to the savings families will be able to achieve as the military resale system moves forward to achieve an estimated \$2 billion in reductions [to commissary and exchange funding] over a five-year period [2017-21] including adding private labels in the commissary."

The recent publishing of "new savings calculation protocols," TAPS said, "resulting in a lowering of savings estimates for military families shopping at the commissary from the long-held level of about 30 percent to an average of 20 percent in CONUS is very troubling. We ask that this Committee join with us in monitoring the effect of these changes on the benefit for all military families, including our eligible surviving families."

### SENIOR ENLISTEDS

Senior enlisted leaders also spoke

at length on a multitude of pressing issues. As such, the challenges facing commissaries and exchanges appeared to take a back seat. Sergeant Major of the Army Daniel A. Dailey; Chief Master Sergeant of the Air Force James A. Cody; Master Chief Petty Officer of the Navy (MCPON) Steven S. Giordano; and Sergeant Major of the Marine Corps Ronald L. Green were among those top enlisted non-commissioned officers who spoke to the subcommittee.

In his testimony, MCPON Giordano mentioned the importance to sailors of access to commissaries and exchanges, among other benefits, during the Career Intermission Program (CIP), which can last as long as three years. "Allowing Sailors an intermission of up to three years, while serving in the Individual Ready Reserve, and continuing to enjoy full medical and dental benefits, access to commissaries and exchanges, and a small monthly stipend, contributes to our ability to retain Sailors who might otherwise leave the Navy to meet those personal needs."

"... We are at optimal potential when Sailors are fully focused on the mission, making them the most critical asset in our ability to fight and win." Giordano emphasized.

Sergeant Major of the Marine Corps Ronald L. Green included the Marine Corps Exchange (MCX) in his commentary, noting that the Single Marine Program (SMP) "incorporates commanders and leaders in the SMP QOL process allowing them to directly influence the issues with living on base, such as parking, chow hall, the Marine Corps Exchange (MCX), and anything else which directly influences the QOL for single Marines."

Although Dailey did not specifically mention commissaries or exchanges, he pointed out, "If we continue to be placed in positions where we must choose benefits or training, we will certainly lose out on the quality and talent down the road. Fiscal uncertainty will result in loss of confidence in our institution and ultimately degrade our ability to retain and recruit."

Dailey commented on the importance of fiscal stewardship. "We will protect Soldier and family programs

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to meet DoD standards. However, given the recent years of fiscal uncertainty, the Army has, in past, paused to analyze spending in support of MWR programs, specifically. We continue to review these and other family programs to ensure the most efficient delivery of service, where

and when they are needed most.” What did not come to the surface in the senior enlisted’s testimony were the potential second- and third-order effects of a degraded commissary system on exchanges sales — which generate dividends — and by extension on MWR. But,

Daily said, MWR “is a readiness consideration. High morale means better execution of our mission. MWR today impacts the readiness and resiliency of Soldiers, families, and civilians by impacting their physical, social, and mental well-being.”

Dailey added, “We know MWR

programs and services are great factors in readiness. This is never taken out of consideration during our reviews of such programs. Army leaders will always advocate to provide Soldiers and families the quality of life they deserve within fiscal constraints, while still remaining sustainable.”

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## NEXCOM Voices Support for Veterans Online Shopping Benefit

• VIRGINIA BEACH

The military exchange services and military Veterans alike eagerly await the debut of the Veterans online shopping benefit (VOSB) later this year. This program, slated to begin on Veterans Day, Nov. 11, will allow military exchange online shopping privileges to be extended to all honorably discharged veterans of the U.S. military. The Department of Defense announced this policy change as a way of recognizing the contributions of servicemembers who served in the military, and to thank

them for that service (*see E and C News, February 2017*).

Count Rear Adm. Robert J. Bianchi (Ret.), the Navy Exchange Service Command's (NEXCOM) chief executive officer (CEO), as just one of the many Veterans who look forward to the introduction of this program.

"We are proud to support this policy and extend the online shopping benefit to the nearly 15 million honorably discharged U.S. veterans,"



Bianchi

he noted. "It is one small way to honor those who have served."

Bianchi said that the policy change "is great for our veterans and is a win for our current customers. By having a larger customer base shopping our online store, we expect to be able to expand our merchandise assortment, and by purchasing more from our vendors, strengthen our value to our customers even more."

He added that as VOSB rolls out,

he expects to see an increase in contributions made to Navy Morale, Welfare and Recreation (MWR) for quality-of-life programs.

The Defense Manpower Data Center (DMDC) will be the sole source for verification data of authorized exchange shoppers. Prior to the launch date, honorably discharged Navy Veterans can visit [myNavyExchange.com/veterans](http://myNavyExchange.com/veterans) or the Navy Exchange Facebook page to check for information and announcements.

## Resale Tobacco Prices to Match Local Stores by April

By PHIL GRAY  
MANAGING EDITOR

**E**xchanges and commissaries long ago began to plan for declines in tobacco sales that have been impacting military resale top-line sales for at least a decade. It appears even steeper declines in tobacco product sales — and, to a different extent, usage as more patrons quit and/or try to quit these products — might be expected in the near future, as exchanges and commissaries commence compliance with a Feb. 21 Department of Defense (DoD) memorandum outlining “Implementation Procedures for the DoD Pricing Policy,” which directed them to begin taking measures within 30 days to shift to a full pricing parity stance with local retail prices by March 30.

The memorandum, which was issued by Assistant Deputy Secretary of Defense for Military Community and Family Policy (MCFP) Charles E. Milam, built on a preceding April 2016 policy memorandum (No. 16-001). The 2016 memo called for prices in the U.S., its territories and possessions to match the prevailing local price in the community, including taxes, or if in OCONUS, to fall within the range of prevailing prices in military stores in the U.S., pending revision of DoD’s decade-plus-old instruction on Armed Services Exchange Policy (1330.9), which is expected in April.

Milam’s policy memo, intended to amplify and provide implementation procedures, is also supported by language in Sec. 8034 of the new Defense Appropriations bill for 2017, passed by the House on March 8, which stated, “The Secretary of Defense shall issue regulations to prohibit the sale of any tobacco or tobacco-related products in military resale outlets in the United States, its territories and possessions at a price below the most competitive price in the local community: Provided, That such regulations shall direct that the prices of tobacco or tobacco-related products in overseas military retail outlets shall be within the range of prices established for military retail system stores located in the United States.”

### EXCHANGE TOBACCO SALES FISCAL YEARS 2010-2015

FY	AAFES	NEXCOM	MCX
2010	\$589,661,644	\$146,477,044	\$57,515,115
2011	565,208,091	144,283,953	54,421,486
2012	521,773,778	137,736,736	51,913,980
2013	457,461,256	120,786,136	47,801,044
2014	415,701,085	110,713,792	44,162,902
2015	384,905,566	104,441,771	42,007,896

Source: AAFES, NEXCOM, MCX figures.

### TOBACCO PRICES

In addition to price matching the prevailing price within a 20-mile radius of installations where tobacco products might be sold, and adding on sales taxes based on the state and local tax rates for the primary zip code of the installation, the memo also called for quarterly price surveys.

The local surveys, it said, would need to include price data from commercial third-party vendors for at least four different categories of stores that sell tobacco in the nearest community, including grocery stores, liquor stores, convenience stores, gas stations, mass merchants, club stores, discount stores and tobacco stores. Excluded from consideration were Native American reservations and casinos, and other local outlets that did not charge taxes. Where such commercial third-party data was not available, DoD said, surveys must use “the lowest price as a proxy for the prevailing price.”

OCONUS stores would be obliged to use shelf prices that “fall within the range of shelf prices for that same product in exchange outlets in the U.S.” Prices in ships stores, it said, will be comparable to the prices at exchange



outlets at each ship's homeport.

In all locations worldwide, the guidance continued, “prices for exchange-owned tobacco products sold on consignment in DeCA stores must be 5 percent lower than the local exchange shelf price, to account for the 5 percent fee, in lieu of” the commissary surcharge.

Tobacco has taken a much lower profile in exchanges and commissaries during the last decade. Prices are now set to be on par with average local prices in the community in CONUS, including applicable taxes, and on par with U.S. prices in CONUS. AAFES PHOTO

### SALES IMPACT

A side-effect of recent tobacco pricing actions of the new regulations — but seen as paling in comparison with the negative effects on servicemember and dependent health, wellness and readiness, not to mention an estimated \$1.6 billion in annual health cost impacts — may be the elimination of much of the remaining savings advantage to shopping on base for tobacco. This has long been believed to have had the additional effect of drawing some customers to shop at on-base stores — versus convenience stores outside the gate — for other categories of merchandise.

It's doubtful any in resale will be sad to see the back of tobacco and its insidious toll on health, readiness and budgets. But there's no hiding the impact on sales, even as tobacco cessation products sales rise, only slightly mitigating the downward fiscal pressure from tobacco.

For the Defense Commissary Agency (DeCA), tobacco was reported to account for almost \$146 million in sales in commissaries around a decade ago in 2006, but these have since declined by about one-third to around \$99 million (*see E and C News 10/16*).

The declines are dramatic, but to defense officials, who have assessed the impact on defense budgets to be more than \$1.6 billion per year, the end of tobacco use in the force can't come soon enough.

Revenues derived from tobacco sales will likely continue to need to be reforecast downward, as the category has declined, for example, “at a rate of approximately 10 percent a year for the Exchange for the last five years,” said Army & Air Force Exchange Service (AAFES) President and Chief Merchandising Officer (CMO) Ana Middleton. Convenience stores — part of a larger classification of Specialty Stores, which were responsible for about \$2.9 billion in sales, including fuel and many other categories, in fiscal 2015 — “have encountered growth challenges in 2017, as tobacco sales continue to decline (rightfully so, with an increased focus on readiness).”

The Coast Guard Exchange, too, was planning for an 11-percent decline for tobacco, although its CMO, Samantha Bishop, said that was “analyzed speculation.” Officials at CGX, she said, “know overall the longevity of a business model heavily dependent on tobacco and alcohol sales is not sustainable, and this policy is simply forcing us into the future faster than expected. The change is not necessarily bad; but it certainly will keep us on our toes!”

Tobacco cessation is one of the pillars of the Military Health System’s efforts to improve servicemember health and readiness, and the shift to tobacco-free living on base appears to be picking up momentum. Aside from the dramatic declines in the tobacco category, one not so well-known effect has been the increase in sales of tobacco cessation products.

“With so many smoke-free areas, many have reached for nicotine replacement therapy products such as Nicorette and Zonic,” said AAFES Health and Beauty Care Buyer Kye Corn. At the Navy Exchange Service Command (NEXCOM), “Smoking cessation experienced \$745,000 in activity in 2016, which was a 32-percent increase from the prior year,” said Buyer Diane Martinsen.

## Exchanges' Final Holiday Season Sales Exhibit Strength

Although the National Retail Federation (NRF), reported that holiday retail sales during November and December 2016 had increased 4 percent over 2015 to \$658.3 billion, it also noted that sales at department stores decreased 7.0 percent unadjusted year-over-year. Inside the gate, meanwhile, exchanges fared significantly better than the civilian department store average.

### • AAFES

The Army & Air Force Exchange Service (AAFES) now includes Veterans Day on Nov. 11 as part of its holiday sales profile. The Exchange reported that for the period of Nov. 26 through Dec. 25, plus Veterans Day, it generated sales of \$561.42 million for the 2016 holiday season in main stores and specialty stores, less gas and tobacco.

Worldwide, without gas and tobacco, it recorded \$500.78 million in brick-and-mortar store network, and through e-commerce, it garnered \$60.64 million in sales for the same period.

By comparison, sales without gas and tobacco for the corresponding Nov. 26 to Dec. 25, period in 2015 (but not including Veterans Day) had reached \$559.36 million.

AAFES does not consider the holiday sales from 2015 to be comparable with those of 2016. According to an AAFES spokesman, the 2016 holiday shopping season was two days longer than 2015 and AAFES featured Black

Friday-type deals on Veterans Day in 2016, which the Exchange did not offer in 2015.

For the record, AAFES reported that sales on Veterans Day 2015, excluding contingency, were \$11.42 million.

### • NEXCOM

The Navy Exchange Service Command (NEXCOM) reported that from the week of Thanksgiving — starting on Sunday, Nov. 20 — to the week of Christmas — ending on Sunday, Dec. 31, it recorded \$280.1 million in sales, a 1.04-percent decrease from the prior year's holiday period sales of \$283.04 million.

During the same period, NEXCOM tallied \$9.14 million in e-commerce sales, a 22.97-percent increase from the \$7.43 million that it recorded during the same period a year earlier.

NEXCOM's combined sales for November and December of 2016 totaled \$433.50 million. In 2015, holiday sales for the same two-month period were \$436.95 million.



An exchange associate helps customers in the CGX Chesapeake, Va. electronics department on Black Friday. Brisk electronics sales during the Thanksgiving holiday period, helped CGX to achieve a 2.63-percent increase in sales during the holidays. CGX PHOTOS

For November and December of 2015 NEXCOM added \$11.31 million in e-commerce sales versus \$9.46 million for the same two-months in 2015.

### • MCX

The Marine Corps Exchange (MCX) reported that its final 2016 holiday sales from Nov. 23, 2016 to Dec. 24, 2016 were \$69.98 million, a 1.64-percent decrease from the \$71.14 million it amassed in 2015.

### • CGX

During its holiday sales weeks, weeks 40 to 48 on its promotional

calendar (Oct. 30, 2016 to Dec. 31, 2016), the Coast Guard Exchange (CGX) reported \$33.65 million in sales, a 2.63-percent increase from the \$32.78 million accrued during the holiday period a year earlier.

### • VCS

From Nov. 3 to Dec. 24, 2016, the Veterans Canteen Service (VCS) had \$76.7 million in retail sales. This was a 6.69-percent drop from the \$82.2 million it reported for the same time period in 2015.

# Commissary Coupon, Food Stamp Redemptions Fall in First Quarter

## • FORT LEE

During the first three months of fiscal 2017, Defense Commissary Agency (DeCA) DeCA patrons saved more than \$21 million when combining the dollars redeemed by paper coupons and Commissary Rewards Cards electronic coupons. Coupon redemptions, however, fell 8 percent versus the same period last year, as did Supplemental Nutrition Assistance Program (SNAP), a.k.a. "food stamp," usage.

According to data provided by the agency, from Oct. 1, 2016 through Dec. 31, 2016 — fiscal 2017's first quarter — commissary shoppers benefited from \$16.47 million in paper coupon redemptions based on 16.4 million redeemed coupons, averaging slightly more than \$1 in value.

Although the number of coupons redeemed and total coupon dollars fell through fiscal 2017's first quarter versus the prior year — by 8 percent and 6 percent respectively — the average value of the redeemed coupons jumped 3 percent from fiscal 2016 totals for the first three months of that fiscal year.

## COMMISSARY REWARDS CARDS

Commissary Rewards Cards also posted significant volume through the first three months of fiscal 2017. Not included in the paper dollars figure, there were 4.29 million electronic coupons clipped, with 501,866 redemptions translating into \$545,098 in savings for commissary shoppers. More than 15,600 cards were newly registered.

All told, through Dec. 31, there were 1.04 million registered users in the Commissary Rewards Card system from its inception, and participants have clipped 87.98 million coupons and redeemed 10.18 million of them for \$11.26 million in savings.

During the first quarter, commissary SNAP redemptions were down 19 percent in dollars; transactions slipped by 17 percent. Dollars per transaction also fell 2.3 percent to \$100.24.

A November 2016 USDA report found that on average, SNAP households spent about \$229 per month on SNAP-eligible foods.

## Coupons, SNAP, WIC - Historical Comparisons

COUPONS	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (thru Dec)
Coupon Dollars	\$93,744,094	\$98,835,469	\$94,160,582	\$105,198,170	\$114,122,168	\$112,703,419	\$104,188,496	\$91,005,779	\$83,742,771	\$71,843,845	\$64,022,956	\$16,474,961
Coupon Quantity	127,630,435	126,484,119	116,944,671	123,931,649	129,353,453	123,027,684	113,297,927	99,600,279	89,160,971	73,998,178	64,237,026	16,398,437
\$ per Coupon	\$0.73	\$0.78	\$0.81	\$0.85	\$0.88	\$0.92	\$0.92	\$0.91	\$0.94	\$0.97	\$1.00	\$1.00
% Change in Coupon \$ vs. Prior FY	5%	-5%	12%	8%	-1%	-8%	-13%	-8%	-14%	-11%	-3%	
% Change in Coupon # vs. Prior FY	-1%	-8%	6%	4%	-5%	-8%	-12%	-10%	-17%	-13%	-6%	
% Change in \$ per Coupon vs. Prior FY	6%	3%	5%	4%	4%	0.40%	-1%	3%	3%	3%	3%	3%
SNAP	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (thru Dec)
SNAP Dollars	\$26,225,702	\$24,851,516	\$31,146,015	\$52,954,938	\$72,831,952	\$87,837,643	\$98,842,699	\$103,670,751	\$84,575,783	\$79,550,563	\$66,654,434	\$15,989,577
SNAP Transactions	272,899	233,876	282,879	501,477	717,006	856,330	947,930	968,358	805,325	750,853	649,952	159,506
SNAP \$ per Transaction	\$96.10	\$106.26	\$110.10	\$105.60	\$101.58	\$102.57	\$104.27	\$107.06	\$105.02	\$105.95	\$102.55	\$100.24
% Change in SNAP Dollars vs. Prior FY	-5%	25%	70%	38%	21%	13%	5%	-18%	-6%	-16%	-19%	
% Change in SNAP Trans vs. Prior FY	-14%	21%	77%	43%	19%	11%	2%	-17%	-7%	-13%	-17%	
% Change in SNAP \$/Trans vs. Pr FY	11%	4%	-4%	-4%	1%	2%	3%	-2%	1%	-3%	-3%	-3%
WIC	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (thru Dec)
WIC Dollars	\$28,757,876	\$29,266,430	\$31,574,375	\$30,209,689	\$29,585,040	\$29,878,377	\$31,238,896	\$29,223,857	\$25,547,180	\$23,975,653	\$21,404,109	\$4,964,808
WIC Transactions	1,818,343	1,719,078	1,653,307	1,651,080	1,779,760	1,754,843	1,793,576	1,655,182	1,397,949	1,279,919	1,154,666	262,779
WIC \$ per Transaction	\$15.82	\$17.02	\$19.10	\$18.30	\$16.62	\$17.03	\$17.42	\$17.66	\$18.27	\$18.73	\$18.54	\$18.89
% Change in WIC Dollars vs. Prior FY	2%	8%	-4%	-2%	1%	5%	-6%	-13%	-6%	-11%	-13%	
% Change in WIC Trans vs. Prior FY	-5%	-4%	0%	8%	-1%	2%	-8%	-16%	-8%	-10%	-15%	
% Change in WIC \$/Trans vs. Prior FY	8%	12%	-4%	-9%	2%	2%	1%	4%	3%	-1%	2%	

## NEXCOM Readies Student Reward Drawing

### • VIRGINIA BEACH

Since 1997, the Navy Exchange Service Command (NEXCOM) has been offering students a chance to help pay for college through its "A-OK Student Reward Program." The program invites all qualified students to participate in a quarterly drawing for awards of \$2,500, \$1,500, \$1,000 or \$500 for a total of \$5,500 per quarter. The next drawing is at the end of this month.

Since the program's inception in 1997, NEXCOM reported that it has awarded \$694,500 in savings bonds and monetary awards to students with the help of its generous vendor partners.

### ELIGIBILITY

Any eligible full-time student that has a B-grade



John Cowart (second from left), a student at Kinnick High School, Fleet Activities Yokosuka, Japan, was a recent \$2,500 winner through NEXCOM's A-OK Student Rewards Program. Pictured with Cowart during the award ceremony were, from left, Command Master Chief Petty Officer Warren Britten, USN, CFAY Yokosuka; Matt Barnwell, NEX Yokosuka general manager (GM); and Linda Morgan, NEX Yokosuka store manager.

point average equivalent or better, as determined by their school system, may enter the drawing. Home-schooled students can also qualify with acknowledgement that the student has a "B" average or equivalent record of accomplishment.

Eligible students in the first through 12th grades include dependent children of active duty members, reservists and military retirees; U.S. civilian Department of Defense (DoD) employees stationed in OCONUS, and U.S. civilian employees of firms under contract to DoD stationed in OCONUS.

To enter the drawing, students can stop by any NEX with a current report card or progress report and have a NEX associate verify the eligibility. Filling out an A-OK ID entitles students to 19 discount coupons for NEX products and services.

# AAFES Joins DeCA, DLA in Logistics Center of Excellence

## • GERMERSHEIM AD, Germany

Years in planning and preparation finally bore fruit this month as the Army & Air Force Exchange Service (AAFES) joined the Defense Logistics Agency (DLA) and Defense Commissary Agency (DeCA) in creating a "Logistics Center of Excellence" as it opened its new distribution center (DC) at the reconfigured facility here. The move is expected to help the three organizations to collaborate and work even more efficiently together than they were already doing.

The Exchange DC's relocation to Germersheim came at the request of U.S. Army Europe as part of the European Infrastructure Consolidation (EIC) project, and the grand opening capped off a move more than a decade in the making.

For the Exchange, the new DC ushered in a new era of service for troops and military families throughout Europe and Southwest Asia when it opened its doors here on Feb. 1.

"The Exchange's work at the Germersheim Distribution Center supports every member of the military community," said Army Col. Karen Fleming, the Exchange's deputy director of Logistics. "From here, the Exchange touches the daily lives of warfighters and their families."

Since the 1960s, AAFES-Europe's logistics hub operated out of the Giessen AD, Germany. An AAFES spokesman said that the Exchange "is scheduled to be completely out of Giessen" by March 31, noting, "We are in the process of transferring out remaining inventory and preparing the buildings for return to the Army Installation Management Command (IMCOM) by March 31."

## RESALE SUPPORT

When it comes to resale support, the Germersheim DC ships beverages, boxed food, appliances and other items to Exchange main stores and Express locations throughout Europe, Southwest Asia and

contingency locations. The Exchange private fleet also transports raw goods and materials from Germersheim to the Exchange's bakery and water plant in Gruenstadt, Germany.

## DC FACTS AND FIGURES

"The Exchange updated the infrastructure and equipment and installed new warehouse management software," Fleming said. "Installation Management Command-Europe (IMCOM-E) renovated the buildings, and the Army Corps of Engineers built a new road, allowing trucks to easily reach all of the distribution center's buildings. This was a team effort to reduce expenses and improve efficiencies."

With the move, the Exchange's warehouse footprint decreased from 1.2 million square feet to 420,000 square feet. The smaller footprint is being offset by more frequent deliveries with smaller shipments to maintain service levels.

The Exchange said it invested \$12.2 million in infrastructure and equipment upgrades, while IMCOM-E contributed \$9.5 million for warehouse renovations and the building of the road.

The relocation is expected to improve speed of service, as the Germersheim location brings it closer to Exchange customers. From Giessen, Exchange drivers would haul merchandise 100 miles before reaching their first delivery destination. The first delivery point from Germersheim is 65 miles. This more central location is slated to reduce travel an estimated 234,000 miles a year.

In addition, greater proximity to the Rhine River and the Port of Germersheim adds more flexibility to replenishment operations. In fact, the Exchange said it expects to avoid nearly \$800,000 a year in transportation costs — savings that will ultimately result in better support for military communities throughout the region. Also, the DC's maintenance



PHOTOS: IAN WOMACK, AAFES

AAFES and IMCOM-E cut the ribbon to celebrate the Exchange's newest distribution center at Germersheim AD on Feb. 1. Ribbon-cutters included, from left: Col. Karen Fleming, USA, Exchange deputy director of logistics; Karen Stack, Exchange executive vice president and chief logistics officer; Lt. Col. Jason Dudjak, USAF, Exchange Europe deputy commander; Jason Rakestraw, DC manager; Col. Geoff DeTingo, USA, Exchange Europe commander; Pvt. Luis Ortiz, representing servicemembers the Exchange supports; Col. Jim Bradford, USA, deputy director, IMCOM-E; Phil Stevens, Exchange executive vice president and chief information officer (CIO); and Karin Duncan, Exchange Overseas Region senior vice president.

facility performs light maintenance and inspections of tractors and trailers before they go on the road.

"This is now the hub for supplying AAFES's newest operations in areas we are sending our troops more frequently and for longer periods as part of our continued commitment to NATO's collective security in the region," said Col. Keith Iggyarto, USA, AG Rheinland-Pfalz commander. "If our Soldiers are there, then we know the Army & Air Force Exchange Service is standing there with us shoulder to shoulder to provide necessities."

Fleming added, "At the Exchange, we are family serving family. We are honored to be part of the Germersheim community and to serve troops and their families with a taste of home."