

**STATEMENT OF**  
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**BEFORE THE**  
**MILITARY PERSONNEL SUBCOMMITTEE**  
**OF THE**  
**COMMITTEE ON ARMED SERVICES**  
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Madam Chairwoman and Members of the subcommittee, it is my pleasure to appear before you to provide the update of the Defense Commissary Agency's (DeCA) performance this past year. Since arriving at DeCA last June, I have been extremely pleased with the Agency's performance—both as a business in effectively delivering the commissary benefit to all those who proudly serve or served our Nation and in its efficiency as a governmental entity. In these trying economic times, the commissary benefit is more valuable than ever. More and more of our service members are taking advantage of their benefit to relieve their financial stress. DeCA continues to outperform many governmental entities, and in many areas has been held up as a model Government Agency. While these accomplishments are due in large measure to the dedication of the 18,000 employees who operate the commissary system and do such a great job running our 255 stores worldwide, I was extremely proud to be chosen to lead what can only be described as one of the military's most desired benefits. DeCA's past performance has been stellar and I can only hope to lead it to new highs as we continue to demonstrate for all our patrons that "The Commissary - It's Worth the Trip!"

We had another impressive year in fiscal year 2008—sales continued to grow; the cost of delivering the commissary benefit, both in actual and in constant fiscal year 2000 dollars, came in under budget; and customer service and patron savings levels remained steady. With today's strain on individual budgets we find authorized patrons have increased their commissary shopping. Our annual sales totaled \$5.8 billion in 2008, a 5 percent increase over 2007 sales. While some of that increase was attributable to the rise in the cost of goods, we estimate about half was actual sales growth. But even more, the increase in use of the commissary by military patrons was demonstrated by an addition 1.5 million shopper visits during 2008. Unlike traditional supermarkets, whose sales growth will not keep pace with inflation, with support like

this from military families, we expect to continue increased usage of the commissary. In fact, thus far in 2009 we're already up over \$160 million in sales, with more than 1 million additional shopper visits, over this same time period in 2008.

At the same time our costs again came in under program. It is particularly satisfying to note that while the costs of most Governmental entities are increasing, DeCA's operating costs, when measured in FY 2000 constant dollars, continue to decrease. Even with decreasing costs, the value provided by the commissary benefit continues to be confirmed, not only through the increased visits and sales, but also by our patrons' satisfaction ratings of our overall customer service as 4.61, on a scale of 5. This rating is approaching the theoretical limit of achievability. While it may have been the economy that have brought many retirees, who have not shopped the commissary for years, back to our stores, it is what I call the "wow" factor, that keeps them coming back. From those I have spoken with, most are amazed with the modern supermarkets they now find their commissary to be. They never thought the commissary they shopped in twenty years ago would be so well stocked, so well equipped and such a pleasure to shop. Again this year our internal measures were validated externally by the American Customer Satisfaction Index (ACSI). DeCA's fourth quarter FY 2008 customer satisfaction score equals the ACSI commercial supermarket industry average of 76. Customers also reported to ASCI higher scores in their expectations of DeCA, their perceptions of value and low customer complaints compared to industry

However, customer savings remains the heart of the commissary benefit. It is this level of savings and the fact that we deliver commissary items at the same price to all locations, including remote locations and overseas, that make the commissary a highly prized benefit provided military families. We have consistently yielded savings in excess of 30 percent and this

year's savings of 31.1 percent amounts to nearly \$3,400.00 per year that an average family of four saves by purchasing all their grocery items at their commissary, and a single soldier saving nearly \$1,200.00, according to the USDA Center for Nutrition Policy and Promotion. Of course, attaining this level of savings would not be possible without the tremendous support our extended team of trading partners—manufacturers, distributors and brokers—continues to provide in the pricing, promotion and in store support of products. Their support of military families and the commissary benefit remains stupendous and I would like to take this opportunity on behalf of DeCA and commissary patrons everywhere to publicly acknowledge and thank them.

Once again DeCA's performance reflects the Agency's commitment to maintaining accurate financial reports and overall fiscal responsibility. For the seventh year in a row, I am proud to report that independent auditors have given our financial statements an unqualified opinion. Accountability is entrenched throughout the organization, not just financially, but operationally as well. We continue to re-evaluate our metrics to better use and prioritize resources, increase support to our stores, and achieve desired outcomes in support of governmental goals. We continue to be in the top three in DoD for implementing the requirements of the Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*. Results have shown our internal controls to be strong and effective. In FY 2008, DeCA identified and tested 473 key controls. Ninety-three percent of these controls were found to be operating effectively with zero exceptions; three percent were operating effectively with limited exceptions; and the remaining four percent of the controls (none of which were material weaknesses) required corrective action plans to bring them to the required level of effectiveness. DeCA tied with two other Department of Defense

Agencies/Offices for the highest score in DoD on the Annual Statement of Assurance for FY 2007.

Additionally, the Fiscal Year 2008 annual Federal Information Security Management Act report showed the department awarding DeCA an “A” for its data accreditation and data security metrics; and the U.S. Office of Government Ethics presented its 2008 Ethics Program Award to DeCA – 1 of only 17 government agencies that received such recognition. That award recognized our continuous obligation, commitment, and adherence to federal guidelines, policies, and ethical standards as DeCA strives to practice honesty, integrity, and fairness in all of its business activities.

DeCA continues to utilize a strategic planning and management approach, that is used extensively in business and industry, government, and nonprofit organizations worldwide, to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. These actions have resulted in our commitment to providing a valued quality of life benefit to our service members, our commitment to providing services that add value to what customers receive, our focus on employee satisfaction, employee retention, and employee productivity culminating in increased accessibility of the commissary benefit without increasing the costs to provide the commissary benefit.

In 2009, DeCA continues to center on its four strategic initiatives: Focusing on people; supporting the Guard and Reserve; going “greener”; and increasing cooperation with the Exchanges.

**Focusing on People:** Last fall DeCA’s employee satisfaction survey revealed that the agency had not only improved in every category, it set a new Department of Defense benchmark

score in customer orientation. The Organizational Assessment Survey, administered by the Office of Personnel Management, helps “take the temperature” of the workforce and its culture. The survey, returned by 5,704 DeCA employees worldwide, showed unprecedented improvements, averaging seven percentage points higher in every category across the board from the Agency’s 2005 baseline. Learning from the 2005 survey, we highlighted areas for managers to review closely, and added items to the inspector general checklist. Each category was reviewed so improvements could be considered and implemented. The 10-point improvement in the training and career development score was particularly impressive and indicated we were headed in the right direction.

While the current state of the economy may have slowed the departure of employees in the federal sector, we look at this as a temporary reprieve, giving the Agency additional time to focus on attracting, developing and retaining high performing employees. Thus, we are deploying our 21st Century Leadership Development Program to provide a systematic career progression path and/or required professional certification to develop the competencies, skills and flexibility within DeCA’s leadership and managerial staff to successfully meet future mission requirements. A major portion of this program is to ensure we maintain our leading edge through Continuous Process Improvement (CPI) Training, thus by 2015, we expect to have six percent of the targeted workforce trained in CPI and/or Lean Six Sigma. Another is to increase the number of employees with degrees to increase DeCA's knowledge base and decrease skill gaps. This is intended to result in a high-performing, motivated team that more effectively plans for, guides and supports our stores.

Of course, we continue to pursue individuals who have an investment in the Military Services and the commissary, such as wounded warriors and military family members. As part

of our effort to give back to the community and the patron base we serve, we have focused our recruitment efforts on hiring wounded warriors, disabled veterans, military spouses and other family members. Since June, 2008, we have hired 14 severely disabled persons and 70 compensable disabled veterans. Currently family members make up 38 percent of DeCA's workforce. Focusing on these groups goes much further than just providing them an employment opportunity. It allows us to significantly improve the delivery of the commissary benefit. These individuals not only understand the sacrifices our patrons have made, they have a personal stake in improving the success of the commissary benefit. Employing large numbers of employed spouses and family members also creates challenges with work schedule requirements, particularly when the military spouse is deployed; however, DeCA is committed to working with its employees, within mission requirements, to arrange convenient work schedules.

**Supporting the Guard and Reserve:** I am pleased with our initiative to reach out to Guard and Reserve Service members through on-site sales, which brings the commissary benefit to members of the National Guard and Reserve living in areas where DeCA does not have brick and mortar commissaries. Statistics reveal that in the Continental United States, 54 percent of Reserve and National Guard units are located more than 20 miles away from a commissary. Making the benefit accessible to them is a top priority, and the response to these sales has been overwhelming. For Fiscal Year 2008, 104 Guard and Reserve sales were held. Over 41,000 patrons bought \$4.4 million in commissary items. For many, it was their first encounter with the tremendous value the commissary benefit provides. For Fiscal Year 2009, we expect to reach over 65,000 patrons at 150 Guard and Reserve sales. These sales have become the centerpiece to get information on other DoD benefits and programs to Guard and Reserve families. Often joined by the Health officials, MWR activities, and the Exchanges, offering information or other

goods for sale, on-site sales often take on a country fair flavor as we strive to take care of our Guard and Reserve family.

Of course, those active duty, guard and reserve and retired members living in the Fort Worth area were extremely pleased when the old Carswell BX Mart, a combined store operated by the Army and Air Force Exchange (AAFES) since the 1993, reopened as a commissary. Through close collaboration and coordination with AAFES, we were able to close the former store, do the required work to transform it back to a commissary and reopen with a full line of commissary products in only ten days. In ten months, patrons, at the now Joint Reserve Base Fort Worth commissary purchased over \$22 million of an expanded selection of food and household items at commissary prices.

**Going Greener:** As you might imagine with all the refrigeration required in today's grocery stores, commissaries are energy intensive facilities; therefore, energy conservation has been a primary consideration in the development of DeCA's criteria for the design of both new stores and renovation of existing ones. Under its "going green" initiative, DeCA constantly seeks new technologies and has adopted many cost effective measures, such as fluorescent lighting, which has replaced high intensity discharge lighting in the typical grocery store. These fluorescent lamps are smaller and use less energy. DeCA updates its design criteria every 6 months, to include lessons learned from ongoing and completed projects, incorporating appropriate technology and approved changes identified by the Agency's Facilities Standards Review Board. Since its inception in 1995, our Energy Management Program has realized a cost avoidance over \$50 million in utility costs. We've also reduced waste by recycling over 48,000 tons of cardboard and 268 tons of plastic wrap, earning more than \$5 million in recycling fees that was deposited into our surcharge account.

Last summer the Defense Commissary Agency flipped the switch on its first solar-powered commissary at Los Angeles Air Force Base. Since “going solar” about 30 percent of the energy used by the store is being powered by the sun. The \$840,000 project was funded through the Department of Defense Energy Conservation Investment Program. While Los Angeles is the first DeCA store to be partially powered by solar energy, the agency is seeking opportunities to use alternate sources of energy at commissaries in areas with the highest utility costs.

DeCA has also encouraged earth-friendly practices among its customers through the promotion and sale of “green clean” products such as compact fluorescent bulbs and reusable, recyclable shopping bags. In a little more than a year, commissary shoppers worldwide purchased more than 1.25 million bulbs. Shopping bags, however, have become a more emotional issue. Since 2007, more than 40 states, counties, and cities have considered legislation to institute mandatory or voluntary plastic bag recycling programs, impose a fee on the consumer for the privilege of using bags or ban their use altogether. The latest of these occurred last month here in the District of Columbia. Similar solutions are also being requested by military commanders across the United States and in Europe. Pressure to eliminate or charge for plastic bags is mounting. However, the deposit of both paper and plastic bags in landfills are of environmental concern. Consequently, as we seek an environmentally friendly alternative to existing shopping bags, we continue to educate customers about the availability of alternatives for transporting purchases from the point of sale to their homes, and provide reusable bags as alternatives. There has been great acceptance of this initiative from our patrons and since introducing reusable cloth bags for sale 14 months ago, they have purchased approximately 2.6 million of those bags.

**Increase Cooperation with the Exchanges:** Cooperation between DeCA and the exchanges continues to improve. We have truly entered an era where we seek to complement our activities to strengthen the military resale community. We Resale Directors and Commanders, as well as our collective senior staffs, routinely have open dialogues on issues that impact our resale business. In the past, besides the joint construction program, our best cooperative efforts occurred at store level where our local managers working with the local exchange held a number of joint sales events across the world. Other successful joint efforts occurred in joint marketing and outreach areas. We are continuing to build on those cooperative efforts and seeking joint solutions as we explore and leverage promotional affinities that make business sense, provide value to the patrons, or savings for commissaries and exchanges, but overall strengthen the overall military resale system. To that end, DeCA eagerly accepted an invitation to participate in the Exchange Cooperative Efforts Board working group. We seek to continue building upon this era of cooperation/collaboration to improve the overall Military Resale System.

A number of DeCA programs continue to provide value to our patrons and should be mentioned.

**Food Safety:** DeCA continues to lead the way, not only providing food from safe and secure food sources but by providing service members and their families with the information they need to practice safe food preparation in their homes. Joining the Partnership for Food Safety Education, we seek to bring renewed focus and a fresh new look to the four core food safety practices of “clean, separate, cook and chill.” According to the Be Food Safe Web site, more than 75 percent of shoppers believe food-related illness is a serious threat to their health. Many believe the threat is greater today than in the past. DeCA’s Be Food Safe program

includes shelf talkers, flyers, circular ads and informational brochures that are designed to educate the public on safe food handling practices.

**Nutrition, Health and Wellness:** Our “It’s Your Choice, Make It Healthy” campaign continues to provide information to customers in an effort to help increase awareness and provide dietary guidance. This year DeCA and industry partners are joining USDA to focus on healthier eating habits by highlighting the MyPyramid.gov dietary guidelines in marketing and promotion throughout our commissaries. We’re joining with the Department of Health and Human Services to promote the federal 2008 Physical Activity Guidelines, linking physical activity with healthy eating; and with TRICARE, HHS, AAFES and Military OneSource in the “Get Fit” Campaign to create awareness of childhood obesity to military families.

During Mental Health Month this past year, DeCA partnered with DoD’s Mental Health Self-Assessment Program (MHSAP) to help military families embrace a healthier lifestyle and highlight the important relationship between physical and psychological health. Through this initiative DeCA distributed eco-friendly grocery bags and refrigerator magnets with a message promoting the free anonymous online and telephone mental health and alcohol use self-assessment help for service members and their families. With the message “Good for your body, good for your mind, good for your wallet,” the joint campaign promoted the use of the commissary as well as the online and telephone screenings of the MHSAP.

**Giving Back to the Community:** Since the program started in 2003, the industry that supports commissaries and the general public has provided nearly \$20 million to military families under the Gift to Groceries Program.

The Scholarships for Military Children Program remains a great example of the commissary’s involvement with local military communities. Since its inception in 2001, the program has awarded more than \$6.4 million in scholarships to more than 4000 children of

military families. Funded by industry and individual donations and administered without cost by the Fisher House Foundation, the goal of the program is to award a minimum of one \$1,500 scholarship at each commissary location that receives applications from students.

Since last years update, the anticipated drain on the surcharge fund because of BRAC and Global Defense Posture Realignment (GDPR) actions has been resolved with the issuance of the Department's policy on the use of BRAC funding for those commissary projects required to implement BRAC and military construction (MILCON) dollars for the projects necessary due to strategic initiatives. This departmental decision had an almost immediate affect when BRAC funding was made available for the commissary at Fort Bliss and with the programming of military construction dollars for the Fort Riley commissary.

Since arriving at the Defense Commissary Agency about eight months ago, I have been most impressed with the Agency's delivery of a quality-of-life benefit to our country's most deserving customers and their families around the world. I unveiled my personal motto, "The Commissary - It's Worth the Trip!" to reiterate the value of this benefit to our Service members and their families who are sacrificing every day in support of their noble mission. Their demands are never unreasonable and surely attainable. "**The Commissary**" is a treasured benefit and a formidable tradition in our Armed Services; "**It's Worth...**" recognizes that DeCA team members understand our customers deserve top value for their hard-earned pay; and "**the Trip!**" ...reminds us that about 70 percent of our authorized shoppers do not live on an installation. We must make the trip so worthwhile and enjoyable that customers will not pass it up. As we face present and future challenges I remain confident in DeCA's commitment to enhancing our business processes to meet those challenges.

It has been my pleasure to tell you about the great things DeCA has accomplished this past year and of its contribution to the quality of life of our military families. I will be happy to answer any questions you may have.