

STATEMENT OF
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Mr. Chairman and Members of the subcommittee, it is my pleasure to appear before you, as the newly appointed Director of the Defense Commissary Agency, to detail why the Commissary continues to be an excellent investment for both taxpayers and the patrons it serves. In these trying economic times, military families continue to rate the commissary as one of their most valued benefits. We continue to see more and more of our Service members taking advantage of their benefit to relieve their financial stress. Regardless of the fluctuation we see in commercial grocery sector prices, military patrons continue to travel that extra distance to shop in their commissary. While we demonstrate daily that the commissary benefit is more valuable than ever for all those who proudly serve or served our Nation, the Agency also continues to outperform many governmental entities. These accomplishments are due in large measure to the dedication of the 18,000 employees who operate the commissary system and to the hundreds of suppliers who provide exceptional support to each and every commissary and go out of their way to reward Service members and their families who have sacrificed so much.

Efficiencies and Savings. While I am new in my current position, I have a long history with the commissary system, and have helped it seek better business efficiencies and practices, both before the DeCA's activation as a Defense Agency and after. Since its activation, DeCA has a proven history of taking cost out of the commissary system without decreasing the value of the benefit provided. DeCA's operating costs, when measured in constant dollars, continue to decline. Since its beginning, efficiencies have allowed DeCA to reduce its workforce by almost 10,000 full time equivalent positions and operating costs by almost \$700 million in constant FY 1992 dollars. In fact, when measured in constant dollars, DeCA's operating costs are only slightly more than one-half of what they were

when the Agency activated on October 1, 1991. We had another impressive year in fiscal year 2010 with all key metrics moving in the right direction—sales remained near the \$6 billion mark; the cost of delivering the commissary benefit, came in under budget, customer service scores increased and patron savings levels remained constant.

Even with decreasing costs, the value provided by the commissary benefit continues to be confirmed by our patrons, who have expressed their satisfaction with an overall customer service rating of 4.68 on a scale of 5. Again this year our internal measures were validated externally by the American Customer Satisfaction Index (ACSI). DeCA's latest score of 80 exceeded the ACSI commercial supermarket industry average of 75. Customers reported to ACSI once again that DeCA's strengths are: customer satisfaction, perceived overall quality, perceived value, and low customer complaints.

Of course, saving our customers money remains the heart of the commissary benefit. If you ask commissary customers such as Navy Reserve Chief Petty Officer Rene Sotolongo, a mobilized reservist who is stationed at Naval Base San Diego, he'll tell you how valuable the benefit is to him: "When I got off of full active duty there was a year where I had no benefits at all, so I was kind of forced to shop out in town," he said. "Shortly thereafter, my wife started complaining because we saw the food bills increasing exponentially, and that was one of my driving factors to go back to the Navy so that I could get my commissary privileges back. We saw our food bills drop about \$150 a month – and that's a lot of money."

Commissary savings on our patrons' overall purchases remained constant at 31.5 percent this year, yielding total customer savings of nearly \$2.8 billion. For those patrons who consistently use their commissary, savings can amount to nearly \$4,400 per year for

an average family of four, over \$2,400 for a couple, and more than \$1,500 for a single Service member.

Partnerships with Industry. Of course, without the tremendous support of our trading partners—manufacturers, distributors and brokers—our level of savings would not be possible. Their support of military families and the commissary benefit remains outstanding, extending far beyond the pricing and in-store support of products. The tremendous ancillary support from industry in the form of store support, military only coupons, contributions to installations, promotions and giveaways, scholarships, and income opportunities for family members, provided an additional \$244 million in value last year, over and above the savings military families realized on their commissary purchases. As examples, commissary trading partners contribute millions each year to support the Scholarships for Military Children Program administered by the Fisher House Foundation. Since the program started in 2001, it has awarded more than \$8.3 million in scholarships to almost 5,400 children of Service members. They have donated generously to installation programs seeing our troops off to war, welcoming them back home, and providing that special care for and recognition of our wounded warriors. Others, like Newman’s Own, contribute the profits it makes on the sale of its products in the commissary to provide grants to a number of veterans and community groups so they may continue their special programs that provide such needed items as companion dogs and oversized clothing that can fit over body casts for hospitalized troops. At the same time, commissary trading partners are supporting other service organizations that take care of the military, such as the Red Cross, USO, and the National Military Family Association. At Langley Air Force Base, the J.M. Smucker Company went all out to demonstrate “the best

part of waking up” to over 3,000 military personnel by serving them breakfast in a park adjacent to the commissary, while they were serenaded by country western singer Rhonda Vincent. Whether it is huge promotions like those just described, bringing celebrities to commissaries and installations, providing prizes for drawings, or giving commissary gift vouchers to patrons, our trading partners do their part daily to support the commissary benefit and their country. I would be remiss if I did not take this opportunity, on behalf of the Department, the Defense Commissary Agency and commissary patrons everywhere, to publicly acknowledge and thank them for their continued support. This type of trading-partner support demonstrates vividly that there are many elements that comprise the true value of the commissary benefit.

Military Readiness. The commissary enables troops to focus on their mission when deployed, improves retention by providing a “sense of community” for military personnel and their families, and provides access to American products around the world in a safe, secure shopping environment. We have long known and heard the anecdotal stories that military personnel appreciate that the commissary is looking out for their families as they look out for our country. Knowing their families are being cared for allows troops to focus on the mission at hand, rather than on the well-being of their families. To take that one step further, DeCA increased emphasis on conducting more on-site sales at National Guard and Reserve centers to provide a partial commissary benefit to members living in areas where DeCA does not have brick and mortar commissaries. Continuing the emphasis we have placed on these events, during Fiscal Year 2010, 156 National Guard and Reserve on-site sales were held. Over 70,000 patrons bought \$8.7 million in commissary items, saving \$4 million over commercial supermarket prices. We were joined by a military

exchange at several of these events. These sales continue to be a military community hub for National Guard and Reserve families to get information on other DoD benefits and programs. Military health officials, MWR activities, and other DoD service providers also distribute information on their programs at these on-site sales. An additional benefit of these sales is that we offer employment opportunities to family members and military spouses as part-time employees to augment our workforce for these events.

People continue to be our most valuable resource as they provide the backbone of the commissary system. Of our approximately 18,000 employees worldwide, virtually all of whom are civilian, it is gratifying to know that 62.5 percent of our U.S. civilian employees are comprised of military spouses, family members, military retirees, National Guardsmen, Reservists, or veterans. I am convinced that it is because of this vested relationship to the military that our workforce does such a great job of taking care of our Service members and their families. With military spouses making up the largest overall category of our employees, the Agency has been very successful in recruiting, promoting, and retaining them in various positions from store associate to Chief of Staff. Military spouses not only have a vested interest in the commissary, they also bring a first-hand knowledge and understanding of the importance of the benefit. We are proud to be a significant supporter of the various military spouse preference programs and have implemented an internship program specifically aimed at helping spouses maintain continuous employment, career advancement, and training. At the same time, however, we recognize that many military family members, particularly spouses, experience extraordinary impacts in their lives, particularly when their sponsor is deployed. To the

greatest extent possible, within our business needs, we work with spouses and family members to accommodate their needs.

Cost Avoidance. Two areas where the commissary favorably impacts Departmental resources are Cost of Living Allowance (COLA) and the Defense Transportation System. The presence of a commissary is a cost avoidance factor included in the formula for computing COLA rates. AAFES and DeCA also serve as the retainer for the Defense Transportation System, as the top two peacetime overseas shippers within the Department. Our peacetime use allows the Department to reserve additional shipping, at more favorable rates, when required for operational needs.

Financial Accountability. We closed our financial books for fiscal year 2010 with pride and satisfaction, knowing our fiscal responsibility assures taxpayers their dollars are well-invested in the commissary benefit. We continue an unblemished record of achieving unqualified opinions on our consolidated financial statements, which began in 2002. In addition, we remain a leader within the Department for implementing the requirements of the Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, Appendix A. The effective linkage of accountability and audit readiness to internal controls over financial reporting has resulted in more outstanding results. DeCA tied for first place with Army, the Defense Information Systems Agency, and Special Operations Command for the best FY 2009 Statement of Assurance. Both of these results – eight clean audit opinions and our first-place finish in internal controls – demonstrate DeCA's ceaseless commitment to financial accountability. We are committed to fiscal accountability because commissaries are the premier quality-

of-life benefit for Service members; and we have an ongoing obligation to increase the value of that benefit without increasing costs.

Environmentally Responsible. DeCA is a committed environmental performance leader in the retail food marketing industry and the Armed Forces Community. Our Environmental Management System (EMS) has been a very useful tool in managing our environmental initiatives and measuring the success of the Agency's environmental programs. Our EMS was fully implemented in FY 2009 after being certified in conformance with ISO 14001 by an independent, Army Corps of Engineers, third party auditor. Mindful of our stewardship requirement for both taxpayer and service member funds, we annually review the EMS to ensure its continuing suitability, adequacy, and effectiveness. We have increased the amount of recycled cardboard, and more than 70 commissaries have begun recycling plastic. As you might imagine, the substantial refrigeration requirements of our stores require a lot of energy. We have retrofitted 50 percent of our stores with modern equipment that is more efficient than the requirements for Energy Star certification, and we will continue that effort until all stores are as energy efficient as possible. DeCA's environmental program recently received a high-level pat on the back when the Department of Energy presented the agency with a 2010 Federal Energy and Water Management Award for outstanding efforts in energy efficiency, water conservation and renewable energy technologies. We also encourage earth-friendly practices among our customers through the promotion and sale of "green clean" products such as compact fluorescent bulbs, reusable-recyclable shopping bags, environmentally friendly and concentrated detergents, and ultra sized paper products that

reduce waste. We continue to educate customers on the availability and use of earth-friendly alternatives that help us all.

Partnership with Other Agencies. We continue to enjoy the benefits of partnering with our fellow military resale activities and other DoD or Federal programs. Whether it is joining the U.S. Public Health Service in signing a joint proclamation urging DeCA employees, customers, and all citizens to “Be Active Your Way” by engaging in physical activity and joining the President’s Challenge, or participating in joint sales activities with the exchanges, our goal is always enhancing the Quality of Life for military patrons. Some examples of programs which enhance the Quality of Life of our military and their families are—

- Executing a campaign to confront childhood obesity.
- Working with DoD to promote the financial fitness of our Nation’s military. DeCA is joining other DoD agencies and installation financial institutions in echoing the benefits of becoming financially fit. As part of DeCA’s partnership with Military Saves, a national campaign to persuade, motivate, and encourage military families to save money every month, commissaries work with installation financial counselors to arrange “savings” tours of the stores designed to help shoppers learn how they can stretch their grocery budgets with tips that include taking advantage of price promotions and coupons.
- Promoting DoD’s program for psychological care for veterans and families to let them know it’s OK to ask for and receive much-needed assistance without being stigmatized.

We continue to enhance the working relationship and increase the cooperation between the nation’s military commissaries and exchange services. It is only natural that

we capitalize on each others' strengths since we face similar challenges, essentially have the same clientele, and are on the same team while providing different services to the nation's military community. There are several areas where elements of military resale have already partnered to better serve the customer, be it for case lot sales, National Guard and Reserve on-site sales, distribution of certain products overseas, customer mailers, and other joint activities. We continue to seek ways to amplify our partnerships, especially in marketing programs, and to improve all services across the board. For example, this summer we joined our resale and MWR partners in "Fitness and Fun for the Family" events. Busy shoppers take advantage of a bonanza of savings at the commissary case lot sale and the adjoining exchange sidewalk sale. At the same time, customers learn about the benefits of a healthy lifestyle as installation clinic health workers checked blood pressure. Meanwhile, Morale, Welfare and Recreation representatives highlight fitness activities with demonstrations throughout the day. Industry-sponsored booths give out free, nutritious food and beverage samples, prizes, and discount coupon offers. Cooperation at this level has favorably impacted the Quality of Life of our military patrons and adds extra value to every visit to the Installation.

We also have several ongoing joint distribution efforts including DeCA transporting products to AAFES in Turkey and AAFES backhauling pallets for DeCA from the United Kingdom. Of larger importance, however, is the initiative between DeCA and NEXCOM to combine transportation shipments to Guam. Each entity had been shipping its products separately to Guam and a recently concluded test demonstrated that we can all save money by sharing shipping containers. We expect to expand that concept throughout the Pacific basin.

Military OneSource and Tutor.com are two examples of numerous cooperative efforts DeCA engages in with organizations that provide services to the military. They view us as a great venue to reach their audiences, and we're pleased to help them whether it be placing posters in our stores, printing messages on bags, or adding links to our Website to ensure all of our military families are aware of the benefits their Service and the Department offer.

Nutrition, Health and Wellness. We also partner with other Defense activities, such as the Department of Defense Education Activity in Europe. We are expanding the "Food for Thought" program to middle schools in Germany this fall. The Food for Thought partnership was created between DeCA and the Department of Defense Dependent Schools (DoDDS) as a nutrition literacy program. It promotes improved dietary habits, increases awareness of both the monetary and health benefits of shopping the commissary and preparing meals at home, and incorporates nutrition education and key messages from the Dietary Guidelines for Americans across the DoDDS curriculum.

DeCA continues to assert its role as a DoD leader in providing nutrition information with one of our latest programs being the creation of in-store promotional areas called "kids' zones." These zones, like the hopscotch game display on the floor in the produce section at our Fort Belvoir, Virginia store, are designed to demonstrate the link between physical activity and making healthy choices when shopping for and eating food. Other kids' zones have creative traffic-like signs promoting healthy lifestyle choices aimed at children. There are also child-size produce bins that make it easy for young children to "shop" for fruits and vegetables.

Earlier this week we opened our new store at the Naval Air Station Joint Reserve Base New Orleans. As you probably know, New Orleans is the focal point of a broad alliance of regional government and commercial interests that works to make sure the Gulf Coast seafood industry rebounds from the one-two punch of Hurricane Katrina and the Deepwater Horizon oil spill. To highlight the Gulf seafood industry, commissary patrons were treated to tasting recipes personally prepared on the spot by several celebrity chefs of the Gulf Coast region, and by the U.S. military's Joint Culinary Center of Excellence of Fort Lee, Virginia.

The New Orleans event also kicks off a DeCA-wide initiative to sell more fresh-local seafood, and more domestic frozen seafood, throughout the commissary system. On the fresh front, military shoppers will see more "seafood roads shows" at commissaries across the United States. The events last for two to three days, normally over a weekend, and may take place either within the store or outside. These temporary sales supplement normal commissary seafood selections and provide patrons further opportunities to purchase popular items. Emphasis is on contracting with companies that provide fresh, local and regional seafood at commissary-level savings. DeCA anticipates there will be more than 150 road shows in 2011. In the frozen foods aisles, DeCA is segregating freezer cases and using signage to identify U.S. produced seafood. This helps shoppers who prefer domestic seafood, because it isn't always easy to find source information on the packaging, especially when that involves taking items in and out of a freezer case. Since placing emphasis on obtaining domestic seafood, we have doubled the number of U.S. products available for sale in commissaries. We are continuing to seek additional items and have

issued a Notice to the Trade inviting any company representing domestic product to make a sales presentation to our buyers.

It has been my pleasure to tell you about the great things DeCA has accomplished this past year and its contribution to the quality of life of our military families. In closing, I would like to thank the members of this Subcommittee as well as each Member of Congress for their continued support of the commissary benefit. Last year we held the reopening ceremonies for the commissary and exchange that were destroyed by Hurricane Katrina at Keesler Air Force Base, Mississippi. I wish all of you could have been there to hear the comments as the patrons expressed their appreciation of their new stores and the importance this construction has played in the revitalization of the Gulf Coast area. This could not have happened without the support the Congress showed in appropriating the hurricane supplemental funds necessary to rebuild these facilities that are so important to the Quality of Life of our military families. So, on behalf of all of them, and all of us at the Defense Commissary Agency, I thank you.

I will be happy to answer any questions you may have.