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STUDY OF MILITARY COMMISSARY STORES. VOLUME II

Emmett W. Bowers

Assistant Secretary of Defense
(Manpower and Reserve Affairs)
Washington, D. C.

May 1975

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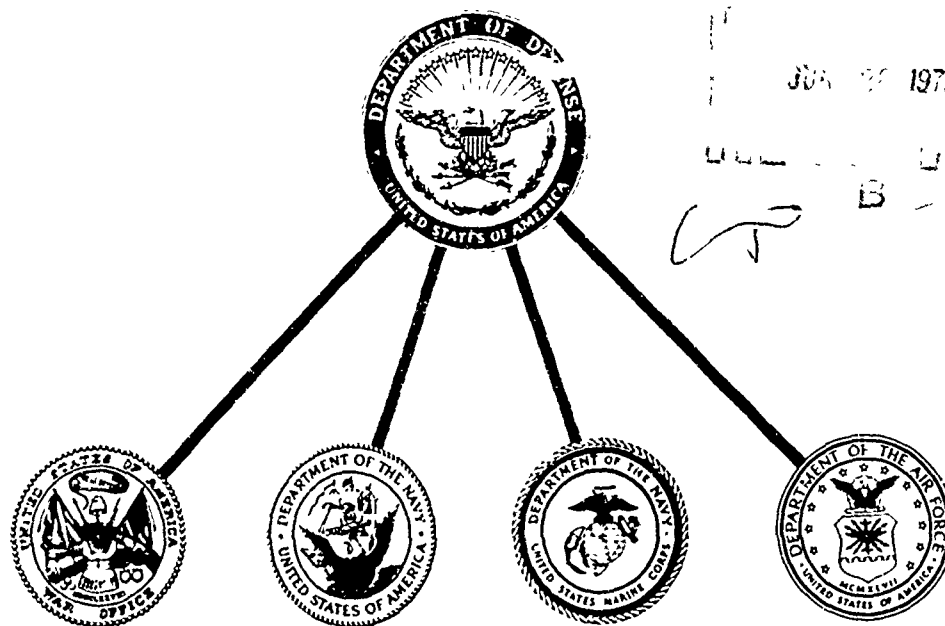
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STUDY OF MILITARY COMMISSARY STORES



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| 20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This study examines the current organization and operation of commissary stores within the Army, Navy, Marine Corps and Air Force, and evaluates alternative methods for improving their efficiency, organization and operating structure. The study was conducted in response to a directive of the Assistant Secretary of Defense (Manpower and Reserve Affairs). Analysis and evaluation of alternative methods of operation are included within the study, along with recommendations to the ASOD (M&RA) as to future operation of commissary resale stores. Report is contained in two volumes (Volume I: Summary Level; Volume II: Detail Data) | | |

FOREWORD

The study report has been prepared in two volumes (I and II). Volume I provides introductory and background information relating to the study, along with summary discussions of present service commissary systems, alternatives considered, conclusions and recommendations. Volume II is comprised of appendices providing detailed discussion and supportive data related to material contained in Volume I.

The study group extends its deeply felt gratitude to the many individuals and organizations, both governmental and private, who contributed their time and effort in providing suggestions and assistance to the committee.

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This volume contains a number of appendices which provide more detailed discussion of certain areas covered within the first volume, along with related numerical and graphical supportive data.

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APPENDIX 4-A

PRESENT U.S. ARMY COMMISSARY SYSTEM

4-A.1. CONCEPT OF OPERATIONS

a. GENERAL. Army commissary stores and issue commissaries are operated under a decentralized system, whereby the Department of the Army establishes policies and procedures, and commanders are responsible for operations, to include the determination of resource requirements and allocation of those resources. Typically the Deputy Chief of Staff for Logistics at each level of command is responsible for the management of commissary operations. At installation level, management and control is normally delegated through the Director of Industrial Operations and the Chief of the Services Division, in turn to the commissary officer, who is responsible for commissary operation, implementing instructions and guidance received.

b. DEPARTMENTAL LEVEL. At Departmental level the responsibility for Army-wide commissary operations is vested in the Deputy Chief of Staff for Logistics (DCSLOG). The U.S. Army Troop Support Agency at Fort Lee, Virginia, is the Field Operating Agency under the DCSLOG and as such is responsible for the operational aspects of the Army Food Program, of which commissary operations is a major element.

c. POLICY

(1) ESTABLISHMENT.

(a). Since commissaries are appropriated fund activities, broad commissary policy emanates from the Congress. Congressional policy, in many instances, reflects the views of constituents in the business world, as well as the military. Congressional policy is implemented and supplemented by the Department of Defense in the Armed Services Commissary Store Regulation (ASCSR), DOD Directives and DOD Instructions.

(b). Department of Defense policies are implemented and supplemented by the Department of the Army in directives issued for Army-wide distribution.

(c). Required operational policies, which do not emanate from the Congress and the Department of Defense, are established by Department of the Army.

(2). DISSEMINATION. Policies and procedures are transmitted by various Department of the Army publications to commanders at all levels of command down to the commissary operating level. These publications include Army Regulations, technical manuals, supply bulletins, circulars, pamphlets, letters and messages. All publications are coordinated with responsible DA Staff elements prior to dispatch. DA letters and messages are transmitted through command channels and all other publications are dispatched directly from DA. Major commanders and intermediate commanders may supplement DA directives as they deem necessary.

4-A.2. ORGANIZATION. The chain of command is shown at Figure 1. At the commissary level, the commissary officer directs the entire operation, including the administrative office, the commissary store and the troop issue activity. Figure 2 shows this organization.

4-A.3. SCOPE OF PRESENT ARMY PROGRAM

| <u>SALES AND INVENTORY DATA</u> | | | | |
|---------------------------------|--------------|-------------------|--------------|-------------------|
| (\$ MILLIONS) | | | | |
| | <u>FY 73</u> | <u>% of Sales</u> | <u>FY 74</u> | <u>% of Sales</u> |
| Sales in U.S. | 628.1 | 79.4 | 719.1 | 78.9 |
| Sales O/S | 162.6 | 20.6 | 191.8 | 21.1 |
| Total Sales | 790.7 | 100.0 | 910.9 | 100.0 |
| Sales Grocery | 567.9 | 71.8 | 658.5 | 72.3 |
| Sales Meat | 183.4 | 23.2 | 209.4 | 23.0 |
| Sales Produce | 39.4 | 5.0 | 43.0 | 4.7 |
| Inventory (Average) | 55.4 | | 68.9 | |
| On Order (Estimated)* | 27.7 | | 34.5 | |
| Stock Turn | 14.3 | | 13.2 | |

*Estimated at 50% of monthly inventory. Actual overseas would be higher.

Change Fund (Estimated) \$651,000

| <u>NUMBER OF STORES</u> | | |
|-------------------------|--------------|--------------|
| | <u>FY 73</u> | <u>FY 74</u> |
| U.S. | 75 | 73 |
| O/S | 72 | 73 |
| Total | 147 | 146 |

STAFFING (End Strengths)

| <u>Item</u> | <u>FY 73</u> | <u>FY 74</u> | <u>FY 75 (Projected)</u> |
|-------------------|--------------|--------------|--------------------------|
| Above Store Level | | | |
| Mil | 50 | 47 | 44 |
| Civ | <u>103</u> | <u>98</u> | <u>89</u> |
| Total | 153 | 145 | 133 |
| At Store Level | | | |
| Mil | 353 | 226 | 226 |
| Civ | <u>9600</u> | <u>10304</u> | <u>10304</u> |
| Total | 9953 | 10530 | 10530 |

4-A.4. FUNDING ASPECTS

a. Funds used for budgeting, allocation and control of commissary operations include appropriated funds and surcharge funds (not appropriated). Normally, the stock fund finances all inventories.

(1). Stock Fund Budgeting/Allocation/Control.

(a). The Army Stock Fund (ASF) finances all subsistence inventories except in Thailand where Military Personnel Army (MPA) funds are used. ASF requirements are developed by installation commanders based on anticipated sales to customers during the ensuing year taking into consideration on-hand and on-order inventories. These requirements are quantified into dollars and become part of the installation ASF budget submitted annually, through command channels, to DA in support of requests for ASF Obligation Authority (O/A). Essentially, if requests for O/A are properly supported by realistic data, O/A is granted subject to targets contained in the approved funding program. These funds for subsistence cannot be reprogrammed for other procurement purposes without DA approval. Upon approval, allocations, including all materiel categories, are furnished through normal budget channels to operating agencies providing official notification of O/A availability. These allocations may be further sub-allocated/allotted to installations below the operating agency level creating an additional administrative sub-division of funding authority.

(b). Controls consist of such devices as the following: (1) Advice of Allotment which shows the limitation on funding authority; (2) Budgetary Approved ASF Targets which express O/A limitation as a percentage of sales, i.e., 102%; and (3) Monthly, quarterly and semi-

annual financial reports which provide DA with operating information measured against approved budgetary targets. The latter financial statements provide management with a businesslike basis for charting the progress of ASF operations.

(2). OMA, OMAR and RDTE Budgeting/Allocation/Control

(a). Operation and Maintenance Army (OMA), Research, Development, Test and Evaluation Army (RDTE), Operation and Maintenance Army Reserve (OMAR) and Military Personnel Army (MPA) funds finance all costs of subsistence operations other than those pertaining to inventories. Requirements are developed by installation commanders based on estimates of resources needed to maintain and operate the commissary during the ensuing year. These requirements are quantified and comprise part of the installation Command Operating Budget which is formulated and submitted annually through command channels to DA to support funding requests for base operations. Funds requested for operations are in two categories: reimbursable and non-reimbursable.

(b). Reimbursable funds are used to finance certain commissary costs which by law must be borne by monies collected from resale commissary patrons (surcharge collections). These costs pertain essentially to procurement of commissary operating equipment, maintenance of equipment, operating supplies and minor building alterations. Costs of utilities, i.e., heat, light, water, power and telephone, within CONUS and Hawaii are included in this category. Appropriated fund reimbursement takes place quarterly after services have been performed or equipment purchased. Non-reimbursable funds are used to pay for normal operating and maintenance expenses incurred from operating a commissary. These expenses include among others, supervisory overhead; direct salaries and wages; security; oversea transportation; utility costs outside CONUS and Hawaii; grounds maintenance; certain facility engineering services and garbage collection. Expenses paid with non-reimbursable funds are absorbed entirely by the Army and no reimbursement from commissary retail customers is required. By nature of this fact, commissary prices including the surcharge, represent true cost to the customer without additives such as overhead and profit.

(c). Funds are allocated through normal budget channels based on DA and higher authority approval of the installations budget submission. DA, Office Director Army Budget (ODAB) furnishes Funding Authorization Documents (FAD's) to operating agencies which in turn, sub-allot funds,

as required, to installations and other Army activities in the form of Approved Operating Budgets (AOB's). These funds are accounted for by servicing Finance and Accounting Officers (FAO's) who report monthly to HQ, DA on the status of these funds, i.e., obligations, expenditures, etc., through Integrated Cost Accounting and Reporting (ICAR) procedures (AR 37-108, AR 37-151), Statutory controls inherent in RS 3679 provide that funds will not be expended (obligated) in amounts greater than funds allotted or allocated. Finance and Accounting Officers monitor the expenditures of funds to assure no over-obligation occurs.

(3). Military Construction Army (MCA)
Budgeting/Allocation/Control.

(a). MCA funds are authorized for construction of commissaries outside the United States. Formerly, construction of commissaries within the United States was also authorized using MCA Funds. A recent statutory change, for which revised procedures have not been implemented within the Army, authorizes an adjustment of, or surcharge on, commissary prices for construction of commissaries within the United States. Requirements for new commissaries or major alterations to existing commissary structures outside the United States are initiated at installation level based on the need to provide new commissary services or improve existing service. These requirements are developed, quantified and submitted through normal command channels through Office, Chief of Engineers to USATSA for technical review and finally to DCSLOG for project approval. If approved by HQ, DA, the project is included in the annual DA MCA budget and forwarded to higher approval authority. Accompanying the budget submission is a Form 1391 - Project Justification Document-which contains the pertinent information describing the project.

(b). When approved by higher authority, i.e. DOD, OMB and Congress, funds are appropriated and subsequently allocated to DA (Chief of Engineers) for implementation of the project. The Chief of Engineers distributes the funds to the District Engineer who implements the project and accounts for the funds included in the Approved Funding Program.

(c). Controls consists of the following:
(i) Military Construction Authorization Act which establishes program limitations and permissible cost variations for projects; (ii) Form 1391, Military Construction Project Data which contains project descriptive data; (iii) Funding advice document which includes an amount for the project; (iv) Construction directives, accounting records and reports which reflect the amounts approved, obligated and expended on the project; and (v) RS 3679 statutory limitations relative

to the maximum amounts which can be obligated (expended) under the project.

(4). Trust Revolving Fund Account (TRFA) (Surcharge) budgeting/allocation/control. These funds accrue from the collection of a surcharge on commissary store sales of 3 percent in the US, excluding Alaska, and 2-1/2 percent overseas, including Alaska.

(a). The TRFA finances the following costs of commissary operations pursuant to provisions of the Annual Department of Defense Appropriation Act: (i) Supplies and equipment; (ii) Maintenance of equipment; (iii) Utilities within the United States, excluding Alaska, and, (iv) actual or estimated costs of shrinkage, spoilage and pilferage of merchandise under control of commissary stores. Requirements are developed indirectly by installation commanders through a funded reimbursement program for OMA and RDTE appropriations in the Command Operating Budget, discussed above.

(b). Allocation of the approved funded reimbursement programs for OMA and RDTE appropriations takes place when Annual Funding Programs (DA Form 1323) are issued, upon approval by DCSLOG, by the Director of the Army Budget (COA). These authorize the use of OMA, OMAR and RDTE funds in anticipation of reimbursement from the TRFA. The amounts included in the Annual Funding Programs for reimbursement from the TRFA are identified each year as a TRFA program objective based upon correspondence from the Deputy Chief of Staff for Logistics. The TRFA is not an appropriated fund. A surcharge collected on sales in Army resale commissaries is deposited in the TRFA to satisfy the provisions of the DOD Annual Appropriations Act to cover the costs which cannot legally be absorbed by appropriated monies.

(c). Control over the funded reimbursement program is exercised through the limitations shown on the Funding Authorization Documents which distribute the programmed funds through command channels to installation commanders, and, the accounting and reporting requirements under which all appropriated funds are administered. Control over the TRFA is exercised by the USATSA which authenticates the funds charged by installation commanders against funded reimbursement programs and authorizes reimbursement from the TRFA to the applicable appropriated funds.

(5). Funding Authorization/Cost of Operations. Following are direct costs of commissary operations supported by appropriated funds for FY's 1974 and 1975 (\$ in millions):

| <u>APPROPRIATION</u> | <u>FY 1974</u> | <u>FY 1975</u> |
|----------------------|----------------|----------------|
| OMA | \$83.911 | \$87.267 |
| MPA | 2.716 | 2.824 |
| OMAR | .181 | .188 |
| RTDE | 2.150 | 2.236 |
| Totals | \$88.958 | \$92.515 |

(6). Accounting for sales.

(a). Cash sales are recorded at the commissary segregated as to grocery market, meat market, produce market and surcharge.

(b). Funds are deposited daily with Finance and Accounting Officers (F&AO) or an approved bank. Report of deposit shows the amount to be credited to the Stock Fund Account for subsistence and the Trust Revolving Fund Account for the surcharge collections. The F&AO credits the stock fund account with the applicable amount.

(c). For either local purchases or open end accounts with a major vendor, the Purchasing and Contracting Officer at the installation sends the purchase order to the installation Finance and Accounting Officer for certification that funds are available. Inventory purchases are charged to stock fund obligational authority.

(d). Vendors are paid by check from the F&AO based on the amount ordered and the receipt voucher. Discrepancies are negotiated with the vendor by the F&AO. Every attempt is made to take advantage of vendor discounts.

4-A.5. OPERATIONAL ASPECTS.

a. Figure 3 lists the installation level administrative and logistical support furnished to Army commissaries for which reimbursement is not required.

b. Procurement.

(1). United States.

(a). Brand name items are ordered by commissary officers through purchasing and contracting officers, against contracts awarded by the Defense Personnel Support Center (DPSC).

(b). Contracts for carcass or wholesale cuts of meat, dairy products, fresh fruits and vegetables and certain other fresh, chill or frozen items are awarded by DPSC. Commissary officers order from contractors through Purchasing and Contracting Officers. Local purchase is authorized in exceptional cases.

(c). Specification items for resale are requisitioned from DPSC by commissary officers.

(2). Overseas.

(a). In Europe, orders are placed on DPSC through the U.S. Army Materiel Management Agency (USAMMAE). Specific item stockage limitations are prescribed by USAMMAE with a twenty-five percent optional stockage authorized. Thirty-eight commissaries in Europe and eight in the Pacific are on Direct Commissary Support System (DICOMSS).

(b). Offshore procurement is authorized for certain highly perishable items such as fresh fruits, vegetables and carcass beef for Europe.

(3). Accounting and Payments.

(a). Inventory is procured with Army Stock Funds (ASF). Reimbursement is effected monthly from sales receipts.

(b). Purchase discounts in excess of two percent are returned to the customer through reduction of selling prices. Discounts of two percent or less accrue to the ASF.

(c). Inventory control results from:

(1) ASF obligation authority limitation.

(2) Prescribed stockage objective (usually 45 days) plus allowances for order and shipping time required for specific locations.

(3) Item selection is restricted to the categories listed in Supply Bulletin 10-512.

(d). Extent of Data Automation. A combination of "in-house" equipment and installation ADPE is utilized for preparation of purchase orders and requisitions, vendor charge accounts, price lists and changes, inventory listings and extensions, intracommissary transfers, etc. The inadequacy of the existing system for management purposes is recognized. Plans have been developed for an improved management information system.

(e). Distribution system. There are no distribution centers in operation. In CONUS, inventory is delivered to the commissary by vendors or DPSC. Installation transportation is utilized to transfer stock from remote warehouses to main stores and annexes. Overseas deliveries are made by DPSC.

(f). Warehousing. Resale and troop issue stocks are separated although they may be stored in the same warehouse. Typically, several warehouses are required to house commissary inventories. The use of multiple warehouses in locations remote from the store is inefficient. Oversea storage facilities are grossly inadequate, often in multiple-storied, low ceilinged buildings serviced by small elevators, precluding the effective use of conveyors and materials handling equipment.

(g). Inter-Intra-store transportation. Vehicular transportation is furnished from installation motor pools. In most instances, drivers are commissary personnel.

(h). Materials handling equipment is procured with commissary surcharge funds.

4-A.6. EQUIPMENT AND FACILITIES.

a. Army commissaries are generally housed in out-moded facilities which are inadequate for their sales volumes. Many are housed in temporary structures which were not designed for the function performed. This situation is further compounded in many cases by warehouse facilities being distantly located from the sales store. In recent years attempts have been made to overcome this situation.

b. Major progress was made during the period 1971-1974 which resulted in approval and funding with Military Construction, Army (MCA), appropriation of eight new commissaries at a construction cost of \$20.2 million. Based on OSD legal opinion in 1970 that available excess surcharge funds could be used for construction, three new commissaries were also approved. Two are completed and one is currently under construction. Costs, including construction and equipment, for the surcharge funded commissaries totalled \$10.0 million dollars. Surcharge funded equipment for the eight MCA commissaries cost an additional \$6.5 million.

c. Based on a 1 January 1974 compilation, new construction is required for 35 commissaries within the US at a then estimated cost of \$99.18 million (1 Jan 75

update based on increased construction cost is \$106.5 million). Comparable data does not exist for overseas commissaries for which MCA funding is authorized. However, it is reasonable to assume the overseas requirement would be approximately twenty-five percent of the US requirement based on comparative sales (overseas equals twenty-one percent of US sales plus four percent add-on to compensate for relatively higher overseas construction costs). Equipment is currently estimated to cost approximately \$890,000 per commissary. Estimated construction backlog as of 1 Jan 1975 follows:

| | | <u>\$ in millions</u> |
|--------------------------|---|-----------------------|
| US - Construction | - | \$106.5 |
| US - Equipment | - | 31.2 |
| Overseas - Construction* | - | 26.6 |
| Overseas - Equipment | - | <u>7.8</u> |
| | | \$172.1 million |

*Authorized for MCA funding.

4-A.7. EVALUATION OF PRODUCTIVITY.

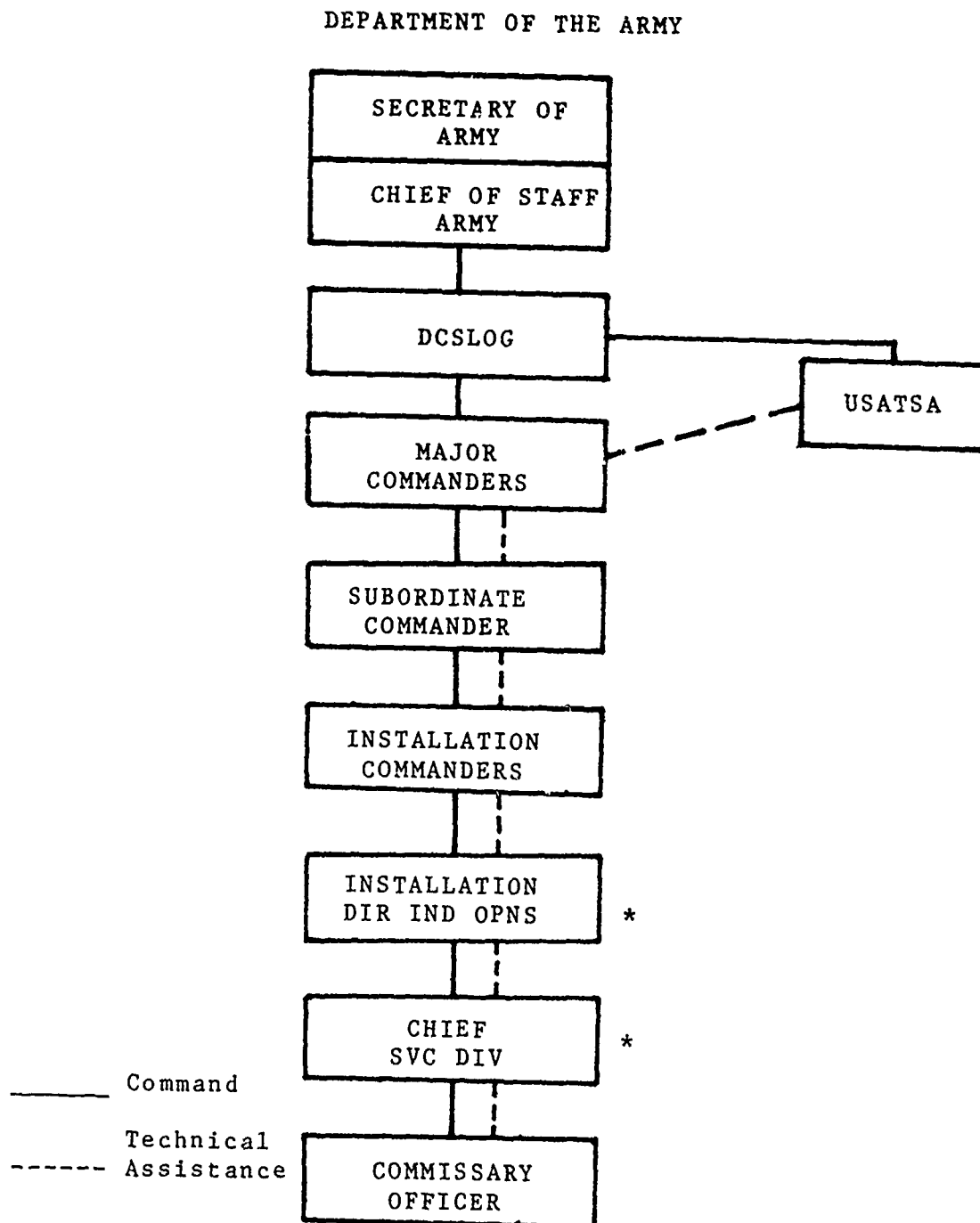
At Figure 4 (Page 4A-13) are selected productivity measures for fiscal year 1974.

4-A.8. COST FACTORS.

a. Figure 5 depicts costs of commissary operations at all levels within the Army by type funding (appropriated/surcharge) and for appropriated funds based on direct/indirect costs.

b. Precautionary note: Indirect costs at installation level are based on limited data sources and are, therefore, an internal study group estimate only. However, they do serve to provide a general order of magnitude. They should be verified at installation level should a more precise costing be desired.

Figure 1
CHART OF THE PRESENT ARMY COMMISSARY MANAGEMENT SYSTEM



*Depicts typical organization at installation level -
 variances exist within some commands.

Figure 2
INSTALLATION COMMISSARY ORGANIZATION

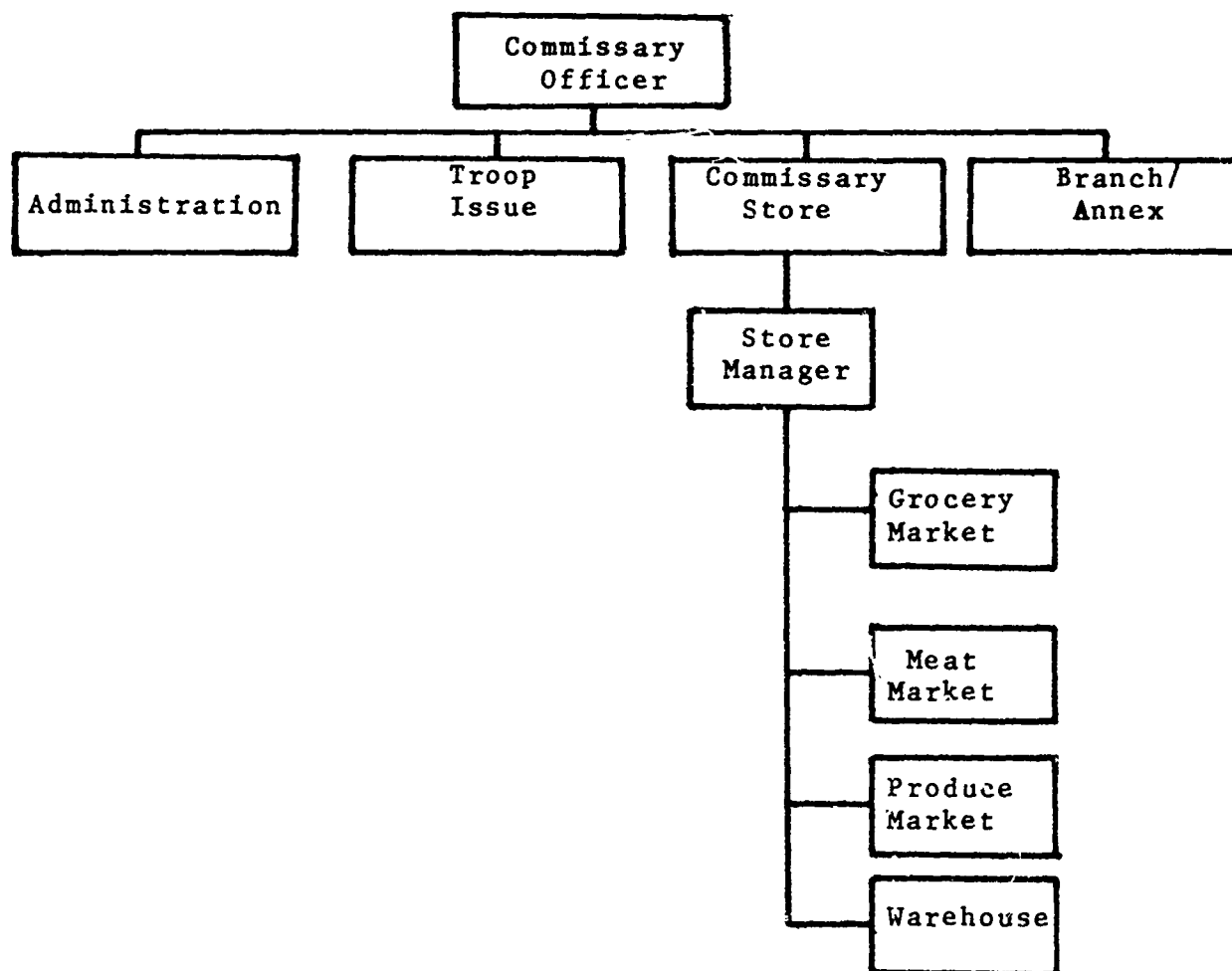


Figure 3
ADMINISTRATIVE AND LOGISTICAL SUPPORT AT INSTALLATION LEVEL

Installation activities provide the following administrative and logistical services to commissaries on a non-reimbursable basis:

1. Facilities (buildings)
2. Civilian personnel management services (recruiting, personnel actions and general administration)
3. Purchasing and contracting services
4. Finance and accounting services
5. Transportation service
6. Security and guard service
7. Comptroller management services (internal review and audit)
8. Post supply service (requisitioning and procurement of supplies and equipment)
9. Medical service (includes veterinary inspection service, food handlers' examinations)
10. Inventory assistance (assignment of personnel to assist in taking the disinterested officer accountability inventory)
11. Sanitary services (refuse collection and sewage disposal)
12. Maintenance of buildings
13. Maintenance of area, grounds, parking lots and roads
14. Limited Automatic Data Processing Support (Price lists, inventory listings, etc.)

Figure 4
EVALUATION OF PRODUCTIVITY

| <u>Productivity Measures</u> | <u>FY 74</u> |
|--|--------------|
| Sales per man year US | 117,060 |
| Sales per man year OS | 67,212 |
| Sales per man hour (\$) US | 58 |
| Sales per man hour (\$) OS | 33 |
| Sales per transaction US | 22 |
| Sales per transaction OS | 12 |
| Sales per square foot of selling area US | 57.5 |
| Sales per square foot of selling area OS | 27 |

Figure 5
ARMY COMMISSARY COST ESTIMATE
DIRECT - SURCHARGE - INDIRECT
FY 1974

(\$ in millions)

ITEM DESCRIPTION

Value of Sales(excludes surcharge) \$910.9

APPROPRIATED FUND COSTS (Direct)

| | |
|--------------------------------------|---|
| Military Personnel | 2.716 |
| Civilian Personnel | 66.874 |
| Other Purchased Services | 18.173 |
| Travel of Personnel | .205 |
| Utilities (Oversea excluding Alaska) | .405 |
| Other Supplies | .293 |
| Equipment | .292 |
| Construction | <u>(5.865)</u> |
| TOTAL | \$88.958 (\$94.823 including construction) |

SECTION 814 REIMBURSABLE COSTS

Operating Equipment and Supplies

| | |
|---|--------------|
| Equipment - Cost of | 2.992 |
| Consumable Supplies | 7.340 |
| Equipment Maintenance | 3.371 |
| Utilities (US less Alaska) | 1.392 |
| Linen Service/Laundry | .172 |
| Facilities | 6.230 |
| Losses (Shrinkage, spoilage and pilferage) | <u>2.904</u> |

TOTAL \$24.401

Figure 5 (Cont.)
 ARMY COMMISSARY COST ESTIMATE
 DIRECT - SURCHARGE - INDIRECT
 FY 1974

(\$ in millions)

APPROPRIATED FUND - INDIRECT COSTS

HQ Operations - Commissary

| | |
|---------------------|-------|
| Dept/Sub Dept Level | .833 |
| Major Commands | 2.151 |
| Depots | 5.953 |

| <u>Installation Level Type Support</u> | <u>Low Estimate</u> | <u>High Estimate</u> |
|---|-------------------------|--------------------------|
| Civ Pers Mgmt Svcs | 1.631 | 2.038 |
| Purchasing and Contracting Svc | .815 | 1.549 |
| Finance and Accounting Svc | .815 | 1.794 |
| Directorate of Industrial Opns | 1.223 | 2.609 |
| ADP | .815 | .815 |
| Total Installation Level | <u>(5.299)</u> | <u>(8.805)</u> |
| Subtotal Indirect | \$14.236 | \$17.742 |
| Grand Total (Appropriated, Sec 814, Indirect, excluding MILCON) | <u>\$127.595</u> | <u>\$131.101</u> |

Precautionary note: Indirect costs at installation level are based on limited data sources and are, therefore, an internal study group estimate only. However, they do serve to provide a general order of magnitude. They should be verified at installation level should a more precise costing be desired.

APPENDIX 4-B

PRESENT NAVY COMMISSARY SYSTEM

4-B.1. CONCEPT OF OPERATION

The Navy presently employs a centralized concept of operation for its commissary stores. Command control is exercised by the Navy Supply System Command through the Navy Resale System Office (NRSO), Brooklyn, New York. NRSO establishes common policies and procedures for all Navy commissary stores. Procurement, pricing, inventory management, quality assurance, physical distribution, and certain aspects of ADP and personnel management are controlled at the field level. Financial management, facilities and engineering and certain aspects of ADP and personnel management are centralized at NRSO.

4-B.2. ORGANIZATION

Figures 1 through 5 (pages 4B-14 to 21) provide organizational charts and functional statements depicting the Navy's chain of command organization. Under NRSO the Navy commissary store program is organized into complexes or regions and individual stores. Navy commissary store complexes consist of from two to nine stores situated in proximity to one another which receive the bulk of their administrative support i.e. personnel administration, ordering, accounting, ADP, local policy guidance and operations assistance from a complex office headed up by an Officer-in-Charge. Individual stores within each complex are managed by individuals (civilian or military) designated as Commissary Store Officers who report directly to the Officer-in-Charge. The Officer-in-Charge reports directly to the Commanding Officer, Navy Resale Systems Office (NRSO) which office promulgates policy and provides management support, technical guidance and assistance to the world-wide network of Navy commissary stores (ninety-three in total), employing approximately 4200 civilians and 1200 military, costing per annum \$42.4 million and \$15.2 million, respectively. Currently, the Navy system consists of twenty-two such complexes (fifteen CONUS and seven overseas).

4-B.3. SCOPE OF PRESENT NAVY PROGRAM

SALES AND INVENTORY DATA (\$ MILLIONS)

| | FY 73 | % of Sales | FY 74 | % of Sales |
|-------------------------|---------|------------|---------|------------|
| Sales in U.S. | \$361.0 | 88.3 | \$428.2 | 88.4 |
| Sales O/S | 48.0 | 11.7 | 56.3 | 11.6 |
| Total Sales | 409.0 | 100.0 | 484.5 | 100.0 |
| Sales Grocery | 295.6 | 72.3 | 354.6 | 73.2 |
| Sales Meat | 90.4 | 22.1 | 103.8 | 21.4 |
| Sales Produce | 23.1 | 5.6 | 26.1 | 5.4 |
| Inventory (average) | 30.6 | | 36.6 | |
| On Order | 39.5 | | 45.6 | |
| Stock Turn | 13.1 | | 13.3 | |
| Change Fund (estimated) | .6 | | .6 | |

It is estimated that real sales growth, after adjusting for inflation is running between 1.5 and 2.5 percent. Projected sales for FY 1975 are between \$540 million and \$560 million. The stock turn for first quarter FY 1975 has dropped to 12.9.

NUMBER OF STORES

As indicated under organization, the Navy commissary store system is organized into complexes and individual stores. The number of stores and complexes at the end of FY 1974 were:

| <u>Area</u> | <u>Complexes</u> | <u>Associated Stores</u> | <u>Independent Stores</u> |
|-------------|------------------|------------------------------|-------------------------------|
| In U.S. | 15 | 63 | 1 |
| Overseas | <u>7</u> | <u>20</u> | <u>9</u> |
| Total | 22 | 83 | 10 |

Staffing. The Navy commissary store program is staffed with both military and civilians. At the Headquarters, the Navy Resale System Office civilian personnel are NAF employees whose salaries are reimbursed from Operation and Maintenance Navy Funds. The man years of effort employed in the Navy commissary store system for Fiscal Years 1973, 1974 and 1975 (Projected) are shown in Figure 6 (Page 4B-22).

4-B.4. FUNDING ASPECTS

a. Navy Stock Fund.

(1). Basic funds for the Navy Stock Fund are provided by congressional appropriation. Items purchased by Navy Stock Fund money are Navy Stock Account material. Cash from the sale of Navy Stock Account material is

deposited with a disbursing officer, who in turn credits the Navy Stock Fund with the amount of such deposit. Thus, the Navy Stock Fund is a working capital or revolving fund.

(2). The Navy Stock Fund, which in turn is reimbursed from the proceeds of sales, finances commissary store procurement of resale items, equipment, services, and supplies. Currently, staffing, transportation and utilities overseas, common service costs (e.g., fire and security protection, pest control, grounds maintenance, etc.), and other indirect costs are supported by other appropriated funds.

(3). The invoices for commissary store procurements are paid by the local regional finance office with a Treasurer of the United States check specifying a charge to the Navy Stock Fund. An abstract of Public Vouchers (SF 1034) reflecting such payment is forwarded by the paying finance office to the commissary store, which originated the procurement documentation. The commissary store takes up the amount on the Public Voucher as an inventory receipt.

(4). In order to fully reimburse the Navy Stock Fund for monies spent, the commissary store adjusts selling prices to recover both the cost of resale items as well as operational costs. All monies from sales are deposited with the disbursing officer as a credit to the Navy Stock Fund. Funds, including amounts generated in excess of the cost of sales and operation, remain in the Navy Stock Fund under a segregated account called the Commissary Store Reserve Fund.

(5). Local Officers in Charge have in effect an "open check book" with which to purchase Navy Stock Account material as an open allotment system is used. The Navy Resale System Office monitors the sales and inventory levels of the fund and reports status to the Naval Supply Systems Command.

b. Commissary Reserve Fund.

(1). The Commissary Store Reserve Fund is a segregated account in the Navy Stock Fund. The purpose of this fund is to cover unusual expenses which are not within the local funding capability of the individual store or complex concerned. The Navy Resale System Office is the administrator of the Commissary Store Reserve Fund. When a store or complex is provided a

Commissary Store Reserve Fund Grant it increases its available funds by the amount of the grant. In this manner the grant recipient is able to cover the cost of unusual expenses and reimburse the Navy Stock Fund without increasing prices.

(2). The Navy Commissary Store Program purchases equipment in excess of \$500 and finances construction and improvement projects through the commissary Store Reserve Fund (CSRF). The CSRF is also used to pay for transportation cost to Hawaii and Alaska. The stores in these areas contribute more than the one to two percent to the CSRF. In addition, the CSRF may be used to fund certain losses that an individual commissary store may not be able to absorb. The status of the CSRF as of 30 June 1974 was as follows:

(\$ MILLIONS)

| | |
|----------------------------------|----------|
| Beginning Balance | \$ 2.491 |
| Receipts | 9.628 |
| Expenditures | 11.903 |
| Equipment | 4.872 |
| Facility | |
| Improvement | 5.611 |
| Surveys | 0.020 |
| Other (including losses) | .234 |
| Transportation (Alaska & Hawaii) | 1.165 |
| Ending Balance | \$ 0.216 |

c. Funding of Direct Support.

(1). Civilian salaries, benefits, and travel are paid by the Operations and Maintenance, Navy Appropriation. The costs associated with the OMN Appropriation are shown below:

(\$ MILLIONS)

| Item | FY 1974 | FY 1975 (Est.) |
|-----------------------|----------|----------------|
| Civilian Payroll | \$35.527 | \$40.475 |
| *NAVRESO Reimbursable | 1.612 | 1.780 |
| Travel/Other | .080 | .125 |
| Total | \$37.219 | \$42.380 |

*It is Navy's understanding that this should be an indirect cost.

(2). Military salaries and appropriate benefits are paid for through the Military Personnel, Navy Appropriation. Using the current military manpower authorization and the composite standard military rate table in effect on 1 July 1974, it is estimated that the cost to the MPN Appropriations is as follows:

| | (\$ MILLIONS) | <u>FY 1975 (Est.)</u> |
|---------|---------------|-----------------------|
| Officer | 74 | \$ 1.435 |
| EM | <u>1231</u> | <u>13.748</u> |
| | | \$15.183 |

(3). Currently, by law, Navy commissary stores are required to pay for cost of the purchase of merchandise (including commercial transportation in the US but excluding all transportation outside the US), maintenance of operating equipment and supplies, utilities, (except outside US and in Alaska), shrinkage, spoilage, and pilferage of merchandise. Recently enacted legislation requires commissary stores to pay for construction of stores in the United States. The construction costs in the US will be paid out of the CSRF. A breakdown by cost categories for FY 1974 as a percentage of sales is given below:

| | |
|----------------------------------|------------|
| Cost of Goods sold (Merchandise) | 94.6% |
| Inventory Shrinkage | 0.5 |
| Mark downs | 0.4 |
| Department Expenses | 0.8 |
| General Expenses | |
| Material | .6 |
| Utilities (In US except Alaska) | .4 |
| Services | .6 |
| CSRF | <u>2.1</u> |
| | 100.0% |

d. Funding of Indirect Support.

(1). In addition to the Funding Support that Navy commissary stores receive for military and civilian salaries, they also receive support for transportation of merchandise overseas, utilities overseas, certain administrative support and common services. Also, Navy commissary stores use the services provided by the Defense Personnel Support Center (DPSC) in the form of National Brand Name Contracts and the local buying offices. No

estimate has been placed on the DPSC costs, but an estimate of the indirect costs for FY 1976 is given below:

(\$ MILLIONS)
OM,N Costs Not Applicable to Surcharge

| | |
|---|----------------|
| Navy Resale System Office Support | \$1.780 |
| Garbage Removal | .070 |
| OSHA | .002 |
| Minor Construction | .051 |
| Maintenance and Repair | .960 |
| Services Furnished by Host and Accounting Activities | 2.278 |
| Travel | .055 |
| Transportation | 4.700 |
| CIVPERS Training | .083 |
| | <u>\$9.979</u> |

MP,N Costs Not Applicable to Surcharge

| | |
|------------------|---------|
| MILPERS Training | \$1.250 |
|------------------|---------|

(2). The indirect costs are defined in greater detail under Operational Aspects (paragraph 4-B.5).

4-B.5. OPERATIONAL ASPECTS.

a. Stock Management & Item Selection.

(1). Each of the complexes has one or more mini-computers (either the Monrobot XI or Burroughs L-2000) which compute reorder quantities, print purchase orders, produce the Stock List and Price Catalog, print price changes, recapitulate the monthly receipt of daily delivery items and produce inventory and breakout documentation.

(2). The stores within each Navy commissary store complex use the same Stock List and Price Catalog and have a common pricing policy. Stores (depending upon size) stock from 1000 to 2000 warehoused items and from 1500 to 3000 non-warehoused direct delivery items. The warehoused items are on a pull system. The categories of items carried generally agree with those stocked and sold by Air Force and Army commissaries, except tobacco products, soft drinks and candy which are not carried.

(3). Most Navy commissary store complexes have a selection board which is composed of the Officer in Charge and representation from each branch store. This board meets twice a month according to a predetermined schedule to consider the selection and deletion of items falling within specific commodity groups. Each commodity group is reviewed by the board at least every six months.

b. Procurements and Bill Paying.

(1). The vast majority of items are obtained by placing delivery orders against Defense Personnel Support Center, Brand Name Contracts. Most of the remaining items carried are obtained by open purchase, either by exercising \$10,000 local purchase authority, or through the use of blanket purchase agreements. Large volume items beyond the Officer-in-Charge's contractual authority are purchased either by a Defense Personnel Support Center (DPSC) regional office or the local service activity having the required purchase authority. Most stores obtain their carcass beef requirements from the DPSC System. In purchasing fresh fruits and vegetables, the Officer-in-Charge has the option of either exercising local purchase authority or utilizing the support services of DPSC.

(2). A record of all procurement actions is maintained by the Complex Office and feeder information on receipts is provided by the stores. Bills from the respective vendors are reconciled with this data at the Complex Office and forwarded to a Navy Regional Finance Center for payment.

(3). Other feeder information relating to inventory and cash sales is provided by the respective stores to the Complex Office. From this data, the Complex Office maintains records of store and complex accountability and prepares required financial reports and returns.

c. Accounting.

(1). The reconciliation of receipts, the maintenance of accounting records and the preparation of financial reports and returns are the responsibility of the Complex Office or the independent store, if not part of a complex. Navy Regional Finance Center, Cleveland, Ohio, audits the financial returns which are submitted quarterly. In addition, other financial and statistical information is provided Navy Resale System (NRSO) Headquarters on a monthly basis.

(2). There are approximately ninety-three man years expended within the complexes and independent stores to accomplish the accounting functions. An additional three-man years are expended at the NRSO Headquarters monitoring field reports.

d. Data Processing.

(1). The field is assisting in accomplishing the tasks of procurement and accounting with the use of

first generation solid state general purpose stored program digital computers that process both alphabetic and numeric data. These computers are located at each Complex Office and at most independent stores. The cost of the original ADP equipment was financed by the Commissary Store Reserve Fund at approximately \$25,000 per installation. The maintenance on the equipment is paid from the individual complexes general expense. The programs were developed by NRSO headquarters. The ADP equipment -

(a). Develops product cards for each item procured from vendors for warehouse stock;

(b). Performs sales calculations and test for unusual sales;

(c). Determines requirements and prepares purchase orders, calculates cost and computes retail base of cost, accumulates specified statistical data such as discounts, number of cases ordered, units, etc.

(d). Calculates and prepares a comparative sales and analysis listing of sales;

(e). Prepares Stock and Price Catalog which may be used for inventory, breakout, pricing and as a tool in item selection;

(f). Calculates retail price changes;

(g). Calculates and maintains receipt history of both warehouse and daily deliveries;

(h). Provides mechanized reconciliation of receipts with a purified journal of receipts on a monthly or more frequent basis;

(i). Accomplishes status of inter-store transfers within complex and

(j). Provides input for small and large business report DD1057.

(2). In addition to back room automation, Navy Commissary Store Complexes are currently installing electronic cash registers in their stores. Two systems are being installed - ESIS and NCR. Currently, nine stores have ESIS and four stores have the NCR System.

These systems will increase through put at the front end and are designed to ultimately work with scanning and UPC (universal product code). Productivity of cash register operators is increased from fifteen to twenty percent.

e. Distribution.

(1). The Navy utilizes the following facilities in distribution:

(a). Government owned warehousing and refrigerated storage spaces either contiguous to the sale location or remote warehousing,

(b). Leased commercial warehouses and cold storage facilities,

(c). Civilian distributors (Deliveries made as frequent as necessary. Cost of product increase due to handling averages six to eight percent and passed on to patron), and

(d). Rack Jobber or vendor stocking (Daily or as needed. Includes deliveries and the stocking of shelves. Total stock management rests with the vendor, with monitoring by a store official.)

(2). Approximately forty-eight percent of the grocery department items in Navy Commissary Stores are warehoused. The remainder are delivered direct to the stores by vendors. Also, most of the perishable items in Navy commissary stores are delivered direct by vendors.

(3). Forty-five Navy commissary stores have contiguous warehouse storage. The remainder receive support on non-perishable items from remote storage facilities. Central warehousing (i.e., the support of two or more stores) is being practiced at five CONUS and five Overseas Complexes. Seven Atlantic Ocean Area Stores and one Pacific Store receive central warehouse support on non-perishables from CONUS Complexes. Centralized meat cutting is being performed at one Navy Overseas Complex and centralized meat grinding is performed at one CONUS Complex. Central meat cutting plants are being constructed at the Navy Commissary Store Complex, Norfolk and San Diego. It is envisioned that the Norfolk plant will support subprimal requirements of both the Complex and selected Atlantic Ocean Area stores.

(4). Central distribution has enabled valuable backroom space to be converted into sales areas at many of the stores where such support is being received. Also, a single point of receipt at a single distribution point has enabled those complexes which are utilizing this means of distribution to realize economies in the areas of purchase order preparation, receipt processing, receipt reconciliation, price changes, etc. Two Navy Complexes with central warehouses are testing the use of rolling cart systems. These systems permit sequential stock picking on carts which are rolled onto vans, then transported from the warehouse direct to the sales floors of the supported stores concerned. Labor savings is realized by reduced handling costs.

(5). Other than the eight overseas stores which receive centralized support on non-perishables from CONUS Commissary Store Complexes, the remainder of the Navy Overseas Stores procure their non-perishables direct from CONUS supply sources. Also, perishables are procured from CONUS supply sources when the shelf life of such items can reasonably be expected to provide a saleable product to satisfy, at least short-term demand and when the product is not obtainable at a reasonable price locally. The majority of perishable and non-perishable items requisitioned by overseas activities are shipped directly to either the Naval Supply Center, Norfolk, or the Naval Supply Center, Oakland, where they are processed for transshipment. Processing consists of containerizing the material except for those destinations which do not have the capability of receiving containerized cargo.

(6). Shipments from Norfolk and Oakland are made either in Navy bottoms or by contract carrier. The cost of overseas shipments to first destination is borne as an indirect cost except to Alaska and Hawaii which is borne by the Commissary Store Reserve Fund and collected through an extra surcharge to those two areas. Second destination transportation costs at overseas activities are financed by commissary store operating funds.

(7). The Navy Commissary Store Complex, Taiwan, has in addition to the items for resale, the additional responsibility for providing items of troop issue. This is the only Navy Complex performing this function.

f. Intra-Service Support Agreements.

(1). Each Complex Office negotiates an Intra-service Support Agreement with the host command of each respective store which in general provides the following:

(a). Non-reimbursable Services.

(1). Civilian Personnel Administration. Figure 7, (p. 4B-23) lists specific civilian personnel services which are presently being received.

administration (2). Military personnel

(3). Plant property accounting

and safety (4). Security, fire protection

(5). Forms and publications

(6). Legal services

(7). Audits

(8). Medical and dental

(9). Communications (except telephone)

(10). Lease of off-station facilities

(11). Cyclical maintenance of parking lots, grounds and exterior of buildings including lighting as required for safety and security. Limited interior building maintenance.

(12). Maintenance, repair and replacement of heating, electrical, plumbing and sewage systems.

(13). Utilities (overseas stores only)

(14). Refuse collection

(15). Snow removal

(16). Pest control and sanitation

(17). Design and cost estimating
(only limited to small projects)

(18). Base transportation and housing

(19). Transportation costs of
shipments overseas from transshipping point including packing,
crating and port handling.

(20). Drayage overseas

(b). Reimbursable Services.

(1). Utilities (CONUS only)

(2). Interior, facility and
equipment maintenance

(3). Improvements and modifications

(4). Telephone

(5). Transportation

g. Other Support Agreements.

In addition to the Intra Service Support Agreement with the host commands, the Officer-in-Charge enters into support agreements with the Military Veterinarian Services (Army and Air Force), Central Civilian Personnel Offices and Public Works Centers as necessary, generally, on a non-reimbursable basis.

4-B.6. EQUIPMENT AND FACILITIES.

a. Through the years replacement and new acquisition of necessary equipment has been either through the CSRF or through local procurement charged to the general expense of the stores operations. The normal replacement of equipment has been accomplished on an as required basis, however, a more systematized basis taking advantage of greater consolidated procurement could achieve savings. Equipment necessary to accomplish the mission in a manner similar to the commercial sector would require an expenditure of \$48.6 million. The major deficiencies are in material handling equipment and electronic point-of-sale equipment. The material handling and automotive equipment deficiencies are \$24 million. The procurement and installation of the electronic point-of-sale equipment is \$5.8 million. The balance or \$18.8 million is needed for the replacement of refrigeration and display equipment.

b. Over 50 percent of the commissary stores are housed in facilities that are of pre-World War II vintage. Of the ninety-one commissary stores, fifty-three are in temporary buildings constructed of wood or metal (quonset or butler). These facilities are conducive to retail operation due to their physical nature. the vulnerability to fire and other destructive accidents. Replacement cost for facilities necessary to make them safe and serviceable would require \$122.5 million. During the fiscal years 1972-1976, Military Construction Navy Projects were submitted and approval obtained as follows:

| | <u>Requested</u> | <u>Approved</u> |
|------|------------------|-----------------|
| 1972 | \$ 8.9 million | \$ 255,000 |
| 1973 | 7.0 million | 87,000 |
| 1974 | 13.0 million | 1,800,000 |
| 1975 | 11.0 million | -0- |
| 1976 | 11.0 million | -0- |

4-B.7. EVALUATION OF PRODUCTIVITY.

Four basic measures of productivity are sales per man year, sales per man hour, sales per transaction, and annual sales per square foot of sales area. Figure 8 (p. 4B-24) provides these productivity factors for fiscal year 1974. A comparison of commissary productivity factors versus those for the commercial sector is provided in Chapter 4 (Volume I), Present Service Commissary Systems. As indicated in that comparison, commissary stores are operating at a significantly higher rate of productivity than that attained in the commercial sector. However, in each of the four measures, the high level of productivity is gained at the expense of service to the customer. High sales per man year and per man hour are reflective of inadequate staffing which generally prevails at most stores. Sales per transaction are reflective of mass buying due to the unwillingness of the customer to subject themselves to the long waiting lines and congestion in the stores at more frequent intervals. Sales per square foot figures show how impacted commissary stores are and demonstrate the critical need for additional selling area.

4-B.8. COST FACTORS.

Actual cost figures for FY 1974 are shown in Figure 9 (Page 4B-25). A description of direct and indirect cost factors is given in paragraph 4-B.4. A breakdown of representative employee salaries in four geographical work areas is shown in Figure 10 (Page 4B-27).

Figure 1

NAVY CHAIN OF COMMAND

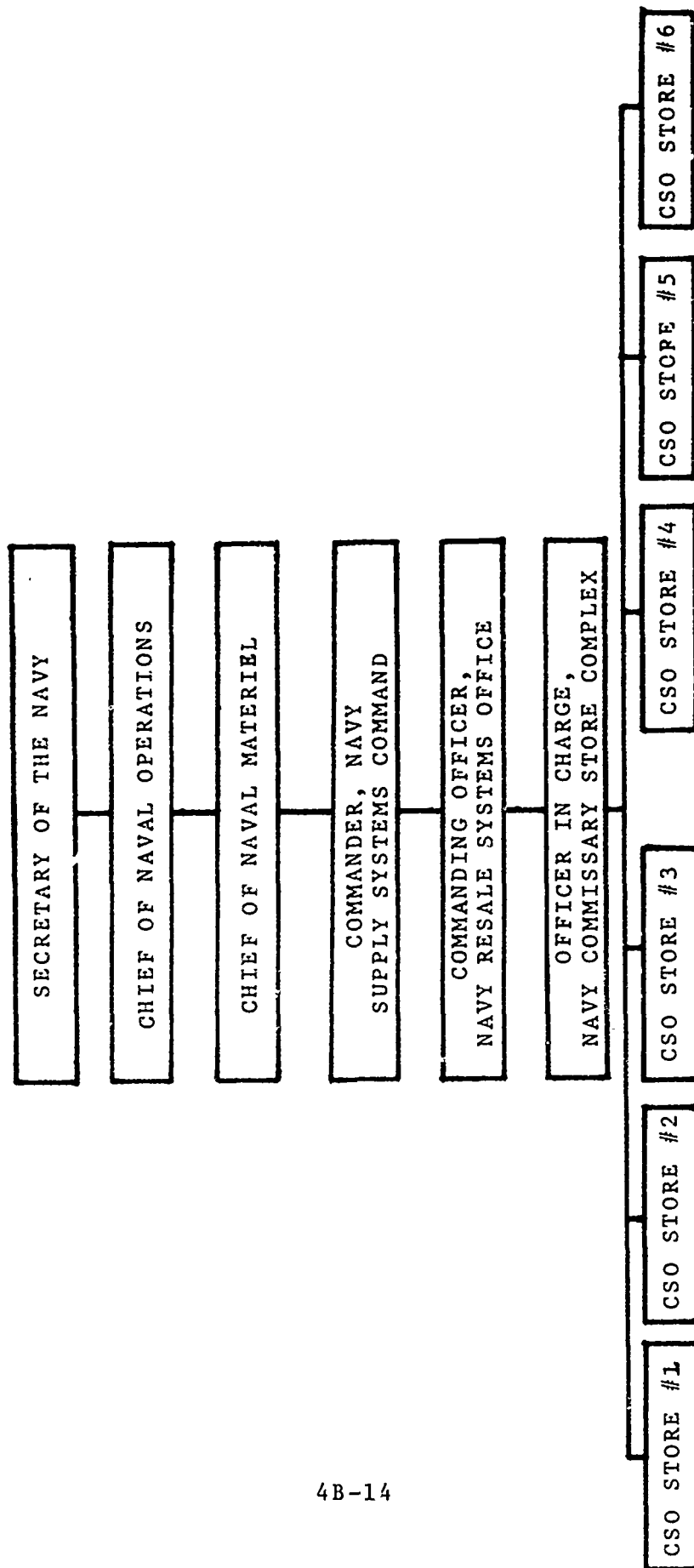


Figure 2
ORGANIZATION CHART FOR NAVY COMMISSARY STORE COMPLEX

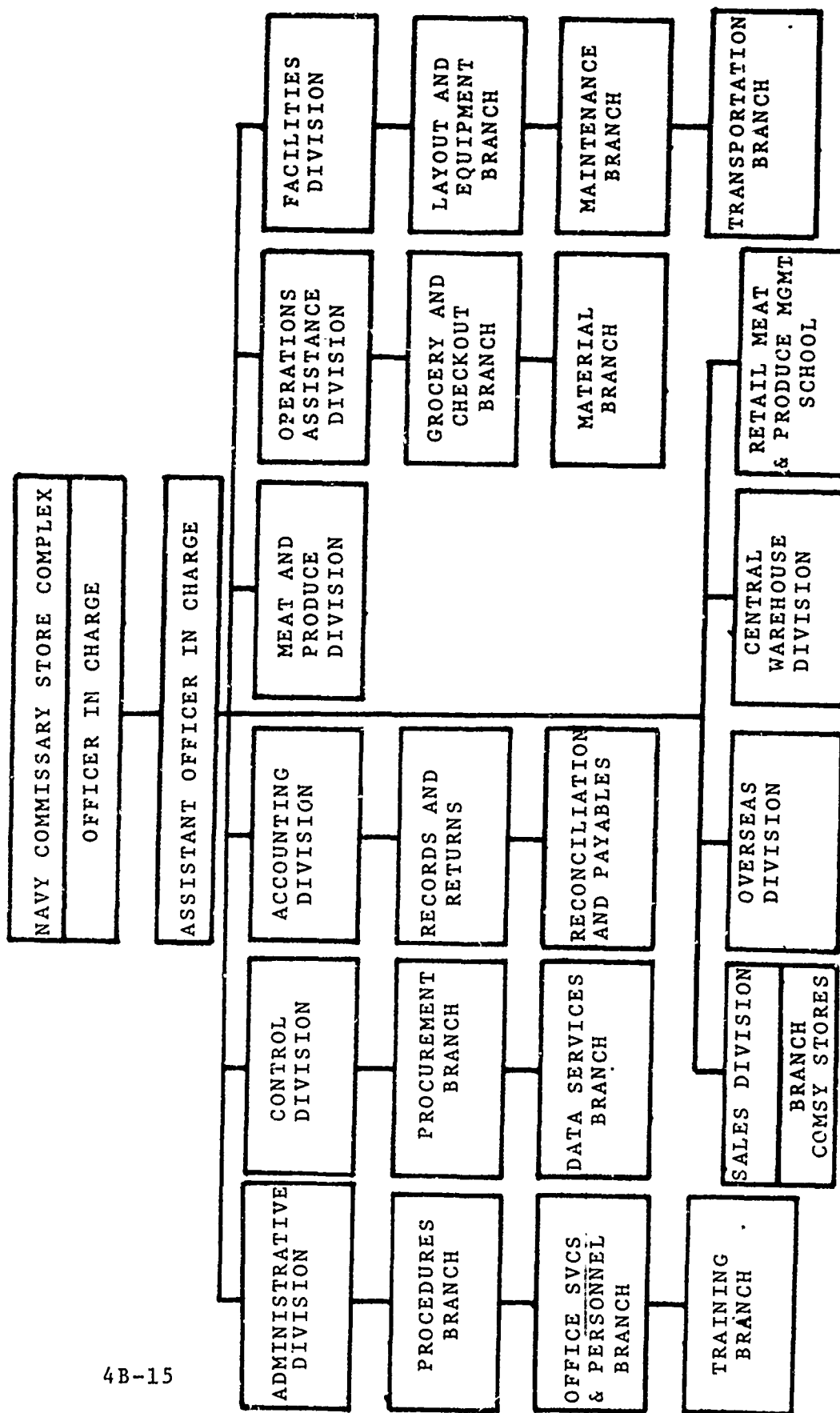


Figure 3
FUNCTIONAL RESPONSIBILITIES
NAVY COMMISSARY STORE COMPLEX
NAVPHIBASE LITTLE CREEK, NORFOLK, VIRGINIA

1. Officer in Charge. Responsible for the overall supervision and accountability of assigned commissary stores within the complex to insure the proper accomplishment of the mission of each store.
2. Assistant Officer-in-Charge. Direct representative of the Officer-in-Charge in the performance of specifically designated matters pertaining to the operation of the Navy commissary store complex. Performs duties of the Officer-in-Charge in the latter's absence.
3. Administrative Division. Reviews and analyzes procedural and policy directives from higher authority and recommends action. Performs office services, personnel and training functions.
 - a. Procedures Branch. Reviews and analyzes procedural directives and recommends action. Analyzes existing operational procedures, maintains organizational charts and functional statement.
 - b. Office Services and Personnel Branch. Provides mail, duplicating, office supplies, office equipment, and other common services. Maintains files and control of correspondence. Performs typing and clerical functions and all personnel functions (assignment, promotions, hiring, records, etc.)
 - c. Training Branch. Administers training programs. Assist and advise in training programs. Coordinate and plan training requirements.
4. Control Division. Determines source and method of procurement. Coordinates actions of merchandise council. Performs all functions related to the use of data processing equipment.

(CONTINUED ON NEXT PAGE)

Figure 3 (Continued)

- a. Procurement Branch. Determines source and method of procurement. Coordinates actions of merchandise council. Initiates requisitions, orders under contract. Maintains directives and other procurement data. Procures items. Recommend procurement action or disposition of excess stock. Recommend prices (based on pricing policy).
 - b. Data Services Branch. Performs mechanized functions. Maintains files and magnetic cards and punched tapes, used for preparation of orders, price changes, catalogs, journal of receipts, etc. Accumulates data for management reports.
5. Accounting Division. Performs accounting service and maintains required records to reflect the performance and accountability of individual departments and stores within the complex.
- a. Records and Returns. Maintains financial and number control, survey, grant, expenditure, daily cash report and sales distribution summary and other records. Prepares required reports and returns.
 - b. Reconciliation and Payables. Maintains reconciliation files for all receipts and prepares required reconciliation statements. Processes dealers' bills for payment. Handles all payment of accounts.
6. Meat and Produce Division. Performs managerial and advisory services for the complex meat and produce operations.
7. Operations Assistance Division. Provides advisory assistance to managerial personnel within each store in the complex on all matters pertaining to grocery, and checkout operations, provide merchandising assistance and make recommendations to the council.
- a. Grocery and Checkout Branch. Reviews traffic flow and sales operations, break out, retail pricing, and shelf stocking procedures for grocery items. Provides merchandising assistance in all areas of sales operations. Reviews monthly reports to determine effectiveness of operations and provide assistance when indicated.

(CONTINUED ON NEXT PAGE)

Figure 3 (Continued)

- b. Material Branch. Provides assistance to managerial personnel within each store in the complex on all matters pertaining to receiving and storage.
- 8. Facilities Division. Plans and coordinates layout requirements, maintains plant property records. Supervise all maintenance and repair functions. Provides advisory assistance to managerial personnel on all layout and equipment matters.
 - a. Layout and Equipment Branch. Plans and coordinates all layout and equipment requirements. Study plans for new stores, store expansions, facility repair or alteration projects.
 - b. Maintenance Branch. Coordinates all maintenance and repair functions and submission of work request. Assist Officer-in-Charge in preparation of fire and safety instructions.
 - c. Transportation Branch. Maintains vehicle record preventive and program maintenance record. Determines vehicle requirements. Insures that all vehicles are in proper operating condition.
- 9. Sales Division. Performs retail merchandising, receiving, and storage functions, and is responsible for the custody of merchandise and operating supplies.
- 10. Overseas Division. Procurement of resale merchandise for satellite support of the overseas Atlantic commissaries. Ordering surface and air shipments of perishable and non-perishable products. Determines source and method of procurement.
- 11. Central Warehouse Division. Warehouse support of Branch Commissary Stores within the complex and satellite support of overseas Atlantic commissaries. Physical receipt inspection, custody, maintenance while in storage, stock selection and shipment of material. Conducts physical inventory of warehouse stocks.
- 12. Retail Meat and Produce Management School. Teach commissarymen (E-4 through E-9) the basics of meatcutting and produce merchandising. For those higher rates (E-6 through E-9) an additional two weeks is spent in teaching meat and produce departmental management.

Figure 4
ORGANIZATION CHART FOR BRANCH COMMISSARY STORE

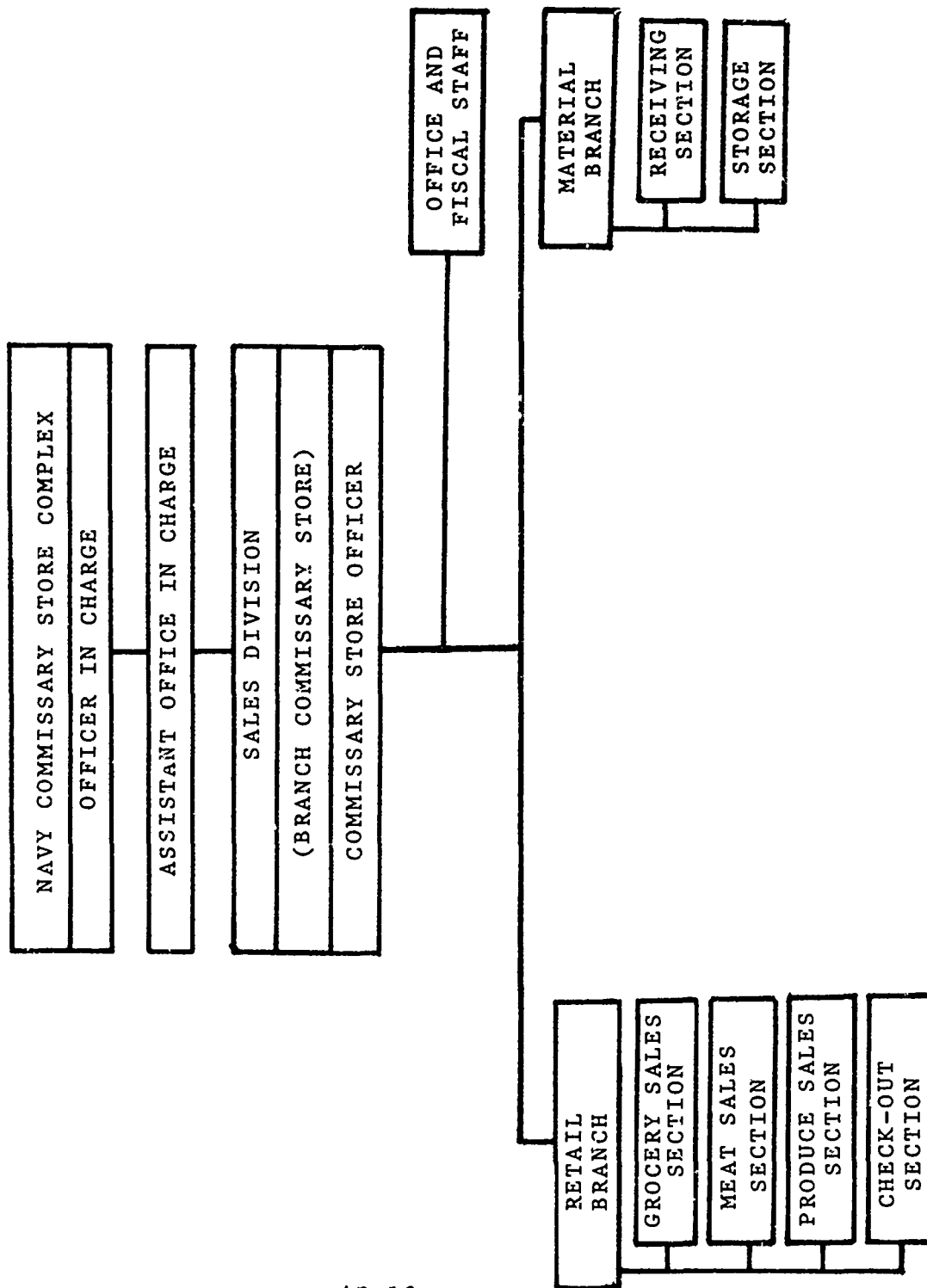


Figure 5
FUNCTIONAL RESPONSIBILITIES
NAVY COMMISSARY STORE COMPLEX
NAVPHIBASE LITTLE CREEK, NORFOLK, VIRGINIA

1. Officer-in-Charge. Responsible for the overall supervision and accountability of assigned commissary stores within the complex to insure the proper accomplishment of the mission of each store.
2. Assistant Officer-in-Charge. Direct representative of the Officer-in-Charge in the performance of specifically designated matters pertaining to the operation of the Navy commissary store complex. Performs duties of the Officer-in-Charge in the latter's absence.
3. Sales Division. Performs retail merchandising, receiving, and store functions, and is responsible for the custody of merchandise and operating supplies.
4. BRANCH COMMISSARY STORES: NAVAL STATION, NORFOLK - NAVPHIBASE, NORFOLK - NSYD, PORTSMOUTH - NAS, OCEANA - NWS, YORKTOWN, NAVFAC, CAPE HATTERAS, BUSTON, N.C.
5. Commissary Store Officer. Responsible and accountable to the Officer-in-Charge for the operation of the Branch Commissary Store.
6. Office and Fiscal Staff. Performs functions of inventory control, clerical, daily sales collection, sales audit, accounts receivable and change fund for checkout section. Prepares weekly and accumulative margin control summaries for meat and produce.
7. Retail Branch. Prepares and maintains convenient, attractive, and clearly marked displays of all items of merchandise, assists store patron, maintains assigned spaces, conducts physical inventory counts for retail stock, tallies and records all sales.
 - a. Grocery Sales Section. Initiates and verifies break outs of groceries and household supplies from the storage section, maintains shelf and bin pricing and verifies item marking, replenishes shelf and bin stocks, assists store patrons, maintains assigned spaces. Conducts inventory.

(CONTINUED ON NEXT PAGE)

Figure 5 (Continued)

- b. Meat Sales Section. Initiates and verifies break outs from bulk meat refrigeration spaces, performs meatcutting, retail pricing, periodic trail balances, and meat cutting test. Conducts inventories. Assist in maintenance.
- c. Produce Sales Section. Initiates and verifies break outs from bulk produce refrigeration spaces, performs trimming, sorting, retail pricing, and display functions, assist store patrons, assist in planning general and seasonal produce stocks.
- d. Check-out Section. Tallies, records, and departmentalizes sales, collects and accounts for all cash receipts and assists store patrons.
8. Material Branch. Receives, marks, stores, and issues bulk stocks, supplies, and equipment, conducts physical inventory of warehouse stocks, operates assigned automotive vehicles and materials handling equipment, performs janitorial services not assigned to other components of the Branch Store.
- 4B-1-21 a. Receiving Section. Receives and performs quality and quantity inspections. Accomplishes stock marking functions, maintains receiving log and file, operates assigned automotive vehicles and material handling equipment, insures that all transportation equipment is maintained in proper operating condition.
- b. Storage Section. Maintains proper storage and care of bulk stocks, miscellaneous supplies, and equipment, performs break outs, and transfer functions, operates assigned materials handling equipment, conducts physical inventory counts for bulk stocks, maintains assigned spaces.

Figure 6

STAFFING NAVY COMMISSARY PROGRAM IN MAN YEARS

| | <u>Mil</u> | <u>FY 73</u> <u>Civ</u> | <u>Total</u> | <u>Mil</u> | <u>FY 74</u> <u>Civ</u> | <u>Total</u> | <u>Mil</u> | <u>FY 75 (Proj)</u> <u>Civ</u> | <u>Total</u> |
|--|------------|----------------------------|--------------|------------|----------------------------|--------------|------------|-----------------------------------|--------------|
| CONUS (including complex office) | 1,014 | 3,548 | 4,562 | 865 | 3,355 | 4,220 | 983 | 3,529 | 4,512 |
| CONUS (w/o complex office) | 899 | 3,256 | 4,155 | 787 | 3,060 | 3,847 | 902 | 3,233 | 4,135 |
| Overseas (mil complex office) | 295 | 805 | 1,100 | 295 | 823 | 1,118 | 254 | 837 | 1,091 |
| Overseas (w/o complex office) | 233 | 705 | 938 | 233 | 721 | 954 | 200 | 733 | 933 |
| Total world-wide (incl complex office) | 1,309 | 4,353 | 5,662 | 1,160 | 4,178 | 5,338 | 1,237 | 4,366 | 5,603 |
| Total world-wide (w/o complex office) | 1,132 | 3,961 | 5,093 | 1,020 | 3,781 | 4,801 | 1,102 | 3,966 | 5,068 |
| 1 HQ NAVRESO | 3 | 59 | 62 | 3 | 60 | 63 | 3 | 69 | 72 |
| 2 West Coast Branch | 0 | 5 | 5 | 0 | 5 | 5 | 0 | 5 | 5 |
| TOTAL | 3 | 64 | 67 | 3 | 65 | 68 | 3 | 74 | 77 |

Figure 7

Civilian Personnel Administrative Services
Performed for Navy Commissary Stores

1. Wage and classification
2. Employment
3. Merit promotion
4. Reduction-in-force
5. Promotion and step increases
6. Performance ratings
7. Personnel record maintenance
8. Reports (Personnel Accounting Data System) (PADS)
9. Employee relations
10. National security clearances and agency checks
11. Advisory assistance to Performance Rating Board
12. Incentive Awards Program
13. Beneficial suggestion program
14. Insurance, health and blood donor programs
15. Employee development
16. Safety
17. Payroll and timekeeping

Figure 8

PRODUCTIVITY INDICATORS - NAVY COMMISSARY STORES

FY 1974

| | | |
|---|-----------|---|
| Sales Per Man Year | | |
| Total Staff | \$ 88,348 | 3 |
| Less HQ, Navy Resale Office | 88,972 | |
| Less HQ, Navy Resale Office and Complex Office | 105,120 | i |
| Sales Per Man Hour | | |
| Total Staff | \$ 42.48 | |
| Less HQ, Navy Resale Office | 42.78 | |
| Less HQ, Navy Resale Office and Complex | \$ 50.54 | |
| Sales Per Transaction | \$ 26.32 | |
| Annual Sales Per Sq. Ft. of Sales Area | \$ 543.20 | |
| Annual Sales (\$ millions) (including markup) | \$ 484.5 | |
| Number of Stores | 91 | |

Figure 9

NAVY COST FACTOR MATRIX
BASED ON CURRENT METHOD OF OPERATION

| <u>ITEM DESCRIPTION</u> | FY 1974 | <u>\$ (000)</u> | <u>% Sales</u> |
|---|--------------------------|-----------------|----------------|
| \$ Value of Sales (Less markup, plus transportation to Alaska and Hawaii) | | \$464,398 | 100.00 |
| <u>APPROPRIATED FUND COSTS (Direct)</u> | | | |
| Military Personnel | | 9,027 | 1.94 |
| Civilian Personnel | | 31,035 | 6.68 |
| Other Purchased Services | | None | - |
| Travel of Personnel | | 117 | .03 |
| Utilities (Overseas excl Alaska) | | 960 | .21 |
| Other Supplies | | None | - |
| Equipment | | None | - |
| MILCON | | None | - |
| <u>SECTION 814 REIMBURSABLE COSTS</u> | | | |
| <u>Operating Equipment and Supplies</u> | | | |
| Equipment and Consumable Supplies | | 5,814 | 1.25 |
| Dir Dept Expenses | | 3,876 | .83 |
| Equipment Maintenance | In Equip/Cost of Consum. | | |
| Utilities (US less Alaska) | | 1,938 | .42 |
| Linen Service/Laundry | In Equip/Cost of Consum. | | |
| Facilities | | 8,990 | 1.94 |
| 2nd Destination Transportation | | NA | - |
| Losses (Shrink and markdowns) | | 4,360 | .94 |
| | | \$ 66,117 | 14.24% |

Figure 9 (Continued)

| <u>APPROPRIATED FUND - INDIRECT COSTS</u> | <u>\$ (000)</u> | <u>% Sales</u> |
|---|-----------------------------|----------------|
| <u>HQ OPN - Commissary</u> | | |
| Dept/Sub Dept Level | | |
| Military Personnel | 73 | .02 |
| Civilian Personnel | 657 | .14 |
| <u>Major Commands</u> | | |
| Military Personnel | None | - |
| Civilian Personnel | None | - |
| <u>Installation Level/Type Support</u> | | |
| Building/Grounds Maintenance | | |
| (Assuming 9¢ sq. ft./months) | 2,545 | .55 |
| Civ Pers Mgmt Svcs See Fin & Actg Svc | - | - |
| Purchasing and Contracting Svc | - | - |
| Finance and Accounting Svc | 2,278 | .49 |
| Transportation (Overseas only) | 4,700 | 1.01 |
| Security/Guard Svc | 2 | .00 |
| Comptroller Mgmt Svcs See Fin & Actg Svc | - | - |
| Installation Supply Svc | - | - |
| Medical Svc | - | - |
| Inventory Assistance (Assuming a 10% annual holding factor) | 2,652 | .57 |
| Sanitary Services | 70 | .06 |
| Area Maintenance | In Build/Ground Maintenance | |
| Total Indirect Costs | \$12,977 | 2.809 |

NOTES: Personnel based on full-time equivalents (i.e., full-time and part-time)

Figure 10

REPRESENTATIVE EMPLOYEE SALARIES BY GEOGRAPHICAL AREA**

| | <u>Alameda</u> | <u>San Diego</u> | <u>Norfolk</u> | <u>Jackson- ville</u> |
|-----------------------|--------------------------------------|--------------------------------------|---|----------------------------------|
| Office Mgr GS-11 | 16,138 | 16,138 | 16,138 | 16,138 |
| Acct Clk GS-5 | 9,127 | 9,127 | 9,127 | 9,127 |
| Sales Checker GS-3 | 7,264 | 7,264 | 7,264 | 7,264 |
| Meat Cutter WG 8/4 | 8/3*(6.45 hr) 13,416 (5.41 hr) | 8/3*(5.27 hr) 10,962 (4.56 hr) | (5.11 hr) (5.39 hr) 10,629 4/3(4.02 hr) (4.36 hr) | (5.39 hr) 11,211 (4.36 hr) |
| Store Worker | 11,253 | 9,485 | 8,362 | 9,069 |

*WB 8/4 - Grade WG 8, step 4
 WB 8/3 - Grade WG 8, step 3
 WB 4/3 - Grade WG 4, step 3

**Figures as of Nov. 1974.

APPENDIX 4-C

PRESENT MARINE CORPS COMMISSARY SYSTEM

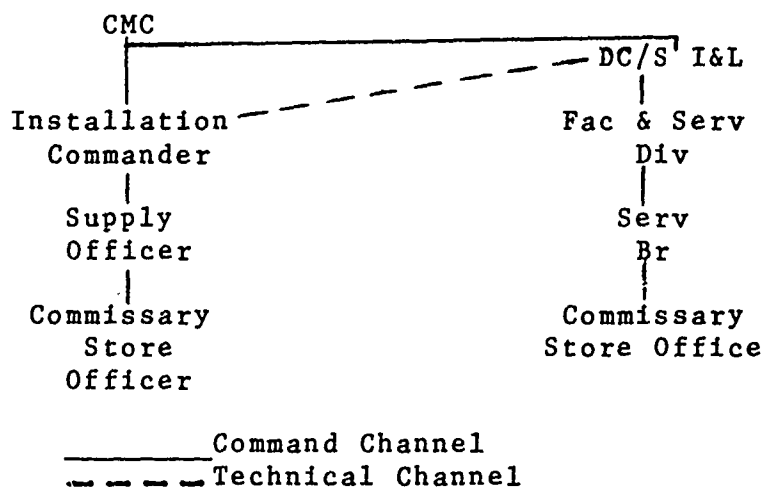
4-C.1. CONCEPT OF OPERATION

The Secretary of the Navy has delegated to the Commandant of the Marine Corps the authority for establishing (overseas) and disestablishing commissary stores and to designate the items that are to be sold in Marine Corps Commissary Stores. The Commandant has co-equal status with the other military services in the development of the overall Department of Defense Commissary Store operating policy. The Marine Corps Commissary Store System is organized and managed under a concept in which policy guidance and financial management is exercised by HQMC, and local operational control is exercised by the installation commander.

4-C.2. ORGANIZATION

The Commandant of the Marine Corps is responsible for the overall management and control of commissary stores for the implementation and development of basic policy applicable to these stores, and for providing policies and procedures governing their operation. The Deputy Chief of Staff for Installations and Logistics, Headquarters USMC, is the principal staff agency with responsibility for commissary store operations. The installation commander is responsible for the general administration and security of the commissary store and for the enforcement of regulations governing its operation. Figure 1 shows the organization.

Figure 1



4-C.3. SCOPE OF PRESENT MARINE CORPS PROGRAM

SALES AND INVENTORY DATA

(\$ MILLIONS)

| | <u>FY 73</u> | <u>% of Sales</u> | <u>FY 74</u> | <u>% of Sales</u> |
|-------------------------|--------------|-------------------|--------------|-------------------|
| Sales in U.S. | 68.4 | 98.3 | 79.3 | 98.3 |
| Sales O/S | 1.2 | 1.7 | 1.3 | 1.7 |
| Total Sales | 69.6 | 100.0 | 80.6 | 100.0 |
| Sales Grocery | 47.8 | 68.7 | 55.6 | 69.0 |
| Sales Meat | 17.9 | 25.7 | 20.6 | 25.5 |
| Sales Produce | 3.9 | 5.6 | 4.4 | 5.5 |
| Inventory (Average) | 4.2 | | 5.7 | |
| On Order (estimated) | 2.1 | | 2.9 | |
| Stock Turn | 16.6 | | 14.1 | |
| Change Fund (estimated) | | | \$85,000 | |

NUMBER OF STORES

| | <u>FY 73</u> | <u>FY 74</u> |
|------|--------------|--------------|
| U.S. | 11 | 11 |
| O/S | 1 | 1 |

STAFFING

| | <u>FY 73</u> | <u>FY 74</u> | <u>FY 75 (Projected)</u> |
|-------------------|--------------|--------------|--------------------------|
| Above Store Level | | | |
| Mil | 0 | 0 | 0 |
| Civ | 1 | 2 | 2 |
| Total | 1 | 2 | 2 |
| At Store Level | | | |
| Mil | 40 | 20 | 14 |
| Civ | 786 | 825 | 776 |
| Total | 826 | 845 | 790 |

4-C.4. FUNDING ASPECTS

a. Resale merchandise, operating supplies and equipment is funded from the Marine Corps Stock Fund. Stock fund and operating budgets are submitted directly to Headquarters, Marine Corps. Funding requirements are provided by category resale inventory, operating expenses, and capital asset requirements. Annual appropriations operation and

maintenance (O&M) and military pay (MP) support other expenses such as salaries, travel, and maintenance of buildings. Revenue from the mark-up on merchandise is used to pay the costs of operating expenses, operating supplies, and improvements to facilities. Headquarters, Marine Corps manages the utilization of this revenue for the purchase of capital assets and building modification projects.

b. The mark-up on sales is between three percent and five percent which is computed on each item. One percent of the revenue is contributed to Headquarters Marine Corps for management of grants and loans for major equipment and building improvements.

c. The following is a cost factor matrix for FY 74:

COST FACTOR MATRIX

| <u>Item Description</u> | <u>(\$ Millions)</u> |
|---|----------------------|
| \$ Value of Sales | 80.6 |
| <u>Appropriated Fund Costs (Direct)</u> | |
| Military Personnel | .309 |
| Civilian Personnel | 8.525 |
| <u>Section 814 Reimbursable Costs</u> | |
| <u>Operating Equipment and Supplies</u> | |
| Cost of equipment | 2.104 |
| Consumable Supplies | .795 |
| Services | .334 |
| Utilities | .300 |
| Transportation (Hawaii) | .184 |
| Losses | .611 |

4-C.5. OPERATIONAL ASPECTS

a. The installation provides the following support for commissary store operations: finance, accounting, security, safety and fire protection, buildings and grounds maintenance, snow and trash removal, etc.

b. Categories of merchandise authorized for stockage are as defined in the Armed Services Commissary Store Regulation with the exception of tobacco products. Item selection is a prerogative of the installation commissary store officer. No limitation is imposed on the total number of line items which may be stocked. The commissary store officer is authorized to utilize any small purchase method outlined in applicable regulations for the purchase of items for resale or operating supplies. The commissary store officer places orders on vendors who in turn bill the store. After verification by the store the bill is forwarded to the installation disbursing officer for payment.

c. Brand name contracts, DPSC regional headquarters, wholesale suppliers, and National Industries for the Blind are authorized sources of supply. Negotiated procurements, using DD Form 1155 as a purchase order, may be accomplished by the commissary store officer within a \$2,500 limitation. Blanket purchase agreement calls are limited to \$10,000 per call. A monetary ceiling is not applicable to delivery orders placed against brand name contracts (Supply Bulletins). Purchase discounts are credited direct to the Marine Corps Stock Fund, (profit reserve commissary stores).

d. Material handling equipment is either provided by the installation on a reimbursable basis or purchased with commissary store revenue. Transportation between facilities on the installation is provided by the installation motor pool.

4-C.6. EQUIPMENT AND FACILITIES

a. The Marine Corps has been unable to construct new commissary facilities with appropriated funds under the Military Construction Program. As a means of continuing to provide reasonably adequate facilities, the Marine Corps has improved facilities using surcharge revenue. Since 1968, seven million dollars has been invested in eleven facility improvement projects funded with surcharge. Current commissary store facility deficiencies under the long range improvement program are estimated at ten million dollars.

b. Equipment, which will improve the efficiency and productivity of the employees and operation, is continually scrutinized by the Marine Corps. Currently, the automated check-out systems being developed are under review and study for possible incorporation within the Marine Corps Commissary Store System.

4-C.7. EVALUATION OF PRODUCTIVITY

| | <u>FY 72</u> | <u>FY 73</u> | <u>FY 74</u> |
|------------------------------------|--------------|--------------|--------------|
| Sales per man year | \$78,764 | \$83,560 | \$96,535 |
| Sales per man hour | \$37 | \$40 | \$46 |
| Sales per transaction (est) | \$22 | \$23 | \$25 |
| Sales per sq ft of selling area | \$31 | \$33 | \$38 |

APPENDIX 4-D

PRESENT AIR FORCE COMMISSARY SYSTEM

4-D.1 CONCEPT OF OPERATION

a. The Air Force Commissary System operates in accordance with statutory and DOD directives under the policy direction of the Directorate of Supply and Services, DCS/Systems and Logistics, Hq USAF. This policy guidance flows both directly to the major commands and through the Air Force Services Office, (AFSO) Air Force Logistics Command to the major commands.

b. The Air Force Services Office administers the commissary division of the Air Force stock fund and prepares operating programs. It also administers the commissary trust revolving fund budget and prepares the Air Force annual budget. It develops proposed operating procedures for issue commissaries, commissary stores, and subsistence depots. AFSO also provides technical assistance and procedural guidance to major commands, bases, and activities on commissary operations and provides (when requested or directed) technical specialists for periodic and special visits to issue commissaries, commissary stores, and subsistence supply activities to furnish operational and management review, analyses, assistance on layouts, and to propose methods for correction of operational problems. Additionally, AFSO develops specifications for commissary equipment, and is the focal point for logistics liaison between the Defense Personnel Support Center and Air Force commissary activities worldwide.

c. The major commands provide the necessary resources for, and oversee the operation of, their commissaries in accordance with prescribed directives. They also provide surveillance of their commissary operations through periodic inspection and staff assistance visits. The actual operation of commissaries is the responsibility of base commanders.

4-D.2 ORGANIZATION. The organization of the present commissary system is along commandlines. Commissaries are in the services division at base level and are under direct control of the base commander. Figure 1 depicts the organization of the commissary function.

4-D.3 SCOPE OF PRESENT AIR FORCE PROGRAM

| <u>SALES AND INVENTORY DATA</u> | | | | |
|---------------------------------|-----------------|-------------------|-------------------|-------------------|
| (\$MILLIONS) | | | | |
| <u>ITEM</u> | <u>FY 73</u> | <u>% OF SALES</u> | <u>FY 74</u> | <u>% OF SALES</u> |
| Sales in US | \$ 816.2 | 89 | \$ 930.7 | 87 |
| Sales OS | <u>97.2</u> | <u>11</u> | <u>134.3</u> | <u>13</u> |
| Total Sales | \$ <u>913.4</u> | <u>100%</u> | \$ <u>1,065.0</u> | <u>100%</u> |
| Sales Groceries | 675.7 | 74 | 767.4 | 72 |
| Sales Meat | 198.7 | 22 | 248.9 | 23 |
| Sales Produce | 39.0 | 4 | 48.7 | 5 |
| Inventory (avg) | 76.1 | | 85.6 | |
| On Order (avg) | 58.4 | | 66.7 | |
| Stock Turn | 12.0 | | 12.4 | |
| Change Fund (estimated) | | | .5 | |

| <u>NUMBER OF STORES</u> | | |
|-------------------------|--------------|--------------|
| | <u>FY 73</u> | <u>FY 74</u> |
| U.S. | 132 | 132 |
| G/S | <u>39</u> | <u>41</u> |
| Total | <u>171</u> | <u>173</u> |

| <u>STAFFING</u> | | | |
|-------------------|---------------|---------------|--------------------------|
| | <u>FY 73</u> | <u>FY 74</u> | <u>FY 75 (PROJECTED)</u> |
| Above Store Level | | | |
| *Military | 35 | 35 | 35 |
| *Civilian | <u>36</u> | <u>36</u> | <u>36</u> |
| Total | <u>71</u> | <u>71</u> | <u>71</u> |
| At Store Level | | | |
| Military | 911 | 640 | 628 |
| Civilian | <u>10,240</u> | <u>10,013</u> | <u>9,974</u> |
| Total | <u>11,151</u> | <u>10,653</u> | <u>10,602</u> |

*Actual or estimated manyear equivalents.

4-D.4 FUNDING ASPECTS

a. The Air Force commissary system is supported by a stock fund established at HQ USAF. The commissary division of this stock fund is used to support commissary store inventories. There is no apportionment control or funds allocation. As purchases are made for commissary resale stocks the stock fund is decreased, and as sales are made the funds are returned to the stock fund.

b. The stock fund is controlled by use of a commissary operating program. Each commissary officer at base level develops a program for the coming year which includes projected sales, projected inventory, and other factors which affect the stock fund. This program is forwarded to each major command for a consolidation. The

command program is then forwarded to the Air Force Services Office in Philadelphia where the Air Force Commissary Operating Program is developed. Upon approval by HQ USAF, the approved program is then sent back through the same channels to the base.

c. In lieu of funds apportionment, the Commissary Operating Program is used to control inventory. The Air Force Services Office, each command, and each installation must meet month-end objectives for inventory on hand and the aggregate of inventory on hand, in-transit and material on order. These objectives are closely monitored by each higher level of command to determine if the inventory is being maintained to meet sales demand. The base commissary officer is given latitude to make purchases to meet his sales demand within allowable limits.

d. In order to reimburse the stock fund for losses, and to provide necessary funds for operational expenses required by law to be paid by the patron, a commissary revolving trust fund has been established. The income for this account is derived from a three percent surcharge assessed at the time of sale in the commissary store. These funds are deposited in a central account under the control of HQ USAF at the Air Force Finance Center, Denver, Colorado. Each year the base commissary officer prepares a budget for the use of these surcharge funds. This budget is forwarded through channels to the Air Force Services Office, Philadelphia where the consolidated Air Force surcharge budget is prepared. Upon approval by HQ USAF, obligation authority for expenditures is sent back to the base commissary officer. Direct reimbursement to Operation and Maintenance (O&M) appropriations is made at base level for cost of utilities, telephone, etc. The commissary officer also initiates direct procurement of equipment, operating supplies, and maintenance of equipment contracts from the surcharge funds. Surveillance and control of surcharge funds is exercised both at major commands and the Air Force Services Office.

e. The reimbursement of stock fund losses is made at HQ USAF once each year. Inventory loss, price reductions, shipping losses, and shrinkage are reimbursed from the revolving trust fund account. Electricity, heat, water, and telephone at CONUS bases must be reimbursed to O&M funds from the commissary surcharge.

f. Cost of all personnel (military and civilian) to operate Air Force commissaries is currently funded by appropriated funds. Other base support, provided as a part of the base O&M program and not reimbursed includes civilian personnel management, finance and accounting, building maintenance, medical (Vet) inspection, materials handling equipment, security police, and roads and grounds (snow removal).

g. Figure 2 provides a breakdown of costs for the Air Force for both appropriated fund costs and those costs reimbursed by commissary surcharge funds.

4-D.5 OPERATIONAL ASPECTS

a. CONUS

(1) Purchases for commissary resale stocks are made from either the Defense Personnel Support Center (DPSC) or commercial suppliers using stock fund monies. Local procurements within CONUS are limited to those items for which DPSC has provided authorization. Brand name items are ordered using the DPSC Supply Bulletin system. Within CONUS most local purchases of bread, milk and meat are made by DPSC contract. Produce is either purchased from local suppliers or ordered from DPSC Regional HQ. Non-DPSC stocked nonperishable specification items and non-brand name items are purchased locally by the commissary officer through the local base procurement office.

(2) Procurements from DPSC for troop issue subsistence are made by the base commissary officer using the stock fund. Items are warehoused on base and as issues are made to base dining halls, reimbursement is made from Military Personnel, Air Force (MPAF) funds to the stock fund account.

(3) Stock procured, as stated above, is received either on a daily, weekly, or monthly basis depending upon storage capability and perishability.

b. Overseas

(1) Commissary requirements for overseas are provided by DPSC except for certain highly perishable items procured locally. Under the DPSC resupply system non-perishable requirements are provided under the Direct Commissary Support System (DICOMSS). In the future, perishable will be added to the DICOMSS program. Under DICOMSS, orders from overseas commissaries are transmitted to DPSC where they are consolidated for procurement and shipment to East or West coast shipping centers. When merchandise is received at the shipping center it is separated and placed into sea vans marked for each overseas commissary.

4-D.6 PRICING

a. In the Air Force each commissary manager prices merchandise at invoice cost at the time of receipt, adjusted by application of the two mill rule. The surcharge is not included in the selling price but added to the total purchase and recorded separately at the cash register.

b. When invoices are received and verified at the commissary they are forwarded to the local finance and accounting office for payment. Discounts, two percent and below, earned for prompt payment are not considered in pricing at store level. These earned discounts are forwarded through finance and accounting to the Air Force Stock Fund Account.

c. All procurement for commissary resale is made in compliance with Armed Services Procurement Regulations. The requirement for small business set asides applies to commissary local purchases.

4-D.7 EQUIPMENT AND FACILITIES

a. The Air Force has made a determined effort during the past 7 years to improve both facilities and equipment available for commissary store operation. Using both Congressionally appropriated construction funds and commissary revolving trust funds some new facilities have been provided. The following provides a breakdown of expenditures made from FY73 through 31 December 1974.

| <u>Major Appropriated Fund Construction (\$ in Millions)</u> | | <u>Surcharge Funded Equipment For New Facilities</u> |
|--|------|--|
| FY 73 | 8.84 | 2.18 |
| FY 74 | 7.4 | 2.88 |
| FY 75 | 0 | .9 |

b. In addition to new facilities, excess commissary revolving trust funds have been made available for renovation projects at various bases. Each project in this category is limited to minor construction at less than \$300,000.

| <u>Surcharge Funded Facilities (\$ in Millions)</u> | | <u>Equipment (\$ in Millions)</u> |
|---|-----|-----------------------------------|
| FY 73 | 7.8 | 5.6 |
| FY 74 | 4.6 | 4.1 |
| FY 75 | 1.6 | 1.9 |

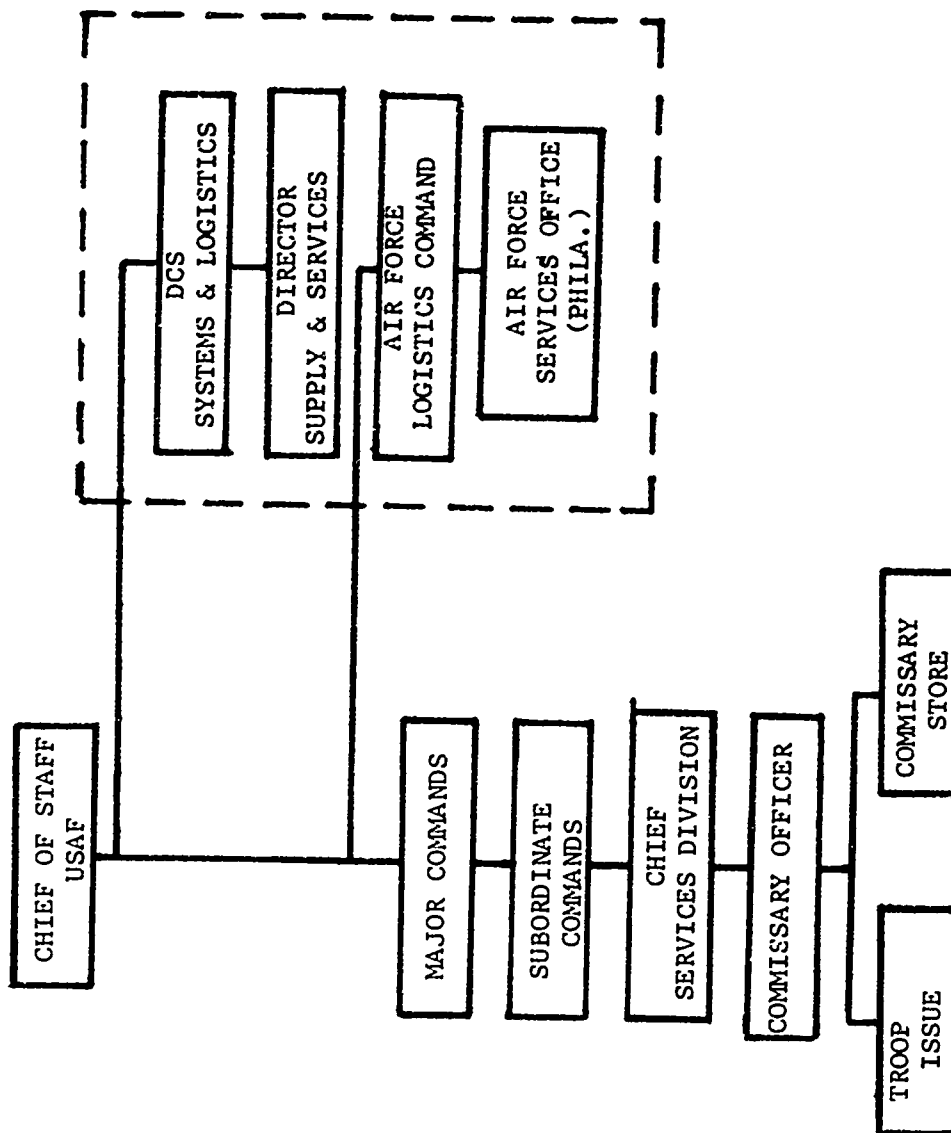
4-D.8 EVALUATION OF PRODUCTIVITY The following is a summary of Air Force Commissary productivity indicators for the three distinct operations: domestic, overseas, and site operations. Also included are the overall averages. Data is for FY 1974.

| | <u>*Sales Per Man-year</u> | <u>*Sales Per Man-hour</u> | <u>Sales Per Transaction</u> | <u>Sales Per Square Foot of Selling Area</u> |
|---------------------------|--------------------------------|--------------------------------|----------------------------------|--|
| CONUS (Non-Site) | \$152,868 | \$73.49 | \$25.60 | \$59.82 |
| Overseas | \$114,828 | \$55.21 | \$17.83 | \$36.78 |
| CONUS sites (branches) | -- | -- | \$15.49 | \$19.06 |
| Overall Average | \$141,912 | \$68.23 | \$22.13 | \$47.48 |

*Resale store sales divided by the number of resale store employees only (excludes warehousing and administrative employees).

FIGURE 1

ORGANIZATION OF AIR FORCE COMMISSARY RESALE AND TROOP ISSUE FUNCTIONS



CONUS & OVERSEAS

FIGURE 2
COST FACTOR MATRIX
BASED ON CURRENT METHOD OF OPERATION

| ITEM DESCRIPTION | AIR FORCE | |
|--|-----------|----------|
| | FY 74 | FY 75 |
| \$ Value of Sales (millions) | 1,065.0 | 1,113.3 |
| APPROPRIATED FUND COSTS (Direct) \$000 | | |
| Military Personnel | 6,551 | 6,631 |
| Civilian Personnel | 86,255 | 92,682 |
| Other Purchased Services | 5,163 | 5,641 |
| Travel of Personnel | 48 | 44 |
| Utilities (O'sea excl Alaska) | 330 | 330 |
| Other Supplies | 338 | 310 |
| Equipment | 243 | 215 |
| MILCON | 7,411 | -0- |
| SECTION 814 REIMBURSABLE COSTS | | |
| Operating Equipment and Supplies | | |
| Equipment | | |
| Consumable Supplies | 8,241.5 | 11,812.6 |
| Dir Dept Expenses | 8,331.9 | 9,125.7 |
| Equipment Maint | | |
| Utilities (US less Alaska) | 2,069.7 | 2,556.9 |
| Linen Service/Laundry | 1,969.5 | 2,896.4 |
| Facilities | 633.5 | 861.6 |
| | 4,553.0 | 6,215.9 |
| 2nd Destination Transportation | 192.0 | 280.8 |
| Losses | 3.5 | |

APPENDIX 5-A

AREAS OF POTENTIAL IMPROVEMENT - ARMY COMMISSARY STORES

5-A.1. CONCEPT OF OPERATION.

a. Command and Control.

- (1) Reduction of layering inherent in existing system.
- (2) Increased visibility of operations at decision making levels for determination of required management actions and decisions.
- (3) Greater technical control of operations through elimination of elements which currently exercise control but are not versed in unique aspects of commissary operations.
- (4) More precise allocation of personnel and funding resources based on commissary workload requirements as opposed to external restrictions.

b. Policy.

Simplification of existing policy determination/dissemination channels would provide more responsive policy determination and reduction in time required to implement policies.

5-A.2. PERSONNEL.

a. Staffing.

- (1) The number of personnel required for performing the functions of management and staff supervision could be reduced through restructuring the system.
- (2) Consolidation of administrative functions would reduce substantially the number of employees engaged in accounting, procurement, stock control, financial and other administrative functions.
- (3) Improvement in career progression opportunities is possible and feasible. Steps should be taken to attract, develop and retain a high potential managerial cadre that will accept organizational and geographical reassignments as a condition of employment and career development.

b. Position Management.

(1) A means for controlling personnel authorizations that is more realistically attuned to workload and operational requirements is needed.

(2) Commercial operations often satisfy from 40 to 70 percent of their labor requirements through use of part-time help. Adjustment in the ratio of full-time to part-time employees (currently about 9 to 1) is required, in order to provide managerial flexibility in meeting "Peak & Valley" workloads.

c. Training and Development.

(1) Improved identification and satisfaction of training needs that are unique to commissary operations.

(2) Systematic development of a managerial cadre will require the formalization of development plans and agreements aimed at cultivating potential. Career promotions will be provided only when identified performance milestones have been achieved.

5-A.3. FINANCIAL MANAGEMENT.

a. Stock Fund Management.

(1) The current method of stock fund management obscures activity which is attributable to resale commissary operations. It is virtually impossible to determine whether reimbursement to the stock fund for resale commissary operations equates to the costs of goods purchased from the stock fund. When consideration is given to factors which would cause growth to the stock fund (such as percentage markup for retail level losses of goods distributed through DPSC; mill rule adjustment; and, reimbursement for specified operating losses from IRFA), it is likely that the commissary patron is actually bearing reimbursement costs, which exceed stock purchase costs.

(2) Current methods of management preclude optimum utilization of stock funds. Emphasis should be on reduction of inventory to increase stock fund availability. This could be accomplished through better inventory control and improved reporting using ADP techniques.

(3) Emphasis accorded to management of the portion of the subsistence stock fund at command/installation levels is often inadequate. This periodically results in non-availability of funds for resale procurement until exceptional actions are taken. This could be overcome by obtaining visible and distinct vertical management of the subsistence portion of the stock fund as a separate entity.

(4) Discounts of 2% or less on vendor invoices currently accrue to the stock fund and are not passed on to the customer. This procedure must be changed to assure all discounts accrue to the commissary system.

b. Appropriated Funds.

(1) Until recently, current methods of budgeting, accounting and costing were adequate. However, the increased emphasis being placed on these areas has created a situation in which detailed visibility of resource utilization (personnel and funds) for commissary operations, is less than that required for Department of the Army to respond to OSD, OMB and Congressional requirements. This situation also existed for the troop issue function. Action taken to overcome this deficiency included amendment of the Army Management Structure (AR 37-100-76).

(2) Implementation of PBD 282 dictates that commissary level costs of personnel attributable to resale operations be even more clearly defined to ensure both equitable reimbursement of appropriated funds and equitable charges for these costs to patrons.

5-A.4. PROCUREMENT.

a. Current separation of the procurement function from requirements determination and funds authorization creates duplication of effort and a cumbersome chain of events. Consolidation of these functions would significantly increase efficiency.

b. Payment of bills: Centralization of procurement and bill paying should avoid loss of discounts. Where the discount period is very short on items of high volume and high dollar sales, payment on proof of shipment rather than verification of receipt, should be adopted to avoid loss of discounts.

5-A.5. STOCKAGE. Wide variations exist among commissaries in the numbers of items stocked. Removal of line item restrictions has produced many instances in which great numbers of items are stocked but little control is exercised to delete items with minimal customer demand. Numbers of line items stocked should be dependent on customer demand, storage/display capabilities, and costs of stockage of varying quantities of items; i.e., the ability to manage a given number of items within available resources. There is a need to establish guidelines consistent with the foregoing criteria. Allowances for local brand preferences should be included. Insofar as possible, elimination of items (recommended deletion) should be programmed into any ADP system developed.

5-A.6. OPERATING HOURS. Operating hours currently vary depending on local resource restrictions and local management studies. A need exists for development of a standard system to determine optimum operating hours, times of operation and work schedules at each commissary. The system developed should provide for periodic management review.

5-A.7. PRODUCTIVITY. The current efficiency indicators reporting system provides a skeletal basis for comparison of productivity among commissaries. A need exists for a system which would highlight variations both within individual sections, e.g., meat market, and among commissaries for further review. The system developed should be automated and should provide periodic updates for appropriate levels of management.

5-A.8. DISTRIBUTION. There may be economies possible through revised distribution methods including central warehousing, central meat cutting and other similar changes. The magnitude of these economies is less on a single service basis than if all services participate within a given area. Within the Army, economies would probably be limited to those areas where several commissaries are closely grouped; e.g., the Washington metropolitan area. The volume of operations at most commissaries within the US is of such magnitude that the advantages of centralized distribution are partially realized at present. For example, in 1973 the average supermarket within the United States had sales of approximately \$2.4 million whereas the average for commissaries was \$14.3 million (adjusted for price comparability) or 6 times greater. Stated differently, by the very nature of their size, commissaries are centralized operations within themselves. The potential for further savings in this area would require detailed, on-site analysis.

5-A.9. PRICING.

a. The current pricing system is not comparable with that used in commercial supermarkets. As a result, some commercial prices are lower than commissary prices. Loss of sales in commissaries will result when commissary selling prices are increased to recover operating costs.

b. A variable pricing structure by detailed commodity groups should be adopted in order to maximize the difference between commercial supermarket and commissary prices and still accumulate funds to cover operating costs.

5-A.10. FACILITIES.

a. Lack of standardization increases the time frame and costs for planning, design and construction of commissary store facilities.

Standardization of design can:

- (1) reduce architectural and engineering costs
- (2) reduce lead time and construction costs
- (3) permit use of modular, pre-engineered construction
- (4) permit standardization of equipment, thus reducing initial maintenance and replacement cost of equipment

b. Criteria and priority for construction and renovation of commissary facilities must be based on:

- (1) financial advantages to the system (benefit to the customer)
- (2) inadequacies of the facility
- (3) availability of funds

5-A.11. MANAGEMENT AND INFORMATION SYSTEM.

a. The automated system (System 0488) used in commissaries was installed as an interim system. Equipment used is not capable of handling the high volume of transactions for all required applications in the larger commissaries. It also does not provide data required for management decisions internal and external to the commissary. The need exists for installation of a more sophisticated system capable of handling the high volumes of transactions in commissary operations which will both highlight requirements for detailed management and reduce administrative costs. Ideally, such a system would include Electronic Point of Sales (EPOS) with Universal Product Code scanning to permit perpetual inventory and reduce overhead costs.

b. A requirement exists for automated interface with other systems which are external to commissary functional requirements. Such interface would provide for single source input and automatic updating of both internal commissary and external records.

5-A.12. EQUIPMENT.

a. Decentralized procurement of equipment for each commissary results in cumbersome, time consuming, costly and less knowledgeable equipping of stores. A more flexible system dependent on current technical knowledge of various types of equipment and of maintenance support capabilities would provide for greater operating efficiencies and lower overall costs. Such a system should include management of

capital investments in major equipment items through a life-cycle type of procurement, maintenance and disposal program.

b. Reductions in requirements for office space, office machines and equipment can be achieved through consolidation of functions and levels at which performed.

APPENDIX 5-B

AREAS OF POTENTIAL IMPROVEMENT - NAVY COMMISSARY STORES

5-B.1. ORGANIZATION.

a. Total military allowance for the Navy Commissary Program is approximately 1300. This consists of 74 officers and 1226 enlisted personnel. Of the 1226 enlisted, there are 46 designated as Commissary Store Officers (CSO), and 366 assigned to overseas billets. The balance are disbursed throughout the system and, more often than not, assigned to duties which require from one to six months indoctrination prior to the time that proficiency is realized. Improvements could be effected by the accomplishment of the following:

(1). Retention of all Officer In Charge (OIC) and CSO billets for essential command and control. The present requirement for this is: 74 officers and 46 enlisted for a total of 120 military billets.

(2). Retention of current military staffing patterns at overseas stores and isolated CONUS stores. Total requirement, excluding OIC and CSO billets listed above, is 366 enlisted billets.

(3). Retention of sufficient CONUS billets to provide training for overseas military billets. The cost of filling these billets should be considered an indirect (training) cost, chargeable to appropriated funds. Approximately 100 CONUS billets, at an annual cost of \$1.250 million, will be required for this purpose.

(4) Billets, in excess of those required for above functions, solely to accommodate the Navy's sea-shore rotation, should be chargeable to appropriated funds and not subject to reimbursement.

(5). Civilianization of non-essential military billets should be phased in over a two-year period. Total military allowance for the Navy Commissary Store Program is approximately 1300 for FY 1976 and beyond. Total requirements for OIC/CSO billets, overseas and remote CONUS locations and training billets are approximately 585 billets. Consequently, unless commissary store billets are needed for the Navy's sea-shore rotation, 713 of the 1300 authorized billets could be civilianized.

5-B.2. REGIONAL CONSOLIDATION

a. The Navy Commissary Store System has evolved through phases of re-organization from the single store or horizontal concept to the present vertical or regional concept. Each re-organization has resulted in a refinement in the span of control, a savings in labor, a savings to

the patron, and an increase in the quality of service to the patron. There are currently 22 regions worldwide and 10 independent commissary stores. Each of these regions and independent stores are organized with the OIC's reporting directly to the Commanding Officer, Navy Resale System Office, and technical assistance being furnished by the Commissary Store Division, Navy Resale System Office. Each region possesses the capabilities of procurement, accounting, data services, administrative services, limited personnel functions, and staff assistance.

b. A further consolidation of regions is considered practicable, which will result in additional savings. The criteria for this merger of regions is common distribution of merchandise and consolidation of Regional Office functions without loss of control.

5-B.3. PERSONNEL

a. Job Grading Standards

Civil Service grading standards are designed to fit a conventional type commissary store organization and have not been rewritten to fit changing conditions brought about by Navy Complexing or the use of electronic point of sale systems. Job grading standards should be revised to fit system changes.

b. Work Measurement

(1). Standards for measuring production efficiency within commissary stores are virtually non-existent. Yet the very nature of this business with fluctuating work demands requires management attention in the areas of work scheduling, establishment and measurement of work production and accuracy. With the proper full time/part time/temporary mix, personnel can be scheduled commensurate with workloads. Some possible measures of production are:

| | |
|---------------------------------------|--|
| Stockworker | number of cases/hr processed. |
| Warehousemen (Stock pickers) | number of cases/hr picked and number of errors made. |
| Warehousemen (Fork lift operators) | number of pallets stowed and number of errors made. |
| Meat cutters | number of lb. of beef/hr. processed. |
| Accounting | number of bills processed for payment. |

(2). Also common functions within commissary stores should be analyzed, systematized and standardized. There is a best way to perform certain functions. Commissary stores should adopt work methods and systems which will enable them to achieve maximum efficiency.

5-B.4. PROCUREMENT.

The Navy is currently restricted to certain categories of items. There is an absence of commodity groups normally carried in large supermarkets, such as candy, tobacco, soft drinks and selected household items (e.g. can openers, baking pans, etc.). Further, these items generally show high turn-over and good profit margins with a minimum of labor. The addition of these items would permit greater latitude in pricing.

5-B.5. PAYMENT OF DEALER'S BILLS

Many suppliers with limited working capital are not doing business with CONUS Commissary Stores since they find that they can receive more prompt payment and better cash turn by avoiding such transactions. Accordingly, the government is not receiving bid responses from an adequate number of prospective suppliers in some procurements. If a more responsive vendor payment procedure could be implemented, the commissary store objective of purchasing items at the lowest possible price could, it is believed, be better attained. This could be accomplished by processing vendor invoices on a "fast payment" basis.

5-B.6. MANAGEMENT AND INFORMATION SYSTEM

a. Data Processing Equipment

The description of the current system (Vol II, Appendix 4-B, Page 4B-1) lists the capabilities of first generation ADP equipment installed at Navy Commissary Store Complexes. This equipment is limited in its application. It only processes sequentially, prints extremely slowly and does not have sort capability. Equipment is subject to frequent down time awaiting repairs. Because of the foregoing this first generation equipment generally has not proven to be responsive to the needs of the complex and stores. The staffing required to support the operation of this equipment has been substantial because of the equipment's limited capabilities and slow response. A savings in labor presently being devoted to the ADP function can be realized if the concept of headquarters centralized ADP support is adopted and modern ADP equipment with high speed processing and print capability is acquired.

b. Inventory Control

(1). The majority of Navy Commissary Stores do not maintain warehouse accountability despite the fact that in many instances substantial values of inventory are carried in backup facilities.

(2). The reason given for not carrying warehouse balances is that the manual effort involved in posting receipts and issues does not justify the return. With the acquisition of high speed ADP capability, however, a record of the warehouse balance, receipts and issues could be more easily maintained. Reorder inventories would not have to be taken since computer inventory balances could be used.

(3). Presently, stores are required to conduct a complete physical inventory of warehoused stocks at least semi-annually. By progressively conducting a cyclical inventory of such stocks during the accounting period and updating the computer balances the requirement for a wall-to-wall inventory of warehoused stocks could be averted.

5-B.7. WAREHOUSING AND DISTRIBUTION

a. Warehousing

(1). The storage capability and condition of Navy Commissary Store storage facilities and equipment are deficient at many activities and management expertise does not exist to operate such facilities in a proper and efficient manner. Accordingly, a sizeable portion of the personnel assets of the Navy Commissary Store Program are being applied to warehousing and distribution activities in a wasteful and inefficient manner. Such activities must be systematized and properly managed if the Navy is to realize a proper return from its personnel investment.

(2). Realizing that the availability of Navy Commissary Store program personnel assets is limited, opportunities to obtain improved utilization of such assets should be explored. At locations where professional commercial warehousing and distributive capabilities are obtainable, an economic analysis should be made to determine the feasibility of utilizing them to perform such functions. If commissary stores are able to adapt to modern material handling and movement systems (e.g. the use of unilift and rolling cart systems), it is likely that some very attractive proposals could be secured from commercial sources.

b. Breakouts

(1). Stores receiving support from a remote warehouse engage in the time consuming task (usually daily) of preparing inter-store transfers commonly referred to as breakouts. Usually these consist of a preprinted listing of all warehoused items on which the requirements in number of cases are entered. The average store carries from 1500 to 2500 warehoused items.

(2). Day to day usage on most items is relatively stable and increased usage which occurs on the day before payday, payday and two days thereafter, is predictable. Accordingly, taking into consideration predictable events, predetermined usage on each item can be made with a high degree of accuracy.

(3). Stores should analyze the usage of items and prepare preprinted preplanned breakouts for use during normal and peak sales periods. Accordingly, daily requirements for most items will constitute uniform predetermined quantities. It will be necessary to only correct the predetermined quantities for items which unpredictably either fall short of or exceed predicted sales.

5-B.8. FACILITIES

a. Store Construction

(1). Since the services are now permitted to build stores through the use of surcharge funds, it is logical to conclude that construction of such facilities will be on the increase in the next few years.

(2). For stores falling within specified sales ranges, there should be one best design. If Architectural and Engineering (A&E) fees were spent for development of prototypes rather than on each separate project, the system would get a better return on its investment.

b. Equipment Purchase

A major problem which exists at many Navy Commissary Store Complexes is the non-uniformity of items of equipment. By having gondolas, forklifts, scales or meat wrappers of more than one manufacturer, the problems of equipment repair and maintenance are multiplied. Often it is not within the capabilities of local repairmen to repair and maintain such equipment. Thus, the down time on equipment is increased and the cost of repairs and maintenance is greater. The possibility of procuring only equipment for each region which is common to all stores within that region and which can be serviced and repaired locally either by qualified employees or by a manufacturer's representative should be investigated.

5-B.9. STORE OPERATIONS

a. Markup Policy:

The requirement for generating a profit to cover store construction and the cost of civilian salaries indicates that a revision in the markup be effected in such a manner that adverse psychological impact on store patrons as far as their perceived savings are concerned is minimized. Since store patrons gauge their savings by comparing the prices of commissary items with those in the private sector, the utilization of a variable markup policy corresponding to that in the commercial sector, will increase the likelihood that prices on the greatest number of items will be lower in the commissary store.

b. Space Allocation:

Most Navy stores are in drastic need of space allocation. At the present time, Navy Commissary Store Complexes have mini-computers that are incapable of tracking individual item movement and accordingly a proper

Control of space allocation cannot be maintained. With the advent of central office high speed computer capability, programs can be designed to produce warehouse and salesfloor space allocation commensurate with sales, thus providing a valuable management tool.

c. Check Cashing:

(1). Most Navy Commissary Stores have a desk at the front of the store where personal checks are stamped and filled out. The information required consists of the sponsor's name, social security number, address, home phone number, activity and business phone number. In the course of a year, an authorized patron may fill in this repetitive information as many as 26 times (assuming that he shops twice a month). In contrast, commercial supermarkets require their patrons to provide such information on a one time basis after their credit is established and a card entitling them to cash checks is issued.

(2). The Navy policy is time consuming, needlessly repetitive and creates congestion at the front of the store. Apparently, justification for the present system is based on the premise that commissary store patrons are mobile and therefore, it would not be practical to maintain such information on file. This, however, is not so. The great majority of commissary store patrons reside in the immediate area and make repetitive trips to the store concerned.

(3). A check cashing routine similar to that prevailing within the supermarket industry could be adopted. The social security number could be used for number control purposes.

d. Vendor Shelf Stocking:

(1). Presently DOD regulations permit vendor shelf stocking of only the following categories of items:

- (a) Baby food
- (b) Fresh baking products
- (c) Blind made products
- (d) Refrigerated dairy products
- (e) Spices, extracts and sauce, dehydrated
- (f) Soft drinks
- (g) Snack items (chips, nuts, crackers, cookies and pretzels)
- (h) Prepackaged luncheon meats

(2). The policy promulgated by the Assistant Secretary of Defense, M&RA provides that vendor shelf stocking shall be limited to items which are conventionally stocked in the private sector.

(3). Voluntary offers are made by military sales organizations to provide shelf stocking of items not customarily stocked in the private sector without an increase in the price of such items or any contingent

cost to the government for providing such service. This offer is based on the premise that through sales increase, the cost of labor will be offset. If such offers could be accepted, shelf stocking services provided would assist considerably to augment the efforts of generally inadequate store staffs and thereby improve in-stock positions. Relaxation of DOD restrictions on vendor shelf stocking would permit the acceptance of such services from any vendor or sales representative on any category of item or items provided such offer is made voluntarily and without contingent cost to the government. Such action would reduce labor costs and increase in-stock conditions.

e. Vendor Coupons:

Vendor coupons obtained in Navy Commissary Stores are presently turned over to the Navy Exchange system, which in turn, forwards them to the Retail Service Nielsen Clearing House, Muscatine, Iowa, for redemption. The Navy Exchange System realized slightly in excess of four cents per coupon as a handling fee. In the month of February 1975, they realized \$13,582 from combined exchange and commissary transactions. The forwarding of commissary store coupons directly to the clearing house for redemption, would result in increased funds for utilization in defraying commissary store expenses.

f. Meat Operations:

(1). The processing and weighing of meats for resale is accomplished at each commissary store utilizing either military or Civil Service personnel. This work force constitutes a large percentage of the employees and due to the requirement of meat cutters (a skilled trade), a large percentage of the labor cost. Meat department sales normally are 20-23% of the overall sales but allocation of work force is 29% of salesfloor and material personnel.

(2). There are other methods of processing meats including centralized retail cuts, centralized carcass processing into subprimals for further delivery to store location and the procurement of block ready beef. The various alternatives should be analyzed in order to determine the method at each region which would be most cost effective.

g. Tote Box Verses Shopping Bags:

(1). Grocery bags are among the most expensive operational costs of a commissary store. There are alternate methods of packaging, but each must result in a savings in cost and a savings in bagging or boxing time, since this portion of the operation establishes the speed with which the checkers may perform their duties. One complex is presently using a method other than bags for groceries.

(2). This is a box measuring 24"x12"x12" of heavy cardboard, manufactured by a local cardboard box manufacturer but may be obtainable through a national manufacturer such as American Can Company. The current cost is \$.14 per unit and is ordered, stored and accounted for as any other item in Groceries S-1. The patrons heretofore have been afforded the choice of either having their groceries bagged in double strength 1/4 BBL bags for which the cost is \$.0333 per bag, and is charged to general expense, or to purchase the tote box at a cost of \$.15. The box has the capacity of 1.75 bags and can be used at least 12 times. A study should be conducted to ascertain the feasibility of alternate methods of containerizing purchases which will result in a savings of labor or material.

APPENDIX 5-C

AREAS OF POTENTIAL IMPROVEMENT - MARINE CORPS COMMISSARY STORES

5-C.1. UTILIZATION OF PART-TIME PERSONNEL. Commissary stores employ a high percentage of full-time employees, a practice which is driven by overall base and service manning controls. Due to the assignment of overall employment ceilings, both full-time and part-time employees count equally against these, which creates a reluctance on the part of management to hire part-timers. It is a common practice in grocery chains to hire a large proportion of part-time employees to meet peak period demand. By eliminating end strength restrictions and/or authorizing the accounting for personnel on a man-year basis, intermittent employees would be utilized to the maximum possible extent.

5-C.2. CONSOLIDATION OF MEAT MARKET OPERATIONS. The cost involved in the operation of the meat market in the commissary stores, labor and equipment expense, is high in comparison with the other departments. A way to reduce costs at some of the smaller volume stores would be to eliminate the processing of meat items with this support coming from a larger commissary store within the service or by purchasing box-ready beef or primal cuts from meat distributors.

5-C.3. FACILITY STANDARDIZATION. Commissary stores are operated in inadequate facilities with equipment that is worn out and outmoded by commercial standards. With each commissary store constructed, new designs are developed by architectural and engineering firms who might not possess the expertise needed for the unique characteristics of commissary store construction. With construction costs spiraling upward each year, standardization of design could reduce the architectural and engineering costs, reduce lead time and construction costs and permit use of modular, pre-engineered construction, when appropriate.

5-C.4. MANAGEMENT AND INFORMATION SYSTEM. Present accounting and information reporting is compiled manually. With the development of new technology in the electronic point-of-sale equipment with additional capability of scanning, the accounting and reporting functions could be adapted to the mechanized mode. By incorporating ADP in the commissary store operation, perpetual inventory values and space allocation is available and overhead costs could be reduced. An effective ADP system could facilitate further efficiencies by permitting consolidation of administrative, stock control, accounting and ordering functions.

5-C.5. VENDOR COUPONS. The commissary stores presently accept merchandise coupons for items sold in the store. After compiling, sorting and totaling, the coupons are delivered to the installation exchange officer for reimbursement. Additional revenue for the commissary store system could be realized if the commissary stores forwarded the coupons to the clearing house for redemption.

5-C.6. VARIABLE PRICING STRUCTURE. The requirement for generating funds to cover the cost of salaries indicates a revision of the markup policy. A variable pricing structure by detail commodity groups would allow commissary store management to maximize savings to the patron on essential food items and still provide funds to cover operating costs.

APPENDIX 5-D

AREAS OF POTENTIAL IMPROVEMENT - AIR FORCE COMMISSARY STORES

5-D.1. REGIONAL CONFIGURATION. The greatest opportunity for enhancing efficiency and reducing costs in the commissary system is through the consolidation of functions thereby accruing economies from increased scales of operation. Such a consolidation program can initially focus on centralizing management, administrative, and stock control functions with follow-on objectives for centralizing accounting, purchasing, inventory management, and distribution. This program would ultimately tie all commissary operations into a regional configuration.

5-D.2. MANAGEMENT INFORMATION SYSTEM. A necessary adjunct to the consolidation of functions is the acquisition of an automated data system to permit mechanization of appropriate operations and functions presently performed manually in each commissary. No standard system exists today for automated stock and fiscal control in commissaries in the Air Force. Administrative functions are accomplished by hand. Substantial savings in time and effort could be realized by the implementation of an automated data system for inventory and accounts control. A system to accomplish automation of Air Force commissary operations is currently under development, with system test set for 1 July 1976.

5-D.3. INVENTORY CONTROL. Current control of inventory and stock assortment presents many problems. Market conditions and efforts by commissary officers to buy against future price increases have resulted in an abnormal on-hand inventory throughout the Air Force. Management controls are currently being developed by the Air Force Services Office to assist in resolution of this problem. With the implementation of an automated data system, additional controls will be provided.

5-D.4. PERSONNEL POLICIES. By far the most serious problem which exists today affecting local commissary management and patron service is the current shortage of manpower. A combination of fiscal restraints and hiring limitations imposed by local commanders have reduced operating hours, created out of stock conditions, and caused a general degradation of service. The use of part-time employees has been seriously reduced with all benefit derived from this category of employee lost. If a method could be found to remove the commissary system from current manpower ceilings and apply the recently developed Air Force manpower standard (1974), considerable improvements could be made at once.

5-D.5. FACILITIES.

a. Recent Congressional action provided authority for a surcharge increase to allow for long term facility improvement, but the need is urgent if commissaries are to pay all personnel costs beginning in October 1976.

b. A great potential exists for improvement of base commissary operations in terms of efficiency and operating cost if current inadequate facilities could be replaced. Split warehouses, located several miles apart are not uncommon. Many warehouses although sufficient in square footage, have low ceilings which prohibit use of shelving and provide poor lighting. Sales stores are located in old buildings, originally constructed as dining halls, stables, and warehouses, and are not conducive to a retail operation. Current Air Force requirements for new facilities have been established at \$104 million in FY 75 dollars. This requirement includes the cost of A&E, construction, equipment, and fixtures. The major disadvantage in the present system of generating surcharge funds prior to authorizing construction is that funds must be set aside and are not utilized while waiting for the total amount to be available for each project.

c. Although definitive drawings and standard equipment lists have been developed by the Air Force, they are very general in terms of construction details. It is recommended that a strong program be developed to standardize plans and specifications for each class of commissary store requirement. Maximum use should be made of pre-engineered structures and modular equipment to meet requirements. With the use of these standard designs, architectural services for site placement, access parking, external utilities and landscaping could be provided on each individual location.

5-D.6. EQUIPMENT. Opportunities exist for a better return on investment through a program of equipment standardization in terms of lower initial costs through quantity buying, interchangeability, better spare parts support, and lower lifetime maintenance costs.

APPENDIX 5-E

STUDY GROUP INQUIRY TO AND RESPONSE FROM AMERICAN LOGISTICS ASSOCIATION



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301

MANPOWER AND
RESERVE AFFAIRS

(Military Personnel Policy)
Study of Military Commissaries

12 MAR 1975

Mr. Jesse P. Schaudies
Chairman, ALA Task Force
American Logistics Association
1000 Connecticut Avenue, N. W.
Suite 300
Washington, D. C. 20036

Dear Jesse:

The Assistant Secretary of Defense (Manpower and Reserve Affairs) has established a committee to study military commissary stores with a view toward implementing a decision to make commissary stores self-supporting for certain direct costs. The OSD Military Commissary Store Study Group is reviewing alternative methods of organization and finding ways to improve the operating efficiency of the military commissary store system. A major objective of the study group is to maintain the maximum benefit, in the form of savings, to the commissary store patron.

We believe that manufacturers and brokers doing business with military commissary stores can, by virtue of their years of experience with these stores, make a contribution in the form of comments and actions that can help to improve the efficiency of commissary store operations and reduce the cost of merchandise sold in our military commissary stores. With this in mind, the study group has developed a series of questions which is being forwarded with this letter. It is requested that ALA review these questions and provide answers to the study group by April 8, 1975. Also, it is requested that these questions not be released to the news media.

It is recognized that some of the questions are controversial. If they cannot be answered, this will be understood. Also,

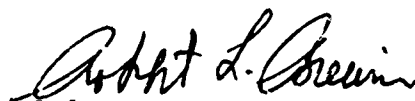
5E-2



Mr. Jesse P. Schaudies

the questions were not intended to be all encompassing.
If ALA has other information or comments to make beyond
what is covered by the questions, such additional comments
and/or information will be welcomed.

Sincerely,



Robert L. Brewin

Captain, USN

Vice Chairman, Study of
Military Commissaries

1 Incl
As stated

Questions to American Logistics Association

1. Buying

a. How can the military commissary stores improve their buying practices? What cost savings would result? How will these savings be passed on to the military commissary store?

b. Can you offer better prices to a regional buying office (representing 15 to 30 stores) rather than an individual store?

c. Can any reduction in the price of an item be realized if a firm commitment to buy the item for a period of 6 months to a year is provided?

2. Promotions

a. What concessions such as guaranteed availability of end-cap display space would assist in securing lower prices for customers?

b. What can suppliers do to assure advance notification and timely action on planned VPR's?

c. Looking to the future, commissaries will logically be shopping for the lowest prices, best VPR's/promotions they can get in order to lessen the impact of price increases on customers. What plans are being developed within the industry to assist in meeting this goal?

3. Bill Paying

a. How can the military commissary stores improve their bill paying practices? What cost savings would result? How will these savings be passed on to the military commissary store?

b. What changes on behalf of the commissary system in the areas of fast payment discount, volume ordering, payment on proof of shipment, etc. would provide reduction in cost of goods sold to the commissary system?

c. Under existing pricing policy utilized by manufacturers, reserves are generally set aside to cover losses incurred as a result of non-payment. Since losses resulting from non-payment are not germane to sales to a government agency, what provisions have been (can be) made to reflect this in commissary cost prices?

Inclosure 1

Questions to ALA

4. Operations

a. What changes could be made in the Services' method of operation or vendor operations to result in lower cost of goods?

b. What changes in the policy concerning vendor shelf-stocking should be made? Why?

c. The current requirement for suppliers to mark each case of merchandise for overseas shipment with several lines of information regarding requisition number, station number, etc., increases cost of product. Assuming the product was UPC-marked, what would be the savings per case if this requirement was eliminated?

d. What has been done to assure continuing product availability to commissaries in shortage situations?

e. To what extent do individual store managers of large chains select the items to be stocked for sale? Store equipment-fixtures? Hours of operation? Permanent part-time personnel mix?

5. Government-Owned Contractor-Operated Commissary Stores

a. How much interest is there in contractual operations of commissary stores by commercial chains?

b. Assuming contractual operations of commissary stores, what are the estimated markups, margins, and net savings to customers (categorized or itemized such as payroll, etc.)?

6. Miscellaneous

a. Can you assess whether or not military commissary stores landed-price (including first destination transportation) for like items is below, equal to, or above the commercial sector? If so, by how much?

b. Variable pricing may be necessary within the military commissary store. Can your association provide the study group a schedule by product category and sub-category of the generally applied initial mark-on percentages, and the gross margin percentages used in the commercial sector?



NATIONAL HEADQUARTERS

AMERICAN LOGISTICS ASSOCIATION

Formerly The Quartermaster Association (1920-1961) • Formerly Defense Supply Association (1961-1972)

1000 Connecticut Ave., N.W., Washington, D. C. 20036 (202) 659-1860

April 21, 1975

Brigadier General Emmett W. Bowers, USA
Chairman, Study of Military Commissaries
Office of Assistant Secretary of
Defense (M&RA)
Washington, D. C. 20301

Dear General Bowers:

The American Logistics Association, its membership and its Commissary Task Force are pleased to attach a report on Commissary Operations.

Recognizing the value of commissaries and the urgency of the situation, our membership has responded enthusiastically and in depth to our questionnaire based upon the letter of March 12, 1975, from Captain R. L. Brewin, USN.

We are continuing to receive completed questionnaires and input from our membership. However, we feel the attached report is representative.

Exceptional effort was expended by several ALA members to provide detailed information in their specific areas of expertise. These additional reports are attached for consideration by you and your committee.

We would enjoy very much discussing this report and related matters of interest in greater depth with you and your staff, if you feel this would be helpful. Also, original questionnaires received from ALA members are available if desired.

General Bowers, we, the Commissary Task Force co-chairmen, the AIA's Board of Directors, and all ALA members, thank you for giving us the opportunity to serve you in your most critical project of improving commissary operations worldwide.

We are hopeful the Study Group will find this report useful, and we welcome the opportunity of working with you further.

Sincerely,

Robert L. Riebow
ROBERT L. RIEBOW

George Sarvis
GEORGE SARVIS

Co-Chairmen

AIA Commissary Task Force

SE-6

PUBLISHERS OF THE REVIEW

REPORT ON COMMISSARY OPERATIONS

to

Brigadier General Emmett W. Bowers, USA

Chairman

**Office of Secretary of Defense
Military Commissary Study Group**

from

**Commissary Task Force
American Logistics Association**

April 21, 1975

American Logistics Association • 1000 Connecticut Avenue, N.W. • Washington, D.C. 20036

INTRODUCTION

The OSD questionnaire submitted to us was in eighteen parts. We have carefully studied the replies from our members and determined that the content of each can be more clearly examined under three general headings:

- I. PRICING/PROMOTION
- II. OPERATIONS
- III. ADMINISTRATION

This document treats these three topics under numerous sub-headings which will fully summarize the consensus of American Logistics Association member replies to your individual questions.

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I. PRICING/PROMOTION

- A. "Every Day" Prices
- B. Cash Discounts and Reserves
- C. Centralized Buying
- D. Long-Term Commitments
- E. Volume Purchase Discounts
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- G. Benefit from Promotions
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I. PRICING/PROMOTION

A. "Every Day" Prices

There is a clear, unmistakable consensus that commissaries are currently receiving "every day" prices equal to or better than civilian chains and independents.

"Every day" prices are defined as published wholesale prices. These prices are established by most manufacturers by adding promotional advertising and overhead cost allocations to the basic cost of goods produced, warehoused, and delivered. (Often referred to as "costs of goods sold.")

A manufacturer's published wholesale price list is usually effective for a significant period of time or until further notice. Changes in the published wholesale price list normally occur when the manufacturer incurs cost increases (decreases) in raw materials, plant and equipment, labor warehousing and distribution, administrative overhead and/or cost of capital.

B. Cash Discounts and Reserves

As part of their wholesale price list, manufacturers normally offer cash discount terms for prompt payment. Most manufacturers are quoting commissaries wholesale prices, less the cash discount (2%), despite the fact that commissaries do not earn the discount by paying within the prescribed period. Accelerated payments would be appreciated by the manufacturer.

Reserves for non-payment are considered a "cost of doing business" and are normally included in the manufacturers' wholesale prices. In a

sense all customers are "charged" for non-payment risks. As an element of the wholesale price, reserves for non-payment offer no opportunity to reduce "prices" to commissaries.

C. Centralized Buying

Regional buying offices or complexes, regardless of size, would be offered the same wholesale prices on an "every day" basis as individual commissaries. The manufacturer must have his wholesale price from everyone on an "every day" basis to meet his costs, earn a profit and stay in business.

D. Long-Term Commitments

The necessity of wholesale price levels also prohibits reduced prices in return for long-term purchasing commitments. The manufacturer can reduce his long-term (wholesale) price only in the event of decreases in his basic costs of doing business.

E. Volume Purchase Discounts

Many manufacturers are currently offering truckload or carload prices to all commissaries regardless of size. However, manufacturers in certain product categories, such as canned goods, make available volume discounts if product is purchased in rail car quantities. (Ref. TAB 4.) This option appears on certain Supply Bulletins at present. Few stores, if any, have the equipment, manpower, warehouse space and/or sales volume to purchase in quantities sufficient to qualify for these discounts.

Commissaries could earn volume discounts if a system of regional warehouses and distribution centers were established. However, the ALA believes strongly that the cost of operating such distribution centers would significantly exceed the total savings earned from volume purchase discounts. With the accelerating cost of warehousing and transportation,

the commissaries should continue to let the manufacturer bear the costs of distribution.

F. Promotions

The best opportunity for the commissaries to reduce their "every day" prices is through increased participation in the period promotions offered by most manufacturers.

Most nationally advertised brands have promotion budgets, although the size of these budgets varies significantly by product category and by brand. A portion of these budgets is committed to periodic voluntary price reduction (VPR) for commissaries. Some promotions require performance in terms of volume purchases, and/or displays although many VPR's have no performance requirements at all. This contrasts sharply with the civilian market in which an accelerating percentage of promotions are tied to strictly enforced performance requirements.

G. Benefit from Promotions

The extent to which commissaries and their patrons benefit from promotional "savings" depends upon the quantity of product purchased at the VPR prices. The more product bought "on deal", the lower the net "every day" price the patron will have to pay through the year.

Manufacturers usually promote at a frequency and case rate relative to the degree of cooperation and support from the retailer. The more promotional support in terms of volume purchases and merchandising effort, the more promotions the manufacturer will offer, because each successful promotion serves to replenish the promotion budget.

One opportunity to generate more promotions is to reduce the special case marking requirements for overseas shipment. The cost of these

requirements usually must be funded from the military promotion budget because the wholesale price does not include this unique cost of doing business.

H. Notice on Promotions

ALA's membership is encouraging commissaries to participate in promotions by giving more notice to commissary personnel than to their civilian counterparts. In addition, most manufacturers do not limit the size of promotional purchases by commissaries. Civilian chain and independents, on the other hand, are often restricted to six or eight weeks (or less) volume when buying promotions.

SUMMARY

The ALA believes strongly that more aggressive and intelligent promotion buying practices by commissaries can significantly reduce the net effective "every day" prices paid for many advertised brands during any given time period.

II. OPERATIONS

- A. Item Selection Process
- B. Stock Assortment
- C. Use of Salesmen
- D. Vendor-Stocking
- E. Hours of Operation

II. OPERATIONS

ALA believes commissaries can significantly improve their overall operations by becoming more professional in their buying practices. Industry standards and specifications should be used whenever feasible.

A. Item Selection Process

Item selection must be based more on hard marketing data. Buyers must be trained to evaluate SAMI, Nielsen, and other market research tools. Service-wide sales statistics should be developed, if feasible, to "adjust" civilian market shares for military realities.

B. Stock Assortment

Stock assortment should be limited to nationally advertised brands or regional brands with demonstrated acceptance. Commissaries should be stocked to the benefit of the patrons which means many commissary staffs should learn to say, "no", to off-brand, unadvertised products with limited consumer acceptance.

C. Use of Salesmen

ALA would suggest commissary personnel must learn to better utilize the salesmen calling upon them. Professional, experienced salesmen can assist in order and inventory control, shelf space allocation, and promotional buying.

For example, by converting to Blanket Delivery Orders controlled by salesman, commissaries can significantly increase the frequency of delivery and thereby reduce warehouse stock levels and inventory investment.

D. Vendor-Stocking

With the current and expected manpower shortage, there is no question

that increased vendor stocking would be of significant value to commissary operations. However, the ALA's membership varies widely on their attitudes toward vendor-stocking and, in all candor, the ALA cannot provide a true consensus of opinion at this point.

The ALA's position on vendor-stocking must, under the circumstances, be limited to supporting OSD's Commissary Committee on whatever policy it feels is most beneficial to the commissary system and its patrons. However, the ALA does believe that its members, who wish to provide shelf-stocking in a professional and appropriate manner, be permitted to do so under guidelines established by OSD's Commissary Committee. Members of ALA reflected a divided opinion as to whether or not shelf-stocking can be provided at no added cost. It should be emphasized that ALA members expressed concern that they should not be penalized for not providing shelf-stocking.

E. Hours of Operation

ALA believes OSD's Commissary Committee would be well advised to establish a basic system-wide policy on store hours. Store hour policy should recognize the current manpower situation. ALA questionnaire responses suggest five days per week, eight hours per day, as an average.

III. ADMINISTRATION

- A. Personnel
- B. Facilities
- C. Product Availability
- D. Contractual Arrangements with
Civilian Chains
- E. Variable Pricing

III. ADMINISTRATION

This section will discuss a variety of questions raised by the OSD Commissary Committee. It will also include ALA's comments on several other topics.

A. Personnel

The experience of ALA's membership and recent conversations with top commissary officers suggest that the single most important opportunity to improve commissary efficiency is in the area of personnel. Commissary officers must have "hire/fire" authority under special guidelines developed by OSD in conjunction with Civil Service.

The OSD Commissary Committee should also recommend a full-scale program for periodic review of commissary officers to assure they are professionally executing their responsibilities. The current situation affords the Services an excellent opportunity to up-grade commissary personnel and this process should begin with top management.

B. Facilities

A long-term program and plan should be developed to up-grade facilities. The condition of the facility necessarily limits the effective utilization of manpower and other available resources.

C. Product Availability

ALA's membership was unanimous in statements that commissaries have been receiving preferential treatment during product shortages. Most companies anticipate continuing this "unwritten" policy in the future.

D. Contractual Arrangements with Civilian Chains

Most ALA members do not believe there is a serious interest on the part of most chains and major wholesalers in operating commissaries on a

contractual basis. Some chains are re-examining the issue but past experience in the 1940's and 1950's suggests that such an approach would significantly reduce the value of commissary privileges to authorized patrons.

The ALA's questionnaire generally indicated a virtually unanimous opinion against the utilization of civilian chain involvement in commissary operations.

If contracts were let for operating commissaries, the consensus of opinion is that mark-ups would range from 15-30%. This would clearly result in a severe reduction in the value of commissary privileges.

E. Variable Pricing

The ALA believes that variable pricing is essential to operating commissaries successfully if additional surcharges are required. The ALA will provide detailed information at the request of OSD Commissary Committee to assist in developing an intelligent and competitive variable pricing system.

IV. SUPPLEMENTAL DATA

- Proprietary Information
- A. ~~Canned Food Study~~ Deleted by Study Group
 - B. Recommendations for Military Commissary
Design, Equipment, and Construction

The following recommendations were made by a special subcommittee of members of American Logistics Association engaged in furnishing equipment to military commissaries. This subcommittee agrees that up to 20 percent of the cost of constructing a new commissary could be realized if the recommendations were utilized.

RECOMMENDATIONS FOR MILITARY COMMISSARY DESIGN, EQUIPMENT, AND CONSTRUCTION.

A. GENERAL

A major element of store operating efficiency and economy is the basic design and layout of the physical plant. The heart of the store is the display equipment and its operating machinery. Energy requirements, labor efficiency, and material handling depend on the practical relationship of equipment and structure. The building itself must be a shell enclosing equipment, product, patron, and environment with superficial cosmetics for customer eye appeal. The finished store is a complex that successfully coordinates its components into an interlocking entity that functions economically to accomplish the basic task.

Achieving the ultimate commissary store efficiency in physical plant requires conclusions:

1. The military services are interested in efficient stores that are economical to build and operate.
2. There are no basic differences in store design, layout, and equipment needs between the various military services.
3. Standardization of store sizes, design, layout, and equipment, based on customer traffic/sales volume is feasible.
4. Basic initial and life cycle cost savings in physical plant investments are possible through the creation of a single set of designs and specifications suitable for use by all the military services.

B. EQUIPMENT

While the physical laws governing refrigeration and heating have not changed since they were discovered, each equipment manufacturer has come up with his own system for managing these laws. Previous efforts on the part of the military to write specifications broad enough to encompass all the available systems have led to poor results, in general. Also, the insistence on the part of the military to attempt purchase descriptions and military specifications that describe the commercial products of the display equipment manufacturers are failures to recognize the dynamics of the industry, and ignores the guidance provided by the Armed Services Procurement Regulations. See Section 1, Part 12, Para. 1-1201 General. "(a) Plans, drawings, specifications or purchase descriptions shall state only the actual minimum needs of the Government..." and Section 1, Part 12, Para. 1-1202 Mandatory Specifications, (c) Unless required by Departmental instructions, Federal and Military specifications need not be prepared for use in the below listed procurement actions;...(v) (B) when the purchase involves an item which is the product of private development and the provisions of 1-304 are complied with." Sub-para. (v) (A) of the above also states that "(Repetitive use of

a purchase description containing the essential characteristics will be construed as evidence of improper use of this exception.)". See also Section 18, para. 18-107.

These and other provisions of ASPRs are more often honored in the breach than in compliance. To eliminate the difficulties in obtaining the proper equipment for stores, with practical specifications that are flexible enough to cover all manufacturers' products, and offer maximum performance and economy to the services, and at the same time insure full compliance with ASPRs, the following recommendations are made:

1. Examine, confirm, and standardize equipment authorizations for store sizes. Publish widely, with copies to all equipment manufacturers.
2. Combine all existing purchase descriptions (AMF 145-1, SB 725-10, etc.) and military specifications (Mil-D-40605B, Mil-C-43584B, etc.) into a single equipment specification. Permit industry comment prior to publication. Incorporate flexibility to allow for industry dynamics. Suggest check with U. S. Department of Commerce, Standards Division, for method and guidance, with U. S. Commercial Standards as a reference.
3. Procure equipment separately from construction contract, but prior to award of building construction. Make mandatory a single source for display cases, refrigeration machinery, coolers and installation.
4. Incorporate maximum heat/cold reclaim systems.
5. Obtain energy requirements, piping, insulation, wiring, HVAC, from equipment supplier. (For Refrigeration systems)

C. BUILDING

Maximum operating efficiency of a commissary depends on building design and layout. Environmental control is an essential, since modern refrigerated display cases require specific humidity and temperature limits. Old stores can be reorganized to achieve efficiency within the structural limits now extant. New stores must be designed to create optimum conditions for efficiency, without elaborate requirements of structure and materials. Recommendations:

1. Standardize sizes, layouts, and equipment for all services.
2. Use pre-engineered buildings, such as rigid frame, arches, tilt-up concrete, bow-string trusses. Identify modular sizes by traffic/sales volume, with a basic module as start point. To increase store capacity and size, add modules to achieve required dimensions, to include the equipment module.
3. Use exterior elevation cosmetics to create aesthetics and eye appeal, but limit economically.
4. Obtain architectural services for site placement, access, parking, external utilities, landscaping, exterior trim and finish, interior utilities, and decor.
5. Regardless of local ambient, provide internal humidity and temperature control. This can be an integral part of the equipment section.

D. ORGANIZATION

Following standardization of stores and equipment authorizations, a central agency responsible for design, improvement, update, remodel, and general physical plant supervision, with all services represented, is indicated. NAVRESO, AFSSO, TSA, remain, with representation on the new agency. Store equipment personnel familiar with industry and state-of-the-art essential. Major commands/complexes still determine requirements, with the military service agencies retaining funding authority, priorities of construction/remodelling, equipment replacement scheduling.

E. SUMMARY

Military services to form a central agency for physical plant design and planning. Equipment authorizations to be standardized for all services based on store traffic/volume. Buildings to be standardized based on maximum use of pre-engineered structures, and related by size to store traffic/volume. Specifications to be combined for all services, based on industry capabilities. Maximum simplification and flexibility in specifications, consistent with the needs of the services, will be incorporated. Procurement actions to be simplified, in keeping with legislative requirements, DoD standards and regulations, and various services directives.

APPENDIX 6-A

CENTRALIZED ARMY COMMISSARY SYSTEM

6-A.1. ALTERNATIVE. Creation of an Army-wide commissary management organization to operate Army commissary stores.

6-A.2. ASSUMPTIONS. This study considers the following assumptions:

a. Operate in an appropriated funded mode with only direct costs reimbursable as defined in section 814 of the annual DOD Appropriations Act.

b. Indirect costs of operations will continue to be supported from appropriated funds.

c. Commissary store civilian personnel will continue to be Civil Service personnel.

d. Commissary store staffing levels will be commensurate with sales and service levels.

e. Existing stock fund procedures will be modified to accommodate a vertical management structure as required.

f. The subsistence function (troop issue) of the commissary operation will continue to be funded through appropriated fund sources.

g. Responsibility for the troop issue function will remain with major commands/installations. Support provided by one entity (resale or troop issue) for the other will be on a fully reimbursable basis.

h. DSA/DPSC will continue the current support to military commissaries.

i. TRFA funds may be invested for the production of additional income as a change to existing policy.

j. Criteria provisions/restrictions of section 814 pertaining to establishment and continuation of commissaries will be deleted or modified.

k. A decrease in price differential between the commissary

system and commercial stores may result in decreased sales in the commissary system.

l. An effective information program will be implemented to retain/recover the bulk of current commissary patronage lost as a result of a decrease in price differential.

m. Variable pricing of merchandise sufficient to recover the cost of all operations and capital expenditures will be authorized.

n. Authorized patronage will remain unchanged.

6-A.3. CONCEPT OF OPERATIONS

a. General. This study provides for a vertical (stovepipe) system for the centralized management of Army commissary stores world-wide. Field offices will be established on a geographic basis, to function under the Central Management Office.

b. Establishment of Policy. Broad policy will continue to be established by the Congress, supplemented by the Department of Defense and implemented by the Deputy Chief of Staff for Logistics (DCSLOG), Department of the Army.

c. Dissemination of Policy. The DCSLOG, DA will furnish policy guidance and direction to the Central Management Office (CMO). The CMO will exercise command and control of all Army commissaries through field offices. Field offices will furnish direction and guidance on the administration of policies and operations to installation commissaries.

d. Organization.

(1) An organizational chart showing the proposed organization for centralized management of Army commissaries is at Figure 1.

(2) This organization withdraws responsibility for management and supervision of Army commissaries from major commands and installations, and assigns this responsibility to the CMO. Under the CMO, five field offices will be established, with responsibility for the operation and control of Army commissaries within their geographical areas.

e. Operational Aspects.

(1) Personnel Management.

(a) Personnel in the commissary stores, regional offices, and the CMO will continue as Civil Service employees. This

will require no changes in the pay system or fringe benefits, and will assure continuity of operations without an additional costly training program.

(b) The Trust Revolving Fund Account (TRFA) will reimburse appropriated funds for salaries and related personnel costs of employees in the commissary stores.

(c) The CMO will control and allocate all personnel spaces. Under central control, manning levels will be more realistic, use of When Actually Employed personnel will increase, and training and career management programs will improve.

(d) Administrative office personnel in commissary offices will be discontinued with the exception of approximately two to four spaces per store to perform ADP and administrative functions.

(e) Commissary specialist positions at the various major commands will be eliminated. Opportunity for transfer to the CMO or field offices will be afforded these personnel. A specific condition of employment for future managerial level applicants will be agreement to geographical and organizational reassignments as a condition of employment and career development.

(2) Financial Management.

(a) The Central Management Office will assume responsibility for total financial planning, execution and review for commissaries, maintenance of accounting records and funds control, and for financial management of resources and obligations.

(b) A separate subsistence division (or allocation to the CMO) of the Army Stock Fund will be established with control exercised by the CMO through the field offices for the commissaries within their areas.

(c) Budget guidance will be provided to field offices by the CMO. Field office budgets will be reviewed and approved by the CMO.

(d) Field offices will maintain financial accountability for all commissary assets to the CMO.

(e) New financial and operating statements will be developed to provide essential information at all levels of commissary management.

(f) Establishment of pricing strategy to generate sufficient revenue to meet prescribed operating costs, while

affording maximum savings to patrons, will be a responsibility of the CMO. The CMO will control the employment and investment of commissary cash resources.

(3) Facilities and Equipment.

(a) A world-wide construction program to upgrade existing facilities and to construct new facilities, where justified, will be established and controlled by the CMO, based on comprehensive data regarding existing facilities. Surcharge funds for construction or renovation will be programmed within fund availability. Military Construction, Army (MCA) funds will be utilized for overseas commissary construction.

(b) Standard plans and specifications will be utilized for construction of commissary store facilities. High standards of maintenance and the effective utilization of space will be enforced.

(c) A uniform equipment list for all commissaries will be prescribed by the CMO to meet user requirements at minimum procurement and maintenance costs. The field offices will maintain property and program registers for the commissaries in their areas. Procurement of equipment and operating supplies for initial and replacement purposes will be accomplished primarily at the CMO. Decentralized procurement will be authorized only when cost effective.

(4) Stock Management.

(a) The CMO will implement uniform stockage policies world-wide, consistent with customer demand and local preferences, to make subsistence items available in the proper quantity, variety and quality at the lowest practical price.

(b) Stockage, supply and inventory management data for control purposes will be obtained under the Army Commissary Management Information System (ACMIS), flowing from stores to field offices to the CMO.

(c) Computation and consolidation of requirements, and preparation of purchase orders will be accomplished primarily by field offices to achieve administrative economies and stimulate competition between manufacturers.

(d) Redistribution to obtain balanced stocks will be directed by the CMO through field offices.

(5) Management Information System (MIS).

(a) Initially, the present automated system for Army

commissaries (System 0488) will continue to be used at store level. Installation MIS support currently being provided will be continued. Equipment utilization reporting will be assumed by the CMO.

(b) Time-phased plans provide for electronic point of sales terminals with scanning for use with the Universal Product Code Symbols. Field offices will utilize large scale computers with teleprocessing links to the commissary stores in their areas and to the CMO. The system will provide the field office and CMO with vertical management information control.

(c) MIS at field office level will be capable of the following functions: Logistics management, financial management, production management, quality assurance, and personnel associated functions such as personnel scheduling and payroll preparation.

6-A.4. COMPARISON OF OPERATING RESULTS.

a. The operating results under a centralized management organization are shown on tables 1 and 2, Chapter 6, Volume 1, Pages 6-9 and 6-10. Because of the unknown customer reaction to an increase in costs, sales losses were calculated on a minimum (Table 1) and maximum (Table 2) range. The tables were computed using several iterations of the model described in Chapter 3. A summary of the key factors is shown below, giving estimated minimum and maximum impacts of the CMO alternative.

| ITEM , | <u>DECENTRALIZED</u> | | | <u>CENTRALIZED</u> | | |
|---|----------------------|----------------|----------------|--------------------|----------------|----------------|
| | FY 76 & 77 | 77 | 78 | FY 76 | FY 77 | FY 78 |
| 1. Total Operating Costs (\$ in mil) | 82.1 80.6 | 123.8 120.0 | 121.6 117.0 | 81.9 80.4 | 120.5 116.4 | 113.0 108.1 |
| 2. Percent Savings to the Customer | 17.6 17.0 | 13.7 12.5 | 14.0 12.8 | 17.6 17.0 | 14.1 12.7 | 14.7 13.5 |
| 3. Percent Sales Loss | 5.8 15.5 | 10.2 22.8 | 9.7 22.2 | 5.8 15.5 | 9.7 22.5 | 8.8 20.9 |
| 4. Reimbursable Costs as Percent of Sales | 8.1 8.8 | 12.3 13.5 | 12.0 13.2 | 8.1 8.8 | 11.9 13.3 | 11.3 12.4 |

NOTE: Decentralized management reflects personnel reductions based on lower sales. Centralized management reductions have been based solely on reorganization.

b. Estimates for purposes of comparison between the decentralized and centralized management alternatives have been made on a conservative basis. This approach was used to avoid the possibility of reflecting centralized management in a more favorable light than warranted. For example, personnel costs were adjusted based on lost sales for decentralized management, only. This action reduced the apparent savings for centralized management by \$2.5 million and \$4.2 million for FY's 1977 and 1978, respectively.

c. Figure 2 depicts personnel savings under the centralized management alternative with a centralized ADP system installed on a phased basis commencing in January 1977.

d. Figure 3 provides a breakout of the 2,610 personnel savings reflected at "store" level in figure 2. Following is a summarization of these personnel savings:

| <u>DESCRIPTION</u> | <u>PERSONNEL SAVINGS</u> |
|--|--------------------------|
| Commissary Offices | 783 |
| Commissary Warehouses | 270 |
| Commissary Stores, Branches, Annexes | 927 |
| Increased utilization of other than Full time employees | <u>630</u> |
| | 2,610 |

e. Additional potential and actual personnel savings/reductions also exist. These savings have been omitted in order to be conservative on estimated costs and personnel savings. Examples include:

(1) Actual reduction of 404 personnel spaces at the Saigon and Ft Story commissaries since 30 June 1974 which would adjust estimates for both the decentralized and centralized management alternatives.

(2) Reduced personnel requirements for centralized management due to lower sales as previously outlined.

(3) Possible closures of annexes at installations on which new commissaries are built or as a result of requirements analyses.

6-A.5. ADVANTAGES/DISADVANTAGES.

a. Advantages. Central management will:

(1) Reduce the layers of command (Figure 4) between the Central Management Office and the commissary stores, thereby expediting two-way communication and reporting, permitting prompt resolution of problems at the commissary store level and insuring the uniform implementation of commissary policies and procedures.

(2) Permit reductions in the number of personnel within the commissary system for whom reimbursement must be made. This savings will lower the operating costs which must be recovered from customers, permit greater savings, and reduce sales losses. Savings will also be realized in the number of indirect funded personnel required in support of the system which will reduce appropriated fund costs.

(3) Provide for the concentration of commissary management and technical skills for optimum management effectiveness and improvement of commissary store operations and service.

(4) Provide for total control of the funds and personnel resources required for commissary store operations and permit more precise allocation of these resources on a uniform basis commensurate with workload requirements.

(5) Increase the visibility of all aspects of commissary operations throughout the entire system for the benefit of management in operational and policy decisions and the establishment of priorities for improvements.

(6) Facilitate the grouping of stores within geographic regions with all administrative functions (accounting, bill paying, budgeting, personnel scheduling and payrolls, procurement, stock control, etc) being accomplished centrally, preclude loss of vendor discounts, and achieve a substantial savings in personnel.

(7) Provide a stockage policy which will produce: uniform stockage criteria, a greater degree of inventory control, item selection based on customer demand, interchange of merchandising information, and result in improved procurement practices through combining the procurement function with determination of requirements and funds authorization.

(8) Relieve commanders and installation staffs of management responsibility for an administrative burden of a technical nature.

(9) Permit more specialized management of commissary

personnel, assuring a continuing availability of qualified, motivated personnel, by providing for their training, reassignment, executive development and promotional opportunity. This would include establishment of standard position classification and qualifications criteria.

(10) Centralized management will permit the adoption of standardized methods to achieve optimum operating hours and work schedules. Enhanced productivity can be achieved through review and analysis of results obtained and implementation of appropriate management improvements.

(11) Although not directly obtained as a result of centralized management, increased visibility of operations would more readily permit:

(a) Analysis and implementation of less costly methods of warehousing and distribution.

(b) Comparison of product costs and selection of methods to achieve the lowest delivered cost for items.

(c) Installing a flexible pricing system designed to maximize patronage of commissaries to achieve additional financial benefits for customers.

b. Disadvantages.

(1) Reorganization will unavoidably shift certain indirect costs (appropriated fund supported) to direct costs (customer borne) at a critical period within the commissary system. To the extent that these costs are not offset by reductions of other direct costs, a significant disadvantage results. Conversely the elimination of the indirect costs provides a quantifiable benefit to appropriated funds. Indirect personnel costs are currently estimated at \$15.8 million in 1974. It is also estimated that centralized management will reduce these indirect costs by approximately 44% or \$7.0 million based on FY 1974 costs.

(2) Removes responsibility for commissary operation from the installation commander while continuing to rely on the installation for certain support. Elimination of this responsibility could result in inadequate emphasis on support of the commissary.

(3) Would cause personnel and organizational turbulence during a critical period of changeover to a more self-supporting operation.

(4) Removes responsibility for commissary operations which has previously been viewed by major commands as a vital function

to the morale and welfare of their personnel. This disadvantage would be overcome if centralization proved to provide better support and service than at present.

6-A.6. ANALYSIS OF ADVANTAGES AND DISADVANTAGES.

a. Central management has the prime advantage of permitting significantly decreased costs to be borne by both appropriated funds and customers. This factor is considered to be critical in view of the current situation in which the viability of this benefit to authorized patrons will depend on the savings which can be obtained.

b. Many areas identified as potential areas for improvement to the existing system become inherent improvements under a system of central management. Virtually all other areas identified are capable of being implemented under central management, whereas, limitations inherent in decentralized operations would preclude their implementation under that method.

c. Identified disadvantages are not significant when consideration is given to the overall gains, especially in lower costs of operations, which would be achieved under central management.

d. A significant disadvantage to timely implementation of central management is the initial lack of an effective management and information system amenable to conversion to meet central management requirements. Until such a system is in operation, the effectiveness of central management will be impaired. If central management is finally determined appropriate, development and implementation of the required management and information system should be accomplished on a priority basis. Cost and customer savings estimates are based on successful development and implementation of the required automated management and information system on the following schedule:

Commence Prototype testing - 1 January 1977

Installation 1/3 commissaries completed - 1 October 1977

Installation 2/3 commissaries completed - 1 October 1978

Installation all commissaries completed - 1 October 1979

Should these timeframes not be realized, significant reductions in customer and personnel savings would result.

6-A.7. ANALYSIS OF AUTOMATED MANAGEMENT AND INFORMATION SYSTEM IMPACT.

a. Separate analysis was also developed concerning the impact

of delay in implementing an effective Automated Management and Information System (AMIS). Assumptions for this analysis were that:

(1) Initial proliferation of the system following prototyping and acceptance would begin not earlier than 1 October 1978.

(2) Installation would be at the scheduled rate of one third of the commissaries each year.

b. Based on decreased AMIS capability, an alternate approach would be used in which the parent/branch concept (complexing) would be fully implemented. Direct personnel savings under this approach would be 213 spaces at commissary level. Regional headquarters staffing would be reduced from 177 to 70 (four regions - 13 ea, one region - 18) based on decreased management/functional capabilities. Associated indirect personnel savings would be 115 at installation level and 80 at major command headquarters level, a net personnel savings of 125 (115+80-70).

c. Figure 5 portrays the impact of this alternate method.

d. Following is a comparison of operating costs obtained (using the model in Chapter 3) for the four year period 1 October 1975 - through 30 September 1979 (\$ in millions):

| | Central Management with Scheduled <u>AMIS implementation</u> | Central Management with delayed <u>AMIS implementation</u> |
|--|---|---|
| Direct Costs (Patron Borne) | \$451.2 | \$485.5 |
| Unrealized Indirect Cost Savings (Appropriated Funds) | | \$ 9.4 |

e. Potential increased costs to both appropriated and non-appropriated funds if AMIS were delayed are of such magnitude that priority development of AMIS is essential.

FIGURE 1

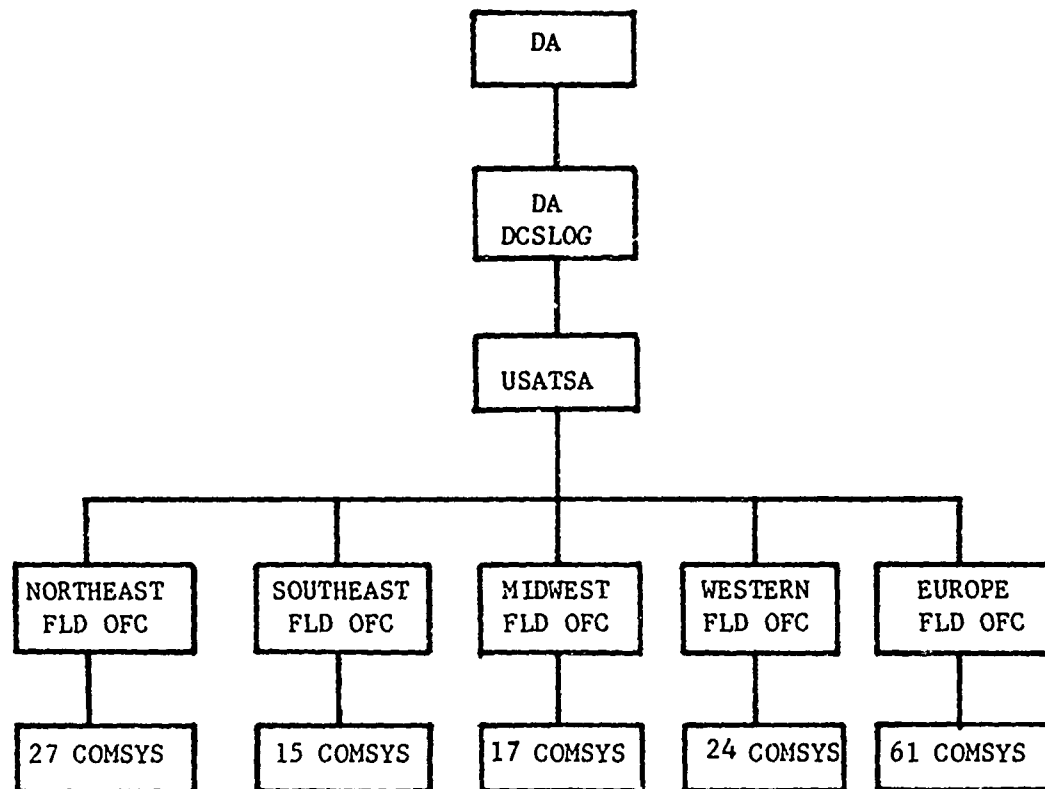


FIGURE 2

PERSONNEL SAVINGS
CENTRAL MANAGEMENT

| | <u>STRENGTHS AS OF</u> | | | |
|--------------------------------|----------------------------|----------------------------|----------------------------|------------------------------|
| | <u>30 Jun</u> <u>74</u> | <u>30 Sep</u> <u>77</u> | <u>30 Sep</u> <u>79</u> | <u>NET</u> <u>SAVINGS</u> |
| <u>Direct Funded</u> | | | | |
| Stores | 10,684 | 9,612 | 8,074 | 2,610 |
| Sub-Total | 10,684 | 9,612 | 8,074 | 2,610 |
| <u>Indirect Funded</u> | | | | |
| HQDA | 4 | 4 | 4 | 0 |
| CMO | 50 | 81 | 81 | (31) |
| Field Offices | 0 | 177 | 177 | (177) |
| MAJCOMS | 80 | 0 | 0 | 80 |
| USAMMAE (Depots) ^{1/} | 703 | 660 | 660 | 43 |
| Installation Support | <u>658</u> | <u>316</u> | <u>316</u> | <u>342</u> |
| Sub-Total | 1,495 | 1,238 | 1,238 | 257 |
| Grand Total | 12,179 | 10,850 | 9,312 | 2,867 |

^{1/} U.S. Army Materiel Management Agency, Europe

FIGURE 3
ANALYSIS OF DIRECT FUNDED
"STORE LEVEL" PERSONNEL SAVINGS

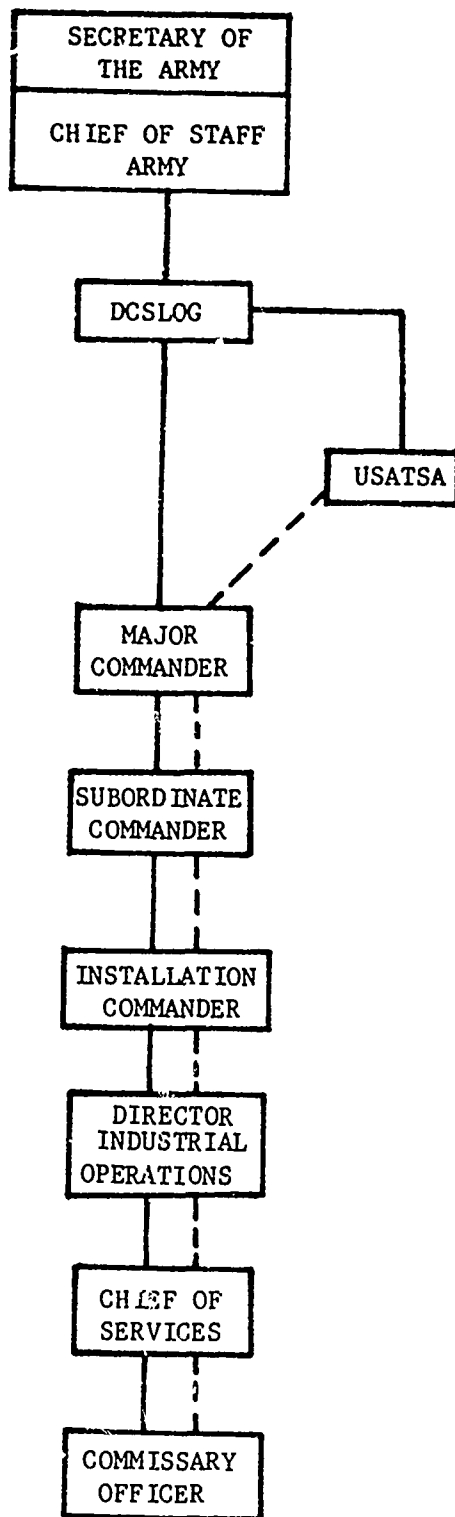
| | | ACTUAL | ESTIMATED | |
|------------------------------|----------|-----------|----------------|----------------|
| | | 30 JUN 74 | 30 JUN 1979 | SAVINGS |
| <u>COMMISSARY OFFICES</u> | | | | |
| <u>Main Stores</u> - | CONUS | 780 | 240 | |
| | Overseas | 424 | 212 | |
| <u>Branches</u> - | CONUS | 61 | 37 | |
| | Overseas | 32 | 32 | |
| | | (1,304) | (521) | 783 |
| <u>COMMISSARY WAREHOUSES</u> | | | | |
| <u>Main Stores</u> - | CONUS | 420 | 300 | |
| | Overseas | 371 | 318 | |
| <u>Branches</u> - | CONUS | 59 | 42 | |
| | Overseas | 96 | 64 | |
| <u>Annexes</u> - | CONUS | 81 | 54 | |
| | Overseas | 84 | 63 | |
| | | (1,111) | (841) | 270 |
| <u>COMMISSARY STORES</u> | | | | |
| <u>Main Stores</u> - | CONUS | 4,800 | 3,900 | |
| | Overseas | 1,950 | 1,696 | |
| <u>Branches</u> - | CONUS | 508 | 336 | |
| | Overseas | 240 | 176 | |
| <u>Annexes</u> - | CONUS | 540 | 432 | |
| | Overseas | 231 | 172 | |
| | | (8,269) | (6,712) | 1,557 (Note 1) |
| | | 10,684 | 8,074 (Note 2) | 2,610 |

NOTE 1: 1557 reduction includes 429 sales store workers (3x143); 286 receiving clerks (2x143); 212 sales store checkers based on efficiencies obtainable (e.g., increased cashier productivity, reduced price marking, etc.) with currently available ADP equipment utilizing Electronic Point of Sales with scanning.

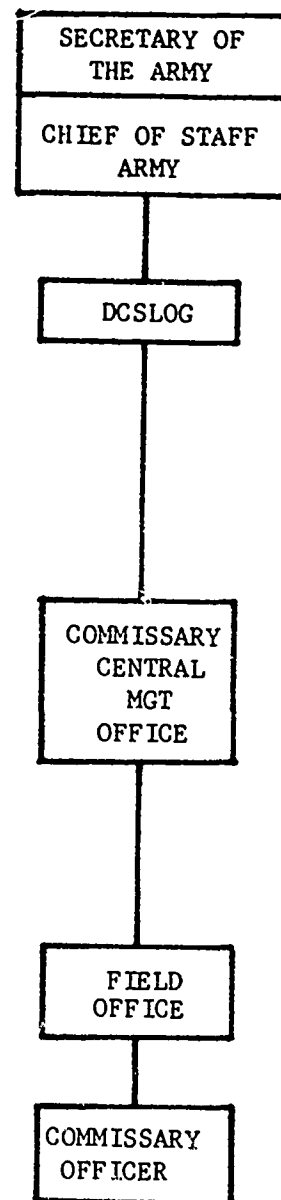
NOTE 2: The equivalent of 630 personnel savings is attributable to increased use of other than full time employees (7.8% x 8,074). See Appendix 10-D, Volume II, for discussion.

FIGURE 4

DECENTRALIZED
MANAGEMENT



CENTRALIZED
MANAGEMENT



————— COMMAND
- - - - - TECHNICAL ASSISTANCE

FIGURE 5

ESTIMATED SAVINGS AND SALES LOSSES FOR ARMY
CENTRAL MANAGEMENT ORGANIZATION
(REFLECTING DELAY IN AMIS)

| <u>MINIMUM LOSS</u> | | | |
|---|--------------|--------------|--------------|
| <u>ITEM</u> | <u>FY 76</u> | <u>FY 77</u> | <u>FY 78</u> |
| Percent Savings to the Customer | 17.6 | 13.6 | 13.6 |
| Percent Sales Loss | 5.8 | 10.4 | 10.3 |
| Reimbursable Costs as a percent of Sales | 8.1 | 12.4 | 12.3 |

| <u>MAXIMUM LOSS</u> | | | |
|---|--------------|--------------|--------------|
| <u>ITEM</u> | <u>FY 76</u> | <u>FY 77</u> | <u>FY 78</u> |
| Percent Savings to the Customer | 17.4 | 12.2 | 12.4 |
| Percent Sales Loss | 15.5 | 23.5 | 23.2 |
| Reimbursable Costs as a percent of Sales | 8.8 | 13.8 | 13.6 |

APPENDIX 6-B

CENTRALIZED NAVY COMMISSARY SYSTEM

6-B.1. ALTERNATIVE. Creation of Service wide Commissary Management Organization to operate Navy Commissary Stores.

6-B.2. ASSUMPTIONS.

a. Operate in an appropriated funded mode with only direct costs reimbursable as defined in section 814 of the annual DOD Appropriations Act.

b. Indirect costs of operations will continue to be supported from appropriated funds.

c. Commissary Store Civilian Personnel will continue to be Civil Service Personnel.

d. Commissary Store Staffing levels will be commensurate with sales and service levels.

e. Existing stock fund procedures will be modified to accommodate a vertical management structure as required.

f. The Subsistence Function (troop issue) of the commissary operation will continue to be funded through appropriated funded sources.

g. DSA/DPSC will continue the current support to military commissaries.

h. TRFA/CSRF funds may be invested for the production of additional income as a change to existing policy.

i. TRFA/CSRF funds may be used for construction and renovation of facilities within the U. S.

j. Criteria provisions/restrictions of section 814 pertaining to establishment and continuation of commissaries will be deleted.

k. A decrease in price differential between the commissary system and commercial stores may result in decreased sales in the commissary system.

l. An effective information program will be implemented to retain current commissary patronage or recover potential lost patronage that may result from a decrease in savings.

6-B.3. AREAS OF CONSIDERATION.

a. Summary

(1). This alternative requires the creation of a single organization within each service to manage and operate their commissary

store program. This is what is commonly known as "stove piping" the management and operation of the commissary stores.

(2). Command and control of Navy Commissary Stores is under the Naval Supply Systems Command and is exercised through the Navy Resale System Office. This existing vertical or "stove pipe" organization and management structure has been described in Appendix 4-B (Page 4B-1) "Present Navy Commissary System". Thus, Navy is currently operating under this alternative. Therefore, to conform to this alternative would require only that Navy Commissary Stores increase their mark-ups to cover those costs required by PBD 282 as expressed by section 814 of the Presidents Budget. A brief description by area of consideration is provided in the following paragraphs.

b. System Command and Management: Service management by the Navy Supply Systems Command to continue.

c. Headquarters Organization: NAVRESO to continue command and control.

d. Field Organization: The Navy Resale System Office should investigate the feasibility of further reorganizational consolidation in order to achieve additional economies. The reduction of the fifteen Regional Complexes to eight within the United States appears to be a viable alternative.

e. Methods of Operation:

(1). Stocks: Stores/Regions should reduce warehoused stocks of non-perishable items to not more than 1500 line items. Depth of stocks should be reduced to manageable levels through judicious readjustment of reorder cycles. Where permissible and practical, the use of vendor shelf stocking should be encouraged.

(2). Standards: Performance standards should be established for warehousemen, stockmen, meat cutters, sales checker, and other positions where performance is measurable.

(3). Systems: Specialists from the Navy Manpower and Material Analysis Centers and the Navy Resale Systems Office would assist stores in the redesign of systems and procedures in order to achieve improved efficiencies.

(4). Staffing: Staffing levels should be maintained commensurate with sales. The use of military personnel should be discouraged except at locations where qualified civilian personnel are not obtainable. A review of grading standards should be made to ensure that the standards appropriately consider the qualification requirements and responsibilities of Navy Commissary Store positions. Specific attention should be given to the appropriateness of existing grading standards as applied to a regional organization.

(5). Front-End: The program to update checkout operations should continue. Where practical, electronic point of sale and checkout stands suitable for later adaptation to a scanning environment should be purchased.

(6). ADP System: The system should be supported by upgrading ADP capability at NAVRESO. Data net should be established between NAVRESO and regional organizations, or independent stores. Through the use of electronic order entry equipment, stores would be able to transmit daily replenishment requirements. The computer at headquarters would sort such requirements and provide a listing in warehouse slot sequence with printed labels (one label per case) giving the catalog number, item description, and unit selling price. The same system would print the Stock List & Price Catalog, compute reorder quantities, print purchase orders and retail price changes, and provide mechanized shelf space allocation.

(7). Distribution System:

(a). Where wholesale grocery warehousing and distributive capabilities are obtainable, the economic feasibility of using such facilities vice government owned facilities should be studied. Such facilities should be utilized where determined to be economically feasible.

(b). At locations where the use of commercial grocery warehousing and distribution facilities is determined not to be economically feasible, the Navy wide availability of government owned warehouse buildings capable of being used as Navy Commissary Store region central distribution facilities should be investigated. Where practical, such facilities should be utilized. When existing government owned facilities are not obtainable, consideration should be given to constructing central distribution centers at Navy Complexes.

(c). Various methods of handling the distribution of groceries from the distribution center to retail sales location exist (i.e. pallet systems, mobile cart systems or a combination of both).¹The method of handling at each location which is determined to be the most economical should be employed.

(d). The Navy would pursue the completion of the central meat plant at Norfolk and San Diego and evaluate the feasibility of building similar plants elsewhere.

f. Number of Stores: All ninety-one Navy Stores should continue to operate but under the revised constraints imposed by PBD 282. On this

¹U.S. Department of Agriculture Publication ARS 52-69 Costs of Handling Groceries from Warehouse to Retail Sales Floor with Warehouse Pallets and Mobile Carts, April 1972.

basis, any store or region which is unable to run at least a break even operation, would require close review and justification to warrant continued operation.

g. Levels of Service: Suggest consideration be given to discontinuing six-day sales week and reverting to five-day sales week at those stores where a significant reduction in sales is experienced and improved efficiency in operations can be achieved by taking such action.

h. Funding and People: Efforts should be directed to achieving a full-time/other than full-time employee mix of 60%/40%, respectively. This mix should facilitate scheduling. This is based on the assumption that Navy commissary stores will continue with Civil Service employees with costs reimbursed from revenue collected from markup or surcharge. Navy would continue to use stock fund inventory procedures.

i. Training: Training would be upgraded to emphasize profit motive and economies of operation. Training in all phases of store operation should be intensified since personnel performance would be monitored and the majority of personnel would be required to conform to production standards.

j. Merchandising: The number of line items and product mix at each activity would be reviewed and changed as necessary to maximize economies of operation. A variable pricing policy would be employed.

k. Procurement Policy: Under an appropriated fund mode, buying practices would remain unchanged.

l. Accounting and Related Functions. No change.

m. Bill Paying. No change.

n. Inspection and Audit: No change.

o. Welfare and Recreation Contributions: None.

6-B.4. ECONOMIC IMPACT.

a. To assess the economic impact of this alternative within Navy, it is necessary to identify those costs that must be reimbursed above and beyond those currently paid by the approximately 5.3% mark-on. Once these costs have been determined, using the economic model developed by the Study Group and described in Appendix 3-C, Volume I (Page 3-17), it is possible to compute needed initial mark-ons, expected savings and expected lost sales.

b. Reimbursable Expenses: Program/Budget Decision 282 requires that certain appropriated funded costs associated with the direct support of military commissary stores be incrementally reimbursed. The first increment commences 1 October 1975, and the second increment starts 1 October 1976. To determine the reimbursable amounts, it is necessary

to determine the estimated requirements in the various appropriated accounts that support commissary stores and the amount of the appropriated funded support to remain. A computation of estimated requirements and estimated retained support is shown in Figures 1 through 6 (Pages 6B-8 to 16) and is summarized below by Fiscal year:

Estimated Requirements
(Millions Dollars)

| | FY 76 | | | FY 7T | | | FY 77 | | |
|----------|--------|--------|--------|--------|-------|--------|--------|--------|--------|
| Support | OMN | MPN | Total | OMN | MPN | Total | OMN | MPN | Total |
| Direct | 42.210 | 14.577 | 56.787 | 10.550 | 3.644 | 14.194 | 42.210 | 14.577 | 56.787 |
| Indirect | 9.979 | 1.250 | 11.229 | 2.497 | .313 | 2.810 | 9.979 | 1.250 | 11.229 |
| Total | 52.189 | 15.827 | 68.016 | 13.047 | 3.957 | 17.004 | 52.189 | 15.827 | 68.016 |

Estimated Retained Support
(Millions Dollars)

| | FY 76 | | | FY 7T | | | FY 77 | | |
|----------|--------|--------|--------|-------|-------|-------|-------|-------|--------|
| Support | OMN | MPN | Total | OMN | MPN | Total | OMN | MPN | Total |
| Direct | 26.381 | 9.110 | 35.491 | 5.275 | 1.822 | 7.097 | None | None | None |
| Indirect | 9.979 | 1.250 | 11.229 | 2.497 | .313 | 2.810 | 9.979 | 1.250 | 11.229 |
| Total | 36.360 | 10.360 | 46.720 | 7.772 | 2.135 | 9.907 | 9.979 | 1.250 | 11.229 |

Estimated Reimbursable Expenses
(Millions of Dollars)

| | FY 76 | | | FY 7T | | | FY 77 | | |
|----------|--------|-------|--------|-------|-------|-------|--------|--------|--------|
| Support | OMN | MPN | Total | OMN | MPN | Total | OMN | MPN | Total |
| Direct | 15.829 | 5.467 | 21.296 | 5.275 | 1.822 | 7.097 | 42.210 | 14.577 | 56.787 |
| Indirect | None | None | None | None | None | None | None | None | None |
| Total | 15.829 | 5.467 | 21.296 | 5.275 | 1.822 | 7.097 | 42.210 | 14.577 | 56.787 |

c. Other Operating Expenses. Using the cost information developed under the existing operations, it is possible to estimate both the fixed and variable operating costs. The methodology used to make these estimates was to use the 5.3% initial mark-on and divide the expenses into fixed and variable costs based on a 80:20 ratio. Based on these factors, the following is a summary of the estimated fixed and variable costs:

| | 3/4 FY76 | FY 7T | FY 77 |
|---------------|----------|---------|----------|
| Fixed Exp. | \$15.25M | \$5.08M | \$20.33M |
| Variable Exp. | 6.19 | 2.06 | 7.74 |
| Total | \$21.44M | \$7.14M | \$28.07M |

d. Impact. Using an initial estimate that Navy selling prices are currently 22.0% under equivalent prices in commercial supermarkets and a forecasted real sales growth of 2.5% during the first quarter of FY1976, it is possible to project equivalent supermarket sales, Navy sales, initial mark-on at retail, savings and lost sales. Figures 7 and 8 (pages 6B-17 and 18) present a spread of estimates based on certain assumed sales

losses. Figure 7 (page 6B-17) was derived using a Joint Army/Navy sales loss estimate described in Chapter 3 and the economic model described in Appendix 3-C. Figure 8 (page 6B-18) was derived using the same economic model but using sales losses predicted by a DOD study as described in Chapter 3. A summary of the key factors in Figures 7 and 8 are shown below:

| Item | 3/4 FY 76 and 7T | FY 77 | FY 78 |
|-----------------------------------|------------------|--------------|---------------|
| Expected savings % | 16.4 to 17.4 | 10.9 to 12.7 | 12.5 to 13.9 |
| Expected lost sales % | 6.0 to 16.2 | 5.9 to 10.2 | No add'l loss |
| Expected costs (less (GS) % sales | 10.5 to 11.5 | 15.3 to 17.0 | 14.0 to 15.4 |

e. Reduction of Economic Impact.

To reduce the economic impact of this alternative would require the adoption of some of the items suggested in areas of consideration and discussed in Chapter 5 entitled "Potential Areas for Improvement of Existing Systems," e.g., the reduction of the number of Navy commissary store complexes within the United States.

6-B.5. ADVANTAGES AND DISADVANTAGES.

a. Advantages

- (1). Centralized administration, accounting, procurement and data services.
- (2). Enables stores to concentrate exclusively on sales functions.
- (3). Greater speed and accuracy in reorder computation and purchase order preparation.
- (4). Greater professionalism in inventory management and the selection of items.
- (5). Technical management at the local level to ensure efficient operations.
- (6). Consolidated buying.
- (7). Pooling of assets to ensure that all stores secure equal benefit.
- (8). Civilian personnel administrative matters handled at complex level. Total complex regarded as one unit for such purposes as EEO plan, merit promotion and grievance procedures. One union may be granted exclusive recognition.

(9). Higher grades at complex level provide a better opportunity for advancement.

(10). Cross training opportunities.

(11). Stores in same geographical area have identical selling prices and uniform policies with respect to patron, identification, check cashing, children in store, etc.

(12). Complex coordinates sales events. Provides sales promotional guidance and material.

b. Disadvantages

By removing responsibility for commissary store operation from local commands, there have been some instances where such commands have attempted to withdraw or reduce appropriated fund support. NAVCOMPT Manual has been specific, however, as to non-reimbursable services to be provided.

Figure 1

COMMISSARY STORES - FY 1976
CONSISTENT WITH LANGUAGE OF SEC. 814
 (\$000)

| | <u>O&M,N</u> | <u>MPN</u> | <u>TOTAL</u> |
|---|------------------|---------------|---------------|
| Approved in NAVSUP's Congressional Budget: | | | |
| Commissary Stores Line | 19,751 | | 19,751 |
| Transportation Line | <u>4,700</u> | | <u>4,700</u> |
| Sub Total | 24,451 | | 24,451 |
| Requested Restoration to NAVSUP | +8,070 | <u>1/</u> | +8,070 |
| Included in other claimants budget for support of commissary stores: | | | |
| Military Personnel | - | 15,827 | 15,827 |
| Minor Construction | 51 | | 51 |
| Maintenance & Repair | 960 | | 960 |
| Services from Host and Accounting Activities | 2,278 | | 2,278 |
| | <u>550</u> | | <u>550</u> |
| Sub-total | +3,839 | +15,827 | +19,666 |
| Requested Reduction to MILPERS | - | 5,467 | - 5,467 |
| Total required for Commissary Stores | <u>36,360</u> | <u>10,360</u> | <u>46,720</u> |

1/ See Figure 2 for derivation

| | <u>RECAPITULATION</u> | | <u>TOTAL REQUIRED FUNDING ALL SOURCES</u> |
|----------------------|--|---|---|
| <u>APPROPRIATION</u> | <u>REQUIRED APPROPRIATED FUNDING</u> | <u>REQUIRED REIMBURSEMENTS FROM SURCHARGE</u> | |
| O&M,N | 36,360 | 15,829 | 52,189 |
| MPN | <u>10,360</u> | <u>5,467</u> | <u>15,827</u> |
| Total | 46,720 | 21,296 | 68,016 |

2/ Amounts in this column reflect funding that each appropriation should have been reduced consistent with Section 814 language. These reductions are to be offset from revenues derived from surcharge increases.

Figure 2

COMMISSARY STORES - FY 1976
CONSISTENT WITH LANGUAGE OF SEC. 814
(\$000)

| <u>Operation and Maintenance, Navy</u> | <u>Total</u> | <u>Total</u> | | <u>Reimbursable</u> | |
|--|--------------|--------------|--------------|---------------------|------------|
| | | <u>1Q</u> | <u>2Q-4Q</u> | <u>(50% eff</u> | <u>NQA</u> |
| | | | | <u>Oct 1, 1975)</u> | |
| Costs Applicable to | | | | | |
| <u>Surcharge Funding:</u> | | | | | |
| CIVPERS (Direct)(excluding | | | | | |
| \$.08311 training costs) | 40,545 | 10,136 | 30,409 | 15,205 | 25,340 |
| Master Labor Contract Pers. | 1,115 | 279 | 836 | 418 | 697 |
| Utilities Overseas | 550 | 138 | 412 | 206 | 344 |
| Sub-Total | 42,210 | 10,553 | 31,657 | 15,829 | 26,381 |
| Costs Applicable to | | | | | |
| <u>Continued Appropriated Funding:</u> | | | | | |
| Navy Resale System Office | | | | | |
| Support | 1,780 | | | - | 1,780 |
| Garbage Removal | 70 | | | - | 70 |
| OSHA | 2 | | | - | 2 |
| Minor Construction | 51 | | | - | 51 |
| Maintenance & Repair | 960 | | | - | 960 |
| Services furnished by | | | | | |
| Host & Accounting Activities | 2,278 | | | - | 2,278 |
| Travel | 55 | | | - | 55 |
| Transportation | 4,700 | | | - | 4,700 |
| CIVPERS Training | 83 | | | - | 83 |
| Sub-Total | 9,979 | | | - | 9,979 |
| O&M,N Total | 52,189 | | | 15,829 | 36,360 |
| <u>Military Personnel, Navy</u> | | | | | |
| Costs Applicable to | | | | | |
| <u>Surcharge Funding:</u> | | | | | |
| MILPERS (excluding | | | | | |
| \$1.250M training costs) | 14,577 | 3,644 | 10,933 | 5,467 | 9,110 |
| Costs Applicable to | | | | | |
| <u>Continued Appropriated Funding:</u> | | | | | |
| MILPERS Training | 1,250 | | | | 1,250 |
| MPN Total | 15,827 | | | 5,467 | 10,360 |
| Grand Total | 68,016 | | | 21,296 | 46,720 |

Figure 2 (continued)

COMMISSARY STORES - FY 1976
CONSISTENT WITH LANGUAGE OF SEC. 814
(\$000)

| <u>Recapitulation:</u> | <hr/> | | |
|--|-------------------|--------------------|--------------|
| | <u>O&M, N</u> | <u>NOA MPN</u> | <u>TOTAL</u> |
| PBD #282 Mark-up | -23,899 | - | -23,899 |
| Reduction that would be consistent with language of Sec. 814 | -15,829 | -5,467 | -21,296 |
| Requested Change | +8,070 | -5,467 | + 2,603 |

Figure 3

COMMISSARY STORES - FY 1971
CONSISTENT WITH LANGUAGE OF SEC. 814
 (\$000)

| | <u>O&M, N</u> | <u>MPN</u> | <u>TOTAL</u> |
|---|----------------------|----------------------|--------------|
| Approved in NAVSUP's Congressional Budget: | | | |
| Commissary Stores Line | 2,939 | | 2,939 |
| Transportation Line | <u>1,175</u> | | <u>1,175</u> |
| Sub-Total | 4,114 | | 4,114 |
| Requested Restoration to NAVSUP | +2,691 ^{1/} | | +2,691 |
| Included in other flaimants budget for support of Commissary Stores: | | | |
| Military Personnel | - | 3,957 | 3,957 |
| Maintenance & Repair | 240 | | 240 |
| Services from Host and Accounting Activities | 590 | | 590 |
| Utilitie | <u>137</u> | | <u>137</u> |
| Sub-Total | +967 | +3,957 ^{1/} | +4,924 |
| Requested Reduction to MILPERS | - | 1,822 ^{1/} | -1,822 |
| Total required for Commissary Stores ^{1/} | 7,772 | 2,135 | 9,907 |

^{1/} See Figure 4 for derivation

RECAPITULATION

| <u>APPROPRIATION</u> | <u>REQUIRED APPROPRIATED FUNDING</u> | <u>REQUIRED REIMBURSEMENT FROM SURCHARGES</u> | ^{2/} <u>TOTAL REQUIRED FUNDING ALL SOURCES</u> |
|----------------------|--|---|---|
| O&M, N | 7,772 | 5,275 | 13,047 |
| MPN | <u>2,135</u> | <u>1,822</u> | <u>3,957</u> |
| Total | 9,907 | 7,097 | 17,004 |

^{2/} Amounts in this column reflect funding that each appropriation should have been reduced consistent with Section 814 language. These reductions are to be offset from revenues derived from surcharge increases.

Figure 4

COMMISSARY STORES - FY 197T
CONSISTENT WITH LANGUAGE OF SEC. 814
 (\$000)

| <u>Operation and Maintenance, Navy</u> | <u>Total</u> | <u>REIMBURSABLE</u> <u>(REFLECTS 50% OF</u> <u>TOTAL)</u> | <u>NOA</u> |
|---|--------------|---|------------|
| <u>Costs Applicable to</u> | | | |
| <u>Surcharge Funding:</u> | | | |
| CIVPERS (Direct) (excluding | | | |
| \$.021M training costs) | 10,134 | 5,067 | 5,067 |
| Master Labor Contract Pers. | 279 | 140 | 139 |
| Utilities Overseas | 137 | 68 | 69 |
| Sub-Total | 10,550 | 5,275 | 5,275 |
| <u>Costs Applicable to</u> | | | |
| <u>Continued Appropriated Funding:</u> | | | |
| <u>Navy Resale System Office</u> | | | |
| Support | 440 | - | 440 |
| Garbage Removal | 17 | - | 17 |
| OSHA | 1 | - | 1 |
| Minor Construction | - | - | - |
| Maintenance & Repair | 240 | - | 240 |
| Services furnished by Host & Accounting | | | |
| Activities | 590 | - | 590 |
| Travel | 13 | - | 13 |
| Transportation | 1,175 | - | 1,175 |
| CIVPERS Training | 21 | - | 21 |
| Sub-Total | 2,497 | - | 2,497 |
| O&M, N Total | 13,047 | 5,275 | 7,772 |
| <u>Military Personnel, Navy</u> | | | |
| <u>Costs Applicable to</u> | | | |
| <u>Surcharge Funding:</u> | | | |
| MILPERS (excluding | 3,644 | 1,822 | 1,822 |
| \$.313M training costs) | | | |
| <u>Costs Applicable to</u> | | | |
| <u>Continued Appropriated Funding:</u> | | | |
| MILPERS Training | 313 | - | 313 |
| MPN Total | 3,957 | 1,822 | 2,135 |
| Grand Total | 17,004 | 7,097 | 9,907 |

Figure 4 (continued)

COMMISSARY STORES - FY 197T
CONSISTENT WITH LANGUAGE OF SEC. 814

(\$000)

Recapitulation:

| | <u>NOA (\$000)</u> | | |
|--|--------------------|------------|--------------|
| | <u>O&M,N</u> | <u>MPN</u> | <u>TOTAL</u> |
| PBD #282 markup | -7,966 | - | -7,966 |
| Reduction that would be consistent with language of Sec. 814 | -5,275 | -1,822 | -7,097 |
| Requested change | +2,691 | -1,822 | +869 |

Figure 5

COMMISSARY STORES - FY 1977
CONSISTENT WITH LANGUAGE OF SEC. 814

(\$000)

Approved in Jan '75 FYDP:

| | | | |
|--|--------------|---------|--------------|
| Commissary Store Line | - | - | - |
| Transportation Line | <u>4,700</u> | - | <u>4,700</u> |
| Sub-Total | 4,700 | - | 4,700 |
| Requested Restoration ^{1/} | +5,279 | +1,250* | +6,529 |
| TOTAL required for commissary stores ^{1/} | 9,979 | 1,250* | 11,229 |

^{1/} See Figure 6 for derivation.

* This amount reflects costs associated with military billets assigned to CONUS stores which serve as training billets for overseas positions and should be considered as administrative costs which will continue to be financed from appropriated funds in FY 1977 and beyond.

RECAPITULATION

| <u>APPROPRIATION</u> | <u>REQUIRED APPROPRIATED FUNDING</u> | <u>REQUIRED REIMBURSEMENTS FROM SURCHARGES</u> | <u>TOTAL REQUIRED FUNDING- ALL SOURCES</u> |
|----------------------|--------------------------------------|--|--|
| O&M,N | 9,979 | 42,210 | 52,189 |
| MPN | <u>1,250</u> | <u>14,577</u> | <u>15,827</u> |
| TOTAL | 11,229 | 56,787 | 68,016 |

^{2/} Amounts in this column reflect funding that each appropriation should have been reduced consistent with Section 814 language. These reductions are to be offset from revenues derived from surcharge increases.

Figure 6

COMMISSARY STORES - FY 1977
CONSISTENT WITH LANGUAGE OF SEC. 814

(\$000)

| | <u>TOTAL</u> | <u>REIMBURSABLE</u> | <u>NOA</u> |
|--|--------------|---------------------|------------|
| <u>Operation and Maintenance, Navy</u> | | | |
| <u>Costs Applicable to</u> <u>Surcharge Funding:</u> | | | |
| CIVPERS (Direct) (excluding \$.083M training costs) | 40,545 | 40,545 | - |
| Master Labor Contract Pers. | 1,115 | 1,115 | - |
| Utilities Overseas | 550 | 550 | - |
| Sub-Total | 42,210 | 42,210 | - |
| <u>Costs Applicable to</u> <u>Continued Appropriated Funding:</u> | | | |
| <u>Navy Resale System Office</u> | | | |
| Support | 1,780 | - | 1,780 |
| Garbage Removal | 70 | - | 70 |
| OSHA | 2 | - | 2 |
| Minor Construction | 51 | - | 51 |
| Maintenance & Repair | 960 | - | 960 |
| Services furnished by Host & Accounting Activities | 2,278 | - | 2,278 |
| Travel | 55 | - | 55 |
| Transportation | 4,700 | - | 4,700 |
| CIVPERS Training | 83 | - | 83 |
| Sub-Total | 9,979 | - | 9,979 |
| O&M,N Total | 52,189 | 42,210 | 9,979 |
| <u>Military Personnel, Navy</u> | | | |
| <u>Costs Applicable to</u> <u>Surcharge Funding:</u> | | | |
| MILPERS (excluding \$1.250M training costs) | 14,577 | 14,577 | |
| <u>Costs Applicable to</u> <u>Continued Appropriated Funding:</u> | | | |
| MILPERS Training | 1,250 | - | 1,250 |
| MPN Total | 15,827 | 14,577 | 1,250 |
| Grand Total | 68,016 | 56,787 | 11,229 |

Figure 6 (Continued)

COMMISSARY STORES - FY 1977
CONSISTENT WITH LANGUAGE OF SEC. 814

(\$000)

Recapitulation:

| | NOA (\$000) | | |
|--|-------------|---------|---------|
| | O&M, N | MPN | TOTAL |
| PBD #282 Reduction | -47,904 | -15,827 | -63,731 |
| PBD #255 MAC Transfer | +415 | - | +415 |
| Net PBD Reductions | -47,489 | -15,827 | -63,316 |
| Reduction that would be consistent with language of Sec. 814 | -42,210 | -14,577 | -56,787 |
| Requested Restoration | +5,279 | +1,250 | +6,529 |

Figure 7

COMPUTATION OF ECONOMIC IMPACT OF SERVICE MANAGEMENT
OF COMMISSARY STORES - NAVY¹

| Item | | 3/4 FY76&7T | FY77 | FY78 |
|--------------------------------------|---------|-------------|-------|----------------|
| Assumed Initial Savings | % | 22.0 | 17.4 | 12.7 |
| Assumed Incremental Sales Loss | % | 5.5 | 3.9 | No Addt'l Loss |
| Equivalent Supermarket Sales | \$M | 660.5 | 628.7 | 628.7 |
| Estimated Commissary Sales | \$M | 546.0 | 549.0 | 541.2 |
| Costs: | | | | |
| Cost of Goods Sold | \$M | 488.8 | 465.3 | 465.3 |
| Cost of Goods Sold | % Sales | 89.5 | 84.8 | 86.0 |
| Personnel ³ | \$M | 27.9 | 56.2 | 49.5 |
| Personnel | % Sales | 5.1 | 10.2 | 9.1 |
| Operations ² | \$M | 19.2 | 17.6 | 16.5 |
| Operations | % Sales | 3.5 | 3.2 | 3.0 |
| Capital Outlay | \$M | 10.0 | 10.0 | 10.0 |
| Capital Outlay | % Sales | 1.8 | 1.8 | 1.8 |
| Total Costs (Less CGS) | \$M | 57.1 | 83.8 | 76.0 |
| Total Costs (Less CGS) | % Sales | 10.5 | 15.3 | 14.0 |
| Expected Incremented Sales Loss % | | .5 | 2.2 | No Addt'l Loss |
| Year End Expected Total Sales Loss % | | 6.0 | 11.9 | 9.9 |
| Expected Savings ⁴ | % | 17.4 | 12.7 | 13.9 |

Notes:

1. This computation represented best case using JOM Army/Navy Sales Loss Curve.
2. Operational Costs were divided into fixed and variable costs on an 80/20% split.
3. Personnel Costs for FY 1978 were reduced by 11.9% to account for reduction of labor force due to decreased Sales and other operational improvements.
4. Iterations were performed until savings were reduced to 1/100 of a percent.

Figure 8

COMPARISON OF ECONOMIC IMPACT OF SERVICE MANAGEMENT
OF COMMISSARY STORES - NAVY¹

| Item | | 3/4FY76&7T | FY 77 | FY 78 |
|------------------------------------|---------|------------|-------|----------------|
| Assumed Initial Savings | % | 22.0 | 16.4 | 10.9 |
| Assumed Incremental Sales Loss | % | 14.3 | 7.1 | No Addt'l Loss |
| Equivalent Supermarket Sales | \$M | 590.6 | 532.0 | 532.0 |
| Estimated Commissary Sales | \$M | 493.6 | 474.3 | 465.6 |
| Costs: | | | | |
| Cost of Goods Sold | \$M | 437.1 | 393.7 | 393.7 |
| Cost of Goods Sold | % Sales | 88.6 | 83.0 | 84.6 |
| Personnel ³ | \$M | 27.9 | 56.2 | 49.5 |
| Personnel | % Sales | 5.6 | 11.8 | 10.6 |
| Operations ² | \$M | 18.7 | 14.4 | 12.4 |
| Operations | % Sales | 3.8 | 3.3 | 2.7 |
| Capital Outlay | \$M | 10.0 | 10.0 | 10.0 |
| Capital Outlay | % Sales | 2.0 | 2.1 | 2.1 |
| Total Costs (Less CGS) | \$M | 56.6 | 80.6 | 71.9 |
| Total Costs (Less CGS) | % Sales | 11.5 | 17.0 | 15.4 |
| Expected Incremental Sales Loss | % | 1.9 | 3.8 | No Addt'l Loss |
| Year End Expected Total Sales Loss | % | 16.2 | 26.4 | 22.9 |
| Expected Savings ⁴ | | 16.4 | 10.9 | 12.5 |

Notes

1. This computation represented worst case using DOD Sales Loss Curve.
2. Operational costs were divided into fixed and variable costs on an 80/20% split.
3. Personnel costs for FY 1978 were reduced by 11.9% to account for reduction of labor force due to decreased Sales and other operational improvements.
4. Iterations were performed until savings were reduced to 1/100 of a percent.

APPENDIX 6-C

CENTRALIZED MARINE CORPS COMMISSARY SYSTEM

6-C.1. ALTERNATIVE. Creation of a service wide commissary management organization to operate Marine Corps commissary stores.

6-C.2. ASSUMPTIONS.

a. Operate in an appropriated funded mode with only direct costs reimbursable as defined in section 814 of the annual DOD Appropriations Act.

b. Indirect costs of operations will continue to be supported from appropriated funds.

c. Commissary store civilian personnel will continue to be Civil Service personnel.

d. Commissary store staffing levels will be commensurate with sales and service levels.

e. Existing stock fund procedures will be modified to accommodate a vertical management structure as required.

f. The subsistence function (troop issue) of the commissary operation will continue to be funded through appropriated funded sources.

g. DSA/DPSC will continue the current support to military commissaries.

h. TRFA/CSRF funds may be invested for the production of additional income as a change to existing policy.

i. TRFA/CSRF funds may be used for construction and renovation of facilities within the U. S.

j. Criterion provisions/restrictions of section 814 pertaining to establishment and continuation of commissaries will be deleted.

k. A decrease in price differential between the commissary system and commercial stores may result in decreased sales in the commissary system.

l. An effective information program will be implemented to

retain/recover the bulk of current commissary patronage lost as a result of a decrease in price differential.

6-C.3. SYSTEM COMMAND AND MANAGEMENT. The control of commissary stores would remain within the Marine Corps.

a. Headquarters Organization. A centralized (vertical) organization structure with straight line management from Headquarters Marine Corps is proposed (See Figure 1, Page 6 C-9). The Deputy Chief of Staff for Installations and Logistics would assume direct management and operational control of all Marine Corps commissary stores through a Commissary Store Management Office as established. This office would have the responsibility for fiscal budgeting and accounting, administrative, and operational functions to monitor the commissary store program. Approximately seven personnel are deemed necessary to maintain visibility and control of the Marine Corps commissary store operation. The personnel at this level would be an indirect cost to the Commissary store operation. The functions of the Commissary Store Management Office would be as outlined below:

(1). Director.

(a). Recommends and administers policy, programs and procedures concerning all phases of commissary stores, including personnel staffing, merchandising, equipment, operating supplies and services, store and plant layout.

(b). Provides operational and technical assistance on the formulation of policies and procedures for the administration of the commissary store program.

(c). Prepares and coordinates changes to the Marine Corps Commissary Stores Management Manual.

(d). Prepares and coordinates instructions required to manage, control and administer the commissary store program.

(e). Exercises control of operations and merchandise inventories in accordance with approved financial plans.

(f). Manages the Marine Corps commissary store profit reserve fund account.

(g). Selects complex officer in charge when vacancies occur. Prepares performance ratings on the complex officers.

(h). Reviews, evaluates and recommends action on all commissary store facility improvement projects.

(2). Administrative Section.

(a). Monitors and controls all incoming and outgoing correspondence to ensure compliance with established policy.

(b). Prepares outgoing correspondence and maintains records and files.

(c). Reviews and evaluates activity reports of uncollectible checks and coordinates further collection action.

(d). Reviews, monitors and/or prepares all recurring reports concerning the commissary store program.

(3). Personnel and Operations Section.

(a). Determines qualitative and quantitative civilian staffing requirements for commissary store operations and ensures equitable distribution of civilian staffing assets authorized for the commissary store program.

(b). Develops O&MMC funding requirements for civilian staffing of commissary stores.

(c). Develops and coordinates TAD funding for the office and commissary complex.

(d). Develops and recommends data for system-wide coordination of job titles and position descriptions for commissary store civilian personnel.

(e). Maintains mission performance records and develops comparative productivity data for each store.

(f). Analyzes financial reports and operating statements and recommends corrective action when required.

(g). Develops stock fund requirements for resale merchandise, operating supplies and procurement of capital assets.

(h). Reviews and recommends action on Field Supply Maintenance Analysis reports, Naval audit reports, and requests from installation commanders on support problems.

(i). Monitors degree and operational impact of implementing established policies and procedures through liaison with complex officers and operations assistance team specialists.

(j). Recommends and assists in the development of

operating and merchandising policies; formulates and implements related procedures and performance standards.

(4). Accounting and Procedures Section.

(a). Formulates and recommends changes in commissary stores accounting procedures and document reporting process.

(b). Formulates and recommends operating procedures and guidelines for the commissary store program.

(c). Recommends changes to Marine Corps/DOD Directives/Manuals concerning policy/procedures governing commissary stores.

(d). Develops and coordinates accounting and/or procedural special projects for commissary store operations.

(e). Maintains stores accounting and financial records including the preparation of financial status reports.

(f). Conducts studies and analytical surveys, compiles technical information and statistical data for establishment and/or amendment of policies, procedures, performance standard and goals.

(g). Develops and maintains listings of standard operating supplies and equipment service contracts for use by all commissary stores.

(5). Facilities and Equipment Section.

(a). Evaluates the physical plant of each commissary store in order to maintain the facility at a maximum degree of efficiency and utilization.

(b). Maintains inventory listings of all capital asset equipment.

(c). Develops equipment allowances and replacement program.

(d). Develops standard commissary store equipment purchase descriptions for use by all commissary stores, recommends approval or disapproval of equipment procurement requests, provides technical assistance and evaluation of equipment installation.

(e). Reviews architectural and engineering drawings and specifications prepared by commercial A&E for design and equipment adequacy and makes appropriate recommendations.

(f). Coordinates and maintains the Marine Corps commissary store long range facility improvement program funded with commissary store profit reserve.

(g). Recommends the amounts of funds to be included in the Marine Corps Stock Fund budget for facility improvements and equipment requirements.

b. Field Organization.

(1) It is recommended that the Marine Corps establish Commissary Store Complexes to the maximum possible. This type of organization should lend itself to personnel reductions by the combining of functions to a central administrative office. It is estimated that a 12-15% net reduction in authorized personnel based on sales criteria manual should be realized. A diagram for the organization of such complexes is contained at Figure 2 (Page 6C-10).

(2) The complex office would have the following responsibilities for the region: administrative, procurement, accounting and budgeting, and operational assistance. The officer in charge of the complex would be responsible for the overall supervision and accountability of assigned commissary stores. An administrative division would review and analyze procedural and policy directives from higher authority and recommend implementing action thereto; and perform other office services. A control division would determine sources and methods of procurement; recommend changes to the authorized stockage list; perform all functions related to the use of data processing equipment in connection with stock control, accounting and management information records; and perform accounting services. The operations assistance division would provide advisory assistance to managerial personnel within each store in the complex on all matters pertaining to grocery, meat, produce and checkout operations. The complex office staff would be an indirect cost to the commissary store operation.

6-C.4. OPERATIONAL ASPECTS.

a. Current operating procedures within the Marine Corps will for the most part continue as presently designated. The installation commander, however, will no longer have the operational control over commissary stores located on the installation. The Complex Officer in Charge and Commissary Store Officer of independent stores would report directly to the CSMO which has direct management control of all commissary store operations. The host commander would still provide activity common services such as military and civilian personnel administration; upkeep of facilities; fire, safety and security; trash and garbage removal.

b. The complex office would maintain all necessary records

for the branch stores. Procurement would be initiated for the whole complex with shipments designated at the branch stores or centrally warehoused with distribution handled by the complex. The volume buying of the complex would take advantage of lower prices which are not realized under the current system. DPSC support will be used in those instances that provide the most advantageous price. All procurement documents will cite the account of the complex. Blanket purchase agreements can be handled at the branch stores with the consolidated delivery tickets submitted to the complex by a certain date after the month for payment purposes. The comptroller staff personnel that had supported commissary stores at the branch locations would no longer be required. However, there would be a need for additional comptroller personnel at the installation with the complex office. The comptroller will retain the responsibility of maintenance of all accounting records and the preparation of all financial reports involving commissary store operations. Receiving reports will be checked against vouchers at the complex office and forwarded to the disbursing officer for payment. Instead of twelve separate accounts, there will be only four, 2 complex offices and 2 independent stores. The independent stores would remain as presently organized for procurement, accounting and disbursement.

c. The paying function will remain as a part of the installation disbursing officer of the complex with MCSA, Philadelphia maintaining the account for the Marine Corps System. Reconciliation will be decentralized to the complex and independent store. Purchase discounts will be credited to the Marine Corps Stock Fund commissary store profit reserve as is currently operated.

d. The Marine Corps Stock Fund will still be used to finance commissary store costs. The working capital required would be furnished by means of allotments from the MCSF, and would constitute obligational authority for items of resale and operating expenses. Allotment administration and the fiscal accounting therefore would be the responsibility of the CSMO. The CSMO will be required to furnish the Complex Officer in Charge or Commissary Store Officer current information as to the status of funds available for commissary store operations.

e. Revenue from a markup on goods sold will be used to pay those expenses as required and to contribute to the HQMC profit reserve for construction and capital assets. The markup would be variable for each commodity group not to exceed an established maximum percentage.

f. The CSMO would establish the levels of service for all commissary stores to include hours of operation, specified number of line items authorized, and never out list.

g. The day to day operation of the branch commissary store

would be managed by a store manager who is responsible and accountable to the Complex Officer in Charge. The store operation would basically remain as is currently operated. The office staff would be limited to those individuals to perform functions such as clerical, daily sales collections, inventory control and ordering against blanket purchase agreements. All other functions are administered by the complex office.

h. An operations assistance team would be established at each complex to provide advisory assistance to managerial personnel within each store in the complex. This team would make periodic visits to each store to review operations to insure that each store within the complex is operating under the same guidelines. They would also make recommendations on ways to improve productivity, efficiency and changes to procedures that would improve the operation. The West Coast Complex would have the additional responsibility of providing technical assistance to the independent commissary stores at Kaneohe Bay and Iwakuni.

i. Personnel staffing policy will be dictated by the CSMO. Staffing levels will be commensurate with the volume of sales for the complex. The Complex Officer in Charge may allocate to the stores as deemed necessary. Maximum utilization will be made of part-time intermittent employees. Constraints to the accounting for part-time against full-time will have to be changed.

6-C.5. PERSONNEL COST COMPARISON.

a. By consolidating the Marine Corps commissary system into complexes, it would possibly improve the efficiency of operation and provide for uniformity of operations, however, cost savings compared to present cost of operations are doubtful. Table 1 (Page 6C-11), provides a breakout of authorizations based on the commissary store personnel criteria and present authorized manning levels. Actual manpower strength in the commissary stores is below both those levels.

b. The proposed staffing of a complex operation has adjusted the personnel authorized in the criteria manual by 10% to staff the commissary store without the procurement and administration functions. The complex office figure was based on the Navy concept. The total figure of four military and 883 civilian personnel are deemed necessary to provide adequate service to Marine Corps commissary store patrons.

6-C.6. ECONOMIC IMPACT AND CUSTOMER SAVINGS. An economic impact analysis of lost sales, required initial mark-ons, and expected customer savings based on a low and high sales loss factors is provided in

Table 2 (Page 6C-12). A summary is as follows:

| | FY 1976 & 1977 | FY 1977 | FY 1978 |
|-------------------------------------|----------------|--------------|--------------|
| Expected Lost Sales (Cumulative) | 4.8 - 13.9% | 10.3 - 23.6% | 10.9 - 23.0% |
| Required Initial Mark-ons | 8.9 - 9.5% | 14.3 - 15.7% | 14.7 - 15.5% |
| Expected Customer Savings | 18.8 - 18.2% | 13.7 - 12.2% | 13.3 - 12.5% |

6-C.7. ADVANTAGES AND DISADVANTAGES.

a. Advantages.

(1) Consolidated procurement with constant prices throughout the complex.

(2) Improved control of personnel through allocation by the complex.

(3). Improved management and utilization of commissary store profit reserve funds by implementing a Marine Corps wide equipment replacement program.

(4) Reduction of administrative staffs at the commissary stores with this function at the complex office.

(5) Capability to incorporate a system wide management information system.

(6) Consolidated procurements of operating supplies, equipment service contracts and operating equipment would result in obtaining the best available price.

(7) Management teams from the complex will be able to visit the commissary stores to determine inefficiencies and make appropriate changes.

b. Disadvantages.

(1) Loss of command supervision, control and support of the day to day commissary store operation. Command prerogatives would be essentially limited to an advisory capacity.

(2) Increased staffing at HQMC to monitor the commissary store program.

(3) Distance between complex office and commissary store is such that span of control is minimal. Also, an increase in TAD funds is necessary to finance trips by Complex Officer in Charge and operations assistance team visits.

FIGURE 1

CENTRALIZED ORGANIZATION FOR USMC COMMISSARY SYSTEM

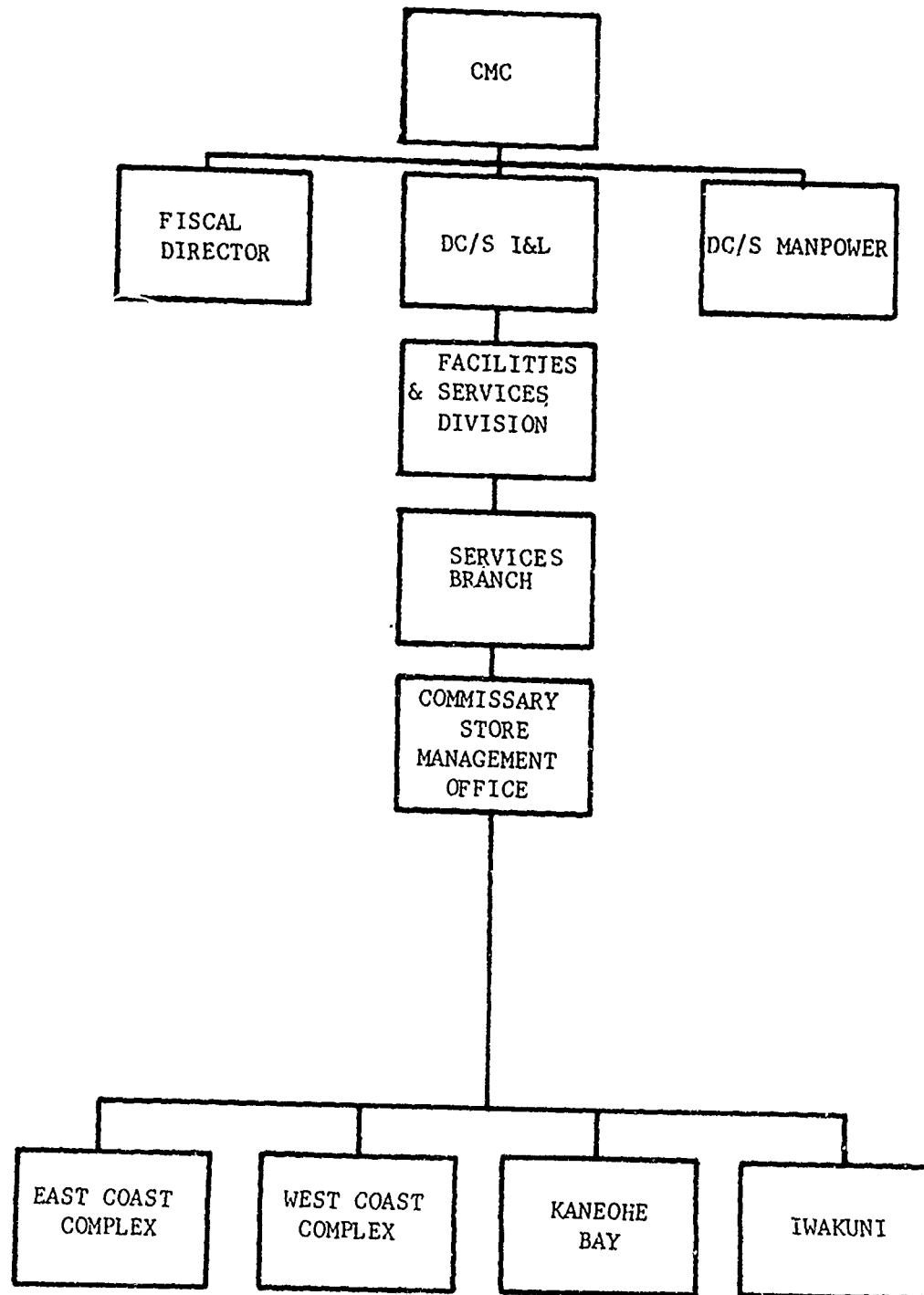


FIGURE 2
USMC COMMISSARY COMPLEXES

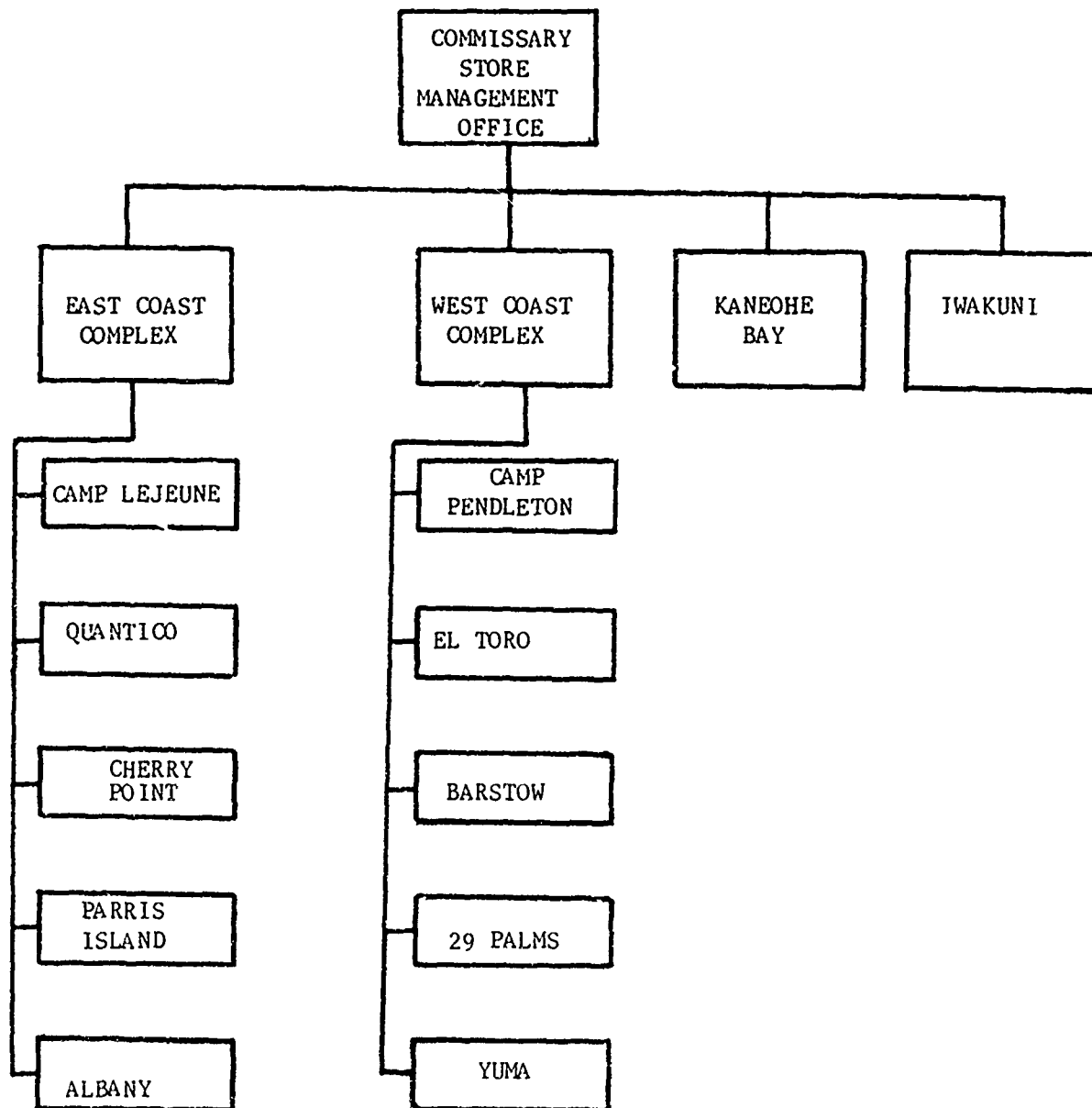


TABLE 1
PERSONNEL AND COST COMPARISON

| STORES | PRESENT | | ACTUAL (1) LEVEL (M/CIV) | PROPOSED | |
|------------------|------------------|-------------------------------|-----------------------------|--|-----------------------------------|
| | AUTH CRITERIA | AUTH MANNING LEVEL (M/CIV) | | AUTH CRITERIA | PROPOSED AUTH (M/CIV) |
| Camp Lejeune | 160 | 1/160 | 1/160 | East Coast Complex Office (Indirect) | 1/20 |
| Quantico | 90 | 3/72 | 4/76 | Camp Lejeune | 144 |
| Cherry Point | 82 | 1/76 | 68 | Quantico | 81 |
| Parris Island | 67 | 2/58 | 3/54 | Cherry Point | 74 |
| Albany | 54 | 1/42 | 1/39 | Parris Island | 60 |
| E1 Toro | 118 | 4/106 | 4/102 | Albany | 49 |
| Camp Pendleton | 135 | 128 | 129 | West Coast Complex Office (Indirect) | 1/20 |
| Twentynine Palms | 49 | 1/42 | 1/42 | E1 Toro | 100 |
| Yuma | 40 | 1/36 | 1/29 | Camp Pendleton | 121 |
| Barstow | 33 | 32 | 30 | Twentynine Palms | 44 |
| Kaneohe Bay | 75 | 1/67 | 2/65 | Yuma | 36 |
| Iwakuni | 34 | 1/34 | 3/31 | Barstow | 30 |
| Total | 937 | 15/857 | 20/825 | Kaneohe Bay | 1/75 |
| | | | | Iwakuni | 1/34 |
| | | | | Total | 2/843 (Direct) 2/40 (Indirect) |

Personnel Cost FY 74 - \$8,531,000 Civ
108,000 Mil
\$8,639,000
(1) 30 June 74
(2) \$10,341 average salary

Personnel Cost (est) - \$8,717,000 Civ (2)
Direct 36,000 Mil
Indirect \$8,753,000 (Total)
414,000 Civ
36,000 Mil
\$ 450,000 (Total)

TABLE 2
ECONOMIC IMPACT - CENTRALIZED MARINE CORPS COMMISSARY SYSTEM

| Item | 3/4 FY 1976 and 7T | | | | FY 1977 | | FY 1978 | |
|--------------------------------------|--------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| | Low Sales Loss | High Sales Loss | Low Sales Loss | High Sales Loss | Low Sales Loss | High Sales Loss | Low Sales Loss | High Sales Loss |
| Assumed Initial Savings % | 22.0 | 22.0 | 18.8 | 18.2 | 13.7 | 12.2 | | |
| Assumed Incremental Sales Loss % | 5.5 | 14.3 | 3.9 | 7.1 | 0 | 0 | | |
| Equivalent Supermarket Sales \$ M | 114.3 | 103.8 | 109.0 | 94.3 | 109.0 | 94.3 | | |
| Estimated Commissary Sales \$ M | 92.8 | 85.0 | 94.1 | 82.8 | 94.5 | 82.5 | | |
| Costs: | | | | | | | | |
| Cost of Goods Sold \$ M | 84.6 | 76.8 | 80.7 | 69.8 | 80.7 | 69.8 | | |
| Cost of Goods Sold % Sales | 91.2 | 90.4 | 85.6 | 84.3 | 85.4 | 84.6 | | |
| Personnel \$ M | 3.8 | 3.8 | 9.3 | 9.3 | 9.3 | 9.3 | | |
| Personnel % Sales | 4.1 | 4.5 | 9.9 | 11.2 | 9.8 | 11.3 | | |
| Operations \$ M | 3.5 | 3.4 | 3.4 | 2.9 | 3.8 | 2.7 | | |
| Operations % Sales | 3.8 | 4.0 | 3.6 | 3.5 | 4.0 | 3.3 | | |
| Capital Outlay \$ M | .9 | .9 | .8 | .8 | .8 | .8 | | |
| Capital Outlay % Sales | 1.0 | 1.1 | .9 | 1.0 | .8 | 1.0 | | |
| Total Costs (less CGS) \$ M | 8.2 | 8.1 | 13.5 | 13.0 | 13.9 | 12.8 | | |
| Total Costs (less CGS) % Sales | 8.9 | 9.5 | 14.3 | 15.7 | 14.7 | 15.5 | | |
| Expected Incremental Sales Loss % | - | - | 1.6 | 2.6 | .6 | 0 | | |
| Year End Expected Total Sales Loss % | 4.8 | 13.9 | 10.3 | 23.6 | 10.9 | 23.0 | | |
| Expected Savings % | 18.8 | 18.2 | 13.7 | 12.2 | 13.3 | 12.5 | | |

APPENDIX 6-D

CENTRALIZED AIR FORCE COMMISSARY SYSTEM

6-D.1 ALTERNATIVE. Creation of Air Force commissary management organization to operate Air Force commissary stores.

6-D.2 ASSUMPTIONS.

a. Operation will be in an appropriated funded mode with only direct costs reimburseable as defined in Section 814 of the annual DOD Appropriations Act.

b. Indirect costs of operations will continue to be supported from appropriated funds.

c. Commissary store civilian personnel will continue to be civil service personnel.

d. Commissary store staffing levels will be commensurate with sales and desired service levels.

e. Existing stock fund procedures will be modified as required to accommodate a vertical management structure.

f. The subsistence function (troop issue) of the commissary operation will continue to be funded through appropriated fund sources.

g. DSA/DPSC will continue the current support to military commissaries.

h. Commissary revolving trust (surcharge) funds may be invested for the production of additional income as a change to existing policy.

i. Surcharge funds will be used for construction and renovation of facilities within the U.S..

j. Criteria and provisions/restrictions of Section 814 pertaining to establishment and continuation of commissaries will be deleted.

k. A decrease in price differential between the commissary system and commercial stores may result in decreased sales in the commissary systems.

l. An effective information program will be implemented to attempt to retain current commissary patronage or recover potential lost patronage that may result from a decrease in savings.

6-D.3. AREAS FOR CONSIDERATION

a. SUMMARY

(1) The existing system for management of commissary operations within the Air Force has proven cumbersome, complicated, and unresponsive to the change necessary to provide for patron needs. A more responsive and cost effective management system must be implemented to provide a viable commissary service to authorized patrons. The need for such a system is particularly urgent at this time in view of the recently proposed legislation which would require commissary surcharge funds to reimburse for the direct wage cost of civilian and military personnel engaged in commissary operations.

(2) Under the existing system, there are five management levels directing and controlling commissary operation: Hq USAF, Hq Air Force Logistic Command, Air Force Services Office, major command services staffs, and wing/base staffs. This multiplicity of overhead must be realigned if needed improvements in commissary operations are to be made. A central headquarters office should be established for direct control of base commissary operations. This office should be staffed with specialists in the field of commissary operations and sufficient support personnel in funds management, facilities planning, and systems development, to plan, operate, and control Air Force commissary operations world-wide. Because of the wide geographical dispersment of Air Force commissaries, it will be necessary to provide four field offices staffed by technicians to perform assistance visits to commissaries on a periodic basis.

(3) It is proposed that resources to establish the Air Force Commissary Management Office (AFCMO) be obtained by elimination of MAJCOM, Air Force Services Office (AFLC), and Hq USAF commissary staffs. In conjunction with the removal of commissary responsibility from these headquarters staff elements, will come a reduction in associated support currently required from other headquarters staff elements.

(4) There are currently 44 full-time commissary personnel in the Air Staff, MAJCOM staffs and AFSO (see Figure 1, Page 6D-12). In addition, several activities currently devote a portion of their time to commissary support at each level, such as data automation, transportation, procurement, civil engineering, finance and accounting, budget, personnel, (military and civilian) and supply. This effort is estimated to equate to approximately 27 positions (see Figure 2). However, these man year equivalents may not equate to one full time authorization in any specific functional area. Therefore, combining the management and administration of 16 Air Force commissaries located in close proximity into groups of two commissaries which saves 37 authorizations should be accomplished concurrently with establishment of the AFCMC.

(5) Cost analysis of the present operation for control of commissaries in the Air Force is:

| <u>FUNCTION</u> | <u>PERSONNEL</u> | <u>COST PER YEAR (\$000)</u> |
|---|------------------|------------------------------|
| USAF, AFSO, MAJCOM Full Time Commissary | 44 (Figure 1) | \$930.5 |
| USAF, AFSO, MAJCOM *Part Time Commissary | 27 (Figure 2) | \$572.8 |
| TOTAL | | \$1,503.3 |

* The personnel costs in the part-time category were computed using the percentage of estimated time expended by those personnel for commissary activities. This part-time support was converted to manyears and represents the estimated number of full-time equivalents.

(6) A cost analysis of the proposed AFCMO and the four field offices is:

| <u>FUNCTION</u> | <u>PERSONNEL REQ.</u> | <u>COST (\$000)</u> |
|---------------------|-----------------------|---------------------|
| Hq AFCMO (Figure 4) | 52 | \$1,109.2 |
| Four Field Offices | 32 | 688.2 |
| TOTAL | 84 | \$1,797.4 |

SUMMARY OF COST:

| | |
|------------------|------------|
| Present system: | \$1,503.3 |
| Proposed system: | -\$1,797.4 |
| Additional cost: | \$ 294.1 |

Concurrent with the establishment of the AFCMO, it would be planned to combine the management and administration of 16 Air Force commissaries located in close proximity into groups of two commissaries. Approximately 37 manpower spaces would be saved at a dollar savings of \$436,555 per year (See Figure 3).

b. HEADQUARTERS ORGANIZATION. Under the concept of a service-wide commissary management organization, a single headquarters office would be established for direct control of all base commissary operations. That office would be staffed by specialists in the field of commissary operations. It would also include the necessary supporting personnel in such functions as financial management, facilities planning, and systems development to plan, operate, and control world-wide Air Force commissary operations. A proposed staffing pattern for the headquarters organization is included in Figure 4.

c. FIELD ORGANIZATION. A necessary adjunct to the headquarters organization would be four field offices established to provide technical assistance visits to base commissaries on a continuing basis to maximize operating efficiency. The field offices would be geographically located to cover the European area, Eastern US, Central US, and Western US and Far East. One of the field offices will be co-located with the headquarters organization. See Figure 5 (Page 6D-20) for map of Field Office/Regional Headquarters areas of responsibilities. Each field office would be staffed by eight specialists and would be responsible for assisting approximately 36 commissaries in their area. The field offices would have no operational functions. A proposed staffing pattern for the field offices is included on page 3 of Figure 4.

d. METHOD OF OPERATION

(1) Coincident to the establishment of the vertical commissary management organization would be a two-phased program leading to the desired end-position of a total organization composed of a headquarters and geographic regions that operate all commissaries, similar to that presently utilized by the Navy.

(2) Phase I would involve an initial consolidation of the commissary management and administration functions of 16 stores by the establishment of eight geographic complexes containing two stores each. Within each complex one commissary would be designed as the control commissary with a control office to handle administration, accounting, inventory control, ordering, etc., for both stores in the complex. The complex commissary officer would prepare and manage the commissary operating program and surcharge revolving fund for the two stores. He would also manage the facilities, equipment and operating supplies, as well as provide technical guidance on store operations. Commissary stores would be managed by a store manager at each base. A sample portrayal of the Phase I configuration is in Figure 3.

(3) Phase II would involve the further consolidation of all commissary stores. The four previously established field offices would be converted into regional headquarters and would be responsible for centralized performance of all functions except store operations. A data automation capability would be acquired concurrent with implementation of Phase II. A summary of manpower savings generated by implementation of both Phases is shown below:

PHASE I & II COST ANALYSIS

| <u>PHASE I:</u> | | <u>SAVINGS (\$000)</u> |
|--|---------------------------------|------------------------|
| Establishment of eight complexes (two stores each) | | \$436.6 |
| Additional Cost for Establishing AFCMO & Field Office (Pg 6D-3) | | <u>-\$294.1</u> |
| Phase I Savings | | \$142.5 |
| <u>PHASE II:</u> | <u>PERSONNEL REDUCTIONS</u> | <u>SAVINGS (\$000)</u> |
| Establishment of CONUS Complexes | 178 | \$2,100.6 |
| Establishment of Overseas Complexes | <u>43</u> | <u>\$ 507.4</u> |
| Subtotal: | 221 | \$2,608.0 |
| | <u>PERSONNEL REQUIRED</u> | <u>COST</u> |
| Convert Field Office to Regional Headquarters | 56 | -\$925.2 |
| | <u>PERSONNEL</u> | <u>SAVINGS</u> |
| PHASE II Savings | 165 | \$1,682.8 |
| <u>PHASE I & II</u> TOTAL Savings | | \$1,825.3 |

(4) The commissary system field organization initially would consist of the four field offices devoted exclusively to staff assistance visits to bases in their area. As soon as possible ADP systems would be installed and the field offices would be augmented with sufficient personnel to regionalize commissary management functions including purchasing, fiscal and inventory control, audit, and other responsibilities currently vested in each commissary store. The consolidation of the purchasing function will permit large quantity buying with savings passed on to the patron. With the use of ADP equipment, the regional offices would eventually be capable of central warehousing and distribution as is currently done by civilian grocery chains. Savings in operating personnel cost will further allow the Air Force commissary system to improve the cost savings to the patron.

(5) With the augmentation of personnel, the regional offices will provide overall supervision and accountability of assigned commissary stores to insure proper accomplishment of the mission. Figure 6 depicts proposed staffing. The regional offices provide centralized administration, procurement, and

operational control within parameters established by the Air Force Commissary Management Office. The function of the regional offices will be:

(a) Review, analyze, and assure implementation of applicable procedural and policy directive from higher authority.

(b) Responsible to the Chief, AFCMO on matters pertaining to administration and operations of assigned commissary stores.

(c) Receive and verify commissary store operation/installation financial reports and furnish them to the AFCMO.

(d) Conduct technical assistance, liaison, and inspection visits on a periodic basis. Prepare travel and inspection reports for the AFCMO.

(e) Act as the immediate point of contact for commissary stores within the geographical area of jurisdiction. Coordinate required installation support with the appropriate installation commanders.

(f) Maintain records and advise the AFCMO of the status of equipment and facilities requirements.

(g) Chair merchandise councils consisting of store managers of assigned commissaries to review, on a periodic basis, each product line for selection of those items best meeting customer demands.

(h) Conduct consolidated procurement of resale items, operating supplies, and equipment for regional commissary stores in accordance with parameters established by AFCMO.

(i) Analyze and take action as necessary on reports of commissary store liaison visits and inspection reports from higher headquarters.

(j) Provide advisory assistance to managerial personnel within each store on matters pertaining to merchandising, operations, and administration.

(k) Monitor, recommend and evaluate matters pertaining to military and civilian career system.

e. NUMBER OF STORES. The Air Force as of 1 January 1975, operates 133 stores in the CONUS and 40 stores overseas for a total of 173.

f. LEVEL OF SERVICE

(1) Present

(a) The level of service provided today is below desired standards. At most stores waiting lines to enter the store and to check out are excessive. Frequently, stock is available in the warehouse, but not available in the store due to a shortage of personnel needed to keep shelves stocked.

(b) The average number of line items stocked, and hours of operation in Air Force commissaries are as follows:

| | <u>CONUS</u> | <u>OVERSEAS</u> | <u>AVG</u> |
|---------------------|--------------|-----------------|------------|
| Line Items | 4,455 | 3,034 | 3,785 |
| Hours of Operations | 44 | 41 | 43 |

(2) Proposed

(a) With the recent legislative authority to increase commissary surcharge in order to provide funds for new facilities, some relief to this problem is anticipated. The problem of personnel, however, can only be resolved by making the personnel resources available to operate commissaries. Manning standards are based upon sales. However, due to austere funding in the past several years, the necessary manpower spaces have not been provided to Major Commands for subsequent allotment to bases. At this time, application of manning standards, modified by an inflationary factor, would probably reflect a current deficit of several hundred spaces Air Force-wide.

(b) Commissary personnel are currently paid from appropriated funds. With the implementation of Program/Budget Decision #282, these costs will be reimbursed by an increased surcharge to the commissary patron. Concurrent with the establishment of the Air Force Commissary Management Office, all manpower spaces required for the entire system, including base level commissary stores, will be allocated to the Chief, AFCMO. The Chief, AFCMO will then distribute the spaces directly to the field offices and the commissary stores. Reimbursement for store personnel costs will be made using the present surcharge budget disbursement procedures.

(c) Presently authorized strengths for Air Force commissary operations (1975) are 9,974 civilian / 1 628 military, a total of 10,602 spaces.

(d) The Troop Issue Function will continue to be operated by the base commissary officer. There will be however, a fiscal separation maintained of the troop and resale accounts. This type of operation is deemed most appropriate for the Air Force in view of the low troop issue volume and the high cost of establishing separate facilities and accountable offices for the two functions. The cost of troop issue support will be borne by O&M funds.

g. IMPACT ON COST, SAVINGS AND SALES

In compliance with PBD 282, effective 1 October 1975, the commissary surcharge funds must reimburse appropriated funds for 50% of direct personnel costs, and effective 1 October 1976, 100% of such cost. Following is the impact that this alternative method of operation would have on cost, savings, and sales, amounts are based on a low and high losses in Sales.

| | <u>LOW SALES LOSS</u> | | | | <u>HIGH SALES LOSS</u> | | | |
|-------------------------|----------------------------|--------------|--------------|--|----------------------------|--------------|--------------|--|
| | <u>3/4 FY 76&FY 77</u> | <u>FY 77</u> | <u>FY 78</u> | | <u>3/4 FY 76&FY 77</u> | <u>FY 77</u> | <u>FY 78</u> | |
| Est Comsy Sales | 1257.6 | 1258.6 | 1254.2 | | 1138.6 | 1109.2 | 1104.2 | |
| Cost of Gds Sold | 1155.2 | 1103.5 | 1103.5 | | 1038.1 | 959.2 | 959.2 | |
| <u>Direct Expenses:</u> | | | | | | | | |
| Personnel | 54.5 | 109.7 | 106.6 | | 54.5 | 109.7 | 106.6 | |
| Operating Exp. | 36.3 | 34.4 | 33.1 | | 35.6 | 30.7 | 28.8 | |
| Construction | <u>11.6</u> | <u>11.1</u> | <u>11.0</u> | | <u>10.4</u> | <u>9.6</u> | <u>9.6</u> | |
| TOTAL | 102.4 | 155.1 | 150.8 | | 100.5 | 150.0 | 145.0 | |
| Surcharge(%of CGS) | 8.9 | 14.1 | 13.7 | | 9.7 | 15.6 | 15.1 | |
| Percent Savings | 17.6 | 13.7 | 14.0 | | 17.0 | 12.5 | 12.9 | |
| Cumulative Lost | | | | | | | | |
| Sales | 5.8 | 10.3 | 9.8 | | 15.5 | 23.0 | 22.2 | |
| Incremental Loss | | | | | | | | |
| in Sales | 5.8 | 4.5 | | | 15.5 | 7.5 | | |

The derivation of these figures is shown in greater detail in Tables 1 and 2, Pages 6-9 and 6-10.

h. IMPACT ON THE ARMY AND AIR FORCE EXCHANGE SERVICE SALES (AAFES)

The increased cost to the commissary patron as a result of the requirement to reimburse appropriate funds for employee wages will have an affect on AAFES sales. As the patron is forced to spend more of his disposable income on food less is available for other expenditures. The dollar sales loss to the exchange system cannot be assessed.

i. TRAINING

(1) No formal training program exists for civilians in the Air Force commissary system below management level. The Army provides a limited quota for the Commissary Officer Course conducted twice each year at Fort Lee, Va.. Attendance however is restricted to personnel who have reached management level.

Training aids for in-store training are non-existent for front-end, grocery, meat and produce personnel. No management trainee program exists to provide replacements for the aging commissary management element. Commissary training today depends, essentially, on a hit-or-miss basis within the work area environment. A need exists for a comprehensive training program at all levels to more properly prepare for personnel advancement and functional improvement within the commissary system.

(2) With the establishment of the AFCMO, a training office would be established to provide direction for and control of training.

j. MERCHANDISING

(1) No immediate change in merchandising is anticipated as result of the establishment of the AFCMO. There will, however, be a determined effort made to secure case-rate promotional pricing from suppliers in order to reduce prices of merchandise. The number of line items available for resale is controlled by the base office. Air Force Manual 145-1 provides recommendations by product group, but, generally, quantities of line items are indirectly controlled by available store and warehouse space and personnel limitations imposed by budget restraints.

(2) With the application of ADP systems, the AFCMO would be in a position to develop standards for stockage which will permit quantity buying by regional offices and facilitate improved inventory management.

k. PRICING

The current policy of pricing each item at purchase price and adding a surcharge at the cash register will continue. The use of variable markup pricing may be considered at a future date.

l. PROCUREMENT POLICY

The current procurement policy for subsistence will continue until regional buying offices are established by the AFCMO. At that time, the regional office will consolidate requirements for commissaries located in the region and effect central procurement with the vendor making shipments to each store. Where feasible, and cost effective, a central warehouse may receive and consolidate shipments to each store. Here again, ADP equipment must be used to effectively utilize this system.

m. ACCOUNTING FUNCTIONS AND BILL PAYING

(1) The present accounting system provided by the base Accounting and Finance Office will continue to be used with some minor changes in current procedures. When the regional system is established with ADP capability, this function will be assumed by that activity.

(2) The payment of bills will continue as presently established. Ultimately, however, this function may be transferred to the regional office when ADP is available.

(3) Inspection of Air Force commissaries today is performed by several Air Force agencies; command commissary specialists, command Inspectors General, and, on an infrequent basis, the Auditor General. Under the AFCMO concept, the regions will provide staff assistance and the Hq AFCMO will perform internal audits within available personnel resources. When full regionalization is implemented, the capability for audit will be provided by the region.

6-D.4. ADVANTAGES. The centralized commissary system would:

a. Establish a single staff element for the supervision, operation, and control of commissaries world-wide and permit development of a data analysis system for operational improvement and measurement of efficiency.

b. Provide a single point for the development of plans, policies and programs to govern the operation of Air Force commissaries world-wide. Would reduce the administrative work-load at MAJCOMS and installations which now prepare and publish supplementary directives and forms.

c. Provide a resource manager for personnel assigned to commissary management and implement a single training program to allow career progression for commissary management personnel world-wide.

d. Establish operational and performance standards and provide greater technical assistance and expertise world-wide.

e. Develop and administer a world-wide financial program.

f. Control all commissary assets and exercise custody and redistribution as required world-wide and eliminate the fragmented policies now promulgated by all MAJCOMS.

g. Provide a coordinated public relations program and information service to achieve an understanding of commissary policy and procedures world-wide.

h. Provide a standardized customer service program world-wide.

i. Provide a single element of highly trained and motivated work force to administer commissary management world-wide.

j. Permit a single element to provide advice and assistance to industry/commercial firms seeking to do business with Air Force commissaries.

6-D.5. DISADVANTAGES.

a. The reduction of direct command control over commissary operations may result in objections to the proposal at some levels. Base and command liaison, however, would be retained as currently exists with the exchange system.

b. Local commanders may feel that the centralization of commissary management would reduce the responsiveness to patron needs or desires.

c. Establishment of four field offices to accommodate the wide geographical dispersment of commissaries may result in increased operational costs. These costs will be offset by decreased response time in providing management assistance and elimination of major command staff assistance visits.

6-D.6. CONCLUSION.

a. To continue to provide a benefit to the Air Force patron, the commissary system must seek the maximum reduction of operating costs in order to increase the projected residual savings to the patron. As the percentage of savings decrease, buyer resistance will increase and sales will decrease. Based upon recent studies conducted by the Army and Navy of patron perceived savings, it is anticipated that sales will decrease between 9% and 10% when the surcharge is increased to 14% to cover personnel costs. A substantial reduction of personnel costs must be made to coincide with the decreased surcharge generations.

b. The Air Force Commissary Management Office organization is the first step in a reduction of local commissary overhead cost. When it is possible to establish working regional headquarters with ADP support, significant reductions in administrative control and management personnel at base level will be possible.

FIGURE 1

DIRECTION AND CONTROL OF COMMISSARY OPERATIONS
PRESENTLY ASSIGNED - FULL TIME

| | |
|-----------------------|----------|
| AFSO | 15 |
| HQ USAF | 3 |
| ADC | 2 |
| SAC | 4 |
| TAC | 3 |
| AFLC | 2 |
| ATC | 2 |
| MAC | 2 |
| PACAF | 2 |
| USAFE | 3 |
| ALASKA | 1 |
| HQ COMMAND | 1 |
| AFSC | 1 |
| INTERMEDIATE COMMANDS | 2 |
| AFSS | <u>1</u> |
| TOTAL: | 44 |

For costing purpose, the above are allocated as follows:

| <u>NUMBER</u> | <u>GRADE</u> | <u>SALARY</u> | <u>TOTAL</u> |
|---------------|--------------|---------------|----------------|
| 22 | O3 | \$19,378 | \$426.3 |
| 22 | GS-12 | \$22,919 | <u>\$504.2</u> |
| TOTAL: | | | \$930.5 |

FIGURE 2

PART-TIME COMMISSARY SUPPORT PRESENTLY ASSIGNED
MANYEAR EQUIVALENTS MAJCOM AND AFSO

| | |
|---------|-------------|
| SAC | 3 |
| TAC | 3 |
| MAC | 3 |
| ATC | 3 |
| ADC | 2 |
| HQ COMD | 1 |
| AFSC | 1 |
| AFLC | 3 |
| AAC | 1 |
| USAFE | 2 |
| PACAF | 2 |
| AFSO | <u>3</u> |
| | 27 Manyears |

For costing purposes, the above are allocated as follows:

| <u>NUMBER</u> | <u>GRADE</u> | <u>SALARY</u> | <u>TOTAL</u> (\$000) |
|---------------|--------------|---------------|----------------------|
| 13 | Captain | 19.4 | \$252.0 |
| 14 | GS-12 | 22.9 | <u>\$320.8</u> |
| | | TOTAL | \$572.8 |

FIGURE 3

CONSOLIDATION OF MANAGEMENT AND ADMINISTRATIVE FUNCTIONS

NOTE: Consolidation of management and the administrative functions by geographic area, without regard to command lines, will allow organization of consolidated areas or complexes of from two to four stores per area. Within each complex, one base would be designated as the control base. The complex commissary officer would be at the control base with a control office to handle administration, accounting, inventory control, data processing, ordering, plus an operations office for management of facilities, equipment, operating supplies, and to provide technical guidance on store operations. The complex commissary officer would prepare and manage the commissary operating program and surcharge revolving fund budget for each store. Commissary stores would be managed through a store manager at each base. Each base would be responsible to provide manpower spaces, O&M funds, personnel, and veterinary and engineer support. Consolidation of administration and management will reduce the number of management positions required as shown in the following example using the San Antonio, TX, area.

SAMPLE CONSOLIDATION OF TWO COMMISSARIES

(SAN ANTONIO, TEXAS AREA)

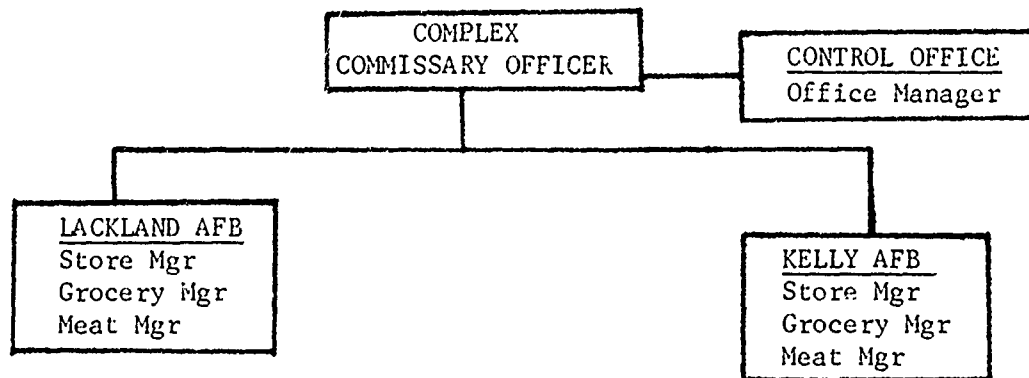


FIGURE 3 (CONTINUED)

CONSOLIDATION OF MANAGEMENT AND ADMINISTRATIVE FUNCTIONS

| <u>AREA</u> | <u>PRESENT</u> | | | <u>PROPOSED</u> | | | <u>SAVINGS</u> | |
|---------------|----------------|-------------|---------------|-----------------|---------------|---------------|----------------|----------------|
| | <u>AUTH</u> | <u>ASGD</u> | <u>SALARY</u> | <u>AUTH</u> | <u>SALARY</u> | <u>SPACES</u> | <u>DOLLARS</u> | <u>DOLLARS</u> |
| <u>I</u> | | | | | | | | |
| McClellan AFB | 13 | 12 | \$130,776 | 23 | \$222,250 | 1 | Vacant | |
| Mather AFB | 19 | 19 | \$179,302 | 2 | \$ 19,264 | 6 | \$68,564 | |
| | 32 | 31 | \$310,078 | 25 | \$241,514 | 7 | \$68,564 | |
| <u>II</u> | | | | | | | | |
| Norton AFB | 13 | 12 | \$132,218 | 20 | \$182,688 | 1 | \$15,481 | |
| March AFB | 13 | 12 | \$117,720 | 2 | \$ 18,939 | 3 | \$32,830 | |
| | 26 | 24 | \$249,938 | 22 | \$201,627 | 4 | \$48,311 | |
| <u>III</u> | | | | | | | | |
| Ent AFB | 21 | 19 | \$190,089 | 25 | \$261,394 | 2 | Vacant | |
| USAF Academy | 10 | 10 | \$107,137 | 2 | \$ 20,667 | 2 | \$35,832 | |
| | 31 | 29 | \$297,226 | 27 | \$282,061 | 4 | \$35,832 | |
| <u>IV</u> | | | | | | | | |
| Randolph AFB | 13 | 12 | \$135,781 | 17 | \$148,345 | 1 | \$19,378 | |
| Brooks AFB | 9 | 9 | \$ 89,593 | 2 | \$ 20,101 | 3 | \$37,550 | |
| | 22 | 21 | \$225,374 | 19 | \$168,446 | 4 | \$56,928 | |
| <u>V</u> | | | | | | | | |
| Lackland AFB | 20 | 18 | \$170,084 | 25 | \$220,635 | 1 | Vacant | |
| Kelly AFB | 12 | 10 | \$105,431 | 2 | \$ 18,373 | 4 | \$36,507 | |
| | 32 | 28 | \$275,515 | 27 | \$239,008 | 5 | \$36,507 | |

FIGURE 3 (CONTINUED)

CONSOLIDATION OF MANAGEMENT AND ADMINISTRATIVE FUNCTIONS

| AREA | PRESENT | | PROPOSED | | | SAVINGS | |
|--------------|---------|------|-----------|------|-----------|---------|----------|
| | AUTH | ASCD | SALARY | AJTH | SALARY | SPACES | DOLLARS |
| <u>VI</u> | | | | | | | |
| Maxwell AFB | 17 | 16 | \$170,566 | 24 | \$205,510 | 2 | \$38,550 |
| Gunter AFS | 14 | 14 | \$141,297 | 2 | \$ 19,493 | 3 | \$48,310 |
| | 31 | 30 | \$311,863 | 26 | \$225,003 | 5 | \$86,860 |
| <u>VII</u> | | | | | | | |
| Eglin AFB | 15 | 15 | \$146,827 | 19 | \$171,835 | 1 | \$20,125 |
| Hurlburt Fld | 9 | 9 | \$ 96,159 | 2 | \$ 17,975 | 2 | \$33,051 |
| | 24 | 24 | \$242,986 | 21 | \$189,810 | 3 | \$53,176 |
| <u>VIII</u> | | | | | | | |
| Andrews AFB | 19 | 15 | \$195,722 | 27 | \$266,990 | 2 | Vacant |
| Bolling AFB | 15 | 15 | \$139,905 | 2 | \$ 18,240 | 3 | \$50,397 |
| | 34 | 30 | \$335,627 | 29 | \$285,230 | 5 | \$50,397 |

FIGURE 4

AIR FORCE COMMISSARY MANAGEMENT OFFICE (AFCMO)

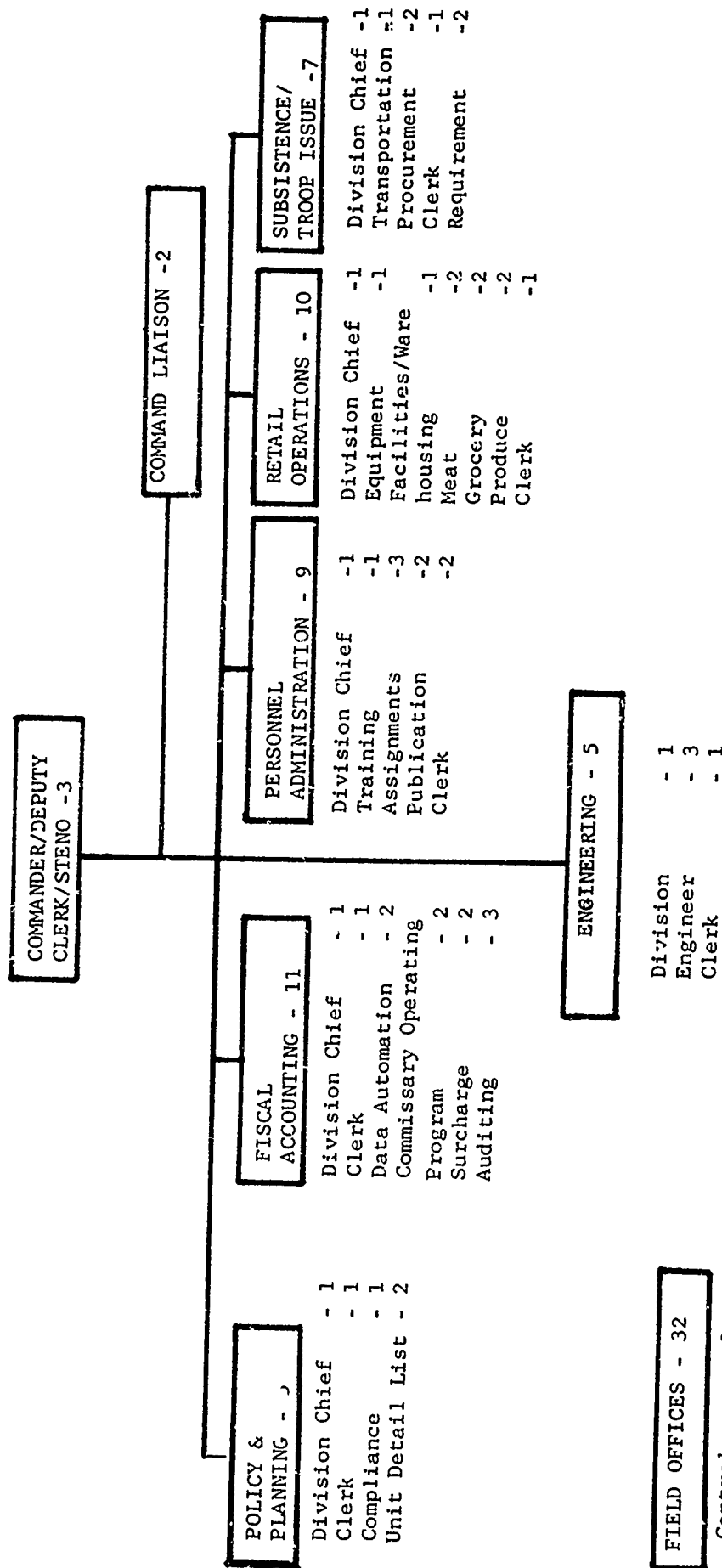


FIGURE 4 (CONTINUED)

| | <u>AFCMO</u> | |
|---------------------------------|--------------|-------|
| <u>Command Section</u> | 3 | |
| Commander | 1 | O6 |
| Deputy | 1 | GS-15 |
| Steno | 1 | GS-6 |
| <u>Command Liaison</u> | 2 | |
| Chief | 1 | |
| Steno Clerk | 1 | GS-13 |
| <u>Policy and Planning</u> | 5 | |
| Division Chief | 1 | GS-14 |
| Clerk | 1 | GS-5 |
| Technician | 2 | GS-12 |
| Technician | 1 | GS-11 |
| <u>Fiscal Accounting</u> | 11 | |
| Division Chief | 1 | GS-14 |
| Clerk | 1 | GS-5 |
| Technician | 3 | GS-12 |
| Technician | 3 | GS-11 |
| Technician | 3 | GS-9 |
| <u>Personnel Administration</u> | 9 | |
| Division Chief | 1 | GS-14 |
| Clerk | 1 | GS-5 |
| Technician | 2 | GS-12 |
| Technician | 3 | GS-11 |
| Technician | 1 | GS-9 |
| Clerk | 1 | GS-4 |
| <u>Retail Operation</u> | 10 | |
| Division Chief | 1 | GS-14 |
| Clerk | 1 | GS-5 |
| Technician | 4 | GS-12 |
| Technician | 4 | GS-11 |
| <u>Subsistence/Troop Issue</u> | 7 | |
| Division Chief | 1 | GS-14 |
| Clerk | 1 | GS-5 |
| Technician | 3 | GS-12 |
| Technician | 2 | GS-11 |

FIGURE 4 (CONTINUED)

AFCMO

| | | |
|--------------------|---|-------|
| <u>Engineering</u> | 5 | |
| Division Chief | 1 | GS-14 |
| Engineer | 3 | GS-12 |
| Clerk | 1 | GS-5 |

AFCMO COSTS (\$000) \$1,109.2

| | | |
|----------------------|----|-------|
| <u>Field Offices</u> | 32 | |
| Chief | 4 | GS-14 |
| Team Leader | 4 | GS-13 |
| Technicians | 12 | GS-12 |
| Liaison | 4 | GS-12 |
| Clerk | 4 | GS-5 |
| Clerk | 4 | GS-4 |

COST: \$688.2
TOTAL COST: (\$000) \$1,797.4

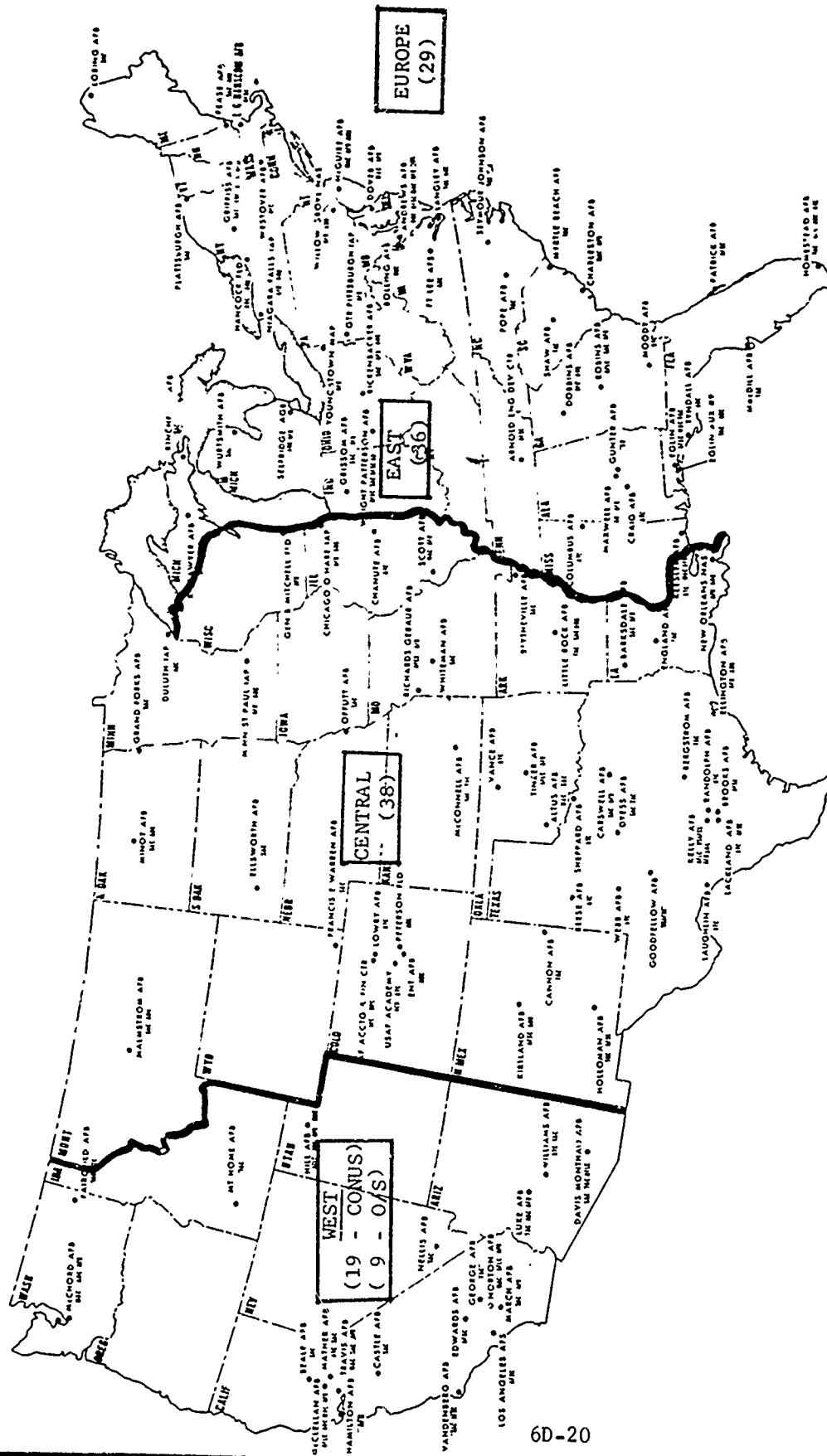
PERSONNEL RECAP

| | |
|-------|----|
| O-6 | 1 |
| GS-15 | 1 |
| GS-14 | 10 |
| GS-13 | 5 |
| GS-12 | 33 |
| GS-11 | 13 |
| GS-9 | 4 |
| GS-6 | 1 |
| GS-5 | 11 |
| GS-4 | 5 |

TOTAL: 84

FIGURE 5

GEOGRAPHICAL DIVISION: FIELD OFFICES (PHASE I) AND REGIONAL HEADQUARTERS (PHASE II)



(UNCLASSIFIED)

FIGURE 6

REGIONAL COMMISSARY OFFICE - STAFFING

Proposed Staffing of Phase II Regionalization of Commissary Operations

| <u>GRADE</u> | <u>POSITION</u> | <u>TOTAL</u> |
|-----------------------|---------------------------|--------------|
| GS 14-15 | Chief | 1 |
| GS 11-13 | Commissary Specialist | 1 |
| GS 9-11 | Commissary Specialist | 1 |
| GS 7-9 | Administrative Specialist | 1 |
| GS 4-5 | Administrative Specialist | 2 |
| GS 7-9 | Procurement Specialist | 2 |
| GS 7-9 | ADP Specialist | 1 |
| GS 7-9 | Supply Specialist | 1 |
| GS 7-9 | Accounting Specialist | 1 |
| GS-9-11 | Operations Specialist | 1 |
| GS-6 | Secy Steno | 1 |
| GS 4-5 | Clerk Typist | <u>1</u> |
| | | 14 |
| Existing Field Office | | <u>8</u> |
| | | TOTAL 22 |

NOTE: May require certain variations in number due to size of workload, number of stores, distances, and other factors.

APPENDIX 7-A

CONSOLIDATED ARMY/AIR FORCE COMMISSARY AND
EXCHANGE SYSTEM

ANNEX A

ARMY AND AIR FORCE EXCHANGE SERVICE (AAFES)
COMMISSARY STUDY
(Page 7A-10)

APPENDIX 7-A

CONSOLIDATED ARMY AND AIR FORCE COMMISSARY AND EXCHANGE SYSTEM

7-A.1. ALTERNATIVE. Establishment of a common organization for exchange and commissary operation for the Army and Air Force.

7-A.2. ASSUMPTIONS.

- a. Army and Air Force commissary stores will merge with AAFES.
- b. No commissary will be operated on a concession basis.
- c. The system will operate in non-appropriated fund mode with personnel temporarily remaining as appropriated funded on a reimbursable basis.
- d. The following items will be turned over to the appropriate exchange service on a non-reimbursable basis:
 - (1) Equipment and supplies provided with other than appropriated funds.
 - (2) Current financial assets generated in compliance with Section 814 of the DOD Appropriations Act.
 - (3) Stock Funded inventory on hand and on order.
- e. The common support functions currently rendered to the exchange systems at installation level will continue to be provided.
- f. Appropriated funds will pay all severance costs of Civil Service employees.
- g. All procurement will be directed through the applicable exchange service.
- h. Present Civil Service personnel currently engaged in installation level commissary store operations will be provided an opportunity to secure NAF employment with the commissary system.
- i. Commissaries will operate on a non-profit basis with no contribution to welfare and recreation funds.

7-A.3. CONCEPT OF OPERATION.

- a. Concept of operations is as provided by the Army and Air Force Exchange Service (AAFES) and is detailed in Annex A.

b. AAFES operates under an integrated management concept following guidance and decisions from the Departments of Army and Air Force promulgated through service regulations and directives and the Board of Directors, Army and Air Force Exchange and Motion Picture Services.

c. The AAFES organizational structure includes a worldwide central headquarters, subordinate headquarters in Europe, Alaska, and the Pacific, regional headquarters both in CONUS and overseas, area exchanges, and operating elements.

d. AAFES operates as a non-appropriated fund activity that receives limited appropriated fund support such as provision of available service facilities and utilities in oversea areas.

e. Method of Operation.

(1) The AAFES functions essentially as its counterpart retail merchandise, food, vending, and services organizations do in the commercial sector of the US economy. A notable exception is that the AAFES is an instrumentality of the US Government and, therefore, operates in a tax-exempt environment. Also, the growth and operating result of AAFES are directly affected by the active duty and retired military strength over which AAFES has no control.

(2) During recent years the AAFES has experienced greatly increased personnel costs and other operating expenses to the extent that net earnings have declined. The study group recognizes the impact that military strength reductions and the declining value of the dollar have had, and the positive management actions initiated by AAFES as a result.

f. AAFES Operational Capability to Accept Commissary Mission.

(1) The AAFES has a worldwide organization and management structure into which the worldwide commissary system mission could be merged. It has a worldwide communications and data processing capability adequate to meet the increased requirements that would be generated in merchandise, fiscal, and personnel management. It has depots and distribution nets in existence that could be expanded as necessary to accommodate commissary mission support.

(2) The Army and Air Force Exchange Service (AAFES) has concluded that it could operate the Army and Air Force commissary systems under a variable markup system, within the current and proposed statutory requirements concerning reimbursement of costs, and provide customer savings of 12-15%. Based on current savings (before surcharge) of about 24.25%, the AAFES estimate of costs of 14.0% at retail (16.28% on a cost of goods sold basis), and AAFES costs of goods equating to costs currently experienced, savings would be about 11.9 to 12.0 percent. A separate analysis by the study group, using study group developed costs, revealed an adjusted savings of 11.9% when fully implemented for both the high and low sales loss curves. Figures 1 and 2 depict this analysis.

(3) A separate computer model (with a retail base) was also developed using AAFES input. This model assumed AAFES has full efficiency in reducing personnel costs, commensurate with sales losses, which was not assumed for the separate service and joint service central management alternatives. Personnel reductions in the separate and joint service central management models were based solely on reductions due to central management. Using this model, estimated savings is 13.3% for both the high and low sales loss curves. Figures 3 and 4 portray the cost and savings impact of this analysis.

(4) The costs of AAFES retail operations in their present mode require a substantial markup on the items they sell as compared to the small surcharge presently applied to commissary sales. Application of a similar markup to commissary sales items would reduce the customers savings from the 2.25% (before deduction of surcharge) presently experienced to 6.53%. AAFES separately submitted a more favorable estimate as previously discussed.

(5) Some economies should accrue from consolidation of the commissary sales systems with the AAFES; however, such economies cannot be precisely quantified at this time. Offsetting these economies would be the cost of AAFES assuming those functions of management assistance and indirect support of the present commissary system that are currently paid with appropriated funds.

7-A.4. ADVANTAGES/DISADVANTAGES.

a. Advantages.

(1) The existing AAFES organizational and management structure is adequate to assume control of Army and Air Force commissary operations.

(2) AAFES has an existing data processing capability which could be used for initial centralization. However, it is probable that modification to the AAFES system would eventually be required.

(3) AAFES has fewer restrictions than the present commissary system in several areas, principally procurement practices, investment of capital reserves, and personnel employment policies.

b. Disadvantages.

(1) Major personnel turbulence would result. Commissary store employees, as Civil Service employees, have many vested rights and benefits, potential and actual, which they could not take with them into the AAFES system. There is no existing statute or policy permitting the transfer of funds to allow for transfer of sick and annual leave balances or to enable AAFES to offer vested credit in its own retirement plan for prior service under appropriated fund employment. It may therefore be assumed that many employees would opt not to accept employment

with AAFES, but would choose to remain in Federal employment within the Civil Service system. Such loss of experienced commissary personnel would adversely affect the commissary system at a critical period during which customer dissatisfaction and lost sales will be at their maximum. Turbulence could exist also in other post activities as employees exercised their rights to be placed in vacancies for which they are minimally qualified. It is envisioned that additional lost sales would ensue which would work to the disadvantage of AAFES, welfare funds (through decreased AAFES profitability), and commissary customers.

(2) Although referred to above, especially critical is the potential loss of commissary managerial personnel. The great majority of these individuals have attained grade levels and retirement rights which, under existing law, would preclude them from accepting the loss of their benefits. Although no estimate has been made of the percentages of managers who would either be willing to transfer or who would be offered employment by AAFES, it is envisioned that initially, major shortages of qualified commissary managers would occur.

(3) Possible conflict in mission exists. AAFES has a dual mission to provide exchange customers with the maximum possible savings while achieving profits required for Army and Air Force welfare funds. By their nature, these are somewhat competing requirements. Conversely, the commissary system is directed toward providing quality food to authorized patrons at the least practicable cost.

(4) Requires extremely sophisticated management. Retail supermarket operations differ greatly from general merchandising operations. While certain chains have taken steps to expand into joint supermarket and general merchandising operations, this development remains limited in scope and remains to be proven.

(5) AAFES assumption of commissary operations would require total physical separation of the troop issue function, thereby increasing costs of operations.

(6) Merger with AAFES would have major adverse impacts on the Defense Personnel Support Center's performance of its troop issue support function and on its mobilization capability. Detailed discussion concerning this impact is contained in Appendix 7-D, pages 7D - 19 through 7D - 24.

FIGURE 1

COST IMPACT OF AAFES ALTERNATIVELOW CURVE

| | | <u>3/4 FY 76</u> <u>& FY 77</u> | <u>FY 77</u> | <u>FY 78</u> |
|---|---------|--|--------------|--------------|
| 1. Assumed Initial Savings | % | 22.0 | 14.4 | 11.7 |
| 2. Assumed Initial Incremental Sales Loss | % | 5.5 | 3.4 | NONE |
| 3. Equivalent Supermarket Sales | \$M | 2,672.7 | 2,555.8 | 2,555.8 |
| 4. Estimated Commissary Sales | \$M | 2,288.3 | 2,257.1 | 2,250.9 |
| 5. Costs | | | | |
| a. Costs of Goods Sold (CGS) | \$M | 2,004.0 | 1,916.3 | 1,916.3 |
| b. Costs of Goods Sold | % Sales | 87.6 | 84.9 | 85.1 |
| c. Personnel | \$M | 179.0 | 239.6 | 236.3 |
| d. Personnel | % Sales | 7.8 | 10.6 | 10.5 |
| e. Operations | \$M | 84.1 | 80.1 | 78.0 |
| f. Operations | % Sales | 3.7 | 3.5 | 3.5 |
| g. Capital Outlay | \$M | 21.3 | 21.1 | 20.3 |
| h. Capital Outlay | % Sales | 0.9 | 0.9 | 0.9 |
| 6. Total Costs (Less CGS) | \$M | 284.3 | 340.8 | 334.6 |
| 7. Total Costs (Less CGS) % Sales | | 12.4 | 15.1 | 14.9 |
| 8. Expected Incremental Sales Loss | % | 3.8 | 1.0 | NONE |
| 9. Expected Savings | % | 14.4 | 11.7 | 11.9 |
| 10. Expected Total Sales Loss | | 9.3 | 13.7 | 13.2 |

FIGURE 2

COST IMPACT OF AAFES ALTERNATIVEHIGH CURVE

| | | <u>3/4 FY 76 & FY 7T</u> | <u>FY 77</u> | <u>FY 78</u> |
|-----|--|----------------------------------|--------------|--------------|
| 1. | Assumed Initial Savings % | 22.0 | 13.0 | 11.8 |
| 2. | Assumed Initial Incremental Sales Loss % | 18.8 | 1.9 | NONE |
| 3. | Equivalent Supermarket Sales \$M | 2,334.0 | 2,275.2 | 2,275.2 |
| 4. | Estimated Commissary Sales | 2,029.9 | 2,007.4 | 2,003.6 |
| 5. | Costs | | | |
| | a. Costs of Goods Sold (CGS) \$M | 1,750.0 | 1,705.9 | 1,705.9 |
| | b. Costs of Goods Sold % Sales | 86.2 | 85.0 | 85.1 |
| | c. Personnel \$M | 179.0 | 212.5 | 210.2 |
| | d. Personnel % Sales | 8.8 | 10.6 | 10.5 |
| | e. Operations \$M | 79.6 | 70.5 | 69.5 |
| | f. Operations % Sales | 3.9 | 3.5 | 3.5 |
| | g. Capital Outlay \$M | 21.3 | 18.5 | 18.0 |
| | h. Capital Outlay % Sales | 1.1 | 0.9 | 0.9 |
| 6. | Total Costs (Less CGS) \$M | 279.9 | 301.5 | 297.7 |
| 7. | Total Costs (Less CGS) % Sales | 13.8 | 15.1 | 14.9 |
| 8. | Expected Incremental Sales Loss % | 3.1 | 0.6 | NONE |
| 9. | Expected Savings % | 13.0 | 11.8 | 11.9 |
| 10. | Expected Total Sales Loss | 21.9 | 24.4 | 24.0 |

FIGURE 3

COST IMPACT OF AAFES ALTERNATIVELOW CURVE

| | | <u>3/4 FY 76 & FY 77</u> | <u>FY 77</u> | <u>FY 78</u> |
|-----|--|----------------------------------|--------------|--------------|
| 1. | Assumed Initial Savings % | 22.0 | 15.0 | 13.2 |
| 2. | Assumed Initial Incremental Sales Loss % | 5.5 | 2.3 | - |
| 3. | Equivalent Supermarket Sales \$M | 2,672.7 | 2,598.4 | 2,598.4 |
| 4. | Estimated Commissary Sales \$M | 2,272.5 | 2,266.8 | 2,253.4 |
| 5. | Costs | | | |
| a. | Costs of Goods Sold (CGS) \$M | 2,020.0 | 1,946.9 | 1,946.9 |
| b. | Costs of Goods Sold % Sales | 88.9 | 86.3 | 86.4 |
| c. | Personnel \$M | 165.4 | 224.9 | 223.4 |
| d. | Personnel % Sales | 7.3 | 10.0 | 9.9 |
| e. | Operations \$M | 67.8 | 64.6 | 62.8 |
| f. | Operations % Sales | 3.0 | 2.9 | 2.8 |
| g. | Capital Outlay \$M | 19.3 | 20.3 | 20.3 |
| h. | Capital Outlay % Sales | 0.8 | .9 | .9 |
| 6. | Total Costs (Less CGS) \$M | 252.5 | 309.8 | 306.5 |
| 7. | Total Costs (Less CGS)%Sales | 11.1 | 13.7 | 13.6 |
| 8. | Expected Incremental Sales Loss % | 3.0 | .3 | - |
| 9. | Expected Savings % | 15.0 | 13.2 | 13.3 |
| 10. | Expected Total Sales Loss | 8.5 | 11.1 | 10.6 |

FIGURE 4

COST IMPACT OF AAFES ALTERNATIVE

HIGH CURVE

| | | <u>3/4 FY 76 & FY 7T</u> | <u>FY 77</u> | <u>FY 78</u> |
|-----|--|----------------------------------|--------------|--------------|
| 1. | Assumed Initial Savings % | 22.0 | 13.9 | 13.2 |
| 2. | Assumed Initial Incremental Sales Loss % | 18.1 | .9 | - |
| 3. | Equivalent Supermarket Sales \$M | 2353.9 | 2326.8 | 2326.85 |
| 4. | Estimated Commissary Sales \$M | 2027.7 | 2019.3 | 2017.77 |
| 5. | Costs | | | |
| a. | Costs of Goods Sold (CGS) \$M | 1779.1 | 1743.5 | 1743.5 |
| b. | Costs of Goods Sold % Sales | 87.7 | 86.3 | 86.4 |
| c. | Personnel \$M | 165.4 | 200.8 | 199.9 |
| d. | Personnel % Sales | 8.2 | 9.9 | 9.9 |
| e. | Operations \$M | 64.0 | 57.0 | 56.2 |
| f. | Operations % Sales | 3.2 | 2.8 | 2.8 |
| g. | Capital Outlay \$M | 19.3 | 18.2 | 18.2 |
| h. | Capital Outlay % Sales | 1.0 | .9 | .9 |
| 6. | Total Costs (less CGS) \$M | 248.7 | 275.9 | 274.3 |
| 7. | Total Costs (less CGS) % Sales | 12.3 | 13.7 | 13.6 |
| 8. | Expected Incremental Sales Loss % | 2.2 | .3 | - |
| 9. | Expected Savings % | 13.9 | 13.2 | 13.3 |
| 10. | Expected Total Sales Loss | 20.3 | 21.5 | 21.4 |

ANNEX A TO APPENDIX 7-A
ARMY AND AIR FORCE EXCHANGE SERVICE (AAFES)
COMMISSARY STUDY

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I. Introduction

1. On 8 January 1975, the Commander of the Army and Air Force Exchange Service (AAFES), directed the establishment of an Operations Study Group on AAFES Assumption of Army and Air Force Commissary Stores. The study group was charged with the development of a concept for AAFES assuming the responsibility for operating Army and Air Force Commissary stores worldwide (excluding troop issue functions).

2. References:

- a. 10 United States Code 4621 and 9621.
- b. Section 814, Department of Defense (DoD) Appropriation Act, 1975 (Public Law 93-437).
- c. Armed Services Commissary Store Regulations (ASCSR), DoD Directive 1330.17.
- d. Armed Services Exchange Regulation (ASER), DoD Directive 1330.9.
- e. Army Commissary Operating Procedures, Army Regulation (AR) 31-200.
- f. Air Force Commissaries, Air Force Regulation (AFR) 145 series.
- g. Exchange Service AR 60 series/AFR 147 series.

II. Legal Considerations

3. References 2a and b limit the costs which may be included in the price to the customer. Statutory changes will be required to add personnel costs and other appropriated fund support costs which are

expected to be withdrawn. The regulations referred to above (2c through g) pertain to a specific type of resale activity and if AAFES is designated as the operating activity, they must be replaced by a single series which will authorize AAFES to provide the additional subsistence item categories and to properly reflect the additional assigned mission. DoD regulation changes will require approval of the House Armed Services Committee.

4. To financially integrate the commissary with AAFES, a DOD waiver of compliance with the working-fund concept of the statute would be necessary. Use of existing buildings and improvements is legally sustainable. Transfer of existing commissary inventories to AAFES without reimbursement may require a legislative change.

III. Background

5. The subject of AAFES managing the Army and Air Force Commissaries has arisen in the past. In May 1970, Department of the Army requested AAFES to develop a position paper on the feasibility of AAFES assuming complete responsibility for the operation of Army and Air Force Commissaries. AAFES concluded that operation of commissaries was feasible and that the most desirable method of operation was total assumption of the management and operation of the stores (excluding troop issue) by merging the activity into the AAFES organization; thus, converting the resale function into a nonappropriated fund activity. It was estimated at that time that a net increase to the patron under this concept would be 15% in addition to 3% surcharge with no provision for a construction program.

6. AAFES has advised the Departments of the Army and the Air Force that it has the expertise to operate the Army and Air Force commissary stores if such action is directed.

IV. Assumptions

7. The proposed AAFES concept for the operation of commissaries is based upon the following assumptions:

- a. Troop issue commissary functions will be retained by the departments.
- b. Commissaries will be operated as a nonappropriated fund activity.
- c. Present statutes, DOD directives and departmental regulations will be changed as required.
- d. AAFES will not be required to generate earnings for central welfare distribution from commissary store operations.
- e. Employees assigned to commissary store functions will be nonappropriated fund employees. Former civil service employees may be hired by AAFES as new employees. Tab B provides a plan for the conversion of commissary store Civil Service personnel to the DOD nonappropriated fund personnel program which should reduce the potential personnel turbulence.
- f. Assumption of commissary operations will be accomplished on a phased schedule during the period 1 October 1975 through 30 September 1976.

g. Entitlements, patronage control, and identification procedures will be the same as for other exchange activities.

h. Appropriated fund support will be phased out by 30 September 1976. By 1 October 1976 the support will be the same as presently provided to exchanges, such as executive military supervision of operations, movement of merchandise, supplies and equipment to and from overseas areas on a nonreimbursable basis, providing of adequate and suitable facilities and services, including buildings, security, fire protection, veterinarian inspection services, communications (use of DoD Automatic Voice Network (AUTOVON) and Automatic Digital Network (AUTODIN), sanitation services and utilities in overseas areas.

i. AAFES will establish variable merchandise markup schedules so that price increases for subsistence items can be minimized.

j. AAFES commissary stores will be initially established and operated in present commissary facilities.

k. Commissary facilities, equipment and fixtures will be transferred to AAFES on a nonreimbursable basis.

l. Initial inventories (on-hand and due-in) will be transferred to AAFES on a nonreimbursable basis.

m. Change funds currently in use in commissary stores will be transferred to AAFES on a nonreimbursable basis.

n. Procurement will be accomplished in accordance with AAFES procurement policies and procedures. AAFES will be authorized to order merchandise for resale in commissary stores from Defense Department Supply Bulletins and Defense Personnel Support Center, as necessary.

o. A master stock assortment for commissary stores will be established by AAFES.

p. Operating hours at commissary stores will be established by AAFES in coordination with local commanders.

q. Residual surcharge funds will be transferred by the departments to AAFES.

V. Cost Analysis

8. The operating statistics for the Army and Air Force Commissary operations for Fiscal Year (FY) 1974 were reviewed to establish a basis for projecting the operating costs that could be expected with the total assumption of the commissaries by AAFES at existing cost levels. For the purpose of this study, a 5% factor was used for indirect cost. This compares with estimated indirect cost of 5% in the Office of Management and Budget (OMB) study. A factor of 1% of sales was added to fund a construction program. The analysis (Tab A) indicates operating costs on a breakeven basis at the time of total reimbursement and under existing organization would be approximately 18.6% of sales at cost. If AAFES was required to operate commissaries under a management fee concept, the fee should be 18.6% of sales at cost less any surcharge paid by the patron.

9. The existing commissary operating costs could be reduced if there was full integration of the commissary system into the AAFES organization and mechanized systems, as further discussed in Section VI of this study.

10. The addition of an estimated \$2 billion annually to the AAFES cash flow could result in a modest improvement in the AAFES cash position. Since AAFES has an established network of bank accounts to support current operations, new bank accounts in most cases would not be required for the commissary operations. This would impact favorably on the overall AAFES cash position because of the additional cash flow provided by the commissary operation.

VI. Concept of AAFES Operation of Commissary Stores as a Non-Appropriated Fund Activity

11. There is great similarity between the AAFES and the commissary systems in basic mission and functions. Both exchange stores and commissary stores are generally self-service operations with central check-outs and require patronage control. An exchange exists at every installation now having a commissary store, although there is not necessarily a commissary store at every installation having an exchange. AAFES currently stocks many of the items available at commissary stores in its exchanges and convenience stores. AAFES has extensive experience and expertise in merchandise management and mechanized systems for merchandise management, accounting, payroll and personnel management. AAFES has a worldwide retail organization in place for accomplishment of management and operational functions, and for procurement and distribution processes. If so directed, commissary operations could be merged into AAFES existing organization.

12. Integration of the commissary operations into AAFES existing organization and conversion of current commissary store manual opera-

tions in procurement, stock control and accounting to AAFES mechanized systems, should achieve substantial economies of operation. Such a merger would result in centralized management control at Headquarters AAFES, and decentralized operational and technical control at area, regional, and oversea system levels. The merger would enable utilization of common support services, avoid costs in duplication of functions, and enable most effective utilization of available expertise.

13. These operational factors support the feasibility of merging the commissary store systems with the exchange systems. There are differences between supermarket and department store operations, which must be recognized. The extreme low margin in grocery operations, essential to protection of customer benefits, would require intensive management, maintenance of high in-stock efficiency for high volume sales, aggressive control of direct operating expenses, and rapid high turn of inventories. A lack of recognition of these differences would have adverse implications with respect to customer service and benefits.

ORGANIZATION

14. Headquarters AAFES would assume overall management responsibility which includes the existing departmental level management and supervision functions. AAFES vertical control of commissary store operations would be consistent with the integrated management of exchanges with Commander, AAFES and command responsibilities as defined in department regulations.

15. The AAFES continental United States (CONUS) regions, area exchanges, and oversea systems would assume operational control with those responsibilities of store management and operating performance.

16. All functions would be aligned with and integrated into the existing AAFES organizational alignment, and would be accomplished at the organizational level at which exchange functions are accomplished. AAFES nonappropriated fund procurement procedures would be utilized and procurement accomplished in accordance with AAFES procurement policies. Employees would be subject to AAFES personnel policies.

17. Augmentation of staffing at AAFES headquarters, region, area and oversea system headquarters levels would take cognizance of the aforementioned differences in operation of grocery stores and department stores. Executive positions requiring the necessary expertise and at the appropriate grade level would be established to provide concentrated specialized attention and management control to this phase of the operation.

18. Any directive for AAFES to assume operational control of commissary stores as a nonappropriated fund activity should provide sufficient time for AAFES to validate staffing and space requirements at headquarters level, determining staffing patterns for regions, oversea systems, area exchanges, and store level, and to develop job descriptions.

PRICING

19. The AAFES pricing policy with respect to exchanges, to provide prices to customers at a differential below commercial retail

prices, while achieving earnings objectives and maintaining a sound capital structure, would apply to AAFES commissary stores. Since there will be no departmental requirement for dividends from commissary stores, the commissary store earnings objective would be to offset all costs for a break-even operation, including a new construction/renovation program. The pattern to price at a differential below retail prices, would aim for a higher differential for basic food items, meat, dairy and perishables than for general merchandise or non-food items. A market basket survey would reflect favorable levels of savings.

20. The variable markup method of pricing is considered essential to the pricing policy, to enable competitive pricing with commercial establishment on certain items, and to recover a portion of costs from sale of non-grocery items at a higher markup than would be applied to food items.

21. Data available from a Cornell University study of 5,600 conventional supermarkets during 1973/1974 indicated the average gross margin realized was 20.9%, with a net profit of .6%. The conventional supermarket, because of their existing share of the commercial market, is viewed as the most appropriate for operational comparison with projected AAFES operations. However, according to the Retail Intelligence System (RIS) of Management Horizons, Inc., the conventional supermarket is becoming increasingly obsolete. It is imperiled by an accelerated growth rate of super stores and jumbo markets. According to RIS, the conventional supermarket:

- . Lacks size to compete on a sales mix basis with the super store.

It is too large to economically compete with convenience food stores.

Low profitability makes it very susceptible to adverse effects of market saturation.

The ultimate competition that AAFES would eventually face in commissary store operation is the jumbo supermarket, or food warehouse.

22. AAFES can operate commissary stores at lower costs than now experienced with appropriated funds or by conventional supermarkets, and at the same time provide for construction program of approximately 1% of sales. AAFES would experience no cost for advertising, taxes or profit objective. Direct payroll expenses would be reduced, through the implementation of automated procedures, greater use of part-time personnel, and the alignment of commissary functions into a similar posture as AAFES. The addition of \$2 billion sales revenues to AAFES cash flow would broaden the base of overhead allocations and reduce the overhead percentage.

23. Determination of projected operating costs with AAFES would recover through markups, and, therefore, determination of the sell price level differential below commercial prices can best be demonstrated by the following operational comparison. Reflected here is an operational analysis of conventional supermarkets based on the Cornell study, and the AAFES projection based on best estimates.

| | <u>CONVENTIONAL SUPERMARKET</u> | <u>AAFES</u> |
|---------------------------|-------------------------------------|--------------|
| Sales | 100% | 100% |
| Cost of Goods | <u>79.1</u> | <u>86*</u> |
| Gross Margin | 20.9 | 14 |
| Operating Expense | | |
| Payroll & Fringe Benefits | 10.2 | 7.5 |
| Rent/Construction | 1.4 | .9 |
| Advertising | .7 | 0 |
| Other Direct | 2.8 | 1.6 |
| Overhead | 4.7 | 4.0 |
| Income Tax | <u>.5</u> | <u>0</u> |
| Total | 20.3 | 14 |
| Net Profit | .6 | 0 |

*Cost of goods expressed as a percentage of sales is higher than conventional supermarkets because sell prices (base) are lower.

24. A reduction in savings as perceived by the customer will result in a loss of sales volume. Based upon the application of a variable markup schedule, maintaining an overall price differential below the commercial sector but placing maximum earnings objectives on non-food items, the savings as perceived by the customer will be maximized. It is estimated that actual customer savings of between 12% - 15%, based upon the commissary price comparison market basket, can be maintained and achieve the gross margin required by AAFES to operate commissaries. This savings level could result in a loss of approximately 10% of current sales. However, it is estimated that in excess of \$100 million dollars in earning objectives, or approximately one third of the total required, can be achieved through the sales of non-food items, i.e., cigarettes, candy and health and beauty aids (HBA), beverages, household items, and general merchandise while maintaining the prices on these items below commercial pricing. Since the non-food categories of merchandise represent approximately 20% of commissary sales and would provide one third of the earnings, food items could carry an average markup between 11 and 12 percent with the markup varying by category of merchandise as is currently practiced by the commercial sector. This would allow some food items to carry a markup as low as 2% while others could be as high as 25% and maintain a differential below commercial prices.

25. The OMB study indicated that price comparison surveys taken by commissary stores reflect a savings to the customer of 20% to 33% below commercial prices. The 1972 Department of Army shopping basket survey reflects a savings to customers of 24% below commercial prices. Using the Army shopping basket survey for comparative purposes, the projected AAFES prices utilizing variable markups should establish price level differential to customers for food items at approximately 12% - 15% below commercial prices. The extent to which that differential can be improved would hinge on long range development and refinement of procedures, systems and concepts.

ASSUMPTION OF CONTROL

26. The military departments should continue temporarily to operate commissary stores with an increase in surcharge added to the shelf price of the item, variable by category to offset the degree of appropriated fund support withdrawn, to provide time needed for orderly and efficient transition to AAFES. Assumption of control by AAFES would involve integration of items listed in Defense Personnel Support Center Supply Bulletins into AAFES mechanized merchandise management systems, for procurement and inventory control. Store stock structures would be established from this master item file. The withdrawal of Defense Personnel

Support Center regional procurement and distribution support of perishables would require AAFES establishment of contracts with local suppliers for meat, produce, dairy and bakery items. A communications network must be installed in stores compatible with present AAFES data systems to support merchandise replenishment and provide check cashing controls. A nucleus of qualified personnel at headquarters level to develop the Operations Plan, policies, procedures and training programs is essential to orderly transition. Headquarters training teams would program training of regional and area exchange and commissary store personnel. Time would be a critical factor in effective assumption of control.

27. From any Decision Day (D Day) that AAFES would assume operation of commissary stores, a minimum period of 180 days should be afforded AAFES to accomplish the planning and implementation tasks.

28. At D + 180 days AAFES should be in position to assume control of CONUS stores, and those offshore stores such as Panama and Puerto Rico which would fall under the jurisdiction of AAFES Southeast Exchange Region and Capitol Exchange Region.

29. At D + 360 days AAFES would have assumed control of all oversea stores, having phased in the three oversea systems (AAFES-Alaska, AAFES-Pacific, and AAFES-Europe) at 60 day intervals. (D + 240, D + 300, and D + 360.. This phasing would enable AAFES to assume control of worldwide stores as nonappropriated fund activities by 30 September 1976, provided D Day was not later than 1 October 1975.

30. Appropriated funds should reimburse AAFES for the one time costs incurred during the transition stage for the buildup expenses preparatory to final posture take-over. The dollar value of one-time costs which AAFES will incur in assuming responsibility for operation of commissaries cannot be determined until a detailed study is made. This study will be developed and finalized during the period between decision to assign the responsibility to AAFES and initial implementation. The types of one-time costs it is anticipated that will be incurred are:

- a. Installation of a data communications network to support merchandise replenishment and check cashing controls. The estimated cost to establish the network is \$150.00 per store, plus a lump sum of \$10,000. Additionally, an undetermined one-time cost will be incurred for reprogramming, supplies and keypunch.
- b. Systems design and reprogramming for conversion of existing AAFES merchandise management, accounting and distribution systems to process data for commissaries.
- c. Transportation and related costs for transfer of personnel to AAFES who must relocate.
- d. Temporary duty, training and dual occupancy costs during transition period.
- e. Consideration should also be given to a one-time upgrading of certain stores which are presently below acceptable standards. If this is not accomplished as a separate one-time project, upgrading of

these stores must be delayed until the necessary funds can be accumulated in a revolving construction fund account from the 1 percent included in the price markup for construction.

f. Costs associated with segregation of troop issue inventories from resale commissary store inventories, particularly in cold storage plants.

g. Procurement cost for additional refrigerated vehicles for commissary store deliveries in oversea areas.

LONG RANGE PLANNING

31. The supermarket industry has made great strides in developing a Universal Product Code (UPC). This code is a 10-digit number that is assigned from a central data bank, and is applied to the item at the manufacturer's plant. The use of this code combined with an appropriately designed computer system will make it possible to systematically provide associated data such as the price of each item. At the point of sale it would be scanned or "READ" by a device which captures the UPC and automatically effects other planned actions, i.e., print cash register receipt, capture sales data, provide ordering data and actions and maintain perpetual inventory. Substantial benefits may be possible with this capability, in merchandise management and fiscal accounting procedures.

32. Central meat cutting plants could be established in each region to receive carcass beef and break into primal cuts. At store level, primal cuts would be sliced, wrapped and merchandised with minimum labor.

The central plant could prepare hamburger patties and other cuts not only for grocery stores but exchange cafeterias and snack bars as well. Centralized meat processing plants would reduce the number of butchers currently employed and result in personnel economics.

33. Central warehousing and distribution of non-perishable food items will merit examination to determine feasibility and cost effectiveness, particularly for stores in near proximity or within geographical areas. Central warehousing should facilitate rapid resupply, stock turns, and minimize inventory investment.

VII. Accounting

34. The levels of accounting support utilized by AAFES could be used for commissary store operations. The manual summation of supplier billings and the recording of cash and sales which is currently accomplished at the commissary level would be shifted to the area and/or regional offices. The consolidation of functions and the use of mechanized systems would eliminate some commissary accounting positions.

35. The Open Order/Direct Delivery Receiving System (FS-21) and the Visual Rapid Reorder/Vendor Drop Shipment (VRR/VDS) system would be utilized for receiving merchandise into accountability and for providing input into the accounts payable system for payments to the suppliers.

VIII. Data Systems

36. The AAFES merchandise control programs are fully automated and use modern techniques for inventory management. It is believed that at least two of the AAFES merchandise inventory management programs can be used for the control of commissary items successfully. No extensive modification to existing data programs would be necessary for the AAFES to assume the

commissary support function. One of the AAFES merchandise systems is the VRR system which is designed to control merchandise selected for warehouse storage and is now used worldwide. A companion program identified as an open order merchandise control system, for non-warehouse items, allows in place management the flexibility for procurement and delivery of foodstuffs locally produced and distributed. At the time the AAFES would assume the support function of an installation a communication network could be installed to support the merchandise replenishment under VRR, open order programs and at the same time provide check cashing controls.

37. Data communication equipment for commissary store activities would be Thompson, Ramo, Wooldridge (TRW) equipment, plus hookups. A one-time cost for CONUS commissary installation is estimated at \$150 per store plus a lump sum for CONUS of \$10,000. Additionally, an undetermined one-time pickup cost will be incurred for reprogramming, supplies, and keypunch. To place the same communication capability in commissary stores as in exchange stores, the monthly increased cost is estimated at 25% of the 1974 worldwide average expense or \$97,800.

38. The AAFES mechanized payroll and Personnel Management Information systems are estimated as having the capacity to absorb and maintain commissary employees that would be "new hires" to this command. This does not include employees paid in foreign currencies. If special pay plans would be required, such as commission or other type of incentive compensation, additional programming would be necessary.

XIX. Personnel

39. Policies governing the employment by AAFES of former commissary (appropriated fund) civilian employees will be as set forth in the DoD Personnel Policy Manual for Nonappropriated Fund Instrumentalities (DoD 1330.19-IM), AR 60-21/AFR 147-15, Exchange Service Personnel Policies, and Federal Personnel Manual (FPM) Supplement 532-2.

40. AAFES will hire former commissary employees, both salaried and hourly paid, based on the manpower requirements of AAFES and qualifications of the individuals. It is anticipated that all commissary employees at store level and certain staff employees would be offered nonappropriated fund employment. See Tab B.

41. AAFES will recruit college trainees as needed in the grocery management career area to assure the development of a highly motivated and dedicated cadre of executives. AAFES will conduct training on AAFES procedures at commissary locations prior to transfer of operational responsibility to AAFES.

X. Distribution

42. The current distribution method used for items sold in CONUS commissaries are purchased free on board (FOB) destination. Adjustments in procedures could be made at a later date to effect

economies and increase effectiveness. Some non-food items could be delivered from the regional VRR warehouses to the small to medium sized commissary stores. The larger commissaries would continue to receive direct supplier shipments for these items. This added mission can be absorbed with little impact on existing regional warehouses.

43. Items purchased for overseas commissaries are shipped FOB to the port of debarkation. It is in this area of responsibility that the AAFES distribution system will feel the greatest impact for proper routing and application of Military Standard Transportation and Movement Procedures (MILSTAMP). Procedures for routing will include provisions for source loading for all shipments 10,000 pounds, or 1,000 cube or over. Shipments not meeting this criteria will free flow into predesignated points for consolidation and forwarding to appropriate overseas consignees. It may be necessary for AAFES to implement an operation similar to those at Mechanicsburg Defense Depot and Tracy Defense Depot which load seavans for direct delivery to overseas commissaries, if the Defense Supply Agency cannot continue to be used.

XI. Facilities

44. Both the Army and Air Force in recent years have conducted aggressive construction programs to replace and expand commissary facilities with appropriated and surcharge funds. Although a significant number of facilities have been upgraded by these programs, many commissary facilities are still located in old temporary type buildings which were not designed for retail food activities making customer convenience inadequate in these substandard facilities, and reducing the overall efficiency of the operation.

Consequently, a higher gross margin is required to attain a break even operation. These commissary facilities are in a condition similar to the exchange facilities in the early 1960's prior to initiation by AAFES of a major construction program using nonappropriated funds to bring exchange facilities up to the standards of comparable commercial retail facilities. The commissaries require a similar program. It is proposed that funds for the program be obtained by including in the AAFES gross margin a factor of 0.9 percent which will provide approximately \$19 million annually.

45. The integration of the exchange and commissary construction programs should result in reduced commissary design costs and increased economies in construction and fixturization costs through standardization. AAFES professional architects and engineering personnel will require approximately six months to develop expertise in the intricate design required for grocery stores.

46. A program to upgrade the commissary stores through renovation or new construction, as applicable, will require additional overhead and professional engineering personnel. The number of additional overhead personnel (to be charged to headquarters budget) required will be minimal. The cost of additional professional engineering personnel required for design, development and implementation of projects will be capitalized as part of the project costs.

XII. Conclusions

47. It is concluded that:

a. That AAFES could manage the Army and Air Force commissary stores as non-appropriated fund activities.

b. Phased schedule for assumption of commissary operations is required.

c. Existing merchandise management and accounting systems can be adapted to a commissary operation.

d. Existing payroll and personnel management systems can be used.

e. Departments should reimburse AAFES for one-time costs incurred.

f. Withdrawal of appropriated fund support and operation of commissaries stores by AAFES will result in customer savings of 12-15%.

g. Central control of construction requirements for exchange and commissary stores will permit savings in planning and designing. and possibly facility requirements.

TAB A
COST ANALYSIS

| (# Thousands) | ARMY | (Based on Actual FY 74 Commissary Operation) | | | |
|--|------|--|-----------------|-----------|-----------------|
| | | AIP FORCE | | TOTAL | |
| | | \$ | % (To Sales) | \$ | % (To Sales) |
| Sales at Cost ¹ | | \$910939 | 100% | \$1065000 | 100% |
| Direct Costs: | | | | | |
| Civilian | | \$ 99092 | | \$ 103175 | |
| Military | | \$ 2716 | | \$ 6551 | |
| Total Personnel Costs ² | | \$101808 | 11.18% | \$ 109726 | 10.30% |
| Other Direct Costs ³ | | \$ 17096 | 1.88% | \$ 20312 | 1.91% |
| | | \$118904 | 13.06% | \$ 130038 | 12.21% |
| Indirect Costs: | | | | | |
| Overhead (All) ⁴ | | \$ 45547 | 5.00% | \$ 53250 | 5.00% |
| Total Costs | | \$164451 | 18.05% | \$ 183288 | 17.21% |
| New Construction | | \$ 9109 | 1.00% | \$ 10650 | 1.00% |
| Total Costs Including New Construction | | \$173560 | 19.05% | \$ 193938 | 18.21% |
| | | | | \$ 367498 | 18.60% |

Notes:

1. Sales Stores Only.
2. A fringe benefit rate of 25% was used for the civilian wages for both departments. The 25% represents a composite of AAFES UA and HPP fringe benefits. Adjustments were made for fringe benefit rates identified by the Army and Air Force at 8.8% and 11.7%, respectively.
3. Expenditures made from surcharge funds excluding construction/equipment for Air Force.
4. Indirect percentages extracted from OMB study dated 5 November 1974.
5. A retail gross profit of 15.7% will be required to offset the operating costs and provide a new construction fund for the commissary operation.

TAB B

A PLAN FOR CONVERTING COMMISSARY STORE CIVIL SERVICE PERSONNEL
TO THE DOD NONAPPROPRIATED FUND PERSONNEL PROGRAM

RATIONALE FOR CONVERSION

It is considered that a self-supporting commissary store system cannot be successfully operated using Civil Service personnel. Customer service oriented nonappropriated fund personnel policies provide greater flexibility in recruitment, selection, scheduling and promotion. This flexibility, and the absence of Civil Service end-strength constraints which limit the utilization of part-time personnel, are essential to operation of a viable, financially self-sufficient resale system.

Some employee and union resistance to conversion is anticipated. However, the following considerations should effectively allay initial concern:

- a. Far fewer jobs would be eliminated, as sales losses would be minimized.
- b. All commissary store-level Civil Service employees can be afforded the opportunity to continue in their jobs as nonappropriated fund employees.
- c. Arrangements can be made to ensure that employees accepting nonappropriated fund employment are accorded fringe benefits comparable to Civil Service fringe benefits and that their accumulated retirement, leave and related benefits are, in effect, retained.
- d. Career promotional opportunities for those employees accepting nonappropriated fund employment will be greater than their promotional opportunities as commissary store Civil Service employees.

PROCEDURES FOR CONVERSION

Employment Opportunities. All commissary store-level Civil Service incumbents would be afforded employment opportunities within the NAF program.

One-time Costs. To be absorbed by appropriated funds, within the funding levels approved for FY 1976 and FY 1977.

Wages. Except for exempt personnel, nonappropriated fund activities operate under a prevailing rate system administered by the Department of Defense rather than a general schedule. Because of the dissimilarities in wage systems and the need to protect the financial integrity of the nonappropriated fund activity, incumbents who choose to be employed by the nonappropriated fund activity would be placed within the appropriate existing wage schedules for nonappropriated fund activities in the local area. Some individuals would suffer a loss in income.

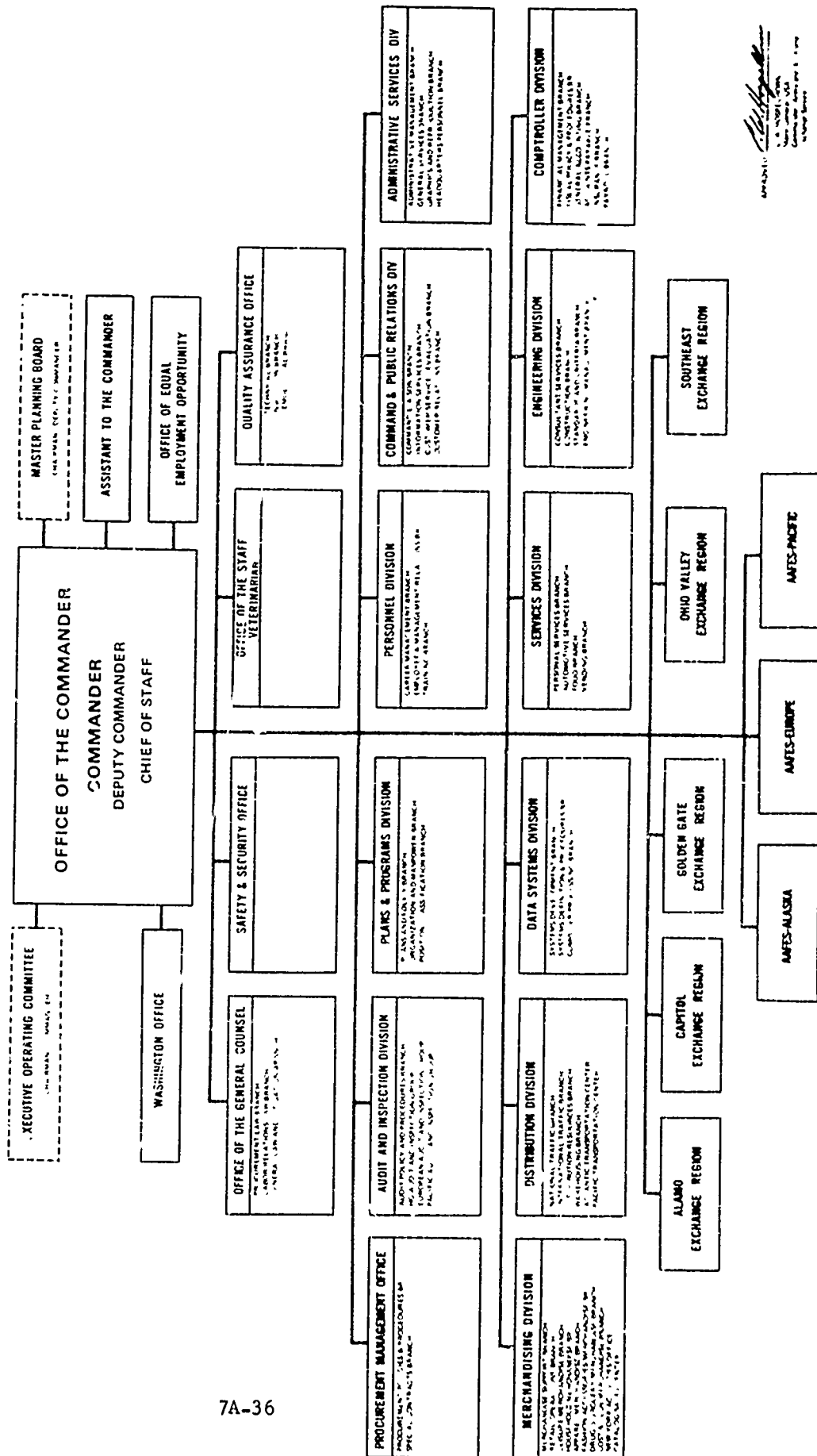
Accrued Annual Vacation Leave. Incumbents would be paid a lump sum for all accrued annual vacation leave. Upon employment as nonappropriated fund employees they could be given credit for all past civilian service in the Civil Service and would begin to accrue vacation leave at the nonappropriated rate.

Sick Leave. Accrued sick leave could be transferred to the books of the new nonappropriated fund activity. There would be no loss of sick leave and the individual would continue to accrue sick leave at the appropriate rate. Accrual rates for both annual vacation leave and sick leave are identically the same in the Civil Service and in nonappropriated fund activities.

Group Insurance and Disability Insurance. Upon employment by the nonappropriated fund activity, all eligibility waiting periods required of new employees would be waived.

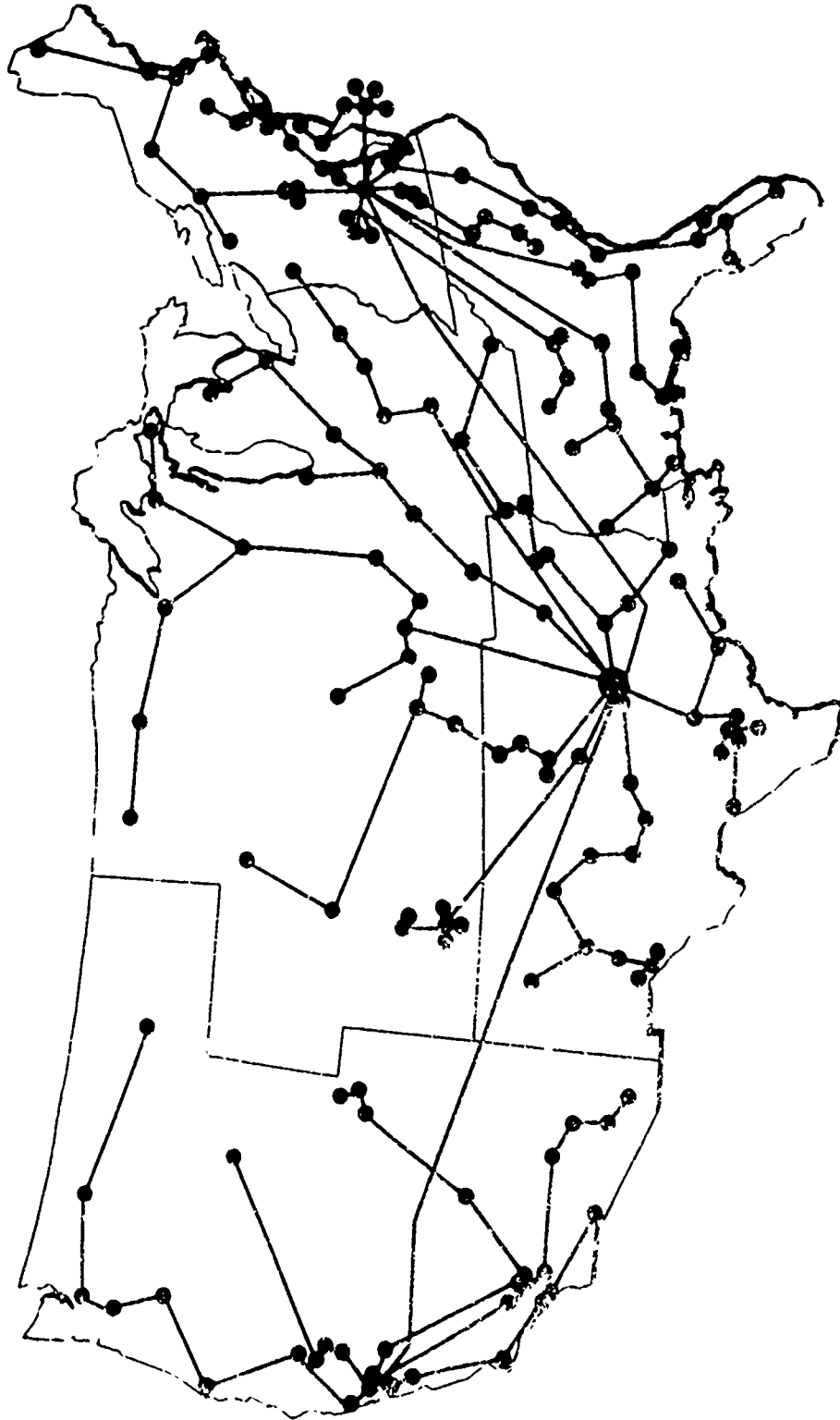
Retirement Plan. Incumbents hired by the nonappropriated fund activity would be given the opportunity to join immediately the nonappropriated fund activity retirement plan provided they exercised this option promptly. If the gaining activity has a mandatory participation retirement plan, participation by former commissary employees will also be mandatory. The employee's credited service under the Civil Service plan will be included and appropriately offset in computing the amount of retirement income benefits payable. The retirement income benefit computed under the nonappropriated fund activity (NAFA) plan (prior to any reduction for early retirement, survivor benefit or option form of pension) will be offset by the amount of the employee's retirement income benefit computed under the Civil Service plan which would be payable at normal retirement age 62 based on credited service and earnings prior to the date of employment by the NAFA (again, prior to any reduction for early retirement, survivor benefit or optional form of pension). When the gaining NAFA utilizes a Social Security offset, that offset will be equitably computed on the basis of the combined period of credited service and applied to whatever amount of Social Security the employee is entitled to at normal retirement age 62. The above offsets would apply even if the employee is not in fact entitled to such retirement income benefit under the Civil Service plan as in the case where the employee had not met the vesting requirement or had withdrawn his contributions under the Civil Service plan.

ARMY AND AIR FORCE EXCHANGE SERVICE



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AAFES
CONUS COMMUNICATIONS NETWORK



APPENDIX 7-B

CONSOLIDATED NAVY COMMISSARY AND EXCHANGE SYSTEM

7-B.1 GENERAL STATEMENT. This alternative proposes the merger of Navy Commissary Stores and Navy Exchanges into one non-appropriated funded organization. A positive approach was utilized in the development of this alternative even to the point of determining actions required by different command levels. This was required in order to assess problems that would be encountered and time frames for accomplishment, to assist in the approximation of costs, the assessment of savings, and to develop advantages and disadvantages.

7-B.2 BACKGROUND.

a. The concept of consolidating retail sales outlets in the Navy is not new. Prior to Navy exchanges becoming decentralized non-appropriated activities, the Navy operated Ships Stores Ashore, which had, within their organizational structure, several retail sales outlets including Ships Store and Commissary Store. At each activity, a single office performed, with certain modifications, common functions such as procurement, receipt, stock control, cash handling, and personnel management. Separation of functions developed only when funding for each became different.

b. In 1967, the Navy recognized the economies which could be gained from the consolidation of such common functions for groups of Navy Commissary Stores, and during a four-year period from 1967 through 1971, some fifteen CONUS and seven overseas complexes were formed, each having varying numbers of commissary stores within them.

c. The organizational structure of the Navy commissary stores has developed along the same lines as that of commercial supermarkets, with vertical lines of communication and authority. In some respects, Navy commissary stores have higher efficiency indicators than their commercial counterparts (e.g. sales per square foot., greater stock turn, etc.). However, commissary stores, unlike commercial supermarkets, have been subjected to operational constraints largely because of their status as appropriated funded governmental instrumentalities (e.g., the type of employees (military and civil service), and the inadequacy of existing facilities. The Logistics Management Institute, in a study of commissary stores in 1969 recognized the unique conditions under which such stores are obliged to operate and with due consideration to such conditions concluded that they were operating in an efficient manner. By accomplishing certain personnel changes, facility improvements, and organizational realignments in both the commissary store and Navy exchange structures, it is believed that improved efficiency in operation of the resale system can be achieved. The limited time frame for implementing

PBD 282 (requiring total reimbursement of commissary store labor costs by 1 October 1976) would, however, adversely impact on the Navy's efforts to orderly restructure its organization, and secure the facility improvements necessary to achieve a viable organization.

d. The transition period necessary to accomplish an orderly personnel conversion, from appropriated funded to non-appropriated funded status, is estimated to require a minimum of two years. The construction/improvement of commissary store facilities, will require a considerable longer period of time based on the assumption that the costs of such construction will be supported solely from funds generated by sales.

7-B.3. ASSUMPTIONS. The following assumptions were made in determining the action required for the common management of exchange and commissary stores by the Navy Resale System Office:

a. Commissaries will operate in a non-appropriated fund mode with personnel temporarily remaining as appropriated funded on a reimbursable basis.

b. Commissaries will operate as appropriated funded, reimbursing (from surcharge funds) 50 percent of direct costs from 1 October 1975, to 30 September 1976.

c. Commissary stores will become non-appropriated fund activities on 1 October 1976, and will merge with the exchange system at that time.

d. Navy exchanges will verticalize (stovepipe) under the command of the Navy Resale System Office, no later than 26 January 1976.

e. The following items will be turned over to the exchange service on a non-reimbursable basis:

(1). Equipment and supplies provided from commissary store reserve funds.

(2). Current financial assets generated in compliance with Section 814 of the DOD Appropriations Act.

f. The Stock Funded inventory on hand and on order, will be transferred to the exchange service on a non-reimbursable basis.

g. The common support functions currently rendered to the exchange systems at installation level will continue to be provided.

h. Commissaries will operate on a non-profit basis with no contribution to welfare and recreation funds.

i. Commissaries will utilize variable markups.

j. All procurement will be directed through the exchange system.

k. Present Civil Service personnel currently engaged in installation level commissary store operations will be provided an opportunity to secure NAF employment with the commissary systems.

l. Appropriated funds will pay the severance costs of Civil Service employees.

m. Grocery departments will utilize the retail method of accounting. Meat and produce departments will operate on cost accounting basis.

n. Criteria currently contained in Section 814 of the Annual Appropriations Act, concerning establishment and continuance of commissary stores, will be deleted.

7-B.4. SYSTEM COMMAND AND MANAGEMENT. The chain of command would generally remain the same as it is now, with command exercised by the Department of Defense, through the Secretary of the Navy, Chief of Naval Operations, Chief of Naval Material, Commander, Navy Supply Systems Command and Commanding Officer, Navy Resale Systems Office. However, in order for a viable non-appropriated fund commissary store system to become a reality and still provide adequate savings to patrons of commissaries, the different levels of command would need to give serious consideration to the following recommendations:

a. Department of Defense

(1). Request one time appropriations to ensure that adequate equipment and facilities are provided for commissary stores. Current estimates of deficiencies in material handling equipment and facilities are \$48.6 million and \$122.5 million, respectively.

(2). Initiate action to provide for the cost of severance pay for the reduction-in-force of commissary store personnel. Consideration should also be given to requesting sufficient funds to provide the opportunity for civil service personnel reemployed as non-appropriated fund employees in the commissary system to purchase equal retirement benefits from the Navy Resale System Office.

(3). Provide for the cost of the transfer of military personnel that are considered in excess of the needs of the system. Consideration should also be given to providing financial assistance in the transfer of these personnel.

b. Secretary of the Navy

(1). In order to effectively merge commissaries with Navy exchanges, the Commanding Officer, Navy Resale System Office, should have command responsibilities of the Navy exchanges, the same structure currently existing for commissary stores. Therefore, it would seem appropriate for the Secretary of the Navy to direct all installations to transfer command responsibility of Navy exchanges to Commanding Officer, Navy Resale System Office.

(2). The effective date of the above transfer of command responsibility should be no later than 26 January 1976.

c. Commander, Navy Supply Systems Command

(1). Initiate action to promulgate necessary directives, instructions, and regulations providing guidance for an orderly merger of Navy commissary stores and exchanges.

(2). Take necessary action within the purview of the Naval Supply Systems Command to ensure every assistance is provided for the utilization of Civil Service personnel who are adversely affected by the reduction-in-force action of the commissary stores.

7-B.5. HEADQUARTERS ORGANIZATION. The Commanding Officer, Navy Resale System Office would, under the direction of the Navy Supply Systems Command, exercise command control of the world-wide system of Navy exchanges and commissary stores, and provide technical and advisory assistance as required. In order to provide for an orderly merger and affect the maximum efficiency and the best possible savings to the patrons after the merger, it is recommended that the following actions be considered:

a. A plan of action and milestones (POA&M) be developed as outlined in Annex A (p. 7B-19).

b. Establish a task force, assigning personnel from the field and NAVRESO, the responsibility of developing and implementing procedures for the merger of Navy exchanges and commissary stores.

7-B.6. FIELD ORGANIZATION. The commissary stores are currently regionalized with from two to nine stores in a region. Although some groups of Navy exchanges are complexed (a "complex" being comparable to a commissary region), most Navy exchanges are not "complexed." However, most of the exchanges, if not part of an existing "complex," are part of a main exchange-branch exchange group with the main exchange performing the functions of accounting, procurement, merchandising and warehousing. This parallels the commissary store region concept with the exception that the exchange Officers generally report to the Commanding Officer of the installation. Thirty-eight of the commissary stores, ten regions and nine independents, are geographically aligned with Navy exchange complexes, groups, or independent main exchanges. These commissary stores represent 40 percent of the total stores and 32 percent of the total sales. In view of these factors, plans for further regionalizing of commissary stores and complexing of Navy exchanges should consider the following:

a. That commissary store regions and Navy exchange complexes encompass the same geographical area.

b. The merger of commissary stores with Navy exchanges should be planned to place minimum hardships on the patrons and personnel.

7-B.7. METHODS OF OPERATION

a. Although Navy exchanges and commissary stores are retail sales outlets, they are different in several aspects as indicated below:

NAVY EXCHANGES

1. Operate on the department store/retail service concept.

COMMISSARY STORES

1. Operate as supermarkets.

NAVY EXCHANGES

2. Non-appropriated fund activities, self-supporting.
3. Require considerably more on hand inventory, with a retail department stock turn of approximately 5 per year.
4. Approximately 25 percent of items delivered direct to sales outlet.
5. Perishable goods represent small percentage of total sales.
6. Large number of high price items.
7. Highly seasonal in nature.

COMMISSARY STORES

2. Appropriated fund activities, not self-supporting as payroll is not considered as a direct cost.
3. Fast turnover of inventory, approximately 13 turns a year.
4. Approximately 60 per cent of items are direct deliveries.
5. Perishable items represent 26.8 per cent of total sales.
6. Many low price items, the average being about 55 cents.
7. Generally, non-seasonal in nature.

b. Functional areas where the procedures are approximately the same include centralized procurement at the main or headquarters exchange and commissary complex, utilization of purchase bulletins (PAB's, Supply Bulletins, etc.), receiving, marking, cash handling and centralized bill paying. The merger of exchanges and commissaries will permit economies in overall operations through consolidation of some functions. However, emphasis should be placed on systems analysis in order that further efficiencies can be realized through the establishment of new or modified procedures.

7-B.8. DISTRIBUTION SYSTEM. The merger of Navy exchanges and commissary stores can conceivably place an increased burden on warehousing and distribution facilities and equipment. Consequently, the concept of central distribution, should be pursued aggressively with consideration given to utilizing commercial distribution facilities where economically feasible. Cognizance must be taken of the fact that current exchange and commissary warehousing facilities are generally inadequate. Consequently, the availability of government owned buildings

capable of being utilized as regional distribution centers, must be investigated. Central meat processing plants are currently being constructed at the Norfolk and San Diego commissary stores. It is recommended that the feasibility of meeting the requirements of exchange food service outlets in these areas, or over a greater geographical area, be explored.

7-B.9. MANAGEMENT AND DATA SYSTEMS

a. Insofar as practical, existing commissary store complex computer applications in procurement, stock control, and accounting, should be transferred to central office ADP systems having sort and high speed capability.

b. Additional operations which will achieve the mechanized control of warehoused and non-warehoused items should be added.

c. Communications networks should be installed between regional offices and NAVRESO for transmission and receipt of computerized data.

d. A unified management information system should be developed and installed.

7-B.10. NUMBER OF STORES. Upon conversion of Navy commissary stores to non-appropriated funded status, NAVRESO should analyze the performance and need of existing commissary stores and consider the closing of those that would help to maximize service and savings to the customer. Where considered practical, closed commissary stores should be replaced with location or convenience stores.

7-B.11. LEVELS OF SERVICE. The possibility of reverting to a five-day opening at commissary stores which are presently open six days a week should be investigated. It may be possible to stagger days open when stores are located in the same geographical shopping area without experiencing a reduction-in-service.

7-B.12. FUNDING

a. Additional capital will be required at the time that exchanges and commissaries are merged. It is considered that the following items will be turned over to the exchange service on a non-reimbursable basis.

1. Equipment and supplies provided from commissary store reserve funds.

2. Current financial assets generated in compliance with Section 814 of the DOD Annual Appropriations Act.

3. The stock funded inventory on hand and on order.

4. Change funds currently in use in commissary stores.

b. The turnover of the above assets to the exchange service on a non-reimbursable basis will enable the exchange system to obtain funds for the payment of invoices, payroll, etc. without placing an undue hardship on the cash liquidity of the exchange system.

7-B.13. PERSONNEL.

a. The most critical area in the merger of Navy exchanges and commissaries, as with those of other services, is considered to be that of personnel. Civilian employees in commissaries are civil service personnel while their counterparts in exchanges are not. When the exchanges and commissaries are merged, all civilian employees will be required to be non-appropriated fund employees, governed by the personnel policies outlined in the Navy Exchange Manual and NAVRESO Instructions and Notices. (Cognizance is taken of the policies outlined in the DOD Personnel Policy Manual for Non-Appropriated Fund Instrumentalities, DOD 1330-19-17, however, it is believed that NAVRESO has been given deviation from these policies.) During the transition period prior to the merger on 1 October 1976, commissary employees will remain Civil Service personnel and for the period 1 October 1975, to 30 September 1976, 50 percent of these personnel costs will be reimbursed from commissary store surcharge funds.

b. On 30 September 1976, all commissary personnel will be reduced in force and will, therefore, be eligible for severance pay. It is considered that the payment of severance costs, including accrued leave balances, is the responsibility of appropriated funds. The "former" commissary Civil Service personnel will be offered non-appropriated fund employment based on manpower requirements. In view of the above, it is recommended that the following actions be taken:

(1). Reduction-in-force notices be given commissary employees approximately 90 days prior to the merger, the exact time to be in accordance with Civil Service procedures.

(2). Offers of employment, outlining positions and salary offered, be forwarded to qualified commissary personnel.

(3). Effective 1 October 1975, all personnel hired for commissary stores be employed on a temporary basis.

(4). Job grades and position descriptions be developed for the new salaried and hourly paid positions.

(5). Wage surveys be conducted as required in order that they may be implemented on 1 October 1976.

c. The result of the above actions will be to provide more flexibility in the scheduling of personnel and permit the utilization of a full-time/part-time mix of 40 percent and 60 percent respectively, enabling staffing levels to be maintained commensurate with sales. Additionally, once implemented, the total salary expense will be reduced from the present level as the current full-time/part-time mix is approximately 70/30. Additionally, it will enable the transfer of personnel between exchanges and commissaries to meet varying levels of workload.

d. Determination of required military personnel spaces should be made prior to 1 February 1976, in order that the transfer of non-essential military personnel could be accomplished by 1 July 1976.

7-B.14. TRAINING. Cross training would have to be accelerated to facilitate scheduling and improve efficiency of operations. Emphasis in commissary stores would be shifted to improving sales, to profit-motive orientation, and economy of operation. Where possible, performance should be measured by production standards. The development of adequate performance standards is considered essential.

7-B.15. MERCHANDISING.

a. Changing the product mix and using a variable pricing policy and their impact on the commissary store and exchange programs are analyzed in Annex B (p. 7B-21). Plan B of Annex B provides for an expansion of the merchandise mix in Navy commissary stores to include high revenue

producing items and provides the rationale for adding these items. It is considered that such items and certain other general merchandise items should be offered to commissary store patrons at the same markup as applied in the Navy exchange.

b. It is considered appropriate that a variable markup system be employed where the markup on different categories of merchandise will vary in the same manner as reflected in nearby commercial supermarkets. The markup should be assigned to maximize the number of items offered for sale at prices below like items in the commercial sector. Price comparisons should be made at least monthly to validate or readjust such markups as necessary.

c. The elimination of restrictions on vendor shelf stocking, plus an aggressive and continuing program to secure maximum utilization of available display space for special promotions, will also contribute favorably to improved merchandising.

d. The possibilities of obtaining additional display and advertising allowances from suppliers should be explored.

7-B.16. PROCUREMENT.

a. Buying practices would remain unaltered until 1 October 1976. At that time the Navy Resale Systems Office could assume the function of negotiating price agreement bulletins on commissary store items. The possibility of DPSC continuing to purchase items of a perishable nature or beyond the Regional Director's contractual authority such as milk, carcass beef and fresh produce would be investigated. If this is not possible, then these items would be purchased by the Navy Resale System's Officer for East Coast and Atlantic Ocean Area activities, and by the NAVRESO West Coast Branch for West Coast and Pacific Ocean Area activities.

b. Consolidation and centralization of procurement activities and increased use of computerized requirements determination for both exchange and commissary store requirements will produce a savings in the cost of procured merchandise.

7-B.17. ACCOUNTING AND RELATED FACTORS.

a. When commissary stores are merged with exchanges, they will be able to adapt, with minimal confusion, the cash handling, accounting, and personnel procedures, currently in effect in the Resale System. For example:

(1). Commissary sales receipts would be deposited in the same banks used as depositories by exchanges.

(2). Employees would be paid via centralized payroll for CONUS and selected overseas stores.

(3). The exchange personnel department will be able to accept job applications and maintain the required personnel records for the commissary stores.

(4). Receiving documents and invoices, after matching, will be either paid by the exchange or forwarded to NAVRESO for payment rather than sending them to finance centers for payment.

b. Economies of operation will result from the merger in that the accounting offices of the exchanges and commissaries will be consolidated, resulting in a reduction in the number of employees currently employed in the separate offices. However, some of these savings will be offset by the addition of personnel functions now performed by base personnel.

c. Consideration must be given to the following differences between commissary and exchange procedures:

(1). Commissary stores will continue to be operated on a non-profit basis, and will not contribute to Welfare and Recreation Funds. Therefore, provision will have to be made to treat funds currently generated through the commissary store reserve fund for program expansion, as an expense item, in order to provide funds for improvement of facilities.

(2). Purchase discounts currently considered as other income by the Resale System, are considered as reduction of the cost of the product by the commissary stores. This procedure should be evaluated.

(3). Commissary stores utilize a "no count" turn in of sales receipts and change funds. This procedure requires that the sales clerk place her change fund and sales receipts in a money bag without counting it, lock the money bag and turn it in to the cashier, obtaining a receipt from the cashier for one locked money bag. The cashier counts out the change fund and sales receipts and makes up the daily deposit. The possibility of utilizing this procedure at specified exchanges or locations should be explored.

(4). It is recognized that NAVRESO will be required to increase its accounting staff to accommodate the increased workload, however, this additional expense would be offset by a Central Office Charge to the commissary stores.

7-B.18. INSPECTION AND AUDIT. Upon conversion to NAF status, the Internal Audit function presently being performed for COMSYSTOS by Naval Area Audit Offices (appropriated fund activity) would be assumed by the Audit and Inspection Division, NAVRESO (non-appropriated fund activity).

7-B.19. ESTIMATED COST, SAVINGS AND SALES.

a. The statement of sales and expenses indicated below is projected on the basis that commissaries will merge with exchanges and will be required to absorb all payroll expenses, civilian and military:

| | <u>Amount</u> <u>(\$000)</u> | <u>Percent</u> |
|--------------------------------------|---------------------------------|----------------|
| Sales (based on 1975 estimates) | \$545,000 | 100.0% |
| Cost of goods sold | 461,615 | 84.7 |
| Gross profit | 83,385 | 15.3 |
| Payroll - Civilian | 28,238 | 5.2 |
| Military | 9,027 | 1.6 |
| Personnel Benefits | 6,636 | 1.2 |
| Direct departmental expenses | 3,815 | .7 |
| General expenses | 8,720 | 1.6 |
| Provision for facilities improvement | 8,175 | 1.5 |
| Central Office reserve | 18,774 | 3.5 |
| Net Profit | -0- | -0- |
| Savings to Customer | | 11.1% |

b. In arriving at the above figures, consideration was given to anticipated economies which would be derived from the merger of exchanges and commissary stores and that the commissaries would operate on a self-supporting, break even basis. No consideration was given to the possibility of increased costs, percentage wise, due to lost sales, in view of the decreased savings to patrons. Additionally, consideration was not given to savings which could be obtained from a change in product mix.

c. It is assumed that the charge for the Central Office reserve would provide for the Headquarters staffing required, purchase of equipment in excess of \$100 per item, and advisory and technical assistance provided by Headquarters.

d. Annex B (p.7B-21) presents the impact from a different perspective and provides for the sale of soft drinks, cigarettes and candy in the commissary stores (Plan B), and the impact on exchanges. It does not consider economies anticipated in the merger of exchanges and commissaries, nor the increased perceived savings to patrons through utilization of a variable markup. Rather, it reflects the impact of PBD #282 with respect to reduced sales and savings. Plan A assumes no additions to the categories of items carried and that employees will remain Civil Service employees. Plan B, however, assumes that cigarettes, candy and soft drinks will be added to the categories of items carried and that employees will change to a NAF status.

e. Projections made by the study group and the AAFES indicated that perceived savings to patrons, based on the commissary price comparison market basket, could be increased by approximately 1 to 2 percent, through the utilization of a variable markup percentage.

f. Attempting to estimate the cost structure under this alternative is complex and difficult due to the changing from appropriated funded mode of operation to non-appropriated funded mode, changing the product mix and going to variable pricing. Reviewing the price structure for various cost factors in the commercial sector, grocery sections of Navy exchanges and previous studies on commissary operations showed varying percentages of sales when tabulated by three specific categories of cost, i.e., personnel, operations, and capital outlay (facilities and equipment). The ranges for these three categories of cost, including Headquarters expense, were as shown below:

| <u>Cost Factor</u> | <u>Range as a % of Sales</u> | <u>Average %</u> |
|--------------------|----------------------------------|------------------|
| Personnel | 8 to 11 | 10.35 |
| Operations | 3 to 6 | 4.43 |
| Capital Outlay | 1 to 2.5 | 1.88 |
| Total | 12.0 to 18.5 | 16.66 |

These percentages compare favorably with the cost factors developed in paragraph 7-B.19.a and Plan B of Annex B as follows:

| <u>Cost Factor</u> | <u>Percentage of Sales Para. 7-B.18.a</u> | <u>Plan B</u> |
|--------------------|---|---------------|
| Personnel | 8.0 | 9.2 |
| Operations | 5.8 | 3.6 |
| Capital Outlay | 1.5 | 1.8 |
| Total | 15.3 | 14.6 |

Taking into consideration the impact on sales as a result of reduced savings and the offsetting affect of adding tobacco, soda and candy to commissary store sales in FY 1977 and 1978, a 15 percent labor savings in FY 1978, and the estimated average cost factors above, a projected operating statement and expected savings was developed. These statements are shown in Tables 1 and 2 (p. 7B-14-16). Table 1 represents the minimum predictable sales loss and Table 2, the maximum. The two tables were computed using several iterations of the economic model described in Chapter 3. A summary of the key factors is shown below:

| <u>Item</u> | <u>3/4 FY 76 & FY 7T</u> | <u>FY 77</u> | <u>FY 78</u> |
|---|----------------------------------|--------------|--------------------------|
| Expected savings % | 16.4 to 17.4 | 10.1 to 12.7 | 12.3 to 13.9 |
| Expected lost sales % | 6.0 to 16.2 | 6.2 to 12.1 | No additional sales loss |
| Expected cost (less C.G.S. as a % of sales) | 10.5 to 11.5 | 16.8 to 19.2 | 15.4 to 17.9 |

Table 1
PROJECTED OPERATING STATEMENT AND EXPECTED SAVINGS
FOR COMMISSARY STORES MERGED WITH NAVY EXCHANGES 1/

| <u>Item</u> | | <u>3/4 FY 76 & FY 7T</u> | <u>FY 77^{5/}</u> | <u>FY 78^{5/}</u> |
|---------------------------------------|-----|----------------------------------|---------------------------|---------------------------|
| Assumed initial savings ^{1/} | % | 22.0 | 17.4 | 12.2 |
| Assumed incremental sales loss | % | 5.5 | 5.9 | No add'l sales loss |
| Equivalent supermarket sales | \$M | 660.5 | 646.9 | 650.3 |
| Estimated commissary sales | \$M | 546.0 | 568.0 | 560.0 |
| Costs: | | | | |
| Cost of goods sold | \$M | 488.8 | 472.7 | 473.3 |
| Cost of goods sold % of sales | | 89.5 | 83.2 | 84.5 |

Table 1 (Continued)
PROJECTED OPERATING STATEMENT AND EXPECTED SAVINGS
FOR COMMISSARY STORES MERGED WITH NAVY EXCHANGES 1/

| Item | | <u>3/4 FY 76</u> <u>& FY 77</u> | <u>FY 77</u> ^{5/} | <u>FY 78</u> ^{5/} |
|-------------------|-------------------|--|----------------------------|----------------------------|
| Personnel | ^{2/} \$M | 27.9 | 59.3 | 50.4 |
| Personnel | % of sales | 5.1 | 10.4 | 9.0 |
| Operations | ^{3/} | 19.2 | 25.1 | 25.1 |
| Operations | | 3.5 | 4.4 | 4.5 |
| Capital | | | | |
| outlay | \$M | 10.0 | 10.9 | 10.9 |
| Capital | | | | |
| outlay | % of sales | 1.8 | 1.9 | 1.9 |
| Total costs | | | | |
| (less C.G.S.) | \$M | 57.1 | 95.3 | 86.4 |
| Total costs | | | | |
| (less | | | | |
| C.G.S.) | % of sales | 10.5 | 16.8 | 15.4 |
| Expected incre- | | | | |
| mental sales | | | | |
| loss | % | .5 | .8 | No add'l sales loss |
| Year end expected | | | | |
| total sales loss | % | 6.0 | 12.2 | 9.9 |
| Expected Savings | ^{4/} % | 17.4 | 12.7 | 13.9 |

NOTES:

- 1/ This computation represented best case using Joint Army/
Navy sales loss curve.
- 2/ Personnel costs for FY 78 were reduced by fifteen percent
to account for reduction of labor force due to operational
improvements and lost sales.
- 3/ Operational costs were divided into fixed and variable costs
on an 80/20% split.
- 4/ Iterations were performed until savings were reduced to 1/100th
of a percent.
- 5/ Sales were increased to include tobacco, candy and soda products.

Table 2
COMPUTATIONS OF ECONOMIC IMPACT OF CONSOLIDATED
NAVY COMMISSARY AND EXCHANGE SYSTEM ^{1/}

| Item | | 3/4 FY 76 & FY 7T | FY 77 ^{5/} | FY 78 ^{5/} |
|------------------------------------|------------|----------------------|---------------------|---------------------|
| Assumed initial savings | % | 22.0 | 16.4 | 10.1 |
| Assumed incremental sales loss | % | 14.3 | 8.7 | No add'l sales loss |
| Equivalent supermarket sales | \$M | 590.6 | 546.5 | 550.0 |
| Estimated commissary sales | \$M | 493.6 | 491.5 | 482.1 |
| Costs: | | | | |
| Cost of goods sold | \$M | 437.1 | 397.0 | 395.7 |
| Cost of goods sold | % of sales | 88.6 | 80.8 | 82.1 |
| Personnel ^{2/} | \$M | 27.9 | 59.3 | 50.4 |
| Personnel | % of sales | 5.6 | 12.1 | 10.5 |
| Operations ^{3/} | | 18.7 | 24.3 | 25.1 |
| Operations | % of sales | 3.8 | 4.9 | 5.2 |
| Capital outlay | \$M | 10.0 | 10.9 | 10.9 |
| Capital outlay | % of sales | 2.0 | 2.2 | 2.3 |
| Total costs (less C.G.S.) | \$M | 56.6 | 94.5 | 86.4 |
| Total costs (less C.G.S.) | % of sales | 11.5 | 19.2 | 17.9 |
| Expected incremental sales loss | % | 1.9 | 3.4 | No add'l sales loss |
| Year end expected total sales loss | % | 16.2 | 28.3 | 23.3 |
| Expected Savings ^{4/} | % | 16.4 | 10.1 | 12.3 |

NOTES:

- 1/ This computation represented worst case using DOD sales loss curve.
- 2/ Personnel costs for FY 78 were reduced by 15 percent to account for reduction of labor force due to operational improvements and lost sales. .
- 3/ Operational costs were divided into fixed and variable costs on an 80/20% split.
- 4/ Iterations were performed until savings were reduced to 1/100th of a percent.
- 5/ Sales were increased to include tobacco, candy and soda products.

7-B.20 ADVANTAGES AND DISADVANTAGES. The merger of Navy commissary stores with Navy exchanges presents several advantages and disadvantages:

a. Advantages

- (1). Meaningful customer savings through the expansion of product mix and use of variable markup.
- (2). Greater flexibility in opening and closing stores.
- (3). Improved ability to accommodate changing and/or fluctuating sales trends.
- (4). Consolidation of administration, accounting, data services, procurement and payroll at regional level.
- (5). Current exchange procedures for personnel administration and operations, can be adopted readily.
- (6). Centralized overall management of exchanges and commissaries.
- (7). Reduction of current overall direct wage costs in commissary stores.
- (8). Increased cash flow. More monies available for investment.
- (9). Merger of exchange and commissary stores facility, personnel, monetary, and inventory assets will produce system operational efficiencies and provide broader base for financing of overhead costs.
- (10). Greater flexibility in management of personnel.
- (11). Mandatory small business set asides would not be required.
- (12). Less subject to taxpayer and Congressional criticism.

b. Disadvantages

- (1). Time frame of 1 October 1976 per PBD 282 not realistic.
- (2). Possible discontinuance of DPSC services.
- (3). Cost for items of indirect support such as procurement, bill paying, payroll and audit, will have to be absorbed by the Resale System.
- (4). Current inadequate exchange and commissary facilities.

- (5). Increased cost of personnel benefits.
- (6). Start up problems incident to reorganization.
- (7). No immediate improvement in ADP support.
- (8). NEX's objective of maximizing profit may conflict with COMSYSTO's objective of maximizing savings.
- (9). Change from Civil Service to NAF employees, may adversely affect employee performance at a critical period (when customer dissatisfaction because of lost saving, is at its peak).

7-B.21 ANALYSIS OF ADVANTAGES AND DISADVANTAGES. Analysis of the advantages and disadvantages for this alternative indicates that the most critical and costly area is that of personnel. The personnel costs for items of indirect support such as procurement, bill paying, payroll, personnel service, and audit would have to be absorbed by the Navy Resale System Office. Additionally, there is the possibility of personnel turbulence at the time of conversion from Civil Service employment to non-appropriated fund employment, at the same time that customer dissatisfaction is at its peak because of lost savings. These increased costs would be lessened by the consolidation of commissary and exchange accounting, procurement, data processing and administrative offices, thereby eliminating duplication of functions; the ability to increase the part-time/full-time mix, and the increased flexibility in the management of personnel. Advantageous to the merger would be the centralized overall management of commissaries and exchanges, increased cash flow, merger of commissary store and exchange facility, personnel, monetary and inventory assets which will produce systemwide operational efficiencies and the ability of the commissary stores to readily adopt to current exchange procedures. It is considered that these advantages more than outweigh the disadvantages of possible loss of DPSC support, current inadequate facilities and start up problems due to reorganization.

ANNEX A
PLAN OF ACTION AND MILESTONES (POAM)

| | | <u>Target Date</u> |
|--|--|--------------------|
| I. <u>Reorganization.</u> | | |
| NAVRESO promulgate plans for reorganization | | |
| A. Headquarters | (1) Acquire command control of NEX's. | 7/1/75 |
| | (2) Upgrade ADP capability. | 1/26/76 |
| | (3) Expand purchasing and bill paying staff. | 10/1/76 |
| B. Field | (1) COMSYSTO Regions achieve final consolidation. | 10/1/76 |
| | (2) NEX's consolidate to form regions which generally correspond with existing and planned COMSYSTO Regions. | 7/1/76 |
| | (3) Establish Primary and Secondary Distribution Centers. | 7/1/76 |
| II. <u>Merger</u> | | |
| Merge COMSYSTO's with NEX's under a Regional Director. | | |
| A. Staffing | (1) Cease hiring permanent Civil Service employees, commence hiring temporary employees. | 10/1/76 |
| | (2) Identify military billets which are required by the system for reimbursement. Delete all other billets from military allowances. | 10/1/75 |
| | (3) Issue RIF notices and offers of employment. | 2/1/76 |
| | (4) Conduct wage surveys and establish NAF positions. | 7/1/76 |

ANNEX A (Continued)
PLAN OF ACTION AND MILESTONES (POAM)

| | | <u>Target Date</u> |
|--|--|--------------------|
| | (5) Transfer non-essential military personnel. | 7/1/76 |
| | (6) RIF. Conversion of employees to NAF. | 10/1/76 |
| B. Facilities | (1) Combine/consolidate office staffs where feasible for efficiency of operations. | 10/1/76 |
| | (2) Consolidate NEX/COMSYSTO items in common distribution center(s) where practical. | 10/1/76 |
| C. Inventory and Commissary Store Reserve Fund | | |
| | (1) Negotiate Price Agreement Bulletins on commissary store items. Commence the purchasing of perishables. | 7/1/76 |
| | (2) Capitalize Navy stock fund inventory plus NSF material on order. Non-reimbursable transfer of commissary store reserve fund to NAF custody. | 10/1/76 |
| D. Funding | | |
| | (1) Phase I - reimburse 50 percent of Civil Service employees and military plus the cost of overseas utilities. | 10/1/75 |
| | (2) Phase II - reimburse 100 percent of the cost of Civil Service employees still on rolls and military plus the cost of overseas utilities. | 10/1/76 |
| | (3) NAF commences funding for items of indirect support for COMSYSTO's such as procurement, bill paying, audit and payroll (formerly supported by appropriated funds). | 10/1/76 |

ANNEX B
PRODUCT MIX AND VARIABLE PRICING: ITS IMPACT ON
COMMISSARY AND EXCHANGE PROGRAM

1. Product Mix and Variable Pricing Policy.

Basically, two broad options are explored. In the first case, Plan A, a drastic reduction in the savings - from the current 22 percent spread between commissary and commercial stores to 11 percent - is required to produce the sufficient revenues to reimburse direct costs. In Plan B, withdrawn appropriated funds are replaced by revenues derived from a combination of methods, namely, expansion of the merchandise mix to include cigarettes, candy, and soft drinks, and a reorganization of the staffing structure. Under Plan B, it is anticipated that the savings could be held at approximately fifteen percent.

2. The envisioned impact of both approaches on the Resale System will be discussed below. However, before going further it would be useful to take note of the following:

a. The price savings, i.e., the percentage commissary store prices are under commercial stores, was cited as the second most important benefit feature by respondents of a recently completed Navy Patron Attitude Survey. Only medical care benefits were more highly regarded.

b. The Fall 1974 Price Comparison Survey of thirteen Navy commissary stores revealed that the price savings differential in Navy commissary stores was twenty-two percent. The number of different items priced by each store totaled 100 and included 86 Bureau of Labor statistics market basket food products plus 14 additional items.

c. Control Analysis Corporation (CAC) recently completed a study which detailed the correlation between the level of the price savings and number of authorized patrons shopping in the Navy commissary stores. The study was based on an extensive survey covering 62 CONUS commissary stores, 64,298 patrons (representing over \$2-1/3 million in actual purchases), and performed over the two-week period, March 4, 1974, through March 17, 1974.

d. Commissary stores do not operate in a vacuum. Events in the economy (world and national) have a visible impact.. There is an even closer, symbiotic relationship between military commissary and exchange operations. The best

analogy would be that of the shopping center, the nature of business in one store will have an effect on the others. The success with which critical matters are resolved at commissaries will have a direct bearing on business at exchanges, and vice versa.

3. Plan A.

a. This scheme involves a blunt, straightforward approach to the President's proposal, appropriated support is withdrawn, needed revenues are then found by raising prices to the level sufficient to meet operating costs.

b. Model testing with correlation data provided by the CAC study shows that the maximum price savings differential that could be retained for commissary shoppers would be eleven percent.

c. As illustrated by Table 3, (p.7B-25), these consequences could be expected to follow from the Plan A approach:

(1). Of those authorized patrons now using the Navy commissary stores, twenty-six percent would no longer consider the price savings a sufficient economic incentive. They would cease their patronage.

(2). Prices for those customers who remain would have to climb dramatically in order to cover costs swollen by the reimbursement requirement. The initial markup (IMU) would jump up from 5.6 percent to 17.3 percent of sales.

(3). The impact on Navy exchange sales could be substantial. Currently, Navy commissary stores save patrons a total of \$169 million per year. This sum can be thought of as discretionary or disposal income. The combined effect of increased prices and loss of patronage would reduce patron savings to \$63 million per year or a loss of savings of \$106 million to the Navy community. This reduction could be viewed as a very real reduction in discretionary income for patrons of Navy commissary stores. If one assumes that 40 percent of discretionary income from commissary store patrons is normally expended at Navy exchanges, then a loss of \$106 million in discretionary income can be viewed as a potential loss in sales at Navy exchanges of \$42 million. Since the current gross margin at Navy exchanges is 26 percent, this would equate to a loss of \$11 million per year in gross margin to Navy exchanges.

4. Plan B.

a. The essence of Plan B is an expansion of the merchandise mix to include high revenue-producing items, thereby alleviating the expense burden borne by those commissary patrons not driven away by the increased IMU. Economies flowing from a proposed restructuring of the commissary staff will also be realized. Taken together, these steps can be expected to produce a price savings of approximately fifteen percent, as shown in Table 3, (p. 7B-25).

b. Plan B advocates the assumption of cigarettes, candy, and soda lines into the commissary stock list. While this move will have an impact on exchange sales, it would not be one-to-one, i.e., it need not be assumed that every dollar in sales gain attributable to these three lines comes at the expense of the Navy exchange system. It is plausible to presume that a substantial share would be derived from a widening of the market (in effect, from more thorough merchandising and distribution to the resale customer) and sales at the expense of other service resale systems (particularly regarding cigarettes - Army and Air Force commissary stores impelled by reimbursement costs, would have to increase their markup on cigarettes, thereby making service commissary store prices more competitive than they are now).

c. Expenses resulting from the fifteen percent savings rate would amount to \$69.4 million. Accruing revenues from the current merchandise mix and staff setup would produce only \$55.5 million. The balance of \$13.9 million would come from these sources:

| | |
|-----------------|----------------|
| Cigarettes | \$ 6.3 million |
| Candy | 1.3 |
| Soft drinks | 2.1 |
| Staffing action | <u>4.2</u> |
| | \$13.9 million |

d. Staffing Action. As a non-appropriated "instrumentality," the commissary store system could reap important payroll economies by adopting a staffing basis similar to that used by the exchanges. (The average salary for NEX's is substantially below that paid by the commissaries for Civil Service employees.) Other economies in personnel costs could result from a reorganization of the worldwide commissary staff.

4. Effects of Plan B on NEX's.

(1). Approximately 14 percent of the present customer population could be expected to stop shopping in commissaries if the price savings fell to 15 percent (CAC Study). In line with the discretionary income argument explained in Plan A, this would mean a \$70 million annual reduction in discretionary income, an \$18.2 million loss of exchange sales, and a \$4.7 million loss in exchange gross margin.

(2). Gross margin loss due to commissary store sale of cigarettes, candy and soft drinks is estimated below:

| | |
|-------------|---------------|
| Cigarettes | \$2.5 million |
| Candy | - |
| Soft drinks | <u>0.5</u> |
| | \$3.0 million |

(3). The net effect of Plan B on NEX gross profit is estimated at \$10.0 million, \$4.7 million due to sales loss and \$5.3 million due to loss of profit on cigarettes, soft drinks and candy.

5. Summary.

The sale of cigarettes, candy and soft drinks in commissary stores and the conversion of Civil Service personnel to a non-appropriated fund system would enable commissary stores to provide a meaningful savings of fifteen percent to their patrons. The loss in gross profit to Navy exchanges, resulting from lost sales revenues on these items, would be more than offset by increased gross profit from sales resulting from lower commissary store prices. Therefore, it is considered that the sale of cigarettes, candy and soft drinks would be beneficial to the total mission of the Navy Resale Program.

6. A comparison of the two plans proposed above are statistically represented in Table 3 (p.7B-25).

Table 3

Estimates for FY 1977
(\$ Millions)

| | STATUS QUO | | PLAN A | | PLAN B | |
|---|------------|-------|--------|-------|--------|-------|
| | \$ | % | \$ | % | \$ | % |
| Sales (does not include cigarettes, candy and soft drink sales) | 600.0 | 100.0 | 506.0 | 100.0 | 562.3 | 100.0 |
| IMU (does not include IMU on cigarettes, candy and soft drinks) | 33.6 | 5.6 | 87.5 | 17.3 | 89.1 | 13.4 |
| Variable expense | 21.0 | 3.5 | 17.7 | 3.5 | 19.7 | 3.5 |
| Fixed expense | 12.6 | 2.1 | 12.0 | 2.5 | 12.6 | 2.2 |
| Reimbursable | 0 | 0 | 56.8 | 11.2 | 56.8 | 7.6 |
| Gross margin generated by sale of cigarettes, candy and soft drinks | 0 | 0 | 0 | 0 | 9.7 | 1.7 |
| Savings from conversion of Civil Service to NAF employees | 0 | 0 | 0 | 0 | 4.2 | 0.7 |
| Savings | 169.2 | .22 | 62.6 | 11.0 | 99.2 | 15.0 |
| Customer reduction | 0 | 0 | 130.0 | 26.0 | 70.0 | 14.0 |
| Reduction of discretionary income (commissary store related) | 0 | 0 | 106.6 | 63.0 | 70.0 | 41.4 |

Table 3 (Continued)

| | Estimates for FY 1977 | | | |
|--|-----------------------|---|--------|------|
| | STATUS QUO | | PLAN A | |
| | \$ | % | \$ | % |
| *Reduced discretionary income flow to NES's @ 40% of above | 0 | 0 | 42.6 | 63.0 |
| **Effect of above on NEX gross profit | 0 | 0 | -11.1 | N/A |
| Effect of CS stockage of cigarettes, candy and soft drinks on NES gross profit | 0 | 0 | 0 | 0 |
| Net effect of each plan on NEX | 0 | 0 | -11.1 | N/A |
| | | | -10.3 | N/A |
| | | | -7.3 | N/A |
| | | | 28.0 | 41.4 |

*Assumes NEX's share of discretionary income is 40% of total discretionary income.

**Assumes NEX's gross profit at 26% of sales.

APPENDIX 7-C

CONSOLIDATED MARINE CORPS COMMISSARY AND EXCHANGE SYSTEM

7-C.1. ASSUMPTIONS. The assumptions used in developing this concept for a consolidated Marine Corps commissary and exchange system were as follows:

- a. No commissary will be operated on a concession basis.
- b. Operate system in non-appropriated fund mode with personnel temporarily remaining as appropriated funded on a reimbursable basis.
- c. The following items to be turned over to the appropriate exchange service on a non-reimbursable basis.
 1. Equipment and supplies provided with other than appropriated funds.
 2. Current financial assets generated in compliance with Section 814 of the DOD Appropriations Act.
- d. Transfer stock funded inventory on hand and on order to the USMC exchange service on a non-reimbursable basis.
- e. The common support functions currently rendered to the exchange systems at installation level will continue to be provided.
- f. Appropriated funds will pay severance cost of Civil Service Employees.
- g. All procurement will be directed through the applicable exchange service.
- h. Present Civil Service personnel currently engaged in installation level commissary store operations will be provided an opportunity to secure NAF employment with the exchange service.
- i. Exchange food stores will operate on a non-profit basis with no contribution to welfare and recreation funds.
- j. Troop issue function will not be absorbed by the exchange service systems.

k. Locations at which exchange food stores will be operated will be as determined by the Commandant of the Marine Corps.

1. Criteria currently contained in Section 814 Annual Appropriations Act, concerning establishment and continuance of commissary stores will be deleted.

7-C.2. SYSTEM COMMAND AND MANAGEMENT. The chain of command will remain the same as it is now, with command exercised by the Department of Defense, through the Secretary of the Navy and the Commandant of the Marine Corps. The Commandant of the Marine Corps will have the authority to establish and disestablish Marine Corps exchange food stores.

7-C.3. HEADQUARTERS ORGANIZATION.

a. Management and technical control over the operation of exchanges are vested in the Deputy Chief for Installations and Logistics, control exercised through the commanders of activities at which exchanges are operated. The Head of the Marine Corps Exchange Service is responsible for the general supervision of Marine Corps Exchange System under existing regulations to include the preparation of annual budget, maintenance of accounts, merchandising and operating standards, and the operation of the data processing centers. The installation commander is responsible for the general administration of the affairs of the exchange under his command, and for implementing regulations pertaining to the Exchange.

b. Since the commissary system is presently organized in this manner, only minor changes are required to implement a merger. The cognizant office for commissary operations would be transferred to the exchange service or abolished.

7-C.4. FIELD ORGANIZATION. Under the consolidated system the Exchange Officer would be directly responsible to the Installation Commander for the operation of the exchange outlets, being charged with accountability for all funds, stock, equipment and other property of the exchange. To implement a merger, it is conceived that the commissary store would be redesignated as an exchange food store and, therefore, become a cognizant entity of the Exchange Officer. It is presumed that the present command line would not be changed.

7-C.5. METHOD OF OPERATION.

a. The present commissary system would be merged with the Marine Corps Exchange Service. The Exchange Service presently

operates an exchange outlet at those installations where commissary stores are located. The commissary stores would be redesignated as exchange food stores, and should be merged over a period of time to allow for an orderly transition to the data processing network and to allow for personnel changes to NAF personnel policies. Integration of the commissary store operation into the existing exchange system organization, and conversion of current commissary store manual operations in procurement, stock control, and accounting to the exchange system mechanized systems, should achieve substantial economies of operation. The Marine Corps exchange system, operates under the retail method utilizing an automated accounting system.

b. The exchange system currently stocks many of the items available at commissary stores and has extensive experience and expertise in merchandise management. The food stores (commissary) would be operated on a break even basis, with a markup of approximately 12.5% to 13.5%, which includes all direct, indirect, as well as local and central overhead expenses. This markup also would include 1% of sales for construction purposes. Since savings are currently 20-22%, this increased markup would offer a savings of approximately 10 to 14% to the customer..

c. The food stores would incorporate an assortment of food and general merchandise, i.e., cigarettes, health and comfort items, beauty aids, and other exchange household items. These general merchandise items would be marked up on the same basis as the exchange currently applies. All food items throughout the Marine Corps exchange outlets, would be marked up under the break even system.

d. To provide time for the orderly and efficient transition to the Marine Corps exchange service, the Marine Corps would continue temporarily to operate commissary stores with an increase in surcharge added to the shelf price of the items, variable by category, to offset the degree of appropriated fund support withdrawn. Assumption of control by the exchange system would involve integration of items listed in Supply Bulletins into the exchange system mechanized merchandise management system for procurement and inventory control. Defense Personnel Support Center regional procurement and distribution support of perishables would continue as heretofore.

e. The exchange system with its flexible workforce would be able to establish hours of operation for the convenience of the patrons. All food stores would be open at least six days per week and late evenings as appropriate.

f. The time frame for conversion to a complete non-appropriated fund system is dependent upon statutory constraints imposed upon reduction-in-force action.

7-C.6. COST BREAKOUT. The following is an estimate of the expenses that would be applicable to the exchange food store operation

| | |
|--|----------|
| Sales | 100% |
| Less cost of goods sold | 87 |
| Gross margin | 13 |
| Direct expenses | |
| Operating expenses, labor and supplies | 8 |
| Overhead expenses | |
| Local | 3 |
| Central Office assessment | 1 |
| Construction reserve | <u>1</u> |
| Total Direct and overhead expenses | 13% |

7-C.7. ECONOMIC IMPACT AND CUSTOMER SAVINGS. Utilizing the expense figures in paragraph 7-C.6., above, a summary of lost sales, required initial mark-ons, and expected customer savings is as follows:

| | <u>FY76 and FY77</u> | <u>FY 77</u> | <u>FY78</u> |
|-------------------------------------|----------------------|--------------|--------------|
| Expected Lost Sales (Cumulative) | 4.8 - 13.9% | 9.7 - 20.5% | 0 |
| Required Initial Mark-ons | 8.9 - 9.5% | 12.7 - 13.0% | 12.6 - 12.8% |
| Expected Customer Savings | 18.2 - 18.8% | 13.8 - 14.1% | 14.1 - 14.2% |

Table 1 provides a more detail analysis of the economic impact based on low and high sales loss.

7-C.8. ADVANTAGES AND DISADVANTAGES.

a. Advantages

1. Customer savings through the expansion of product mix and use of variable markup.
2. More flexible and convenient store operating hours.
3. Consolidation of administration, accounting, and procurement functions.
4. Single manager of retail food operations.
5. Increased cash flow.

b. Disadvantages

1. Change from Civil Service to NAF employment could adversely affect employee morale.
2. Reduction-in-force statutory constraints.
3. Assume additional costs which are currently indirect to commissary store operations.

TABLE 1
ECONOMIC IMPACT - CONSOLIDATION OF COMMISSARY SYSTEM WITH EXISTING EXCHANGE SYSTEM

| Item | 3/4 FY 1976 and FY 1977 | | | | FY 1978 | | | |
|--|-------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| | Low Sales Loss | High Sales Loss | Low Sales Loss | High Sales Loss | Low Sales Loss | High Sales Loss | Low Sales Loss | High Sales Loss |
| Assumed Initial Savings% | 22.0 | 22.0 | 18.8 | 18.2 | 14.1 | 13.8 | | |
| Assumed Incremental Sales Loss % | 5.5 | 14.3 | 4.2 | 5.6 | 0 | 0 | | |
| Equivalent Supermarket Sales \$ M | 114.3 | 103.8 | 108.7 | 96.9 | 108.7 | 96.9 | | |
| Estimated Commissary Sales \$M | 92.8 | 85.0 | 93.4 | 83.6 | 93.3 | 83.2 | | |
| COSTS: | | | | | | | | |
| Cost of Goods Sold \$M | 84.6 | 76.8 | 81.5 | 72.7 | 81.6 | 72.7 | | |
| Cost of Goods Sold %Sales | 91.2 | 90.4 | 87.5 | 87.0 | 87.5 | 87.4 | | |
| Personnel \$M | 3.8 | 3.8 | 8.4 | 7.7 | 8.4 | 7.5 | | |
| Personnel %Sales | 4.1 | 4.5 | 9.0 | 9.2 | 9.0 | 9.0 | | |
| Operations \$M | 3.5 | 3.4 | 2.5 | 2.2 | 2.5 | 2.2 | | |
| Operations %Sales | 3.8 | 4.0 | 2.7 | 2.6 | 2.7 | 2.6 | | |
| Capital Outlay \$M | .9 | .9 | 1.0 | 1.0 | .9 | .8 | | |
| Capital Outlay %Sales | 1.0 | 1.1 | 1.1 | 1.2 | 1.0 | 1.0 | | |
| Total Costs (less CGS) \$M | 8.2 | 8.1 | 11.9 | 10.9 | 11.8 | 10.5 | | |
| Total Costs (less CGS) %Sales | 8.9 | 9.5 | 12.7 | 13.0 | 12.6 | 12.8 | | |
| Expected Incremental Sales Loss% | - | - | .7 | 1.0 | 0 | 0 | | |
| Year End Expected Total Sales Loss% | 4.8 | 13.9 | 9.7 | 20.5 | 9.6 | 19.9 | | |
| Expected Savings | 18.8 | 18.2 | 14.1 | 13.8 | 14.2 | 14.1 | | |

APPENDIX 7-D

INQUIRY TO AND RESPONSE FROM THE DEFENSE SUPPLY AGENCY



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

MANPOWER AND
RESERVE AFFAIRS

(Military Personnel Policy)
Study of Military Commissaries

6 MAR 1975

MEMORANDUM FOR Director, Defense Supply Agency

SUBJECT: Information Concerning Support of Military
Commissary Stores

REFERENCE: (a) ASD (M&RA) Memorandum, dated 30 January 1975,
Subject: Terms of Reference for Study of Military Commissary
Stores (NOTAL)

1. By Program/Budget Decision 282, the Secretary of Defense directed that a study be conducted, under the direction of the Assistant Secretary of Defense (Manpower and Reserve Affairs), to determine the ways to improve the efficiency, organization and operating structure of military commissary stores.
2. Reference (a) established the joint Service Study Group and set forth the terms of reference. Under the terms of reference the Study Group will explore two areas that could impact on DSA and in particular DPSC (Defense Personnel Support Center). The first area is the review of current commissary stores procurement and distribution organization and operational practices, with an eye toward reducing cost of merchandise and cost of operation. The second area deals with the possible conversion of military stores to non-appropriated funded entities with the possible elimination of DPSC support.
3. In order to help the Study Group in its deliberations, a series of questions, shown in inclosure (1), was developed. In discussing these questions with a representative of DPSC, it was determined that the current management information systems of DSA probably did not collect the data that are being requested. However, it is requested that inclosure (1) be reviewed and information that is available be provided by 1 April 1975.


7D-2



SUBJECT: Information Concerning Support of Military
Commissary Stores

4. In addition to the information requested in inclosure (1), any recommendations that your office would desire to make on ways to improve the efficiency, organization and operating structure of military commissary stores would be greatly appreciated.

1 Incl
as


Emmett W. Bowers
Brigadier General, USA
Chairman, Study Group
of Military Commissaries

DOD Study Group of Military Commissary Stores

Questions for DSA (DPSC) Concerning Support of Military
Commissary Stores

NOTE: All data from FY 1974.

1. Briefly describe existing services being provided to military commissary stores.
2. Indicate amount of subsistence sales identified by Service as follows:

A. Sales by Commodity

| Commodity | Troop Issue | Commissary |
|-----------|-------------|------------|
| Groceries | | |
| Dairy | | |
| Meat | | |
| Produce | | |
| Total | | |

B. Sales by Location

| Location | Troop Issue | Commissary |
|---------------|-------------|------------|
| CONUS | | |
| Hawaii/Alaska | | |
| Overseas | | |
| Total | | |

3. How many purchase transactions are made by DPSC for commissary and for troop issue broken out in the same three categories as 2, above? (Purchase transactions can be listed by lines, contracts, purchase order and/or delivery orders.)
4. What is the dollar value of small business set asides for subsistence procurement of troop issue and of commissary items?

Inclosure 1

Questions for DSA (DPSC) Concerning Support of Military Commissary Stores

5. How much income is generated as a result of applying a surcharge to commissary store purchases? Using standard pricing procedures? In other words, how much per annum are commissary stores paying above cost of material for first destination transportation, inventory losses, etc.? List expenses and annual costs.
6. What is the dollar value of purchase discounts for commissary store items or, if not available, for subsistence items? What happens to the purchase discounts?
7. What is the dollar value of lost discounts from DPSC purchases - for troop issue? for commissary items?
8. What are the average bill paying times for subsistence items purchased by DPSC?
9. How are the resources of DPSC divided between troop issue and commissary store business broken out as follows:

| Function | Troop Issue | Commissary |
|----------------|-------------|------------|
| Facilities | Sq. Ft. | Sq. Ft. |
| Equipment | Dollar | Dollar |
| People | No. | No. |
| Military | and | and |
| Civilian | Dollar | Dollar |
| Transportation | Dollar | Dollar |

Under transportation, can this be broken out by costs for -

Tracy to POE?

Mechanicsberg to POE?

Questions for DSA (DPSC) Concerning Support of Military Commissary Stores

10. How are the resources of DPSC allocated to overseas support of commissary stores broken out as follows:

| Function | Tracy | Mechanicsberg | HQ | Other Support |
|------------|---------|---------------|---------|---------------|
| Facilities | Sq. Ft. | Sq. Ft. | Sq. Ft. | Sq. Ft. |
| Equipment | Dollar | Dollar | Dollar | Dollar |
| People | | | | |
| Mil. | No. | No. | No. | No. |
| | and | and | and | and |
| Civ. | Dollar | Dollar | Dollar | Dollar |
| Transp. | Dollar | Dollar | Dollar | Dollar |

11. What impact would the loss of the commissary store business from DPSC have on troop issue function?

12. What impact would the loss of the commissary store business have on DSA and DPSC?



DEFENSE SUPPLY AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22314

18 APR 1975

IN REPLY
REFER TO DSAH-O

MEMORANDUM FOR CHAIRMAN, DoD STUDY GROUP OF MILITARY
COMMISSARIES

SUBJECT: Information Concerning Support of Military Commissary Stores

Pursuant to your memorandum of 6 March 1975, subject as above, enclosed is a completed questionnaire containing the information/data requested.

With respect to paragraph 4 of your memorandum, no recommendations are made concerning the internal organization and operating structure of commissary stores; however, it is strongly recommended that no change be proposed in your study which would fragment the responsibilities of the Defense Personnel Support Center (DPSC), the DoD Integrated Materiel Manager (IMM) for Subsistence, which includes commissary resale.

If the recommendation should be made to create a single organization to be responsible for management of all Military Service resale commissaries, the functions of procurement and supply support should remain with DPSC for the reasons stated above. The establishment of another agency with responsibility for the procurement and supply support of Military Service resale commissaries would fragment IMM subsistence responsibilities and make the troop issue mission a competing, uneconomical, and duplicative operation. Further, the creation of another procurement agency would be contrary to the concept of single commodity procurement advocated by the Hoover Commission and tested in DoD under the single manager commodity assignments prior to the establishment of this Agency.

Another reason for continuing the present DPSC IMM responsibility for subsistence, both troop issue and commissary resale, relates to the invaluable mobilization base provided by an in-being, worldwide subsistence system, as now constituted and planned. This consolidated (troop issue and commissary resale) subsistence system is now supporting a combined military population (single servicemen, families of servicemen

7D-7

DSAH-O

15 APR 1975

SUBJECT: Information Concerning Support of Military Commissary Stores

and retirees) in excess of 8.9 million, 2.2 million of which are active duty servicemen. This in-being system can shift emphasis overnight and provide support to a drastically expanded active duty force with a corresponding reduction in dependent support which could be expected during a major mobilization. The advantage of the combined support system is that an integrated, food management team is in existence and is capable of immediate expansion if required. From a national interest viewpoint, it appears inadvisable to split the worldwide subsistence system/management/control at this or any point in time. The control and management of food supplies is of primary strategic and tactical significance in times of emergency.

This Agency will be pleased to provide any additional information/assistance you may desire in connection with the conduct of your studies.

1 Encl



P. F. COSGROVE, Jr.
Rear Admiral, SC, USN
Deputy Director

INFORMATION FOR DOD STUDY GROUP OF
MILITARY COMMISSARY STORES

NOTE: Data represents a one year period from March 1974 to February 1975. Data is keyed to questions submitted by Study Group for DSA (DPSC) Concerning Support of Military Commissary Stores.

1. Briefly describe existing services being provided to military commissary stores?

The Defense Personnel Support Center as the single manager for subsistence provides the following services to the DOD Commissary resale mission:

- a. Procurement
- b. Supply Operations Support
- c. Transportation and Traffic Management
- d. Financial Services
- e. Data Processing
- f. Legal Services
- g. Facilities and miscellaneous overhead support e.g., printing and distribution of supply bulletins and other contracts; planning and management; procurement policy, and civilian personnel.

The above services are currently considered indirect costs to the commissary and are provided to a greater or lesser degree as explained in the following paragraphs:

PROCUREMENT & PRODUCTION - The Procurement and Production Division, Directorate of Subsistence, Hqs, DPSC and the Procurement Divisions of the Defense Subsistence Regions furnish procurement support for both perishable and nonperishable subsistence. At Hqs, DPSC, the buying support for the commissaries is predominantly accomplished by the Commissary Support Branch which accomplishes the following services:

a. Negotiates, executes and administers perishable and nonperishable brand name contracts. Active contracts (average per month) nonperishable - 1160.

b. Prepares, issues and distributes DSA-DPSC Brand Name Supply Bulletins to all Military Commissaries.

| | | |
|------|--|------|
| | Line Item Changes (average per month) | 3671 |
| 7D-9 | Supply Bulletin Reissues (average per month) | 100 |
| | Supply Bulletin Changes (average per month) | 204 |

ENCL 1

c. Issues Delivery Orders against Brand Name Supply Bulletins and Purchase Orders for deliveries to overseas commands.

| | |
|--|------|
| Delivery/Purchase Orders (average per month) | 1130 |
| Nonperishable | |
| Delivery/Purchase Orders (average per month) | 150 |
| Perishable | |

d. Accomplish contract administration including monitoring of delivery schedules for perishable and nonperishable Brand Name Items delivered to overseas commissaries.

e. Assigns Non-Federal Stock Numbers to Brand Name Resale Items worldwide.

f. Maintains and distributes Master Item Identification List (MIIL) (including preparation of coding sheets) for use by overseas commands in requirements determination and DPSC in mechanical preparation of Brand Name Contracts/Orders.

The balance of the procurement effort in the Headquarters is in support of nonperishable depot stocked items e.g., canned fruits and vegetables, coffee, sugar, flour, tuna fish, etc. These items are normally purchased for troop issue; however, they may be and often are transferred as needed from the troop account to the resale account by the Army and Air Force commissary officers. The major purchasing mission at the headquarters pending the consolidation of the Regional Headquarters is the troop issue nonperishable mission.

The procurement divisions in the Regional Headquarters are engaged primarily in purchasing perishable commodities such as:

- a. Chill & Frozen Meats and Poultry.
- b. Fresh Dairy and Bakery Products.
- c. Fresh Fruits and Vegetables.

The majority of the effort in the Meats, Poultry, Dairy and Bakery area is accomplished by requirement type contracts. As indicated elsewhere, we are unable to break out this effort by service; however, to assist you the following is a recent (FY 74) effort of the Requirement Type Contract workload:

| <u>No. of Solicitations</u> | <u>DSR New York</u> | <u>DSR Chicago</u> | <u>DSR New Orleans</u> | <u>DSR Alameda</u> | <u>Total</u> |
|-----------------------------|-------------------------|------------------------|----------------------------|------------------------|--------------|
| Meat | 52 | 126 | 370 | 174 | 722 |
| D&P | 574 | 260 | 680 | 623 | 2137 |
| Total | 626 | 386 | 1050 | 797 | 2859 |
| <u>No. of Contracts</u> | | | | | |
| Meat | 224 | 287 | 490 | 315 | 1316 |
| D&P | 836 | 459 | 782 | 786 | 2863 |
| Total | 1060 | 746 | 1272 | 1101 | 4179 |
| <u>DSR Personnel</u> | | | | | |
| Meat | 2.7 | 5 | 4.5 | 4 | 16.2 |
| D&P | 8 | 7 | 13.1 | 7 | 35.1 |
| <u>Total</u> | 10.7 | 12 | 17.6 | 11 | 51.3 |

One of the most significant procurement support services is provided by a cadre of Fresh Fruit & Vegetable purchasing agents located in 21 Supply Offices, Regional Headquarters and Growing Areas across the country. These buyers procure both troop issue and resale requirements. The approximate total of this effort from our records is 294,000 lines per year amounting to an excess of \$64 million annually.

The procurement effort cited above is considerably more complicated than described herein and will be further expanded by WIMS implementation in Europe whereby DPSC will be procuring Dairy, Bakery, Meat, Eggs and FF&V for commissary resale; although what has been outlined should be sufficient for this report.

SUPPLY OPERATIONS - The support in the supply area is currently as follows:

a. CONUS

(1) Processes all nonperishable resale requirements for specification items, i.e., all "Z" code items, and a select

number of "Y" code items that are depot stocked plus approximately 180 "Y" coded items available to resale activities supported by the Navy Supply Centers under WIMS.

(2) Processes all resale requirements for perishable specification items including FF&V.

(3) Processes all resale requirements for non-brand name resale items (S-11) perishable items (C&F as well as FF&V).

The above CONUS support includes both stock control and inventory management functions.

b. OVERSEAS

(1) Provides total requisition processing support to Army and Air Force for resale requirements consisting of: brand name nonperishables and perishables; specification items including perishables "Z" code and FF&V. This support currently excludes OSP items; however, under WIMS this will be a responsibility of DPSC. DPSC also processes a certain number of requisitions for Navy oversea commissaries in the above areas.

(2) The above support includes all aspects of stock control and inventory management.

TRANSPORTATION - Service in this area supports both Troop Issue and Commissary Resale on a mutually supporting basis. This service involves booking of all source load containers, arranging for all overseas shipments either by surface, (water) or airlift. In the Regional Chill and Freeze and FF&V mission, Transportation negotiates all section 22 Tenders for truck shipments from supply point cold storage warehouses. In this respect, the Chief of each Supply Point schedules carriers and establishes delivery schedules in coordination with the commissary officers.

COMPTROLLER - The effort in this office is primarily financial services such as payment of vendors and accounting for funds. Hqs DPSC pays all FF&V, Brand Name Overseas (DICOMSS), and Chill & Freeze Vendors, Indefinite Delivery Contracts are paid by the Military Service Finance and Accounting Officers.

MISCELLANEOUS OVERHEAD SERVICES - This area encompasses a myriad of services that support DPSC and concomitantly the subsistence troop issue and commissary resale mission. The support is indirect but essential and must be planned for in any change in mission structure. The services are self-explanatory being those normally associated with the functional area. In responding to a GAO request to determine the amount of appropriated funds used to support commissary operations in fiscal year 1972 through 1974 the following representative costs associated with this overhead were provided:

Distribution of DPSC Overhead Costs (\$000)
FY 74 Cum thru March 1974

| | <u>Dir/Subs</u> <u>Resale</u> |
|----------------------------|----------------------------------|
| Ofc/Trans & Trf Mgmt | \$ 53,000. |
| Ofc/Proc & Prod Policy | \$ 57,000. |
| Ofc/Mat'l Mgmt Policy | \$ 38,000. |
| Cmd Staff & Ofc/Counsel | \$ 155,000. |
| Ofc/Civ Pers | \$ 107,000. |
| Ofc/Planning & Mgmt | \$ 141,000. |
| Ofc/Comptroller | \$ 356,000. |
| Ofc/Data Systems | \$ 707,000 |
| Dir/Installations Services | \$1,037,000. |
| Total | \$2,651,000. |

These costs are in support of the Directorate of Subsistence Procurement, Supply and Technical personnel who are more directly involved with supporting commissaries. The Directorate of Subsistence costs in support of the resale effort were reported for the period July 1973 to March 1974 as \$4,000,800. (Personnel costs)

2. Indicate amount of subsistence sale identified by Service?
(See below.)

3. How many purchase transactions are made by DPSC for commissary and troop issue broken out in same three categories as 2 above?

The attached statistics respond to questions 2 and 3. The data represents one year which is considered typical of past and anticipated future support. The Study Group requested FY 74; however, these data were unavailable at DPSC. The Study Group was advised and concurred in a representative year. The information available spans the period March 1974 to February 1975. (See Attachment 1)

DPSC recommends caution in using these statistics to form any judgments relative to personnel allocations. The majority of assigned personnel perform a dual function in performing services both for the commissary resale and the troop issue mission. Proportional allocation of reductions based upon separating the commissary function from the troop issue mission and using dollar proportions would not be valid. This is so because individuals now performing a dual role would need to remain to perform the troop issue mission. The obvious conclusions are that separating the functions would create dual and parallel systems. This idea is explained further in answering questions 11 and 12 of your request for information.

4. What is the dollar value of small business set-asides for subsistence procurement of troop issue and of commissary items?

These statistics are for FY 75, to the end of February 1975. Statistically, we were unable to separate the troop issue from the commissary:

| | | |
|--------------------------------------|---|----------------|
| Total Dollars Awarded Small Business | - | \$324,751,000. |
| Total Dollars Awarded Small Business | | |
| By Preference (i.e., Set-Asides)* | - | \$104,912,000. |
| % of Total Awards to Small Business | - | 51.5% |

5. How much income is generated as a result of applying a surcharge to commissary store purchases? Using standard pricing procedures? In other words, how much per annum are commissary stores paying above cost of material for first destination transportation, inventory losses, etc. List expenses and annual costs.

The major volume of procurements made for commissary store operations are classified as non-list DVD and brand name purchases and are sold at invoice cost with no surcharge added. The smaller volume of listed (specification) items, purchased for commissary operation, contain a surcharge in the selling price to the store. The surcharge applied is as follows:

| | |
|------|---------------|
| 2.8% | Perishable |
| 7.9% | Nonperishable |

These are instances where some non-list are issued to commissaries from supply point warehouses. In these instances, a 6% surcharge is added to the invoice costs in the billing to the commissaries.

No dollar value data is available that can identify that portion of surcharge expense applied to commissary sales.

The reference to first destination transportation has minimal impact in applying a surcharge for first destination transportation. The surcharge includes second line transportation. Commissary ordering direct from supply bulletins receive deliveries FOB commissary store, therefore, the price of products delivered includes the cost of transportation.

6. What is the dollar value of purchase discounts for commissary store items or, if not available, for subsistence items? What happens to the purchase discounts?

Financial records are not maintained in detail to the commissary or troop issue level. Dollar values for either trade discounts, which decrease the contract/obligation price, or the voluntary price reductions (VPR) determined at Depots Tracy and Mechanicsburg or DPSC Philadelphia at time of shipment or payment, are not captured in our records but are passed on to the customer in the billing system. Essentially, the invoice cost, other than time discounts, is the customer cost for DICOMSS.

Time purchase discounts average \$141,200 monthly for Subsistence Perishable/Nonperishable material. These discounts revert back to the stock fund and become available funds for obligations.

7. What is the dollar value of lost discounts from DPSC purchases - for troop issue? for commissary items?

Based on vendor time payment terms, the average dollar loss is \$177.00 monthly for all Subsistence purchases. No further breakdown is available.

8. What are the average bill paying times for subsistence items purchased by DPSC?

Average payment is 30 days in accordance with established targets published of the DSA payment time frames.

9. How are the resources of DPSC divided between troop issue and commissary store business broken out as follows:

Information is our best estimate since data is not maintained at the detail level requested.

| <u>Function</u> | <u>Troop Issue</u> | | | <u>Commissary</u> | | |
|---------------------------------|--------------------|--------------|-------------|-------------------|--------------|-------------|
| | <u>TOT</u> | <u>PHILA</u> | <u>DSRs</u> | <u>TOT</u> | <u>PHILA</u> | <u>DSRs</u> |
| Facilities (sq ft) <u>1/2/</u> | 68,040 | 25,830 | 42,210 | 32,760 | 5,220 | 27,54 |
| Equipment (\$000's) <u>1/3/</u> | 436.2 | 165.7 | 270.5 | 212.6 | 38.3 | 174. |
| People: <u>1/</u> | | | | | | |
| Military Spaces | 17 | 17 | 0 | 14 | 1 | 13 |
| Military (\$000's) <u>4/</u> | 362.2 | 362.2 | 0 | 298.3 | 21.3 | 277. |
| Civilian Spaces | 739 | 270 | 469 | 350 | 57 | 293 |
| Civilian (\$000's) <u>5/</u> | 11,263.1 | 4,115.1 | 7,148.0 | 5,334.4 | 868.7 | 4,465. |
| Transportation <u>6/</u> | \$3,011,944. | | | \$3,833,631. | | |

1/ Data broken out for Phila, DPSC Hqs vs DSRs. Upon consolidation of 4 CONUS DSRs significant changes will occur in all three elements.

- 2/ Based on 90 sq. ft. per person.
- 3/ Capital equipment only (typewriters, calculators, etc.)
Does not include desks, chairs, files, furniture.
- 4/ Based on average of \$21,305 per person.
- 5/ Based on average of \$15,241 per person.
- 6/ The above costs represent a second destination perishable shipment to commissary stores from supply points and is based on a one month sampling from the PSASS Container Support Data extracted from each GBL issued by DSR regulations. Accordingly, 56% total transportation dollars for transportation from supply points are commissary costs.

With reference to question 9 regarding transportation costs from Tracy Depot to POE and Mechanicsburg to POE, the following data is furnished:

a. Mechanicsburg DICOMSS shipments during FY 74 moved at a rate of \$160 per van as a part of the thru ocean transportation costs. 7,255 vans were shipped to Europe and England, therefore, the cost from Mechanicsburg to the port was \$1,160,800.

b. For Tracy Depot, the transportation cost from Tracy Depot to the port for FY 74 is \$85.50 per van. 3,528 vans were shipped at a cost of \$299,880.

10. How are the resources of DPSC allocated to overseas support of commissary stores?

DDMP

a. Facilities, Net Square Feet

- (1) End of FY 74 - 267,484 sq. ft.
- (2) End of 2nd quarter, FY 75 - 325,981 sq. ft.

b. Equipment (Dollars) (Acquisition Values)

- (1) MHE - \$ 388,042
 - (2) Storage Aids - 300,000
 - (3) Capital Equipment - 110,000
 - (4) Minor Equipment - 12,000
 - (5) Miscellaneous - 5,000
- \$ 815,042

c. People

| <u>Account Code</u> | <u>No. of People</u> | <u>Pay Dollars</u> |
|---------------------|----------------------|--------------------|
| 336 | 163 | \$1,785,812 |
| 336 (military) | 1 | <u>23,952</u> |
| | | \$1,809,764 |

DDTC

a. Facilities: 129,302 net sq. ft.

b. Equipment:

| | | |
|--------------------|----|---------|
| | \$ | 656 |
| Other nonpersonnel | | 414,258 |

c. People:

| | | | |
|-----------------------------|----|----|---------|
| Military | 2 | \$ | 45,800 |
| Civilian: | | | 774,800 |
| Assigned: | 61 | | |
| Personnel Equivalents used: | 68 | | |

11. What impact would the loss of the commissary store business from DPSC have on troop issue function?

The impact on the troop issue mission is extremely difficult to measure with any great degree of reliability. What is verifiable is that there will be an adverse impact in buying practices, transportation schedules and frequencies of delivery, supply effectiveness, and both wholesale and retail stock funds.

Considering first the purchasing aspects. It is apparent that the deletion of commissary resale requirements will reduce carlotting potential, and therefore, economic procurement quantities with a resultant increase in purchasing costs. To preclude this, troop issue requirements will be accumulated over longer periods, consolidated into economical buy quantities and purchased less frequently. It will also limit our ability to procure direct vendor shipments and overseas source loads. As a result, although purchasing costs may not increase dramatically, items will have to be delivered to government warehouses for storage and consolidation of shipments. There will be an immediate increase in storage costs and DSA stock fund levels. In addition, there will be a decided loss in quality and an increase in product losses. These losses will of necessity be passed on to the customer, i.e., the military services. The problem is more complicated since in numerous depot stocked specification items troop and resale requirements are routinely combined, e.g., Sugar, Coffee, Tuna Fish, #303 size of canned fruits and vegetables and others. Although these selected high dollar volume items can be purchased in economical production lots, our ability to use DVD, in particular source loads overseas, will be severely impaired. The problem is in increased handling, storage and transportation costs.

In the specific commodity areas, we can anticipate the following complications:

a. Fresh Fruits and Vegetables - Purchase prices should not be impacted. There will be a necessity to use more "stop off" loads requiring less frequent and less timely deliveries. There would be more mixed loads requiring additional pickups at some increased cost. If commissaries do not have sufficient back up storage to hold increased quantities, procurements off the market will be generally at higher prices.

b. Meats and Waterfoods - No significant impact is anticipated from a purchasing point of view, since troop issue requirements are now essentially exclusive; and bought from a specialized industry.

c. Dairy and Bakery Products - Basically, the same as meat products; however, dairy and bakery products for troop issue are now purchased by indefinite quantity type contracts. In this area approximately 2/3 of the line items or approximately 70% of the dollar value are for resale requirements. A reduction would not create any savings in personnel since the buyers who buy resale also buy troop issue on the same contracts. Smaller quantities for troop issue needs would most likely result in somewhat higher costs.

From a Supply Management point of view, the following impact can be anticipated:

a. Severely reduce our ability to provide economic deliveries/shipments to installations since troop issue and resale warehousing are either commingled or a short distance apart.

b. In some instances FF&V support to troop issue activities will have to be severed since it will be uneconomical to deliver just their requirements and local purchase will have to be granted.

c. Frequency of delivery in all areas of subsistence will be reduced therein requiring the Services to increase their stock levels appreciably, which, in turn, will impact on their stock fund investment.

d. The resale commissary support furnished through DPSC and the Services distribution system provides the necessary base for supporting enlarged troop issue requirements during mobilization. When a war-time condition exists, the subsistence resale support side of the house would dissolve and the resources that DSA has supporting resale, i.e., personnel, warehouse space, transportation assets, subsistence stocks, computer support, supply support and procurement support, would automatically be shifted to support the troop issue function. The loss of the resale mission will seriously jeopardize this Center's ability to rapidly achieve the necessary subsistence support posture to supply the Services when a contingency or general mobilization would occur.

e. Reduces the ability of the Services to rotate their PWRMS stocks through the commissary stores.

f. Would reduce "Y" code effectiveness to overseas activities since these items are processed through our DICOMSS program and rides on the coat tail of DICOMSS (stuffed in same vans).

The Transportation problems have already been alluded to; however, the following reinforces a major problem area in separating DPSC from the commissary resale mission. Presently commissary resale and troop issue perishables are combined into truck load movements to military installations. The loss of resale tonnage will result in additional cost for delivery of the troop issue. Many installations are provided daily, three times per week, twice per week and occasionally once per week deliveries. Each delivery maximizes troop issue and resale items to make a truck load. Accordingly, the more weight that is shipped per delivery the less they cost per delivery. Sampling of commissaries was made during a recent study requested by DSA; when local purchase authority was granted and commissary resale of fresh fruit and vegetables were permitted the results indicated that withdrawal of FF&V support in an increased transportation cost by such action. Accordingly, if troop issue is to be only supported by DPSC, the number of deliveries would have to be lessened to maximize truck load shipments thus affecting shelf life of perishable products; or to continue the same support as now exists would increase the ton mile cost of transportation. The results of the test of Local Purchase authority for commissaries from a transportation standpoint are summarized as follows:

a. Twenty customers elected to use local purchase authority and bypass DPSC support.

b. Fifteen of the twenty customers had a substantial increase in the cost per ton mile.

c. Stations affected and the cost increases are as follows:

| <u>Region</u> | <u>Customers</u> | <u>Cost Per</u> <u>Ton Mile</u> | | <u>Percentage Increase</u> <u>1974 over 1973</u> |
|---------------|---------------------------|------------------------------------|-------------|---|
| | | <u>1973</u> | <u>1974</u> | |
| Chicago | Chanute AFB | .15 | .24 | 60% |
| | Selfredge AFB | .18 | .18 | No impact |
| | F. E. Warren AFB | .38 | .38 | No impact |
| New York | Hancock Field | .31 | .37 | 19% |
| | Plattsburgh AFB | .20 | .11 | No impact |
| | Ft. Monmouth | .43 | .51 | 19% |
| | Dover AFB | .25 | .28 | 12% |
| | Ft. Devens | .21 | .26 | 24% |
| | Langley AFB | .48 | .48 | No impact |
| Oakland | Camp Pendleton | .15 | .15 | No impact |
| | NAS Long Beach | .64 | .70 | 09% |
| | Presidio of San Francisco | .71 | .81 | 14% |
| | Travis AFB | .18 | .24 | 33% |
| New Orleans | CBC Gulfport | .24 | .32 | 33% |
| | Hurlburt Field | .07 | .09 | 29% |
| | NAS Pensacola | .10 | .19 | 90% |
| | Columbus AFB | .18 | .30 | 67% |
| | Ft. Benning | .14 | .20 | 43% |
| | Robins AFB | .07 | .12 | 71% |
| | Kirtland AFB | .11 | .18 | 64% |

NOTE: Increases in costs do not reflect normal inflationary increases from 1973 to 1974.

From the foregoing, it is obvious that there will be substantial changes in DPSC's ability to provide economical and quality troop issue support if DPSC is eliminated from the commissary resale mission.

12. What impact would the loss of the Commissary store business have on DSA and DPSC?

The initial impact would be in our ability to support the troop issue mission as described in the above answer to question number 11. The most apparent immediate impact; however, would be in personnel reductions. Assuming that the commissary support would be provided by nonappropriated fund employees, functional transfer rights would be obviated. A reduction of approximately 350 personnel identified in data provided in question number 9 would have the following impact:

a. Approximately 1000 employees of DPSC including the 21 Defense Subsistence Offices throughout the United States will receive reduction in force notices including displacements resulting in reassignments, changes to lower grades and separations. These actions will be across the board and could feasibly affect every Directorate and Major Office at DPSC thus causing a substantial disruption of the workforce.

b. The majority of spaces affected on the first round of the reduction in force would be those positions transferred to DPSC by the consolidation of the Defense Subsistence Regions. Therefore, a substantial number of those employees who transfer to Philadelphia from the Subsistence Regions could be involved in the reduction in force.

c. If the decision to transfer the Commissary Support functions to a non-appropriated fund activity is approved prior to the total consolidation of the Defense Subsistence Regions, DPSC will have to re-evaluate its present concept of consolidation and possibly conduct reductions in force at the DSRs in order to preclude the transfer of employees to DPSC and have these employees after a short period of time be affected by a major reduction in force.

Just as critical as the tremendous personnel turnover would be the loss of both invaluable commodity and functional experience. The loss of experience would have a far reaching impact on our ability to perform the subsistence mission under mobilization conditions.

The alternative to DPSC support is a parallel subsistence system competing for commodities, storage and transportation. It appears to be an uneconomical and wasteful duplication of a viable and responsive DPSC support system. DPSC under the integrated manager concept is ideally staffed to support both commissaries and troop issue. In addition, the nucleus to expand and provide total subsistence support to all resale and troop issue activities exists in the DPSC Augmented Supply Offices and DSRs located across the country and overseas. This concept would coincide with the Navy's complexing policy and would achieve economies to scale.

Indefinite Delivery Type Contracts

(March 1974 - February 1975)

| | <u>No. of Contracts</u> | <u>Dollar Value</u> |
|-------------------------|-------------------------|-------------------------|
| Perishable Dairy | 1439 | \$216,760,708.92 |
| Perishable Poultry | 45 | \$ 1,084,794.92 |
| Perishable Meats | 1077 | \$ 3,897,687.37 |
| Perishable Waterfoods | 16 | \$ 272,038.09 |
| Perishable Fresh Fruits | 45 | \$ 1,008,389.61 |
| Perishable Vegetables | 2 | \$ 87,700.00 |
| Perishable All Others | 1175 | \$ 1,534,131.86 |
| Total (Estimated) | <u>3799</u> | <u>\$384,645,450.71</u> |

This data is best obtainable from Data Systems history files.

DICOMSS/BRAND NAME

For convenience, the DICOMSS Nonperishable is included as a separate breakout. These statistics are, however, included in the Nonperishable totals for Overseas and Hawaii/Alaska.

COMMISSARY/NONPERISHABLE

| <u>FOOD</u> | <u>LINES</u> | <u>DOLLAR VALUE</u> |
|-----------------|----------------|-------------------------|
| ARMY | 421,712 | \$ 77,737,371.98 |
| AIR FORCE | 243,673 | \$ 47,549,821.95 |
| NAVY | 60 | \$ 105,615.14 |
| MARINES | 0 | 0 |
| TOTAL | 665,445 | \$125,392,809.07 |
| <u>NON-FOOD</u> | | |
| ARMY | 146,634 | \$ 38,953,763.03 |
| AIR FORCE | 80,707 | \$ 23,350,378.61 |
| NAVY | 1 | \$ 359.97 |
| MARINES | 0 | 0 |
| TOTAL | 227,342 | \$ 62,304,501.61 |
| <u>TOTAL</u> | <u>892,787</u> | <u>\$187,697,310.68</u> |

TOTAL DPSC SUPPORT CONUS/OVERSEAS

(Excludes Indefinite Delivery Type Contracts)

| | <u>Lines</u> | <u>Perishables</u> | <u>Nonperishables</u> |
|--|------------------|-------------------------|-------------------------|
| ARMY | 1,353,547 | \$242,255,290.74 | \$219,991,851.01 |
| AIR FORCE | 1,236,201 | \$105,972,836.58 | \$113,674,658.41 |
| NAVY | 692,401 | \$157,613,156.64 | \$ 58,114,050.68 |
| MARINES | 77,778 | \$ 25,984,296.91 | \$ 10,485,481.63 |
| | <u>3,359,927</u> | <u>\$531,825,580.87</u> | <u>\$402,266,041.73</u> |
| Total Dollars Perishable/Nonperishable | | | \$934,091,622.60 |

A. Sales by Commodity

GROCERIES

| | TROOP ISSUE | | COMMISSARY | | TOTAL | |
|------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|
| | PERISHABLE LINES | \$ VALUE | PERISHABLE LINES | \$ VALUE | PERISHABLE LINES | \$ VALUE |
| ARMY | 43,829 | \$21,279,055.89 | 53,397 | \$21,150,777.22 | 14,742 | \$3,840,000.00 |
| AIR FORCE | 47,721 | \$ 7,703,375.42 | 84,141 | \$21,540,600.92 | 1,005 | \$21,424,200.00 |
| NAVY SHORE | 20,757 | \$ 3,050,945.05 | 66,140 | \$23,471,405.54 | 6,565 | \$ 967,500.00 |
| NAVY FLEET | 17,933 | \$ 1,244,000.00 | 50,7 | \$20,702,005.07 | 0 | 7,000.00 |
| MARINES | 6,454 | \$ 2,002,453.02 | 9,237 | \$20,140,570.73 | 100 | \$ 19,422.00 |
| TOTAL | 145,739 | \$44,178,023.31 | 209,971 | \$64,232,117.64 | 34,442 | \$6,000,500.00 |

A. Sales by Commodity DAIRY

| | <u>TROOP ISSUE</u> | | <u>COMMISSARY</u> | | <u>TOTAL</u> | |
|------------|--------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | <u>PERISHABLE</u> | <u>\$ VALUE</u> | <u>PERISHABLE</u> | <u>\$ VALUE</u> | <u>PERISHABLE</u> | <u>\$ VALUE</u> |
| | <u>LINES</u> | | <u>LINES</u> | | <u>LINES</u> | |
| ARMY | 8,585 | \$14,405,195.94 | 4,110 | \$2,811,300.05 | 12,695 | \$17,216,495.99 |
| AIR FORCE | 9,463 | \$ 4,852,662.02 | 4,096 | \$1,614,307.56 | 13,559 | \$ 6,466,969.58 |
| NAVY SHORE | 12,133 | \$12,081,836.20 | 2,428 | \$1,405,505.32 | 14,561 | \$13,487,341.52 |
| NAVY FLEET | 9,461 | \$ 2,652,969.26 | 55 | \$ 9,431.91 | 9,516 | \$ 2,662,401.17 |
| MARINES | 2,118 | \$ 3,166,646.48 | 12 | \$ 79,629.47 | 2,130 | \$ 3,246,275.95 |
| TOTAL | 41,760 | \$37,159,309.90 | 10,701 | \$5,920,174.31 | 52,464 | \$43,079,484.21 |

A. Sales by Commodity

MEAT/POULTRY/WATERFOODS

| | <u>TROOP ISSUE</u> | |
|--------------|--------------------|------------------|
| | <u>PERISHABLE</u> | <u>\$ VALUE</u> |
| <u>LINES</u> | | |
| ARMY | 56,004 | \$121,477,607.64 |
| AIF FORCE | 58,606 | 43,923,258.93 |
| NAVY SHORE | 44,301 | 76,568,786.71 |
| NAVY FLEET | 38,122 | 19,595,438.13 |
| MAFINS | 7,956 | 15,778,346.62 |
| TOTAL | 204,989 | \$277,343,938.03 |

| <u>COMMISSARY</u> | |
|-------------------|-----------------|
| <u>PERISHABLE</u> | <u>\$ VALUE</u> |
| <u>LINES</u> | |
| 21,845 | \$38,450,867.97 |
| 11,062 | \$15,631,613.38 |
| 7,290 | \$13,025,027.45 |
| 209 | \$ 129,997.90 |
| 110 | \$ 505,683.22 |
| 40,516 | \$67,743,189.92 |

| <u>TOTAL</u> | |
|-------------------|------------------|
| <u>PERISHABLE</u> | <u>\$ VALUE</u> |
| <u>LINES</u> | |
| 77,849 | \$159,928,475.61 |
| 69,663 | \$ 59,554,872.31 |
| 51,591 | \$ 89,593,814.16 |
| 38,331 | \$ 19,725,436.03 |
| 8,066 | \$ 16,284,529.84 |
| 245,505 | \$345,087,127.95 |

A. Sales by Commodity

PRODUCE

| | <u>TROOP ISSUE</u> | | <u>COMMISSARY</u> | | <u>TOTAL</u> | |
|------------|--------------------|----------------------------|-------------------|----------------------------|--------------|----------------------------|
| | <u>LINES</u> | <u>PERISHABLE \$ VALUE</u> | <u>LINES</u> | <u>PERISHABLE \$ VALUE</u> | <u>LINES</u> | <u>PERISHABLE \$ VALUE</u> |
| ARMY | 83,897 | \$13,677,057.95 | 469,451 | \$26,533,961.84 | 553,348 | \$40,211,019.79 |
| AIR FORCE | 95,376 | \$ 5,076,650.70 | 538,532 | \$25,734,676.51 | 633,908 | \$30,811,327.21 |
| NAVY SHORE | 84,045 | \$ 8,756,768.52 | 257,827 | \$11,310,878.24 | 341,872 | \$20,067,646.76 |
| NAVY FLEET | 49,584 | \$ 1,758,763.85 | 254 | \$ 21,124.53 | 49,838 | \$ 1,779,888.38 |
| MARINES | 22,900 | \$ 2,429,803.76 | 27,324 | \$ 1,111,818.79 | 50,224 | \$ 3,541,622.55 |
| TOTAL | 335,802 | \$31,699,044.78 | 293,388 | \$64,712,459.91 | 629,190 | \$96,411,504.69 |

B. Sales by Location

CONUS

| | TROOP ISSUE | | COMMISSARY | | TOTAL | |
|-----------|--------------------------|--------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| | PERISHABLE LINES | NONPERISHABLE LINES | PERISHABLE LINES | NONPERISHABLE LINES | PERISHABLE LINES | NONPERISHABLE LINES |
| ARMY | 178,983 \$141,619.785.72 | 43,647 \$ 38,123,281.04 | 466,458 \$49,016,465.65 | 24,375 \$11,755,445.80 | 645,441 \$190,636,251.37 | 68,022 \$49,878,726.84 |
| AIR FORCE | 191,911 \$ 50,224,547.79 | 52,666 \$ 14,194,126.46 | 522,492 \$31,513,479.89 | 43,363 \$18,926,994.81 | 714,403 \$ 81,738,027.68 | 96,029 \$33,121,121.27 |
| NAVY | 272,755 \$106,360,337.31 | 123,508 \$ 53,360,747.26 | 245,238 \$16,794,903.35 | 7,289 \$ 2,726,320.07 | 517,993 \$123,155,240.66 | 130,797 \$56,087,067.33 |
| MARINES | 38,886 \$ 23,828,406.81 | 9,537 \$ 10,148,573.73 | 26,656 \$ 1,115,500.02 | 1,219 \$ 336,907.90 | 65,542 \$ 24,943,906.83 | 10,756 \$10,485,481.63 |
| TOTAL | 682,535 \$322,033,077.63 | 229,358 \$115,826,728.49 | 260,844 \$98,440,348.91 | 76,246 \$33,745,668.58 | 1,943,379 \$420,473,426.54 | 305,604 \$149,572,397.07 |

KALATI/ALASKA

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B. Sales by Location

OVERSEAS

| | <u>TROOP ISSUE</u> | | <u>COMMISSARY</u> | | <u>TOTAL</u> | |
|-----------|---|--|---|--|---|--|
| | <u>PERISHABLE</u> <u>LINES</u> <u>\$ VALUE</u> | <u>NONPERISHABLE</u> <u>LINES</u> <u>\$ VALUE</u> | <u>PERISHABLE</u> <u>LINES</u> <u>\$ VALUE</u> | <u>NONPERISHABLE</u> <u>LINES</u> <u>\$ VALUE</u> | <u>PERISHABLE</u> <u>LINES</u> <u>\$ VALUE</u> | <u>NONPERISHABLE</u> <u>LINES</u> <u>\$ VALUE</u> |
| ARMY | 7,636 \$27,035,141.96 | 7,251 \$39,522,390.88 | 38,114 \$19,389,975.18 | 571,462 \$125,314,441.80 | 45,750 \$46,425,117.14 | 578,713 \$164,836,832.68 |
| AIR FORCE | 11,055 \$ 7,677,283.45 | 25,154 \$ 6,253,403.49 | 35,048 \$ 7,391,767.08 | 331,776 \$ 72,585,997.26 | 46,103 \$15,069,050.53 | 356,930 \$ 78,839,400.75 |
| NAVY | 8,593 \$14,933,556.35 | 0 0 | 27,953 \$ 6,146,112.98 | 61 \$ 105,975.11 | 36,546 \$21,079,669.33 | 61 \$ 105,975.11 |
| MARINES | 107 \$ 7,434.13 | 0 0 | 0 0 | 0 0 | 107 \$ 7,434.13 | 0 0 |
| TOTAL | 27,391 \$49,653,415.89 | 32,405 \$45,775,794.37 | 101,115 \$32,927,855.24 | 903,238 \$198,006,414.17 | 128,506 \$82,581,271.13 | 935,643 \$243,782,208.54 |

APPENDIX 8-A

JOINT SERVICE COMMISSARY STORE AGENCY

8-A.1 ALTERNATIVE. Creation of a joint service agency to operate all commissary stores.

8-A.2 ASSUMPTIONS. This study considers the following assumptions:

a. Operate in an appropriated funded mode with only direct costs reimburseable as defined in the currently proposed Section 814 of the annual DOD Appropriations Act.

b. Indirect costs of operations will continue to be supported from appropriated funds.

c. The Joint Service Commissary Store Agency (JSCSA) will exercise direct command and control of the commissary store system.

d. The JSCSA will be activated with personnel from each service with background in management of commissary stores.

e. Manpower authorizations for the JSCSA will be drawn by transfer of function from the individual services.

f. The JSCSA will exercise complete control over manpower authorizations and will be vested with authority to distribute and redistribute spaces to each commissary operation.

g. Civilian employees will continue in the competitive career Civil Service program on a reimburseable basis, in accordance with the proposed Section 814 of the annual DOD Appropriations Act.

h. Commissary store staffing will be commensurate with sales and established levels of service.

i. Applicable portions of individual service stock funds will be consolidated into a Joint Service Commissary Stock Fund.

j. Trust Revolving Fund Account (TRFA)/Funds and Commissary Store Reserve Funds (CSRF) will be transferred to the commissary agency by each service, upon implementation of the system.

k. TRFA/CSRF may be invested for the production of additional income.

l. Defense Supply Agency (DSA) and Defense Personnel Support Center (DPSC) will continue to provide support to commissary stores.

m. The subsistence function (troop issue) will be separated from the commissary operations.

n. The criteria/provisions of Section 814 of the annual DOD Appropriations Act pertaining to establishment and continuation of commissary stores will be deleted or modified.

o. A standard management and automated data processing system, will be developed prior to implementation of the Joint Service Commissary Store system, and variable pricing authorized.

8-A.3 BACKGROUND AND DISCUSSION.

a. Although there are certain similarities among the military commissary stores, different structures for budgeting, accounting, funding, maintenance of records, and reporting have evolved within the individual services. Consequently, although the stores operational functions appear to be compatible, many major differences exist in the internal organizational structure and mode of operation at both headquarters and field levels.

b. By accomplishing certain changes, (facility improvements, personnel, organizational, and operational changes) improved efficiency can be achieved. The magnitude of consolidating all commissary stores into one agency, employing about 27,000 military, Civil Service, and local national personnel, must be recognized. The limited time frame for implementing PBD 282 (requiring total reimbursement of commissary stores labor and overseas utility costs by 1 October 1976) would adversely impact on orderly efforts to restructure the commissary stores of each service into one agency. Prior to implementation of this alternative, studies must be made in order to develop plans, management information, accounting, and automated systems, and formulate staffing and accounting organizations.

c. A viable central commissary store agency is contingent on the successful development and implementation of automated systems, operating and accounting procedures. Wherever feasible and when in consonance with agency plans, stores would be complexed within the respective military service and within regions to achieve cost savings and reduce the impact of ultimate consolidation.

8-A.4 AREAS OF CONSIDERATION.

a. Legal and Legislative: For a discussion of legal and legislative requirements, see Chapter 11, Volume I. Basically,

no new legislation is necessary to create a joint service commissary system. However, certain legislative changes are necessary to allow such a system to operate effectively.

b. Command and Control:

(1) The JSCSA would be established as a separate command, under the jurisdiction of the Chiefs of Staff of the Army and Air Force, the Chief of Naval Operations, and the Commandant of the Marine Corps. A board of directors, representing each of the military services, would be responsible for directing the operations of the JSCSA.

(2) Commissary store policy will emanate from the board of directors within authorization and guidance from the Secretary of Defense. This board will review the financial status of the commissary system and provide direct guidance on plans and programs to enhance patron service and insure that a financially solvent, responsive system is maintained for the benefit of the authorized patron.

8-A.5 HEADQUARTERS AND FIELD ORGANIZATION.

a. The Director of the JSCSA would be an officer of general or flag rank assigned on a rotational basis. (See Figure 1 (page 8A-15.) The Director will exercise control of individual commissary stores through a system of regional headquarters and field offices which would be established within designated geographic areas worldwide. (See Figure 2 (page 8A-16) for proposed organizational and staffing charts of the JSCSA Headquarters.)

b. The regional offices would be staffed to accomplish procurement, accounting, automatic data processing, and administrative functions for the commissary stores within each region.

(See Figure 3 (page 8A-18) for functional chart and proposed manning of the typical regional headquarters.)

c. The field offices within the region would be responsible for providing technical assistance for three to fifteen stores within their jurisdictions. Approximately three persons would be required for each field office at an estimated cost of \$59.6 thousand per year. With 58 field offices, a total personnel cost of \$3.5 million per year would be incurred. (See Figure 3 Continued (page 8A-20).

d. The following is a proposed alignment of JSCSA worldwide.

| <u>CONUS and Alaska</u> | <u>Europe</u> | <u>Pacific</u> | <u>Totals</u> |
|-------------------------|------------------|-----------------|------------------|
| 7 Regions | 3 Regions | 1 Region | 11 Regions |
| 34 Field Offices | 16 Field Offices | 8 Field Offices | 58 Field Offices |
| 265 Stores | 83 Stores | 36 Stores | *384 Stores |

Total number of stores will not agree with current total number of present service operated stores due to combinations of annexes and branches.

Figure 4 (page 8A-21) provides a map depicting the location of regions and field offices within CONUS. Figure 5 (page 8A-22) provides a breakout by region, field offices and stores worldwide.

e. Currently, the Army, Air Force and Marine Corps Commissary Systems employ a substantial staff in the commissary office at each installation. These personnel are devoted to document control, stock control, determination of requirements, etc. In the Navy, these functions are performed at complex offices.

f. For the purpose of this study, a determination has been made that the average commissary store now utilizes 12 persons in the administrative section. Under this proposal, the bulk of administration would be accomplished at the regional headquarters, resulting in a savings of approximately 3,700 spaces worldwide.

g. The estimated cost to establish the JSCSA Headquarters, Regional Headquarters, and field offices is shown at Figures 6, 7 and 8 (pages 8A- 34, 8A- 35 and 8A- 36).

h. The mission and functions of the JSCSA are as follows:

(1) Headquarters: Responsible for command, control and direction of all phases of commissary operations.

(2) Regional Office: Responsible to the director of the agency for operation of assigned commissary stores to insure proper

accomplishment of the mission of each store and for providing centralized administration, procurement and operational control within guidelines established by the Director.

(3) Field Office:

(a) Provide technical advice and assistance to the stores under its jurisdiction. Provide military liaison with commands represented.

(b) Responsible for day-to-day management of commissaries within the area.

i. Functions to be centralized at the JSCSA Headquarters:

- (1) Development of staffing criteria and funding.
- (2) Joint service commissary stock fund management.
- (3) Data automation control and development.
- (4) Security and safety program coordination.
- (5) Engineering support to include project development, review and funding.
- (6) Policy guidance on all phases of commissary store operation.
- (7) Purchase of major equipment including refrigeration, display, automotive and material handling equipment.
- (8) Central control over the investment and disbursement of commissary surcharge funds.
- (9) Development of standards for commissary equipment and operating supplies.
- (10) Liaison with the food industry.
- (11) Public relations program coordination and information service for commissary patrons worldwide.

j. Regional offices will:

- (1) Be responsible to the Director of JSCSA Headquarters for administration and operation of their regions.
- (2) Provide staff assistance and compliance visits to each commissary store in their regions.

(3) Coordinate the acquisition of fiscal, payroll and plant property accounting services for all stores within the regions.

(4) Consolidate requirements and prepare purchase and delivery orders for stores within the regions.

(5) Perform accounting functions for stores in the regions.

(6) Verify and consolidate operational data from the stores and forward to JSCSA Headquarters.

(7) Maintain records of surcharge funded equipment.

(8) Coordinate support services for civilian personnel within the region with servicing Civilian Personnel Office.

k. Field Offices will:

(1) Be responsible to the regional office on all matters pertaining to administration and operation of stores within their areas.

(2) Recommend changes to authorized stockage lists.

(3) Provide professional assistance and advice to stores within their areas.

(4) Provide liaison with major commands represented.

(5) Monitor performance and responsiveness of stores within their areas.

l. Commissary stores will be operated by an individual designated as the commissary store officer who will:

(1) Be accountable for the receipt, storage, and sale of items carried.

(2) Be responsible for compliance with basic commissary store policies and operating procedures.

8-A.6 ASSUMPTION OF CONTROL. The following actions will be accomplished on a phased basis in order to accomplish this alternative:

a. Phase I - Form a skeletal commissary store headquarters organization to develop detailed plans for the worldwide organization and a plan of action with time frames for accomplishment.

b. Phase II - Develop a staffing plan, detailed operating, accounting and ADP procedures.

c. Phase III - Establish field organizations on a phased basis.

8-A.7 ESTABLISHMENT/DISESTABLISHMENT OF STORES.

a. The Secretary of Defense will authorize the establishment of commissary store accounts. The board of directors may authorize disestablishment of store accounts.

b. Initially, all existing commissary stores will continue operation. The possibility of reducing the number of commissaries where such action will achieve significant economy, without seriously impairing customer service, will be reviewed.

8-A.8 LEVELS OF SERVICE. The agency will establish and prescribe the levels of service to be provided throughout the commissary store system. Customer service standards will be established at the highest possible level consistent with economic capability.

8-A.9 MERCHANDISING.

a. Uniform commissary store merchandising policies will be established by the agency, initially based upon review and analysis of the existing policies of the military service systems.

b. The establishment of the agency will result in savings in several areas of procurement and merchandising. Some of the areas in which savings can be achieved are:

(1) Standardized product categories and product mix, where practicable.

(2) Uniform pricing procedures.

(3) Control of variable pricing policy.

(4) Reduction of stock outages by transfers of stock within the regions.

(5) Standardized meat and produce item mix.

(6) Standardized meat cutting policy and pricing within complex or region.

(7) Transfer of perishable meat and produce interstore to eliminate markdown and reworks in regions where staggered sales days exist.

(8) Purchase of carload or special lots resulting in lower cost of goods.

(9) Uniform controls on promotional sales campaigns offered by vendors for:

- (a) Guaranteed sales.
- (b) Floor stock protection.
- (c) Special labels.
- (d) Voluntary price reductions.
- (e) Bonuses.

8-A.10 PROCUREMENT.

a. Presently employed procurement practices utilizing the services and facilities of the Defense Supply Agency and the Defense Personnel Support Center will continue (see Appendix 7-D), Volume II (Page 7D-1). The determination of requirements, including item selection preparation of purchase documents and accounting for receipts will be performed at the regional headquarters.

b. The commissary store agency will perform the procurement functions for equipment and facilities replacement. Headquarters JSCSA may develop centralized procurement policies for those items common to the system that will result in greater savings.

8-A.11 ACCOUNTING. Unified procedures will be developed for bill paying, funding, accounting, automation, and reporting and auditing of records, reports, and accounts. Adequate time will be required to develop, promulgate instructions and train personnel at headquarters, region, and field levels.

8-A.12 DISTRIBUTION SYSTEM (CONUS and OVERSEAS).

a. Initially, the distribution system currently used by the military services will continue to be used in CONUS. Overseas distribution systems will be revised to incorporate joint service use of the Dicomss system.

b. The following areas of distribution for CONUS and overseas will be reviewed to ascertain the most efficient mode of operation:

- (1) Role of DPSC and DSA in commissary retail purchases, warehousing and transportation.
- (2) Consolidation of warehousing and distribution capabilities of commissary stores within a region.

(3) Availability of commercial distribution facilities.

(4) Availability of direct deliveries from supplier to either central distribution centers or store location.

(5) Use of central meat processing plants to serve stores within regions or complexes.

(6) Use of central plants for produce purchasing, packaging and distribution.

(7) Requirements for distribution and utilization of materials handling and transportation equipment.

8-A.13 LONG RANGE CONSIDERATIONS.

a. Troop Issue: One of the basic assumptions for the JSCSA is that the subsistence function (troop issue) will be separated from commissary store operations and remain as an activity within the individual services. Presently, the Army and Air Force have the subsistence issue function integrated with the commissary operation. Both the Navy and Marine Corps have separated these functions. It is presumed that the subsistence (troop issue) type items could be obtained from the commissary store. Although the study group has concluded that the Joint Commissary Store System can secure maximum economical system benefit by not having the additional burden of supporting the subsistence requirements, it is recognized that storage capabilities at certain locations may be sufficient to support both resale and troop issue requirements. In such instances, provisions could be made to support troop issue requirements provided appropriated fund reimbursement for providing such services could be made.

b. Defense Personnel Support Center. The commissary store agency will utilize the services provided by DPSC.

8-A.14 PERSONNEL ASPECTS.

a. Personnel in the commissary stores, field offices, regional headquarters and central headquarters will continue as Civil Service employees. This will retain skilled personnel at all levels and assure continuity of operations without an additional costly training program. Further, it will require no changes in the pay system or fringe benefits and will avoid the substantial expenses that could result from severance pay and relocation allowances if commissaries converted to a non-appropriated fund personnel system.

b. Full control of the funds and personnel resources required for commissary management and operations will facilitate the allocation of these resources on a uniform basis, commensurate with workload

requirements. Such control will provide for a substantial increase in the utilization of part-time, intermittent employees to achieve economy and flexibility in order to adjust the work force to the workload.

c. Personnel policies to be established throughout the JSCSA will provide for standard position descriptions and job classification with appropriate performance standards for each position.

d. Training.

(1) Establishment of the commissary store agency will create distinct challenges for training its civilian work force, namely:

(a) Providing for transitional technical and administrative training for all employees so they can move smoothly from a separate service-oriented operation into the Joint Service Commissary Store Agency.

(b) Developing standardized training units to provide for basic orientation training in each of the technical aspects of commissary store operations (e.g., administrative functions, produce, meat, warehousing and retail merchandising).

(c) Establishing appropriate means for providing management training and intern training on both a centralized and a local basis.

(d) As a condition of employment, career interns will be required to sign a mobility agreement for system wide assignments.

(2) Transitional training would have the highest priority because of the urgency to quickly familiarize employees with the work methods and changes associated with establishment of a single system of commissary store operations. This training should be designed and developed by JSCSA Headquarters.

(3) A Joint Service Commissary Store Agency offers the potential for providing better quality basic orientation and technical training at a lower cost per employee than previously possible. Standardization of work processes offers the possibility of developing a series of basic training courses that could be administered at the work location while utilizing programmed learning technology.

e. Military. Military assignments within the JSCSA will be limited to senior officers at the agency headquarters and at the regional offices. At those isolated overseas locations which are too small to justify the assignment of civilian commissary personnel, military may be provided.

8-A.15. FUNDING ASPECTS.

a. Inventory and Operating Supplies.

(1) Following is a breakdown of sales and inventory levels sales for all services for fiscal year 1974.

| | Sales CONUS | Overseas Sales | (CONUS) Monthly Stock Level Limitations | (OVERSEAS) Monthly Stock Level & In Transit 90 Days |
|--------------|-------------|----------------|---|---|
| Air Force | 930.7 M | 134.3 M | 77.6 M | 33.5 M |
| Army | 719.1 M | 191.8 M | 59.9 M | 48.0 M |
| Navy | 405.8 M | 58.6 M | 33.8 M | 14.7 M |
| Marine Corps | 75.7 M | 1.3 M | 6.3 M | .3 M |
| Totals | \$2,131.3 M | 386.0 M | \$177.6 M | \$96.6 M |

(2) The inventory stock levels are financed out of revolving stock funds managed by the respective services.

(3) Upon implementing the commissary store agency, the revolving stock funds of the respective services will be reduced by the amount necessary for the agency to establish a revolving commissary stock fund.

(4) Commissary store minor equipment and operating supplies will continue to be paid from surcharge funds.

b. Economic Impact and Customer Savings. An economic impact analysis of lost sales, required initial mark-ons, and expected customer savings based on a low and high sales loss is provided in Table 1 (page 8A-37). A summary based on techniques used in other alternatives of this study is as follows:

| | 3/4 FY 1976 & 7T | FY 1977 | FY 1978 |
|-----------------------------------|------------------|-----------|-----------|
| Expected Lost Sales (incremental) | 6.0-15.8 | 3.4-5.6 | None |
| Required Initial Mark-ons | 8.4-9.1 | 11.7-12.7 | 11.6-12.6 |
| Expected Customer Savings | 17.4-16.7 | 14.3-13.3 | 14.3-13.4 |

c. Indirect Cost

(1) The determination whether appropriated or non-appropriated funds are properly chargeable for work or services furnished the commissary store agency will be based on Section 814 of the DOD Annual Appropriation Act.

(2) There are 420 stores in the combined individual service commissary systems with equipment and facility deficiencies totalling an estimated \$408.6 million. The equipment deficiencies include material handling and transportation equipment, as well as basic equipment necessary to accomplish the mission. The long

range costs for construction and equipment to correct deficiencies in CONUS commissaries were estimated, as of December 1974, as follows:

| | |
|--------------|-----------|
| Army | \$172.1 M |
| Air Force | 104.0 M |
| Navy | 122.5 M |
| Marine Corps | 10.0 M |
| Total | \$408.6 M |

(a) The primary source of funds for equipment and facilities improvement or replacement has been the surcharge and excess commissary store revenues. In December 1974, legislation was passed which authorized each service to provide for adjustment of, or surcharge on, sales prices, the proceeds of which are to be used to construct, convert, expand (etc.) commissary store facilities. Upon implementation of the commissary store agency, existing funds for this purpose would be transferred to and managed by the agency.

(b) Based on the assumption of fully utilizing a one percent surcharge for facilities improvement, the correction of deficiencies enumerated above, will require many years. Not considering variables such as base closures, inflation, increased construction cost, etc., the projection of construction and facilities monies to be generated, based on one percent of projected sales, is as follows:

| Range of Sales | FY 1977 | | FY 1978 | |
|---------------------------------------|---------|--------|---------|--------|
| | Low | High | Low | High |
| Projected Sales | 2899.2 | 2573.7 | 2897.0 | 2570.5 |
| @ 1% (\$M) | | | | |
| Funds Generated for Construction(\$M) | 29.0 | 25.7 | 29.0 | 25.7 |

d. Change Fund. The commissary store agency will establish guidelines and procedures for the issue, control and reporting of funds necessary for the change fund operation. Funds may be obtained by either of two methods:

(1) Through the local finance officer--the necessary monies from appropriated funds not to exceed a predetermined amount.

(2) Retention at store level of a portion of sales proceeds sufficient to function properly (amount to be specified by headquarters, based on sales volume).

8-A.16 MANAGEMENT AND DATA SERVICE.

a. The development of accounting, reporting and automated systems within the commissary store agency is necessary to provide administrative, operational and economic benefits.

b. The JSCSA has certain commonalities with commercial stores such as equipment configurations, communications links, and proven concepts of operation. However, detail record and report formats in commercial systems will not be acceptable by JSCSA without major modifications. A primary initial task of the skeletal headquarters should be the implementation of the system for accounting and automated commissary store operations. This includes records for inventory/financial control, stock replenishment, purchasing, both cash and charge sales, use of the Universal Product Code Symbol, and the ability to produce financial and management reports for stock. Preliminary studies indicate ADP equipment and supporting software requirements vary, within the system, according to the workload and level of processing. The cost of ADP for the 420 commissaries, with the necessary hardware installed at each store, region and headquarters, is estimated to require a total expenditure of nearly \$15.5 million, and approximately 252 man-months (over an 18 month period), to develop the necessary software. The necessary staffing is incorporated into regional headquarters enumerated in Figure 3 (page 8A-18). Further discussion of the ADP support requirement is continued at Annex A (page 8A-38, DF, 14 Apr 75, Subj: Assistance to DOD Commissary Study Group).

8-A.17. EQUIPMENT AND FACILITIES.

a. The consolidation of the commissary stores under a Joint Service Agency provides a construction program that takes advantage of standardization and visibility by a single manager.

b. Standardization of stores, warehouses and equipment lists for use in all commissary stores will reduce construction and modernization costs. The planning of construction projects will be accomplished under established guidelines to insure that those facilities that are inadequate are given proper priority.

c. The agency will have a functional staff element of qualified architects and engineers to supervise and manage the construction, modification and design of commissary stores. A list of standard operating equipment which will be compatible throughout the commissary system will be maintained.

8-A.18. ADVANTAGES AND DISADVANTAGES.

a. Advantages. The implementation of the commissary agency will result in the following advantages:

(1) A single professional organization for the management of commissary activities and development of uniform operating policies worldwide.

(2) Uniform policies and operations will afford equitable commissary savings and service for all military personnel and their dependents.

(3) Maximum visibility of the efficiency of commissary management by the agency.

(4) More effective utilization of funds, facilities, equipment and personnel through improved management.

(5) Create the potential for significant economies in such areas as procurement, storage and distribution.

(6) Improve commissary personnel management in the areas of staffing, position standards, training and development, and career progression potential.

(7) Continued use of central civilian personnel offices, Defense Personnel Support Center, and finance paying office appropriated funded support.

(8) Merger of headquarters level assets will provide a more viable and efficient organization.

(9) Avoidance of legislative, personnel and operational changes which would be required in a non-appropriated funded mode.

b. Disadvantages. The implementation of the commissary agency will result in the following disadvantages:

(1) Will be a major undertaking, involving a substantial temporary expenditure of personnel and funds.

(2) Might be viewed by some as the creation of a large and unwieldy business entity.

(3) Will result in temporary personnel turbulence due to organizational realignments.

(4) Possible reduction of local command support of commissary stores.

FIGURE 1
PROPOSED ORGANIZATIONAL CHART
JOINT COMMISSARY STORE AGENCY

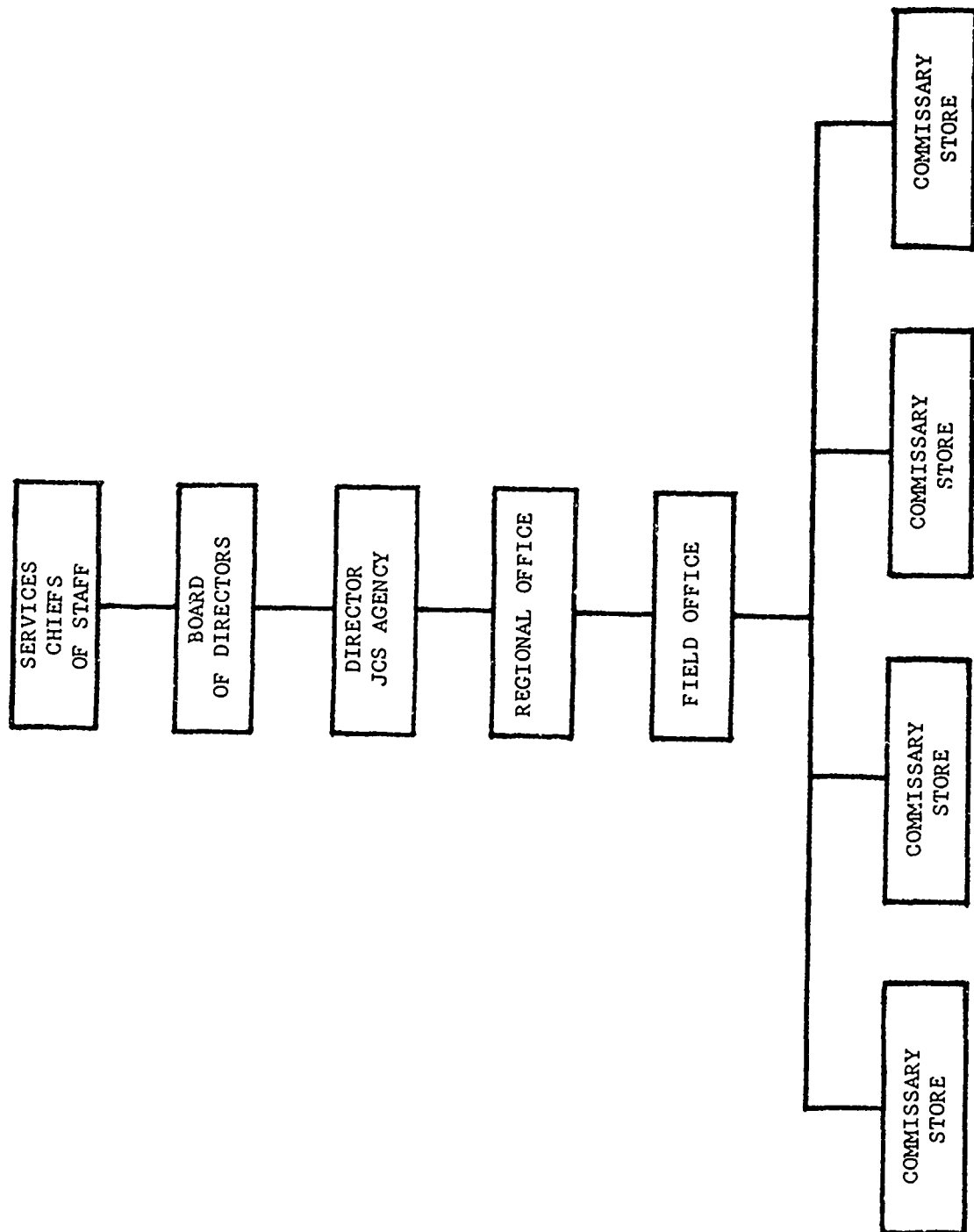
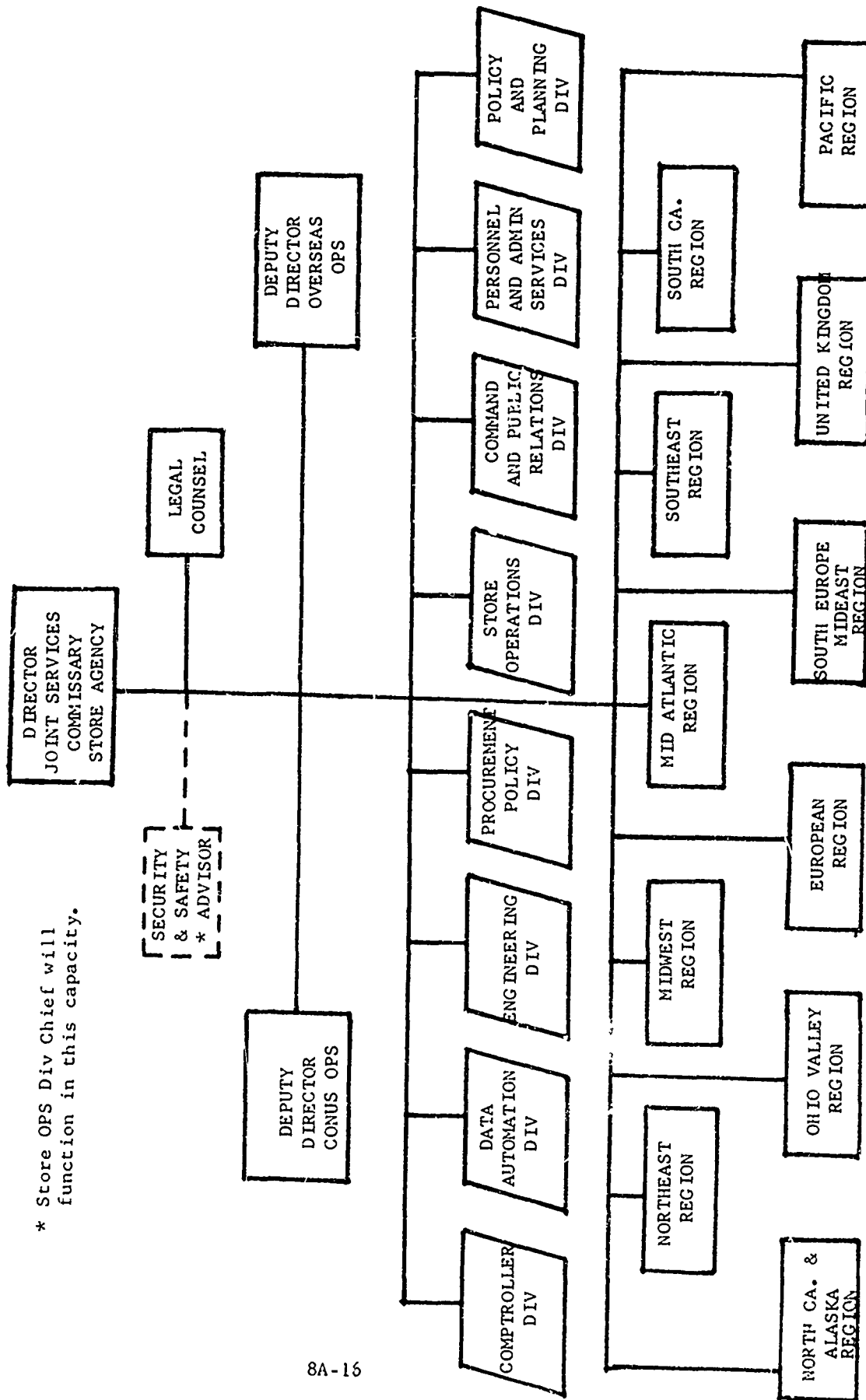


FIGURE 2
ORGANIZATION CHART JOINT COMMISSARY STORE AGENCY
HEADQUARTERS AND REGIONS



* Store OPS Div Chief will function in this capacity.

FIGURE 2 (CONTINUED)
RECOMMENDED BY-GRADE MANNING OF COMMISSARY AGENCY HQ

| COMMAND AND PUBLIC RELATIONS | | DEPUTY FOR CONUS OPS | DEPUTY FOR OVERSEAS OPS | LEGAL COUNSEL |
|------------------------------|-----------------|----------------------|-------------------------|----------------------|
| 1-06, 1-GS-13, 2-GS-12 | 1-06, 1-GS-15 | 1-06, 1-GS-13 | 1-06, 1-GS-13 | 1-06, 1-GS-13 |
| 3-GS-11, 1-SCTY GS-6 | 1-SCTY GS-6 | 1-SCTY GS-6 | 1-SCTY GS-6 | 2-GS-12, 1-STFN GS-6 |
| POLICY AND PLANNING DIV | | ENGINEERING | DATA AUTO | STORE OPS |
| CHIEF GS-15 | CHIEF GS-15 | CHIEF GS-15 | CHIEF GS-15 | CHIEF GS-15 |
| ASST GS-13 | ASST GS-13 | ASST GS-13 | ASST GS-13 | ASST GS-13 |
| 1-STEN GS-6 (3) | 1-STEN GS-6 (3) | 1-STEN GS-6 (3) | 1-STEN GS-6 (3) | 1-STEN GS-6 (3) |
| PLANS | | FINANCIAL MGT BR | DEPT MGT | PROCUR BR |
| 1-GS-14 | 1-GS-14 | 1-GS-14 | 1-GS-14 | 1-GS-14 |
| 1-GS-13 | 1-GS-13 | 1-GS-13 | 1-GS-13 | 1-GS-13 |
| 3-GS-12 | 3-GS-12 | 1-GS-13 | 1-GS-13 | 1-GS-11 |
| 1-STEN (5) | 2-GS-4 (10) | 4-GS-12 | SYS & | 2-TYP (5) |
| ORG & MANPOWER | | 1-SCTY GS-5 (7) | PROG MGR | STAFFING BR |
| 1-GS-13 | BUDGET BR | 1-SCTY GS-5 (7) | 1-GS-13 | 1-GS-14 |
| 2-GS-12 | 1-GS-14 | CONSTRUCTION | SYS | 1-GS-13 |
| 3-GS-11 | 1-GS-13 | 1-GS-14 | ANALYST | 2-GS-12 |
| 1-TYP (7) | 2-GS-12 | 2-GS-13 | 2-GS-12 | 2-GS-11 |
| | 3-GS-9 | 8-GS-12 | PROGRAMMER | 1-CLK (7) |
| | 2-GS-7 | 4-GS-11 | 3-GS-11 | LABOR EMPL REL BR |
| | 3-TYP (15) | 2-TYP (17) | OPERATIONS | 1-GS-14 |
| | ACCOUNTING BR | | MGR | 1-GS-13 |
| | 1-GS-14 | STANDARDS & | 1-GS-11 | 2-GS-12 |
| | 1-GS-13 | CRITERIA BR | | 2-CLK (6) |
| | 3-GS-12 | 1-GS-13 | ASST OPS MGR | ADMIN BR: REPRO, |
| | 3-GS-11 | 2-GS-12 | 1-GS-10 | GRAPHICS, ADMIN |
| | 4-GS-9 | 3-GS-11 | LEAD COMPUTER | MGT HQ |
| | 8-GS-7 | 1-TYP (7) | OPR | |
| | 1-GS-6 | | 3-GS-8 | 1-GS-12 |
| | 3-TYP (24) | | COMPUTER OPR | |
| | PAYROLL BR | | 3-GS-7 | 4-GS-11 |
| | 1-GS-13 | 1-GS-13 | ADMIN ASST | 2-CLK (12) |
| | 1-GS-11 | 1-GS-11 | 2-GS-4 (17) | POSITION CLASS BR |
| | 2-GS-9 | 1-GS-8 | | 1-GS-14 |
| | 1-GS-8 | 2-GS-7 | | 1-GS-12 |
| | 2-TYP (10) | | | 2-GS-11 |
| | | | | 1-CLK GS-4 (5) |

FIGURE 3
TYPICAL REGIONAL HEADQUARTERS ORGANIZATION

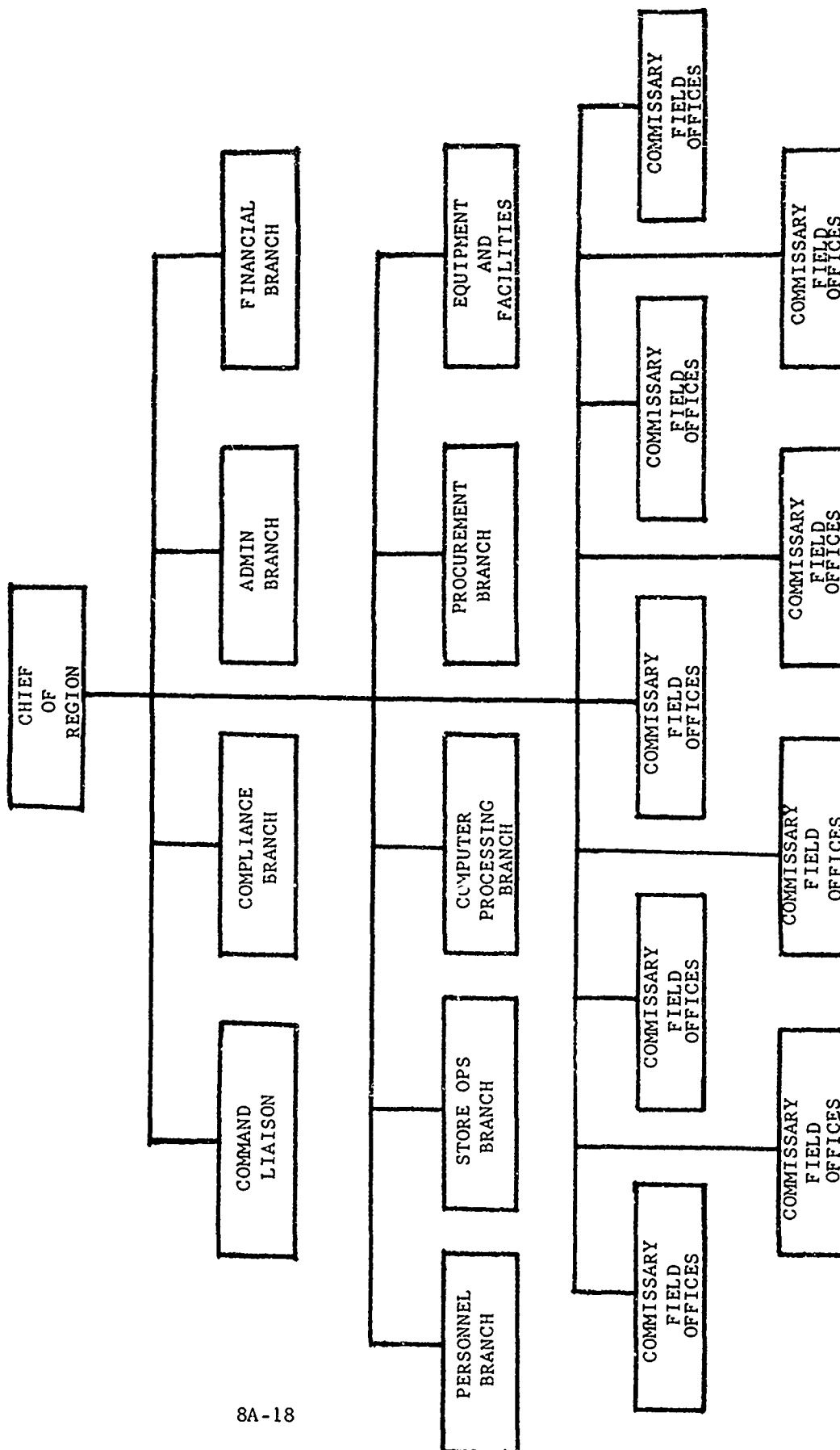


FIGURE 3 (CONTINUED)
GRADE REQUIREMENTS FOR TYPICAL REGION HQ.

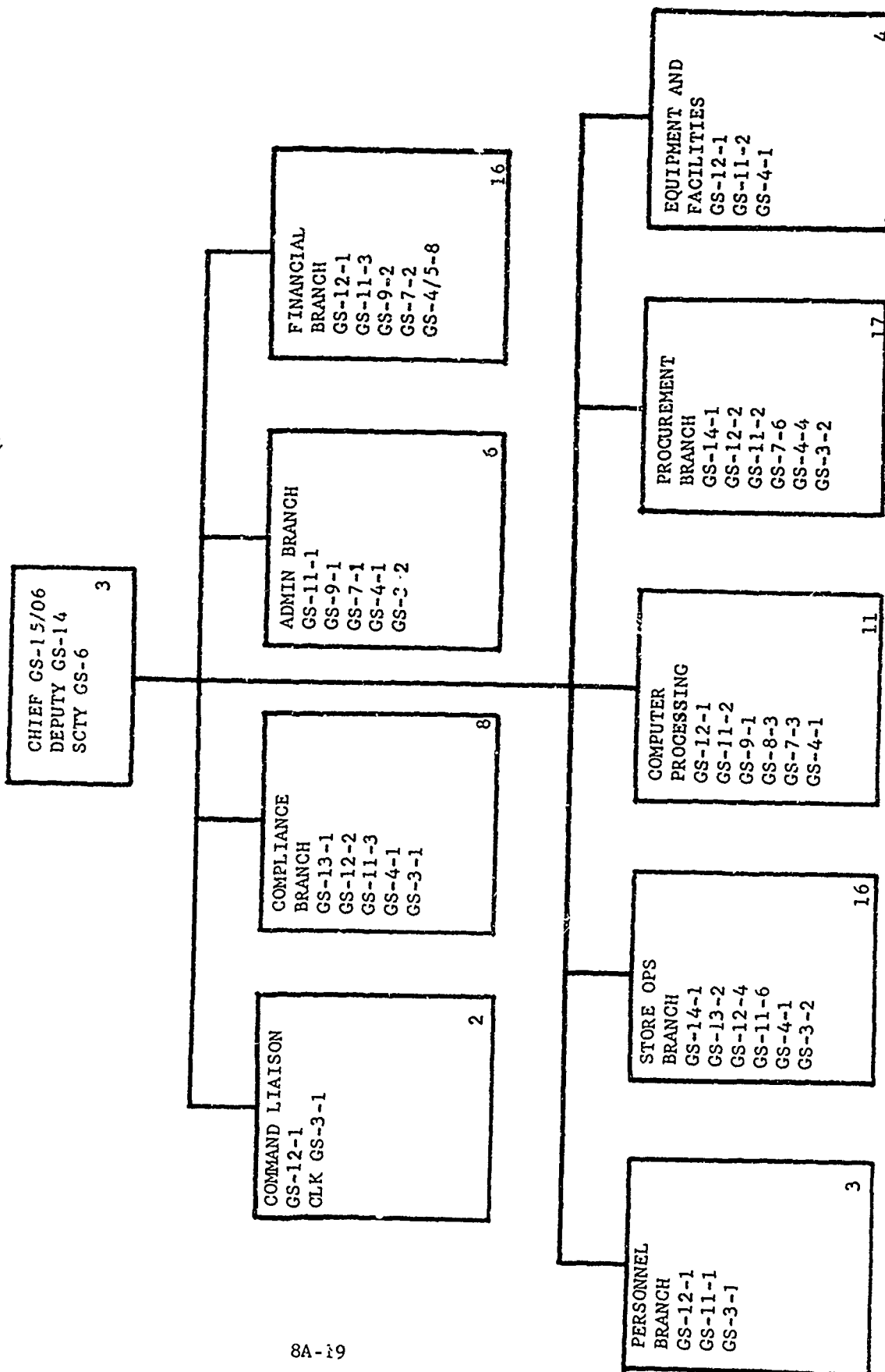


FIGURE 3 (CONTINUED)
TYPICAL FIELD OFFICE ORGANIZATION

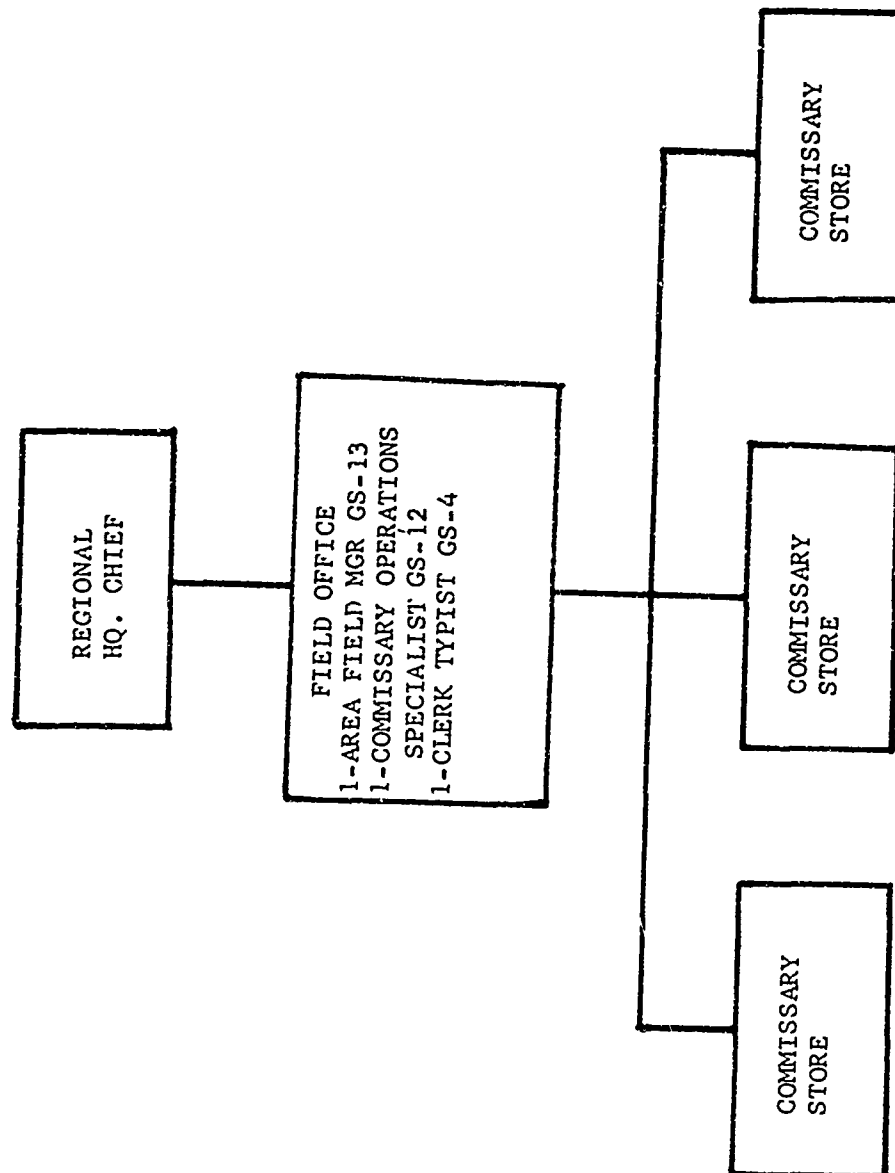


FIGURE 4



Figure 5

REGION/FIELD OFFICE/STORE BREAKOUT

There will be seven regions in CONUS. A total of 34 field offices will be required for 265 stores. The seven regions will be broken down into field offices as follow:

SOUTHERN CALIFORNIA REGION

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| 1 | 5 |
| 2 | 6 |
| 3 | 9 |
| 4 | 5 |
| 10 | 8 |
| | 33 TOTAL |

NORTHERN CALIFORNIA-ALASKA

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| 5 | 7 |
| 6 | 6 |
| 7 | 10 |
| 8 | 6 |
| 9 | 6 |
| | 35 TOTAL |

Figure 5 (Continued)

MIDWEST REGION

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| 11 | 6 |
| 12 | 9 |
| 13 | 5 |
| 14 | 5 |
| 15 | 6 |
| 16 | 8 |
| 17 | 7 |
| | 46 TOTAL |

OHIO VALLEY REGION

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| 18 | 11 |
| 19 | 9 |
| 20 | 5 |
| 21 | 2 |
| | 27 TOTAL |

SOUTHEAST REGION

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| 22 | 6 |
| 23 | 7 |
| 24 | 8 |
| 25 | 10 |
| 26 | 11 |
| 27 | 9 |
| | 51 TOTAL |

Figure 5 (Continued)

MID ATLANTIC REGION

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| 28 | 8 |
| 29 | 9 |
| 30 | 7 |
| 31 | <u>12</u> |
| | 36 TOTAL |

NORTHEAST REGION

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| 32 | 11 |
| 33 | 9 |
| 34 | <u>17</u> |
| | 37 TOTAL |

FIGURE 5 (CONTINUED)

PACIFIC REGION

| <u>FIELD OFFICE NUMBER</u> | <u>NUMBER OF STORES</u> |
|----------------------------|-------------------------|
| OSP-1 | 5 |
| OSP-2 | 5 |
| OSP-3 | 2 |
| OSP-4 | 6 |
| OSP-5 | 4 |
| OSP-6 | 3 |
| OSP-7 | 2 |
| OSP-8 | <u>6</u> |
| | 33 TOTAL |

NOT ASSIGNED: EXMOUTH AUSTRALIA
MIDWAY ISLAND
BANGKOK THAILAND

Figure 5 (Continued)

NUMBER OF STORES

FIELD OFFICE 1 (5 STORES)

NAV STATION SAN DIEGO
NORTH ISLAND
MIRAMAR
EL CENTRO
MCB CAMP PENDLETON

FIELD OFFICE 2 (6 STORES)

MCAS EL TORO
NAVY STATION LONG BEACH
PORT HUENEME
POINT MUGU
VANDENBERG AFB
CAMBRIA AFS

FIELD OFFICE 3 (9 STORES)

BORON AFS
GEORGE AFB
EDWARDS AFB
CHINA LAKES NWC
MCSC BARSTOW
MCB TWENTY-NINE PALMS
NORTON AFB
MARCH AFB
NELLIS AFB (NEVADA)

FIELD OFFICE 4 (5 STORES)

NAS LEMOORE
CASTLE AFB
NAS ALAMEDA
STOCKTON NAV COM STA
FORT ORD

FIELD OFFICE 5 (7 STORES)

NAS MOFFETT
PRESIDIO OF SAN FRANCISCO
NAVY STA TREASURE ISLAND
HAMILTON NAVY
MARE ISLAND
MATHER AFB
McCLELLAN AFB

FIELD OFFICE 6 (6 STORES)

TRAVIS AFB
POINT ARENA AFS
BEALE AFB
NAS FALLON
KINGSLEY FIELD AFS
KLAMATH AFS

FIELD OFFICE 7 (10 STORES)

NORTH BEND AFS
MOUNT HEBBO AFS
OTHELLO AFS
FORT LEWIS
McCHORD AFB
PUGET SOUND NAV STA
NAV SUP ACT SEATTLE
NAV AIR STA WHIDBEY ISLAND
BLAINE AFS
MAKAH AFS

FIELD OFFICE 8 (6 STORES)

FAIRCHILD AFB
KALISPELL AFS
MALMSTROM AFB
HAVRE AFS
OPHEIM AFS
MOUNTAIN HOME AFB

FIELD OFFICE 9 (6 STORES)

ALASKA

FORT RIC RDSON
FORT WAINWRIGHT
FORT GREELY
ELMENDORF AFB
ELISON AFB
NS ADAK

Figure 5 (Continued)

FIELD OFFICE 10 (8 STORES)

MCAS YUMA
YUMA PROVING GROUND
LUKE AFB
WILLIAMS AFB
DAVIS MONTHAN AFB
FORT HUACHUCA
WHITE SANDS MISSILE RANGE
GILA BEND AF

FIELD OFFICE 11 (6 STORES)

KIRTLAND AFB
CANNON AFB
HOLLOMAN AFB
FORT BLISS
REESE AFB
WEBB AFB

FIELD OFFICE 12 (9 STORES)

FORT CARSON
ENT AFB
USAF ACAD
PETERSON FIELD
FITZSIMONS GEN HOSP
LOWRY AFB
F.W.WARREN AFB
HILL AFB
DUGWAY PROVING GROUNDS

FIELD OFFICE 13 (5 STORES)

FORTUNA AFS
MINOT AFB
GRAND FORKS AFB
GRAND FORKS ARMY MISSILE SITE
ELLSWORTH AFB

FIELD OFFICE 14 (5 STORES)

OFFUTT AFB
FORT LEAVENWORTH
FORT RILEY
McCONNELL AFB
VANCE AFB

FIELD OFFICE 15 (6 STORES)

ALTUS AFB
TINKER AFB
FORT SILL
SHEPPARD AFB
CARSWELL AFB
DYESS AFB

FIELD OFFICE 16 (8 STORES)

GOODFELLOW AFB
LAUGHLIN AFB
FORT HOOD
BERGSTROM AFB
RANDOLPH AFB
KELLY AFB
BROOKS AFB
LACKLAND AFB

FIELD OFFICE 17 (7 STORES)

LAREDO AFB
NAS CHASE FIELD
NAS CORPUS CHRISTI
NAS KINGSVILLE
ELLINGTON AFB
FORT SAM HOUSTON
NAS BEEVILLE

FIELD OFFICE 18 (11 STORES)

BAUDETTE AFS
FINLAND AFS
DULUTH AFS
OC JEOLA AFS
KINCHELOE AFB
EMPIRE AFS
WORTSMITH AFB
PORT AUSTIN AFS
SELFRIDGE ANG BASE
ANTIGO AFS
K.I. SAWYER AFB

Figure 5 (Continued)

FIELD OFFICE 19 (9 STORES)

NTC GREAT LAKES
FORT SHERIDAN
CHANUTE AFB
GRISSON AFB
FORT BEN HARRISON
LOCKBOURNE AFB
WRIGHT-PATTERSON AFB
SAVANNA ARMY DEPOT
NAD CRANE

FIELD OFFICE 20 (5 STORES)

FORT LEONARD WOOD
RICHARDS-GEBAUR AFB
WHITEMAN AFB
GRANITE CITY ARMY DEPOT
SCOTT AFB

FIELD OFFICE 21 (2 STORES)

FORT KNOX
FORT CAMPBELL

FIELD OFFICE 22 (6 STORES)

BLYTHVILLE AFB
LITTLE ROCK AFB
NAV AIR STA. MEMPHIS
BARKSDALE AFB
ENGLAND AFB
FORT POLK

FIELD OFFICE 23 (7 STORES)

COLUMBUS AFB
REDSTONE ARSENAL
ARNOLD AFS
FORT McCLELLAN
FORT McPHERSON
NSCS ATHENS
BERMUDA

FIELD OFFICE 24 (8 STORES)

NAS MERIDIAN
GUNTER AFB
MAXWELL AFB
CRAIG AFB
FORT RUCKER
FORT BENNING
MCSC ALBANY
MOODY AFB

FIELD OFFICE 25 (10 STORES)

COROZAL C.Z.
NAS PENSACOLA
NAS WHITING FIELD
KEESLER AFB
EGLIN AFB
HURLBURT AFB
TYNDALL AFB
NAV COST. GULFPORT
NAV SUP NEW ORLEANS
FT. BUCHANAN P.R.

FIELD OFFICE 26 (11 STORES)

NAS JACKSONVILLE
NAVY MAYPORT
NAS CECIL FIELD
NAS McCOY
MACDILL AFB
PATRICK AFB
HOMESTEAD AFB
NS KEY WEST
ROOSEVELT ROADS P.R.
GUANTANAMO BAY
FORT ALLEN P.R.

FIELD OFFICE 27 (9 STORES)

FORT STEWART
FORT GORDON
FORT JACKSON
SHAW AFB
MYRTLE BEACH AFB
NAV STA CHARLESTON
CHARLESTON AFB
NAV WEAPONS CHARLESTON
MCRD PARRIS ISLAND

Figure 5 (Continued)

FIELD OFFICE 28 (8 STORES)

FORT BRAGG
FORT FISHER AFS
SEYMOUR JOHNSON AFB
MCB CAMP LEJUENE
NAV FAC CAPE HATTERAS
MCAS CHERRY POINT
FORT LEE
ROANOKE RAPIDS AFS

FIELD OFFICE 29 (9 STORES)

LANGLEY AFB
FORT EUSTIS
CAPE CHARLES AFS
FORT MONROE
NAS OCEANA
NB NORFOLK
NAB LITTLE CREEK
NAV NORFOLK SHIPYARD
NWS YORKTOWN

FIELD OFFICE 30 (7 STORES)

MCDEC QUANTICO
NAV WEAPONS DAHLGREN
CAMERON STATION
FORT McNAIR
FORT MYER
FORT BELVOIR
VINT HILL FARM STATION

FIELD OFFICE 31 (12 STORES)

GANDER
ABERDEEN PROVING GROUND
FORT MEADE
NTC BAINBRIDGE
NAS PAX RIVER
FORT RITCHIE
WALTER REED
ANDREWS AFB
BOLLING AFB
ANNAPOLIS
KEFLAVIK
ARGENTIA

FIELD OFFICE 32 (11 STORES)

OAKDALE SUP DET
CARLISLE BARRACKS
NEW CUMBERLAND ARMY DEPOT
NAV SUP ACT PHILA
DOVER AFB
McGUIRE AFB
FORT MONMOUTH
BENTON AFS
FORT DIX
NAS LAKEHURST
TOBYHANNA ARMY DEPOT

FIELD OFFICE 33 (9 STORES)

FORT HAMILTON
FLOYD BENNETT COAST GUARD
NS MITCHELL FIELD
US MILITARY ACAD.
MONTAUK AFS
SUB BASE NEW LONDON
NAV STA. NEWPORT
WESTOVER AFB
NAV CORRESPOND. CENTER SCOTIA

FIELD OFFICE 34 (17 STORES)

SENECA ARMY DEPOT
HANCOCK FIELD
WATERTOWN AFS
FRIFFIS AFB
PLATTSBURGH AFB
SARATOGA SPRINGS AFS
FORT DEVENS
LG HANSCOM FIELD AFB
PEASE AFB
NS BRUNSWICK
NAV SEC WINTER HARBOR
NAV STA CUTLER
LORING AFB
SAINT ALBANS
NORTH TRURO AFS
FORT DRUM
BANGOR IAP

Figure 5 (Continued)

CENTRAL EUROPE REGION

(TOTAL STORES: (48))

FIELD OFFICE OSE-1 (5 STORES)

BITBURG AFB
HANN AGB
SPANGDAHLEM AFB
RAMSTEIN AFB
HEILBRONN

FIELD OFFICE OSE-2 (5 STORES)

WIESBADEN
RHEIN MAIN
SEMBACH
ROTHWESTEN
FRANKFURT

FIELD OFFICE OSE-3 (6 STORES)

ANSBACH
ASCHAFFENBURG
AUGSBURG
BAD AIBLING
BAD HERSFELD
BAD KREUZNACH

FIELD OFFICE OSE-4 (6 STORES)

BAMBERG
BAUMHOLDER
BREMERHAVEN
DARMSTADT
FULDA
FUERTH

FIELD OFFICE OSE-5 (7 STORES)

GELNHAUSEN GERMANY
GIESSEN
GOEPPINGEN
GRAFENWOEHR
HANAU
HEIDELBERG
KARLSRUHE

FIELD OFFICE OSE-6 (6 STORES)

KELLEY BARRACKS
MAINZ
MANNHEIM
MUNICH
ULM
SCHWAEBISCH HALL

FIELD OFFICE OSE-7 (4 STORES)

PATCH BARRACKS
ROBINSON BARRACKS
PIRMASENS
SCHWEINFURT

FIELD OFFICE OSE-8 (5 STORES)

KAISERSLAUTERN
WILDFLECKEN
WORMS
WUERZBURG
ZWEIBRUCKEN

Not assigned to field office
due to distance. Will report
directly to regional headquarters:

OSLO NORWAY
BRUNNSUM NETHERLANDS
CHIEVERES BELGIUM
BERLIN GERMANY

Figure 5 (Continuation)

UK REGION

(TOTAL STORES: 14)

FIELD OFFICE OSUK-1 (5 STORES)

| | |
|-------------------|---------|
| RAF LAKENHEATH | ENGLAND |
| RAF UPPER HEYFORD | " |
| RAF BRENTWATERS | " |
| RAF ALCONBURY | " |
| HARROGATE | " |

FIELD OFFICE OSUK-3 (4 STORES)

| | |
|--------------|----------|
| HOLY LOCH | SCOTLAND |
| EDSEL | " |
| LONDON DERRY | IRELAND |
| GLASGOW | SCOTLAND |

FIELD OFFICE OSUK-2 (5 STORES)

| | |
|---------------------|---------|
| RAF CHICK SANDS | ENGLAND |
| RAF GREENHAM COMMON | " |
| RAF WETHERSFIELD | " |
| RAF SCULTHORPE | " |
| BURTONWOOD | " |

SOUTHERN EUROPE AND MID EAST REGION

(TOTAL STORES: 21)

FIELD OFFICE OSEM-1 (4 STORES)

| | |
|----------------|---|
| TORREJON SPAIN | |
| ZARAGOZA | " |
| MORON | " |
| ROTA | " |

NOT FIELD OFFICE

| |
|----------------------|
| LAJES FLD. ,AZORES |
| ADDIS ABABA ETHIOPIA |

FIELD OFFICE OSEM-2 (7 STORES)

| |
|--------------------|
| AVIANO ITALY |
| SAN VITO " |
| LEGHORN " |
| VICENZA " |
| NAPLES " |
| LA MODDOLINA ITALY |
| SIGONELLA " |

FIELD OFFICE OSEM 5 (2 STORES)

| |
|--------------------|
| KENITREA MOROCCO |
| SIDI YAHTA MOROCCO |

FIELD OFFICE OSEM-3 (2 STORES)

| |
|--------------------|
| ATHENAI APT GREECE |
| IRAKLION CRETE |

FIELD OFFICE OSEM-4 (4 STORES)

| |
|-------------------------|
| DET 193 INCIRLIK TURKEY |
| DET 95 KARAMURSEL " |
| DET 118 IZMIR " |
| TEHERAN, IRAN |

Figure 5 (Continued)

Overseas would be divided into three European regions and one Pacific region. In Europe, there would be 16 field offices and in the Pacific, 8 field offices:

EUROPE

3 Regions
16 Field Offices
83 Stores

PACIFIC

1 Region
8 Field Offices
36 Stores

CENTRAL EUROPE

FIELD OFFICE NUMBER

NUMBER OF STORES

| | |
|---------|----------|
| OSE - 1 | 5 |
| OSE - 2 | 5 |
| OSE - 3 | 6 |
| OSE - 4 | 6 |
| OSE - 5 | 7 |
| OSE - 6 | 6 |
| OSE - 7 | 4 |
| OSE - 8 | <u>5</u> |
| | 44 |

Not assigned to Field Office: OSLO NORWAY
BRUNNSUM NETHERLANDS
CHIEVERES BELGIUM
BERLIN GERMANY

SOUTHERN EUROPE - MIDEAST

FIELD OFFICE NUMBER

NUMBER OF STORES

| | |
|--------|----------|
| CSEM-1 | 4 |
| OSEM-2 | 7 |
| OSEM-3 | 2 |
| OSEM-4 | 4 |
| OSEM-5 | <u>2</u> |
| | 19 |

Not assigned to Field Office: LAJES AZORES
ADDIS ABABA ETHIOPIA

UK REGION

FIELD OFFICE NUMBER

NUMBER OF STORES

| | |
|--------|----------|
| OSUK-1 | 5 |
| OSUK-2 | 5 |
| OSUK-3 | <u>4</u> |
| | 14 |

Figure 5 (Continuation)

PACIFIC REGION

(TOTAL STORES 36)

FIELD OFFICE OSP 1 (5 STORES)

YOKOTA JAPAN
MISAWA
TACHIKAWA JAPAN
SAGAMIHARA "
FT BUCKNER "

FIELD OFFICE OSP 2 (5 STORES)

YOKOSUKA JAPAN
ATSUGI "
SASEBO "
YOKOHAMA "
MCAS IWAKUNI JAPAN

FIELD OFFICE OSP 3 (2 STORES)

KADENA OKINAWA
NAHA "

FIELD OFFICE CSP 4 (6 STORES)

KUNSAN KOREA
OSAN "
PUSAN "
TAEGU "
SEOUL "
CHINHAE "

FIELD OFFICE OSP 5 (4 STORES)

CLARK AFB P.I.
JOHN HAY "
SUBIC BAY "
SAN MIGUEL "

FIELD OFFICE OSP 6 (3 STORES)

TAIPEI TAIWAN
TAICHUNG "
TAINAN "

FIELD OFFICE OSP 7 (2 STORES)

ANDERSON AFB GUAM
NAVY BASE GUAM

FIELD OFFICE OSP 8 (6 STORES)

HICKAM HAWAII
SCHOFIELD BARRACKS HAWAII
PEARL HARBOR "
BARBERS POINT "
LUALUALEI "
MCAS KANEEOHE BAY "

Not assigned to field offices due to location, will report to
Pacific regional headquarters directly:

EXMOUTH AUSTRALIA
MIDWAY ISLAND
BANGKOK THAILAND

Figure 6

PERSONNEL COST ESTIMATE - HEADQUARTERS

It is estimated that approximately 278 manpower spaces will be required to operate the headquarters of the Joint Service Commissary Store Agency. Yearly manpower costs are estimated at \$5.7 million to support the headquarters only. Fiscal Year 1975 pay scales were used in the computation. Following manning was used to develop these estimates:

| <u>Civilian</u> | <u>Number</u> | <u>Military</u> | <u>Number</u> |
|-----------------|---------------|-----------------|---------------|
| GS-16 | 1 | 08 | 1 |
| GS-15 | 9 | 07 | 1 |
| GS-14 | 15 | 06 | 5 |
| GS-13 | 31 | TOTAL - 7 | |
| GS-12 | 58 | | |
| GS-11 | 62 | | |
| GS-10 | 1 | | |
| GS-9 | 16 | | |
| GS-8 | 5 | | |
| GS-7 | 16 | | |
| GS-6 | 13 | | |
| GS-5 | 1 | | |
| GS-4 | 11 | | |
| GS-3 | 32 | | |
| TOTAL | 271 + 7 = 278 | | |

Figure 7

PERSONNEL COST ESTIMATE - TYPICAL REGION

It is estimated that approximately 86 personnel will be required for each regional headquarters with an annual personnel cost of \$1.4 million. With the proposed 11 regions the total region cost will be \$15.4 million. The manning used to develop this cost for each regional headquarters is as follows:

| <u>Civilian</u> | <u>Number</u> | <u>Military</u> |
|-----------------|---------------|-----------------|
| GS-15 or 06 | 1 | 0 |
| GS-14 | 3 | |
| GS-13 | 3 | |
| GS-12 | 13 | |
| GS-11 | 20 | |
| GS-9 | 4 | |
| GS-8 | 3 | |
| GS-7 | 12 | |
| GS-6 | 1 | |
| GS-4 | 17 | |
| GS-3 | <u>9</u> | |
| TOTAL | 86 | |

Figure 8

JOINT SERVICE COMMISSARY SYSTEM
(Cost Analysis)
(\$ in millions)

| | | | |
|-----|---|------------|-------------|
| (a) | Annual Personnel Costs | | |
| | JSCSA Headquarters | \$ 5.7 | |
| | Regional Headquarters | 15.4 | |
| | 58 Field Offices | <u>3.5</u> | |
| | | \$24.6 | |
| | Total Cost | | \$24.6 |
| (b) | Savings as a result of elimination of current Army, Air Force and Navy Headquarters Major Command and complex personnel only. | | |
| | Air Force | \$1.1 | |
| | Army | 2.1 | |
| | Navy and Marine Corps | <u>5.2</u> | |
| | Savings | \$8.4 | |
| (c) | Elimination of current administrative staffs at commissary installation levels. | | |
| | Savings | \$29.7 | |
| (d) | Savings (b) and (c) above | | \$38.1 |
| | Cost of Joint Commissary System (a) above. | | <u>24.6</u> |
| | Total Net Savings | | \$13.5 |

TABLE 1
ECONOMIC IMPACT AND COST COMPARISON
JOINT SERVICES COMMISSARY STORE AGENCY
LOW SALES LOSS VS HIGH SALES LOSS

| ITEM | 3/4 FY 1976 & 7T | | FY 1977 | | FY 1978 | |
|-----------------------------------|------------------|--------|---------|--------|---------|--------|
| | LOW | HIGH | LOW | HIGH | LOW | HIGH |
| Assumed Initial Savings | 22% | 22% | 17.4 | 16.7 | 14.3 | 13.3 |
| Assumed Incremental Sales Loss | 5.7% | 14.5% | 3.0 | 4.6 | -- | -- |
| Equivalent Supermarket Sales \$ M | 3500.8 | 3141.6 | 3381.7 | 2967.0 | 3381.7 | 2967.0 |
| Estimated Commissary Sales \$ M | 2892.3 | 2616.1 | 2899.2 | 2573.7 | 2897.0 | 2570.5 |
| Costs: | | | | | | |
| Cost of Goods Sold \$ M | 2650.1 | 2378.2 | 2599.9 | 2246.0 | 2599.9 | 2246.0 |
| Cost of Goods Sold % Sales | 91.6 | 90.9 | 88.3 | 87.3 | 88.4 | 87.4 |
| Personnel \$ M | 132.2 | 132.2 | 234.7 | 234.7 | 234.7 | 234.7 |
| Personnel % Sales | 4.6 | 5.1 | 8.1 | 9.1 | 8.1 | 9.1 |
| Operations \$ M | 81.1 | 79.5 | 75.6 | 67.3 | 73.4 | 64.1 |
| Operations % Sales | 2.8 | 3.0 | 2.6 | 2.6 | 2.5 | 2.5 |
| Capital Outlay \$ M | 28.9 | 26.2 | 29.0 | 25.7 | 29.0 | 25.7 |
| Capital Outlay % Sales | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Total Costs (Less CGS) \$ M | 242.2 | 237.9 | 339.3 | 327.7 | 337.1 | 324.5 |
| Total Costs (Less CGS) % Sales | 8.4 | 9.1 | 11.7 | 12.7 | 11.6 | 12.6 |
| Expected Incremental Sales Loss % | .3 | 1.3 | .4 | 1.0 | -- | -- |
| Expected Savings % | 17.4 | 16.7 | 14.3 | 13.3 | 14.3 | 13.4 |
| Expected Total Sales Loss % | 6.0 | 15.8 | 9.4 | 21.4 | 9.3 | 21.2 |

ANNEX A

APPENDIX 8-A

ADP SUPPORT REQUIREMENT

CSSE-ED-T (3 Apr 75)

SUBJECT: Assistance to DOD Commissary Study Group

TO DACS-DI
PENTAGON.

FROM CSSE-ED-T
NASSIF BLDG

DATE 14 APR 1975 CNT 2
Mr. Maier/emc/756-1840

1. The following equipment configurations are capable of supporting a Joint Service Commissary System. The configurations and costs are representative of current ADPE technology. They should not be construed as a recommendation of a specific vendor.

2. Assumptions used in identifying configurations capable of satisfying the requirements were:

a. Data collection capability is required at the commissary level.

b. Data processing will be accomplished at regional centers. Communications capability will be required to receive input from and provide reports to the individual commissary stores.

c. Workload described in the Army Commissary Management Information System Study is essentially the same as that which would be processed under a joint service system. Workload and type of processing will vary according to the organizational level, i.e., Commissary, Regional Center, Commissary System Headquarters. Workload is at Inclosure 1.

3. ADP Equipment Costs. The recommended equipment configuration varies according to workload and level of processing:

a. Configuration 1 - Commissary Store. Each store requires a capability to store data during the day, transmit the data to a regional center at close of business, and print reports transmitted from the regional center the following morning. The IBM 3741 Data Station has disk storage, communications and medium speed print capability. Cost breakdown for the IBM 3741 is at Inclosure 1. Cost per configuration is \$609 monthly lease, \$22,800 purchase and \$114 monthly maintenance if purchased. Total cost to install this equipment at 419 commissary stores is \$255,171 monthly lease, or \$9,553,200 purchase and \$47,766 monthly maintenance.

b. Configuration 2 - Regional Center-Type I (Less than 15 stores). The Regional Center-Type I requires the capability to process the workload described at Inclosure 1 and the capability to communicate with the supported stores. Recommend that Type I Centers be located in Alaska, Hawaii, Japan (also supporting Korea), Taiwan (also supporting Okinawa), and the Philippines. A dual-processor configuration of the Systems Engineering Laboratories Model 32/55 "megamini" is capable of supporting the Regional Center-Type I requirement. Configuration chart and cost breakdown are at Inclosures 3 and 4 respectively. Cost per configuration is \$310,260 purchase and \$2,542 monthly maintenance. Total cost to install this configuration at five locations is \$1,551,300 purchase and \$12,710 monthly maintenance.

c. Configuration 3 - Regional Center-Type II (16-50 stores). The Regional Center-Type II requires the capability to process the workload described at Inclosure 1

SSE-ED-T (3 Apr 75)

1 : Apr 1975

SUBJECT: Assistance to DOD Commissary Study Group

and the capability to communicate with the supported stores. Recommend that configuration 3 be installed in four CONUS regions (one CONUS region will be supported by the headquarters configuration) and two European regions. A four-processor configuration of the systems Engineering Laboratories Model 32/55 "megamini" is capable of supporting the Regional Center-Type II requirement. Configuration chart and cost breakdown are at Inclosures 5 and 6 respectively. Cost per configuration is \$591,460 purchase and \$5,104 monthly maintenance. Total cost for six configurations is \$3,548,760 purchase and \$30,624 monthly maintenance.

d. Configuration 4 - Commissary System Headquarters. Commissary System Headquarters requires the capability to support a region workload in addition to the headquarters workload. Increasing the Configuration 3 core storage, disk storage and print capability will satisfy the headquarters requirement. Configuration chart and cost breakdown for Configuration 4 are at Inclosures 7 and 8 respectively. Total cost of Configuration 4 is \$800,460 purchase and \$6,614 monthly maintenance.

4. ADP Staffing. Personnel required to operate and provide systems support to the four configurations are as follows: Configurations 2, 3, and 4 are operated on a three shift basis.

a. Configuration 1. The Data Station at the commissary level will require one GS-7 operator. This operator should be available for retraining within current resources.

b. Configuration 2.

| <u>Qty</u> | <u>Grade</u> | <u>Title</u> |
|------------|--------------|--|
| 1 | GS-12 | DPI Manager |
| 1 | GS-11 | Computer Specialist (Systems & Programing) |
| 1 | GS-10 | Operations Manager |
| 1 | GS-08 | Computer Operator |
| 1 | GS-04 | Administrative Assistant |

c. Configuration 3.

| <u>Qty</u> | <u>Grade</u> | <u>Title</u> |
|------------|--------------|--|
| 1 | GS-12 | DPI Manager |
| 1 | GS-11 | Computer Specialist (Systems & Programing) |
| 1 | GS-10 | Operations Manager |
| 1 | GS-09 | Assistant Operations Manager |
| 3 | GS-08 | Lead Computer Operator |
| 3 | GS-07 | Computer Operator |
| 1 | GS-04 | Administrative Assistant |

CSSE-ED-T (3 Apr 75)

SUBJECT: Assistance to DOD Commissary Study Group

d. Configuration 4. Commissary System Headquarters will provide systems and programming support for the regional centers.


| <u>Qty</u> | <u>Grade</u> | <u>Title</u> |
|------------|--------------|---------------------------------|
| 1 | GS-13 | DPI Manager |
| 1 | GS-12 | Systems and Programming Manager |
| 2 | GS-11 | Systems Analyst |
| 3 | GS-11 | Programmer |
| 1 | GS-11 | Operations Manager |
| 1 | GS-10 | Assistant Operations Manager |
| 3 | GS-08 | Lead Computer Operator |
| 3 | GS-07 | Computer Operator |
| 2 | GS-04 | Administrative Assistant |

5. Systems and Programming Development. Personnel resources required for initial development are estimated to be the same as those required to develop the Army Commissary Management Information System. These resources are estimated to be 252 man months over a period of 18 months.

6. Summary of Equipment Costs.

| | <u>Lease</u> | <u>Purchase</u> | <u>Maintenance</u> |
|-----------------|---------------|-----------------|--------------------|
| Configuration 1 | \$255,171 | \$9,553,200 | \$47,766 |
| Configuration 2 | Not Available | 1,551,300 | 12,710 |
| Configuration 3 | " " | 3,548,760 | 30,624 |
| Configuration 4 | " " | 800,460 | 6,514 |
| TOTAL | | \$15,453,720 | \$87,714 |

8 Incl
as


RICHARD L. MAIER
Computer Equipment Analyst

SUMMARY OF WORKLOAD

Commissary Store

Input: 4000 transactions daily
File: 0 (Maintained at regional center)
Output: 11,000 print lines daily
13,000 print lines weekly
8,000 print lines monthly

Regional Center-Type I-Supporting less than 15 stores

Input: 60,000 transactions daily.
File: 15 million characters
Output: 40,000 print lines daily
120,000 print lines weekly
400,000 print lines monthly
500,000 print lines quarterly

Regional Center-Type II-Supporting 16-50 Stores

Input: 200,000 transactions daily
File: 40 million characters
Output: 60,000 print lines daily
170,000 print lines weekly
550,000 print lines monthly
750,000 print lines quarterly

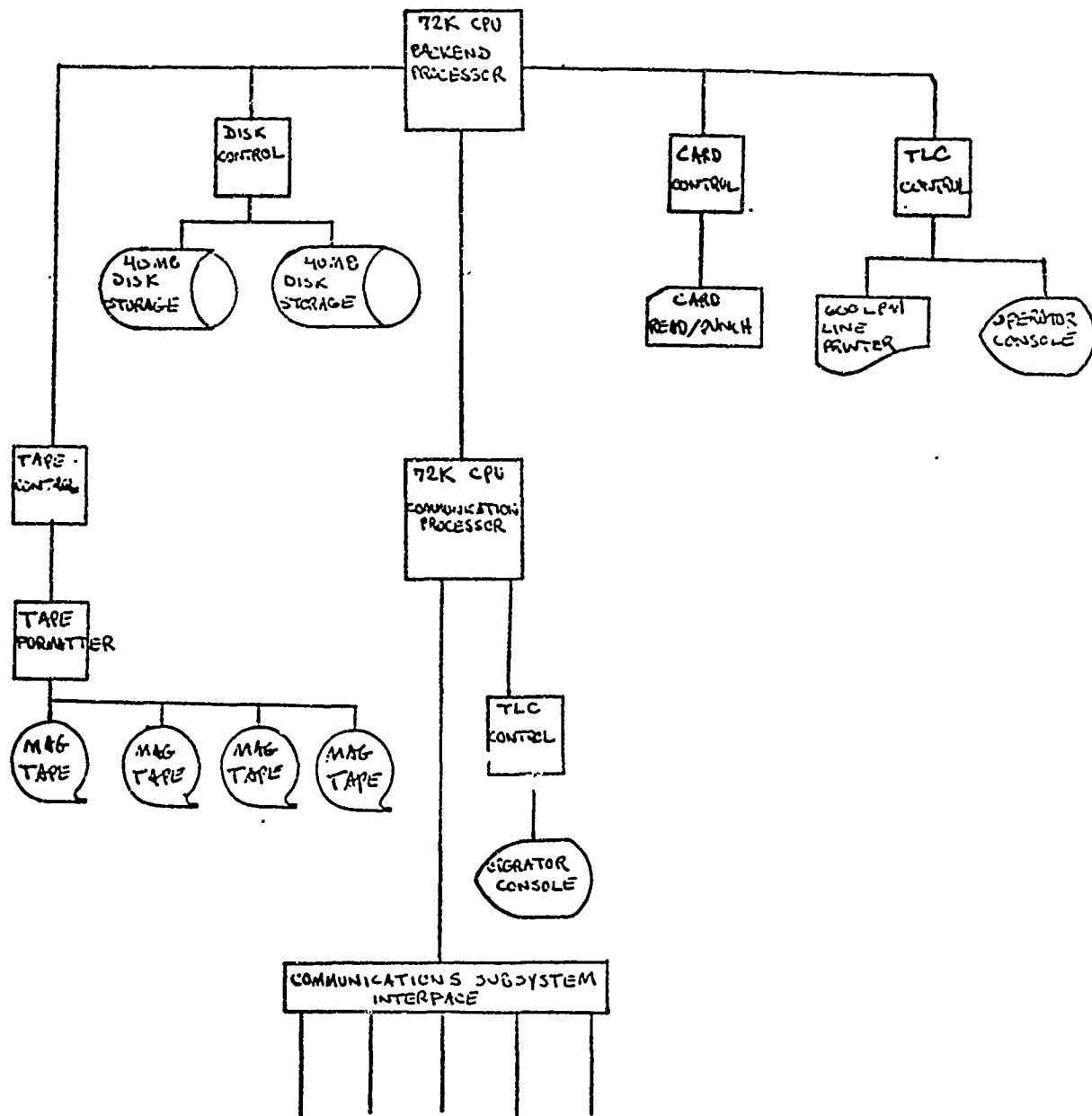
Commissary System Headquarters

Input: 225,000 transactions daily
File: 60 million characters
Output: 30,000 print lines daily
250,000 print lines weekly
750,000 print lines monthly
1,000,000 print lines quarterly

IBM 3741-Configuration 1

| | | Monthly Lease | Purchase | Monthly Maintenance |
|--------|-------------------------|------------------|---------------|------------------------|
| 3741-2 | Data Station | \$194 | \$7250 | \$50 |
| F1630 | Expanded Communications | 29 | 1100 | 2 |
| F5500 | Internal Modem | 18 | 660 | 3 |
| F6677 | Second Disk | 53 | 2000 | 2 |
| F8123 | 3717 Expansion | 21 | 790 | 2 |
| 3717 | Printer 170 LPM | <u>294</u> | <u>11,000</u> | <u>55</u> |
| | | \$609 | \$22,800 | \$114 |

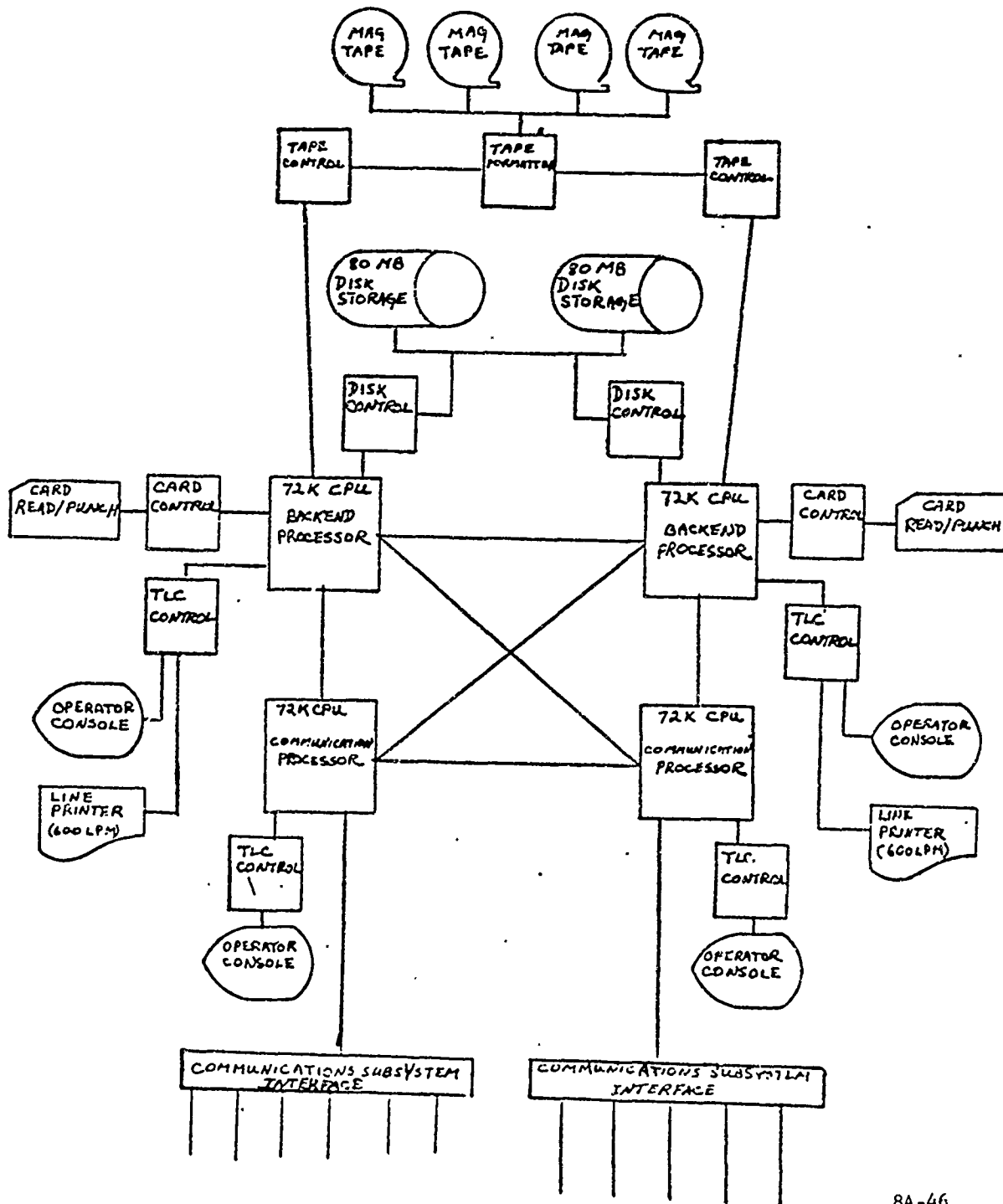
SEL 32/55 - Configuration 2



SEL 32/55 Configuration 2

| <u>Qty</u> | <u>Model</u> | <u>Description</u> | <u>Purchase</u> | <u>Maintenance</u> |
|------------|--------------|------------------------------------|-----------------|--------------------|
| 2 | 2208 | CPU with 288KB (72K words) Memory | \$162,000 | \$ 1490 |
| 1 | 2112 | Real Time Option Module | 2,500 | 20 |
| 2 | 9004 | TLC Controller (TTY, Printer) | 5,000 | 50 |
| 1 | 9006 | Card Punch Controller | 3,000 | 25 |
| 1 | 9010 | Moving Head Disk Controller | 35,000 | 45 |
| 1 | 9012 | Magnetic Tape Controller | 3,000 | 25 |
| 1 | 9126 | Communications Subsystem Interface | 3,500 | 30 |
| 1 | 9136 | Inter-Bus Link (IBL) | 6,000 | 50 |
| 2 | 9201 | KSR 33 Teletypewriter | 3,200 | 50 |
| 1 | 9217 | Card Reader/Punch | 12,500 | 200 |
| 1 | 9226 | Line Printer (600 LPM) | 16,000 | 200 |
| 2 | 9315 | Moving-head Disk Drive (40 MB) | 18,000 | 75 |
| 1 | 9351 | Tape Formatter | 1,500 | 12 |
| 2 | 9376 | Magnetic Tape Transport | <u>32,000</u> | <u>180</u> |
| | | | 303,200 | 2542 |
| | | Software Support | 6,000 | 460 |

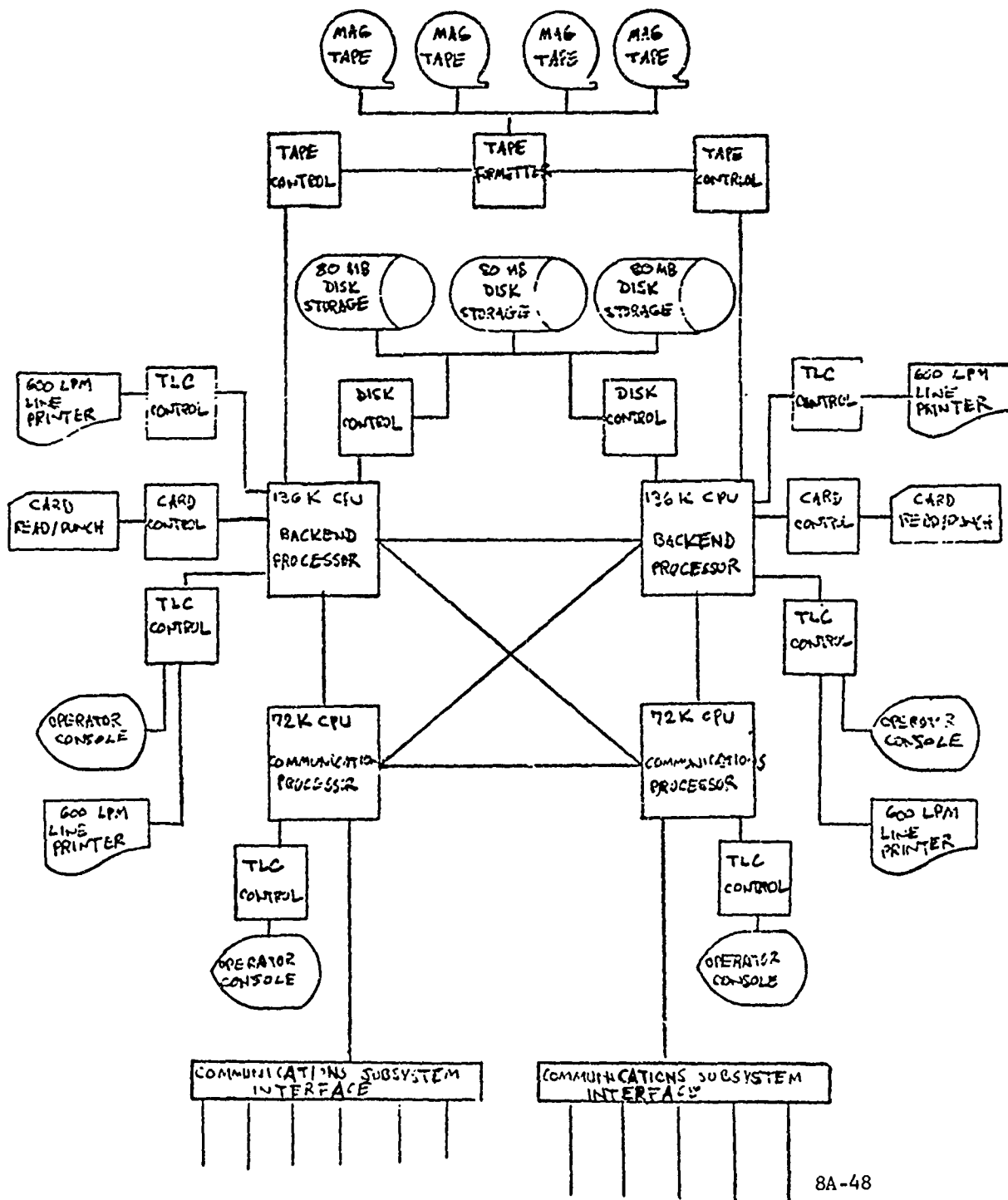
SEL 32/55 - Configuration 3



SEL 32/55 - Configuration 3

| <u>QTY</u> | <u>MODEL</u> | <u>DESCRIPTION</u> | <u>PURCHASE</u> | <u>MAINTENANCE</u> |
|------------|--------------|--|-----------------|--------------------|
| 4 | 2208 | CPU w/288KB (72K words) Memory | 324,000 | 2980 |
| 2 | 2112 | Real Time Option Module | 5,000 | 40 |
| 4 | 9004 | TLC Controller (TTY, Card Reader, Printer) | 10,000 | 100 |
| 2 | 9006 | Card Punch Controller | 6,000 | 50 |
| 1 | 9010 | Moving-Head Disk Controller | 10,000 | 90 |
| 2 | 9012 | Magnetic Tape Controller | 6,000 | 50 |
| 2 | 9126 | Communications Subsystem Interface | 7,000 | 60 |
| 6 | 9136 | Inter-Bus Link (IBL) | 36,000 | 300 |
| 4 | 9201 | KSR-33 Teletypewriter | 6,400 | 100 |
| 2 | 9217 | Card Reader/Punch | 25,000 | 400 |
| 2 | 9226 | Line Printer (600 LPM) | 32,000 | 400 |
| 2 | 9320 | Moving-Head Disk Drive (80 MB) | 50,000 | 150 |
| 1 | 9351 | Tape Formatter | 3,000 | 24 |
| 4 | 9376 | Magnetic Tape Transport | <u>64,000</u> | <u>360</u> |
| | | | 584,400 | 5104 |
| | | Software Support | 6,600 | 460 |

SEL 32/55 - Configuration 4



SEL 32/55 - Configuration 4

| <u>QTY</u> | <u>MODEL</u> | <u>DESCRIPTION</u> | <u>PURCHASE</u> | <u>MAINTENANCE</u> |
|------------|--------------|--|-----------------|--------------------|
| 2 | 2208 | CPU w/288KB (72K words) Memory | 162,000 | 1400 |
| 2 | 2212 | CPU w/544KB (136K words) Memory | 274,000 | 2550 |
| 2 | 2112 | Real Time Option Module | 5,000 | 40 |
| 6 | 9004 | TLC Controller (TTY, Card Reader, Printer) | 15,000 | 150 |
| 2 | 9006 | Card Punch Controller | 6,000 | 50 |
| 1 | 9010 | Moving-Head Disk Controller | 10,000 | 90 |
| 2 | 9012 | Magnetic Tape Controller | 6,000 | 50 |
| 2 | 9126 | Communications Subsystem Interface | 7,000 | 60 |
| 6 | 9136 | Inter-Bus Link (IBL) | 36,000 | 300 |
| 4 | 9201 | KSR-33 Teletypewriter | 6,400 | 100 |
| 2 | 9217 | Card Reader/Punch | 25,000 | 400 |
| 4 | 9226 | Line Printer (600 LPM) | 64,000 | 800 |
| 2 | 9320 | Moving-Head Disk Drive (80MB) | 50,000 | 150 |
| 1 | 9351 | Tape Formatter | 3,000 | 24 |
| 4 | 9376 | Magnetic Tape Transport | <u>64,000</u> | <u>360</u> |
| | | | 793,000 | 6614 |
| | | Software Support | 6,600 | 460 |

APPENDIX 10-A

US CITIZEN CIVILIAN EMPLOYEES IN COMMISSARIES

10-A.1 The chart at Figure 1 (page 10A-2) summarizes data pertaining to commissary store employees of the military services. The data was obtained from a special one-time report (DD-M-(OT) - 753) for analysis by the Study Group. The report generated 21,980 submissions by name and social security account number, but only the 19,598 submissions which matched with information in the US Civil Service Commission data file were used.

10-A.2 Part 1 of the chart summarizes the raw data as received. Part 2 depicts extrapolated estimates based on the total submissions received.

10-A.3 The chart also shows the distribution of employees by pay plan, with estimates of maximum costs for severance pay and terminal leave. Terminal leave costs are based on an estimated average leave balance of 240 hours for each career and career conditional employee, and 80 hours for each temporary employee. Intermittent employees were excluded since they do not accrue leave.

10-A.4 The chart shows the number of employees who would be eligible for immediate retirement annuities, on either an optional or discontinued service basis, as of 1 October 1976. Those commissary employees who are also retired military personnel are ineligible for severance pay.

FIGURE 1
US CITIZEN CIVILIAN EMPLOYEES IN COMMISSARIES

| COMPONENT | PAY PLAN | | TOTALS | Av. Hrlly Salary*** | Av. Annual Salary | SEVERANCE PAY | | TERMINAL LEAVE COST | # RET. ELIGIBLES | # RET. MILITARY |
|---|----------|-------------|--------|------------------------|----------------------|---------------|------------|------------------------|---------------------|--------------------|
| | GS | WG & OTHER* | | | | # Elig. | TOTAL \$ | | | |
| (Data Compiled from Special One-Time Report by Name Matches with USCSC Central Personnel Data File) | | | | | | | | | | |
| PART I | | | | | | | | | | |
| Army | 2,455 | 4,391 | 6,846 | | | 4,643 | 18,674,100 | | 1,260 | |
| Air Force | 3,264 | 5,606 | 8,870 | | | 5,981 | 20,479,800 | | 1,283 | 757 |
| Navy | 1,048 | 2,212 | 3,260 | | | 2,431 | 7,109,200 | | 274 | 316 |
| Marines | 195 | 423 | 618 | | | 413 | 1,714,100 | | 133 | 54 |
| Other DOD | 3 | 1 | 4 | | | 3 | 8,600 | | 1 | |
| TOTAL DOD | 6,965 | 12,633 | 19,598 | | | 13,471 | 47,985,800 | | 2,951 | 1,127 |
| PART II | | | | | | | | | | |
| (Extrapolated Estimates Based Upon Total Submissions to Special One-Time Report) | | | | | | | | | | |
| Army | 2,829 | 5,061 | 7,890 | 4,4923 | 9,344 | 5,351 | 21,537,800 | 7,411,900 | 1,452 | 671** |
| Air Force | 3,518 | 6,042 | 9,560 | 4,4769 | 9,312 | 6,446 | 22,096,900 | 9,037,700 | 1,383 | 813 |
| Navy | 1,227 | 2,591 | 3,818 | 4,3207 | 8,987 | 2,847 | 8,327,500 | 3,067,100 | 321 | 370 |
| Marines | 223 | 485 | 708 | 4,7308 | 9,840 | 473 | 1,963,000 | 786,900 | 152 | 62 |
| Other DOD | 3 | 1 | 4 | 3,9538 | 8,224 | 3 | 8,600 | 2,800 | 1 | |
| TOTAL DOD | 7,800 | 14,180 | 21,980 | 4,4644 | 9,286 | 15,120 | 53,969,800 | 20,306,400 | 3,309 | 1,916 |
| | 35.49% | 64.51% | | | | | | | 15.05% | 8.7% |

NOTES:

* Other consists of 179 employees paid under Youth Employment, Canal Zone, Maritime, Administratively Determined Rates and unidentified pay plans.

** Data furnished by USCSC did not identify Army RETM employees. Estimate is based upon 8.5% frequency rate of Air Force.

*** Wages, only.

APPENDIX 10-B

CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

10-B.1 The tables at Figure 1 (beginning on page 10B-2) are a summary by military service and pay plan of data collected in the one-time report requested by the Study Group from the services (DD-M-(OT)-753). They show the total number of commissary store employees by grade and identify those who will be eligible for immediate annuity as of 1 October 1976, separating them into three categories of optional retirement eligibles, and two categories of discontinued service eligibles.

10-B.2 The charts also identify by grade those employees presently serving under career-conditional appointments who would have less than 5 years civilian service as of 1 October 1976. These employees would not be eligible for any deferred Civil Service retirement benefits.

10-B.3 The computer program included severance pay criteria for use in the analysis. The number of employees eligible for severance pay and the average amount of severance pay were obtained by comparison of individual employee records with that criteria.

10-B.4 Tallies were also made of the number of employees enrolled in the Civil Service retirement system and those who are eligible for Veterans' preference.

10-B.5 The last six columns on each table depict the work schedule of permanent and temporary employees, which provided the basis for analysis of proportional labor costs (see Figure 1 of Appendix 10-D).

Note: Average annual salaries shown consist of wages only. Total labor costs may be estimated by increasing these salaries by the following benefit rates:

- a. 9% of salary for full-time and part-time career and career-conditional employees.
- b. 7.5% of salary for full-time and part-time temporary employees.
- c. 6.5% of salary for intermittent employees.

These benefit rates include Defense expenditures (where applicable) for CS retirement or FICA, life insurance, terminal leave, workman's compensation and overtime.

Figure 1
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

ARMY

PAY PLAN - GS

| GRADE | TOTAL EMP | IMMEDIATE ANNUITY ELIGIBLE | | | | RETIRED | LESS 5-YRS SVC | SEVERANCE | | AVG ANNUAL SALARY | NUMBER OF | | CSC RETIR- EES | TOTAL CAREER / VET PRFNC | | CAREER CUND | | TEMPORARY | |
|---------------|-----------|----------------------------|-------|-------|-------------|---------|----------------|-----------|---------|-------------------|-----------|-----|----------------|--------------------------|------|-------------|----|-----------|-----|
| | | 55/30 | 60/20 | 62/05 | 50/20 XX/25 | MIL | | PAY | N AVG\$ | | FEGLI REG | OPT | | FT | PT | FT | PT | FT | PT |
| 01 | 26 | | | | | | 10 | 13 | 500 | 5484 | 7 | 3 | 10 | 1 | | 1 | | | |
| 02 | 216 | 1 | | | | | 106 | 111 | 708 | 6177 | 48 | 21 | 110 | 27 | | 13 | | 4 | 8 |
| 03 | 1214 | 7 | | 14 | 26 | | 549 | 923 | 1686 | 7349 | 677 | 120 | 471 | 166 | | 87 | | 47 | 9 |
| 04 | 330 | 5 | 3 | 11 | 12 | 1 | 66 | 277 | 3350 | 8611 | 228 | 40 | 308 | 68 | | 982 | | 145 | 40 |
| 05 | 208 | 8 | 7 | 2 | 24 | 4 | 20 | 158 | 4755 | 9862 | 159 | 29 | 199 | 62 | | 311 | | 18 | 43 |
| 06 | 84 | 5 | 2 | 1 | 14 | | 7 | 61 | 7141 | 11130 | 54 | 16 | 83 | 33 | | 203 | | 5 | |
| 07 | 102 | 6 | 1 | | 24 | 7 | 4 | 61 | 8084 | 12165 | 78 | 17 | 97 | 55 | | 63 | | 1 | |
| 08 | 37 | 4 | 2 | 1 | 11 | 2 | 1 | 14 | 8888 | 13388 | 25 | 8 | 32 | 29 | | 98 | | 4 | |
| 09 | 65 | 3 | 1 | | 14 | 4 | 5 | 34 | 10173 | 14672 | 45 | 17 | 63 | 53 | | 33 | | 4 | |
| 10 | 37 | 6 | 1 | | 7 | 4 | 2 | 17 | 10665 | 15962 | 26 | 11 | 35 | 31 | | 60 | | 5 | |
| 11 | 75 | 6 | | | 15 | 6 | 12 | 44 | 11266 | 17111 | 47 | 20 | 67 | 63 | | 72 | | 3 | |
| 12 | 46 | 18 | | | 8 | 3 | 5 | 19 | 12891 | 20487 | 28 | 16 | 47 | 45 | | 48 | | 3 | |
| 13+ | 8 | | | | 3 | | 1 | 5 | 17797 | 24256 | 4 | 3 | 7 | 8 | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | |
| TOTAL | 2455 | 74 | 23 | 31 | 158 | 33 | 788 | 1737 | 3302 | 8967 | 1431 | 323 | 2026 | 641 | 2032 | 20 | 54 | 239 | 26 |
| PAY PLAN - AG | | | | | | | | | | | | | | | | | | | |
| 01 | 29 | | | | | | 13 | 17 | 1195 | 7953 | 3 | 3 | 16 | 5 | | 8 | | | 9 |
| 02 | 157 | 2 | | | | | 60 | 87 | 2513 | 7810 | 70 | 9 | 100 | 64 | | 101 | | 16 | 3 |
| 03 | 64 | | | | | | 24 | 27 | 1906 | 8043 | 24 | 8 | 35 | 40 | | 36 | | 9 | 4 |
| 04 | 1321 | 28 | 27 | 31 | 79 | 1 | 478 | 970 | 3485 | 8948 | 787 | 158 | 1103 | 796 | | 1116 | | 61 | 23 |
| 05 | 1127 | 42 | 36 | 44 | 131 | 22 | 278 | 794 | 4157 | 9188 | 842 | 109 | 1015 | 788 | | 1077 | | 15 | 19 |
| 06 | 194 | 15 | 3 | 2 | 40 | 8 | 15 | 123 | 5835 | 10118 | 154 | 19 | 183 | 160 | | 191 | | 22 | 65 |
| 07 | 23 | 2 | 1 | | 6 | 1 | 1 | 11 | 6002 | 9751 | 18 | 2 | 21 | 15 | | 21 | | 3 | 8 |
| 08 | 773 | 33 | 20 | 27 | 84 | 10 | 151 | 572 | 5271 | 10810 | 578 | 105 | 710 | 607 | | 749 | | 1 | 1 |
| 09 | 2 | | | 1 | | | 2 | 1 | 2045 | 12085 | 2 | | 2 | | | 2 | | 15 | 4 |
| 10 | 1 | | | | | | 1 | 1 | 2127 | 12459 | 1 | | 1 | 1 | | 1 | | | |
| 11 | 1 | | | | | | 1 | 1 | 1900 | 10982 | 1 | | 1 | | | 1 | | | |
| 12 | | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | |
| TOTAL | 3692 | 122 | 89 | 108 | 352 | 48 | 1023 | 2604 | 4135 | 9405 | 2480 | 413 | 3195 | 2476 | 3303 | 22 | 83 | 121 | 28 |
| | | | | | | | | | | | | | | | | | | | 129 |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

ARMY

PAY PLAN - WS

| GRADE | TOTAL FNP | IMMEDIATE 55/30 60/20 | ANNUITY 62/65 50/20 XX/25 | ELIGIBLE | RETI-RED MIL | LESS 5-YRS SVC | SEVERANCE PAY N | AVG ANNUAL SALARY | NUMBER OF FEGLI REG | OPT | CSC RL TIR- EES | TOTAL VET PRFNC | CAREER / FT PT | COND | TEMPORARY FT PT |
|------------------|-----------|-----------------------|---------------------------|----------|--------------|----------------|-----------------|-------------------|---------------------|-----|-----------------|-----------------|----------------|------|-----------------|
| 01 | 8 | 1 | 1 | 1 | 1 | 3 | 6 | 5224 | 6 | 1 | 8 | 4 | 8 | | |
| 02 | 31 | 1 | 7 | 7 | 1 | 3 | 22 | 5927 | 24 | 2 | 30 | 23 | 31 | | |
| 03 | 56 | 5 | 10 | 4 | 4 | 3 | 33 | 8715 | 49 | 4 | 53 | 50 | 58 | | |
| 04 | 56 | 4 | 1 | 6 | 7 | 3 | 39 | 8102 | 38 | 16 | 57 | 44 | 58 | | |
| 05 | 37 | 4 | 12 | 4 | 4 | 1 | 15 | 7683 | 33 | 3 | 35 | 32 | 36 | | 1 |
| 06 | 34 | 6 | 9 | 1 | 1 | 1 | 17 | 7916 | 22 | 9 | 32 | 31 | 34 | | |
| 07 | 30 | 3 | 7 | 2 | 2 | 1 | 15 | 10718 | 25 | 5 | 30 | 24 | 30 | | |
| 08 | 23 | 1 | 6 | 2 | 2 | 1 | 14 | 9720 | 17 | 6 | 23 | 19 | 23 | | |
| 09 | 2 | 1 | 1 | 1 | | | 1 | 17555 | 2 | | 2 | 2 | 2 | | |
| 10 | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | |
| TOTAL | 281 | 23 | 8 | 59 | 21 | 12 | 162 | 8207 | 216 | 46 | 270 | 229 | 280 | | 1 |
| PAY PLAN - OTHER | | | | | | | | | | | | | | | |
| 01 | 8 | 1 | 1 | | | 1 | 4 | 5454 | 5 | | 6 | 2 | 6 | | 2 |
| 02 | 7 | | | | | 3 | 5 | 1458 | 3 | | 3 | 5 | 6 | | 1 |
| 03 | 6 | | | | | 7 | 41 | 5360 | 47 | 3 | 56 | 42 | 59 | | 3 |
| 04 | 62 | 4 | 1 | 11 | 1 | 6 | 38 | 5910 | 61 | 10 | 74 | 55 | 75 | | 2 |
| 05 | 78 | 9 | 3 | 19 | 6 | 1 | 2 | 9459 | 6 | 1 | 7 | 4 | 7 | | 1 |
| 06 | 7 | 2 | | 2 | | | | | | | | | | | |
| 07 | | | | | | | | | | | | | | | |
| 08 | 34 | 8 | 7 | 17 | 3 | 3 | 46 | 1486 | 69 | 9 | 81 | 74 | 84 | | |
| 09 | 5 | 1 | | 1 | | 1 | 1 | 1469 | 2 | 1 | 3 | 2 | 3 | | |
| 10 | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | |
| 13+ | 1 | | | | | 1 | 1 | 5308 | 1 | | 1 | 1 | 1 | | |
| OTHER | 162 | | | | | 2 | 2 | 1154 | 15 | 5 | 71 | 5 | 2 | | |
| TOTAL | 418 | 25 | 12 | 51 | 10 | 25 | 140 | 6044 | 209 | 29 | 302 | 193 | 243 | | 93 |
| | | | | | | | | | | | | | | | 98 |
| | | | | | | | | | | | | | | | 36 |
| | | | | | | | | | | | | | | | 40 |
| | | | | | | | | | | | | | | | 31 |
| | | | | | | | | | | | | | | | 37 |

Figure 1 (Continued)

CHARACTERISTICS OF DDD COMMISSARY EMPLOYEES

MARDAC-10958

| GRADE | TOTAL EMP | IMMEDIATE ANNUITY ELIGIBLE | | | | RETIRED MIL | LESS 5-YRS SVC | SEVERANCE PAY N | AVG ANNUAL SALARY | NUMBER OF FEGLI REG | NUMBER OF OPT | CSC RETIR- RES | TOTAL VET PRFNC | CAREER / | | CAREER COND | | TEMPORARY | |
|-------|-----------|----------------------------|-------|-------|-------------|-------------|----------------|-----------------|-------------------|---------------------|---------------|----------------|-----------------|----------|------|-------------|-----|-----------|----|
| | | 55/50 | 60/20 | 62/65 | 50/20 XX/25 | | | | | | | | | FT | PT | FT | PT | FT | PT |
| 01 | 71 | | 1 | | 1 | | 23 | 30 | 1618 | 6909 | 16 | 7 | 34 | 12 | 29 | 1 | 9 | 4 | 13 |
| 02 | 411 | 5 | 3 | 17 | 42 | 1 | 170 | 224 | 2018 | 7249 | 147 | 32 | 246 | 119 | 225 | 10 | 35 | 63 | 14 |
| 03 | 1347 | 12 | 9 | 44 | 108 | 7 | 579 | 988 | 1926 | 7592 | 123 | 132 | 1362 | 259 | 1082 | 13 | 28 | 154 | 8 |
| 04 | 1771 | 41 | 32 | 44 | 108 | 15 | 554 | 1327 | 3651 | 9050 | 1100 | 217 | 1524 | 550 | 1544 | 13 | 51 | 82 | 16 |
| 05 | 1450 | 63 | 48 | 47 | 186 | 36 | 305 | 1005 | 4370 | 9441 | 1095 | 151 | 1323 | 937 | 1391 | 5 | 9 | 30 | 7 |
| 06 | 319 | 28 | 6 | 4 | 65 | 9 | 24 | 203 | 6437 | 10806 | 241 | 47 | 305 | 228 | 315 | | | 4 | |
| 07 | 155 | 11 | 2 | 3 | 37 | 10 | 5 | 87 | 8275 | 12361 | 121 | 24 | 148 | 94 | 149 | | | 5 | 1 |
| 08 | 517 | 45 | 29 | 31 | 118 | 17 | 156 | 646 | 5597 | 11135 | 689 | 128 | 854 | 729 | 889 | 5 | 5 | 19 | 4 |
| 09 | 72 | 5 | 1 | 1 | 16 | 4 | 8 | 37 | 9917 | 14622 | 51 | 18 | 67 | 57 | 67 | | | 5 | |
| 10 | 38 | 6 | 1 | | 7 | 4 | 3 | 18 | 10195 | 15870 | 27 | 11 | 36 | 32 | 35 | | | 3 | |
| 11 | 70 | 6 | | 2 | 15 | 6 | 12 | 45 | 11058 | 17010 | 48 | 20 | 68 | 63 | 73 | | | 3 | |
| 12 | 49 | 16 | | | 8 | 3 | 6 | 20 | 12512 | 20446 | 29 | 16 | 48 | 46 | 49 | | | | |
| 13+ | 6 | | | | 3 | | 1 | 5 | 17797 | 24258 | 4 | 3 | 7 | 8 | 8 | | | | |
| OTHER | 162 | | | | | | 2 | 2 | 1154 | 4581 | 15 | 5 | 71 | 5 | 2 | | | 93 | 36 |
| TOTAL | 6846 | 244 | 132 | 152 | 620 | 112 | 1848 | 4643 | 4025 | 9244 | 4336 | 811 | 5793 | 3539 | 5858 | 42 | 137 | 465 | 94 |

Figure 1 (Continued)
CHARACTERISTICS OF DUU COMMISSARY EMPLOYEES

NAVY

PAY PLAN - GS

| GRADE | TOTAL EMP | IMMEDIATE 55/30 | ANNUITY 60/20 | FLCIBLE 62/20 | FLCIBLE 50/20 | FLCIBLE 20 XX/20 | RETI-RED MIL | LESS 5-YRS SVC | SEVERENCE PAY N | AVG ANNUAL SALARY | NUMBER OF FULL REG | OF REIR-ELS | CSC VET PRFNC | TOTAL CAREER / | | CAREER COND | TEMPORARY | |
|---------------|-----------|-----------------|---------------|---------------|---------------|------------------|--------------|----------------|-----------------|-------------------|--------------------|-------------|---------------|----------------|------|-------------|-----------|----|
| | | | | | | | | | | | | | | FT | PT | FT | PT | FT |
| 01 | 84 | 1 | | | | | 2 | 59 | 57 | 321 | 38 | 11 | 64 | 10 | | | | |
| 02 | 646 | 2 | 1 | 6 | 1 | | 4 | 329 | 542 | 1414 | 381 | 55 | 267 | 49 | | 54 | 4 | 12 |
| 03 | 155 | | | 1 | 7 | | 1 | 31 | 138 | 3262 | 104 | 12 | 149 | 27 | | 281 | 20 | 54 |
| 04 | 70 | | | | 5 | 2 | 3 | 4 | 59 | 4672 | 56 | 6 | 68 | 15 | | 8 | 5 | |
| 05 | 25 | | | | 3 | | 1 | 3 | 21 | 5431 | 18 | 3 | 25 | 7 | | 2 | 1 | |
| 06 | 27 | | | | 6 | | 2 | 1 | 15 | 6259 | 21 | 4 | 26 | 14 | | 1 | | |
| 07 | 7 | 1 | | | 1 | | 1 | 1 | 4 | 5144 | 4 | 2 | 7 | 5 | | | | |
| 08 | 25 | 2 | | | 3 | | 7 | 3 | 12 | 9522 | 18 | 6 | 24 | 18 | | | | |
| 09 | 2 | 1 | | | 1 | | | 1 | 1 | 2665 | 1 | 1 | 2 | 1 | | | | |
| 10 | 4 | | | | 1 | | | 1 | 3 | 8508 | 1 | 1 | 4 | 2 | | | | |
| 11 | 3 | | | | | | 1 | 1 | 2 | 9467 | 1 | 1 | 3 | 4 | | | | |
| 12 | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | |
| TOTAL | 1046 | 10 | 1 | 7 | 27 | 2 | 22 | 433 | 854 | 2225 | 643 | 104 | 939 | 151 | 583 | 346 | 16 | 32 |
| PAY PLAN - K6 | | | | | | | | | | | | | | | | | | 5 |
| 01 | 3 | | | | | | | | | | | | | | | | | |
| 02 | 330 | 2 | 1 | 3 | 3 | | 20 | 212 | 3 | 2391 | 2 | 1 | 3 | 1 | | 1 | | |
| 03 | 9 | | | | | | 2 | 3 | 4 | 1467 | 205 | 66 | 299 | 136 | | 160 | | |
| 04 | 644 | 6 | | | 17 | | 129 | 235 | 446 | 2421 | 423 | 102 | 600 | 422 | | 4 | 17 | |
| 05 | 805 | 11 | 7 | 10 | 27 | | 81 | 158 | 484 | 3507 | 479 | 87 | 616 | 357 | | 1 | 23 | |
| 06 | 16 | 2 | 1 | | 2 | | 1 | 2 | 10 | 4630 | 12 | 1 | 15 | 463 | | 18 | 17 | |
| 07 | 3 | | | | | | | | | | | | | | | | | |
| 08 | 359 | 21 | 2 | 9 | 25 | | 51 | 59 | 244 | 6281 | 2 | 44 | 354 | 546 | | 83 | | |
| 09 | 2 | | | | | | | | 2 | 5359 | 278 | | 3 | 302 | | 5 | 1 | |
| 10 | 6 | | | | | | 1 | 1 | 2 | 7824 | 2 | | 2 | 1 | | | | |
| 11 | | | | | | | | | 5 | 5616 | 6 | | 6 | | | | | |
| 12 | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | |
| TOTAL | 2037 | 44 | 16 | 26 | 74 | 12 | 285 | 671 | 1471 | 3107 | 1412 | 302 | 1905 | 1351 | 1470 | 456 | 1 | 52 |
| | | | | | | | | | | | | | | | | | | 58 |

Figure 1 (Continued)
CHARACTERISTICS OF UOD COMMISSARY EMPLOYEES

NAVY

PAY PLAN - WS

| GRADE EMP | TOTAL EMP | IMMEDIATE ANNUITY ELIGIBLE | | | RETI- RED | LESS 5-YRS SVC | SEVERANCE | | AVG ANNUAL SALARY | NUMBER OF | | CSC RETI- EES | TOTAL CAREER / | | CAREER COND | | TEMPORARY | |
|------------------|--------------|----------------------------|-------|-------|--------------|----------------------|-----------|-----|-------------------------|-----------|------|---------------------|----------------|----|-------------|----|-----------|---|
| | | 55/30 | 60/20 | 62/05 | 50/20 | XX/25 | MIL | PAY | N | AVG\$ | OPT | VEY | PRFNC | FT | PT | FT | PT | I |
| 01 | 7 | 1 | | | 2 | | | 4 | 2545 | 11758 | 7 | 7 | 3 | 7 | | | | |
| 02 | 17 | 3 | | 1 | 3 | | 1 | 8 | 7631 | 12207 | 15 | 17 | 17 | 17 | | | | |
| 03 | 7 | 4 | | | 1 | | | 1 | 2364 | 12509 | 4 | 2 | 7 | 7 | | | | |
| 04 | 1 | | | | | | | 1 | 14123 | 14123 | 1 | 1 | 1 | 1 | | | | |
| 05 | 12 | 3 | | | 1 | | 2 | 5 | 7235 | 13171 | 4 | 7 | 12 | 11 | | | | |
| 06 | 15 | 2 | | | 3 | | | 10 | 11052 | 14117 | 14 | 1 | 15 | 15 | | | | |
| 07 | | | | | | | | | | | | | | | | | | |
| 08 | | | | | | | | | | | | | | | | | | |
| 09 | | | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | |
| TOTAL | 59 | 13 | 1 | 1 | 10 | 1 | 4 | 29 | 8083 | 12904 | 45 | 11 | 59 | 54 | 59 | | | |
| PAY PLAN - OTHER | | | | | | | | | | | | | | | | | | |
| 01 | 1 | | | | | | | | | 3328 | | | | | | | | 1 |
| 02 | | | | | | | | | | | | | | | | | | |
| 03 | 1 | | | | | | | 1 | 4556 | 8632 | 1 | | 1 | 1 | 1 | | | |
| 04 | 21 | | | | | | | 4 | 19 | 2755 | 9554 | 18 | 1 | 21 | 12 | 21 | | |
| 05 | 58 | 7 | 2 | 1 | 2 | 1 | 3 | 38 | 5471 | 10679 | 51 | 5 | 58 | 49 | 58 | | | |
| 06 | | | | | | | | | | | | | | | | | | |
| 07 | | | | | | | | | | | | | | | | | | |
| 08 | 26 | 2 | | 1 | 5 | 2 | 2 | 16 | 8517 | 12099 | 26 | 2 | 28 | 22 | 27 | 1 | | |
| 09 | | | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | |
| 13+ | 1 | | | | | | | 1 | 2122 | 9197 | 1 | | 1 | 1 | 1 | | | |
| OTHER | 6 | | | | | | | 2 | 15 | 3395 | 1 | | 2 | 1 | 2 | | | |
| TOTAL | 116 | 9 | 2 | 2 | 13 | 3 | 5 | 77 | 5306 | 10408 | 98 | 8 | 111 | 86 | 110 | 1 | 4 | 4 |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

NAVY

PAY PLAN - TOTAL

| GRADE | TOTAL EMP | IMMEDIATE 55/3C | ANNUITY 60/20 | ELIGIBLE 62/C5 | 50/20 XX/25 | RETI-RED MIL | LESS 5-YRS SVC | SEVERANCE PAY N | AVG ANNUAL SALARY | NUMBER OF FEGLI REG | OPT | REIR-EFS | CSC | TOTAL VET PRFNC | CAREER FT | CAREER PT | CUND | TEMPORARY FT | PT | I |
|-------|-----------|-----------------|---------------|----------------|-------------|--------------|----------------|-----------------|-------------------|---------------------|------|----------|------|-----------------|-----------|-----------|------|--------------|-----|---|
| 01 | 4 | | | | | | 1 | 3 | 2391 | 7144 | 2 | 1 | 3 | 1 | 2 | 1 | | | | |
| 02 | 414 | 3 | 1 | 3 | 3 | 22 | 271 | 327 | 1169 | 7292 | 243 | 77 | 363 | 146 | 153 | 15 | | 1 | 29 | 3 |
| 03 | 663 | 3 | 1 | 6 | 3 | 6 | 333 | 551 | 1429 | 7323 | 392 | 56 | 580 | 59 | 286 | 24 | 15 | | 54 | 2 |
| 04 | 837 | 11 | 6 | 6 | 29 | 1 | 270 | 611 | 2690 | 8990 | 560 | 116 | 787 | 478 | 576 | 23 | | 23 | | |
| 05 | 800 | 22 | 9 | 11 | 39 | 9 | 164 | 582 | 3752 | 9612 | 590 | 100 | 751 | 534 | 678 | 85 | 1 | 19 | 17 | |
| 06 | 42 | 2 | 1 | | 5 | 2 | 5 | 32 | 5452 | 10497 | 31 | 4 | 41 | 19 | 42 | | | | | |
| 07 | 42 | 6 | | | 7 | 4 | 2 | 23 | 6474 | 12193 | 27 | 11 | 41 | 28 | 40 | | | | | |
| 08 | 409 | 26 | 2 | 10 | 34 | 7 | 54 | 274 | 5748 | 11223 | 322 | 49 | 404 | 344 | 401 | 1 | | 1 | | |
| 09 | 27 | 2 | | | 3 | 7 | 3 | 14 | 9279 | 14082 | 20 | 6 | 26 | 19 | 26 | | | 1 | | |
| 10 | 8 | 1 | | | | 1 | 2 | 6 | 5124 | 12193 | 7 | 1 | 8 | 7 | 8 | | | | | |
| 11 | 4 | | | | 1 | | 1 | 3 | 8508 | 16771 | 1 | 3 | 4 | 3 | 4 | | | | | |
| 12 | 3 | | | | | 1 | | 2 | 9467 | 18873 | 1 | 1 | 3 | 2 | 3 | | | | | |
| 13+ | 1 | | | | | | 1 | 1 | 2122 | 9197 | 1 | 1 | 1 | 1 | 1 | | | | | |
| OTHER | 6 | | | | | | 2 | 2 | 15 | 3399 | 1 | 2 | 2 | 1 | 2 | | | | | |
| TOTAL | 3260 | 76 | 20 | 36 | 124 | 18 | 316 | 2431 | 2925 | 8987 | 2198 | 425 | 3014 | 1642 | 2222 | 803 | 17 | 85 | 128 | 5 |

Figure 1 (Continued)

CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

MARDAC-10958

AIR FORCE

PAY PLAN - GS

| GRADE | TOTAL EMP | IMMEDIATE 55/30 | ANNUITY 60/20 | ELIGIBLE 62/05 | 50/20 | XX/25 | RETI- RED MIL | LESS 5-YRS SVC | SEVERANCE PAY | N | AVG SALARY | NUMBER OF FEGLI REG | OPT | CSC RETIR- EES | TOTAL VET PRFNC | CAREER / | | TEMPORARY | | | |
|-------|--------------|--------------------|------------------|-------------------|-------|-------|---------------------|----------------------|------------------|-------|---------------|---------------------------|-----|----------------------|-----------------------|----------|------|-----------|-----|----|----|
| | | | | | | | | | | | | | | | | FT | PT | FT | PT | | |
| 01 | 44 | | | | | | 3 | 22 | 15 | 409 | 5363 | 12 | | 6 | 25 | 5 | 1 | 8 | | | |
| 02 | 223 | 1 | | | | | | 163 | 153 | 611 | 6176 | 90 | | 25 | 185 | 20 | 16 | 19 | 38 | 5 | |
| 03 | 1676 | 4 | | | | | 2 | 802 | 1360 | 1621 | 7371 | 1020 | | 263 | 1516 | 257 | 120 | 57 | 135 | 17 | |
| 04 | 547 | 5 | 9 | 25 | 20 | | 21 | 75 | 439 | 3752 | 8726 | 428 | | 63 | 535 | 119 | 1291 | 2 | 1 | 10 | |
| 05 | 243 | 5 | 9 | 6 | 23 | 5 | 13 | 13 | 175 | 5784 | 10039 | 192 | | 35 | 238 | 83 | 524 | 1 | | 1 | |
| 06 | 99 | 6 | 4 | 3 | 14 | | 7 | 3 | 65 | 6745 | 11226 | 81 | | 16 | 99 | 53 | 236 | | | | |
| 07 | 80 | 5 | 5 | 2 | 14 | 2 | 8 | 5 | 44 | 7034 | 12122 | 55 | | 21 | 78 | 50 | 98 | | | | |
| 08 | 35 | 2 | 2 | 2 | 7 | 2 | 5 | 5 | 21 | 9633 | 13356 | 28 | | 9 | 39 | 32 | 77 | | | 3 | |
| 09 | 62 | 5 | 2 | 9 | | 2 | 7 | 6 | 37 | 9508 | 14527 | 46 | | 16 | 62 | 52 | 39 | | | | |
| 10 | 62 | 5 | 1 | | | 2 | 5 | 8 | 35 | 8120 | 15955 | 37 | | 24 | 62 | 62 | 62 | | | | |
| 11 | 106 | 13 | 3 | 1 | 19 | 5 | 18 | 7 | 46 | 11042 | 17505 | 70 | | 31 | 105 | 92 | 103 | | | | |
| 12 | 62 | 11 | | | 11 | 6 | 10 | | 20 | 16320 | 20537 | 37 | | 25 | 62 | 57 | 62 | | | 1 | |
| 13+ | 21 | 6 | 1 | | 2 | 2 | 5 | | 5 | 21314 | 23720 | 12 | | 9 | 21 | 18 | 21 | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | 3264 | 72 | 43 | 52 | 171 | 32 | 121 | 1107 | 2415 | 3102 | 8974 | 2108 | 543 | 3027 | 891 | 2711 | 80 | 182 | 118 | 23 | 74 |

PAY PLAN - WG

| | | | | | | | | | | | | | | | | | | | | |
|-------|------|----|----|-----|-----|----|-----|------|------|-------|-------|------|-----|------|------|------|-----|----|----|----|
| 01 | 47 | 7 | 5 | 6 | 13 | 1 | 11 | 32 | 34 | 541 | 6820 | 19 | 12 | 36 | 16 | 34 | 13 | | | |
| 02 | 324 | | | 2 | 2 | | | 133 | 187 | 1704 | 7633 | 163 | 68 | 231 | 187 | 220 | 55 | 17 | 13 | |
| 03 | 68 | | | | | | | 24 | 34 | 1804 | 8547 | 26 | 14 | 43 | 33 | 38 | 29 | 1 | | |
| 04 | 2211 | 32 | 35 | 68 | 106 | 8 | 280 | 752 | 1508 | 2703 | 8858 | 1470 | 401 | 2082 | 1656 | 1958 | 16 | | | |
| 05 | 601 | 11 | 20 | 27 | 76 | 12 | 105 | 169 | 518 | 3577 | 9477 | 588 | 126 | 771 | 606 | 758 | 91 | 1 | 27 | |
| 06 | 406 | 14 | 15 | 6 | 71 | 19 | 51 | 19 | 226 | 4850 | 9910 | 328 | 55 | 397 | 344 | 395 | 22 | 3 | 2 | |
| 07 | 5 | | | | | | | | 3 | 7605 | 9776 | 2 | 1 | 3 | 5 | 3 | 4 | 2 | | |
| 08 | 1042 | 16 | 15 | 61 | 67 | 15 | 107 | 175 | 735 | 4511 | 10781 | 797 | 165 | 1016 | 831 | 1007 | 21 | | 1 | |
| 09 | 1 | | 1 | 1 | | | | | 1 | 14200 | 10878 | 2 | 1 | 3 | 2 | 3 | 1 | | | |
| 10 | 3 | | | | | | | | | 11724 | | 1 | | | 1 | | 1 | | | |
| 11 | 1 | | | | | | | | | 11544 | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | | |
| TOTAL | 4909 | 80 | 99 | 171 | 335 | 55 | 555 | 1304 | 3246 | 3323 | 9353 | 3396 | 843 | 4582 | 3681 | 4416 | 237 | 61 | 21 | 43 |

Figure 1 (Continued)
CHARACTERISTICS OF DUD COMMISSARY EMPLOYEES

AIR FORCE

PAY PLAN - MS

| GRADE | TOTAL EMP | IMMEDIATE ANNUITY ELIGIBLE | RETIRE- RED MIL | LESS 5-YRS SVC | SEVERANCE PAY | AVG ANNUAL SALARY | NUMBER OF FEGLI REG | NUMBER OF OPT | RETIR- EES | CSC | TOTAL VET PRFNC | CAREER / FT | CAREER COND PT | TEMPORARY FT | PT | I |
|------------------|-----------|----------------------------|--------------------|----------------------|------------------|-------------------------|---------------------------|------------------|---------------|------|-----------------------|----------------|----------------------|-----------------|-----|-----|
| 01 | 14 | 1 | 3 | 10 | 5552 | 10285 | 11 | 3 | 14 | 12 | 14 | 14 | | | | |
| 02 | 8 | 1 | 3 | 3 | 3047 | 11481 | 6 | 2 | 8 | 7 | 8 | 8 | | | | |
| 03 | 70 | 4 | 1 | 37 | 6336 | 11597 | 56 | 11 | 68 | 60 | 68 | 68 | | 1 | | |
| 04 | 58 | 7 | 2 | 29 | 7124 | 12215 | 46 | 10 | 55 | 48 | 55 | 55 | | 2 | | |
| 05 | 57 | 10 | 1 | 19 | 8311 | 12903 | 49 | 8 | 57 | 53 | 57 | 57 | | | | |
| 06 | 42 | 7 | 1 | 18 | 8641 | 13817 | 31 | 9 | 41 | 39 | 41 | 41 | | | | |
| 07 | 33 | 1 | 1 | 24 | 9894 | 13924 | 30 | 2 | 33 | 29 | 33 | 33 | | | | 1 |
| 08 | 49 | 3 | 1 | 27 | 10755 | 14214 | 37 | 10 | 49 | 44 | 49 | 49 | | | | |
| 09 | 1 | 1 | 1 | 1 | 12183 | 16162 | 1 | | 1 | 1 | 1 | 1 | | | | |
| 10 | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | |
| TOTAL | 332 | 32 | 4 | 7 | 63 | 16 | 38 | 11 | 168 | 8090 | 12783 | 267 | 55 | 326 | 293 | 326 |
| PAY PLAN - OTHER | | | | | | | | | | | | | | 3 | 1 | 1 |

| | | | | | | | | | | | | | | | | |
|-------|-----|----|---|-----|-------|-------|-----|----|------|------|-----|-----|-----|-----|-----|----|
| 01 | 11 | | | | | | | | | | | | | | | |
| 02 | 2 | | | | | | | | | | | | | | | |
| 03 | 1 | | | | | | | | | | | | | | | |
| 04 | 134 | 2 | 8 | 12 | 4 | 30 | 12 | 73 | 5155 | 9786 | 109 | 13 | 130 | 118 | 127 | 1 |
| 05 | 17 | 2 | 2 | 6 | 7761 | 10544 | 15 | 1 | 17 | 15 | 17 | 17 | | 1 | 4 | |
| 06 | 13 | 4 | 2 | 5 | 10422 | 11445 | 12 | 1 | 13 | 12 | 13 | 13 | | | | |
| 07 | | | | | | | | | | | | | | | | |
| 08 | 79 | 1 | 1 | 63 | 5931 | 11721 | 63 | 15 | 79 | 63 | 79 | 79 | | | | |
| 09 | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | |
| OTHER | 108 | 1 | 2 | 4 | 4049 | 4224 | 3 | 1 | 5 | 4 | 3 | 3 | | 1 | 18 | 32 |
| TOTAL | 365 | 10 | 9 | 152 | 5737 | 8612 | 203 | 31 | 245 | 213 | 240 | 240 | 1 | 1 | 23 | 40 |
| | | | | | | | | | | | | | | | | 48 |
| | | | | | | | | | | | | | | | | 52 |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

MARLAC-10958

AIR FORCE

PAY PLAN - TOTAL

| GRADE | TOTAL EMP | IMMEDIATE | ANNUITY | ELIGIBLE | RETI- RED | LESS 5-YRS SVC | SEVERANCE PAY | AVG ANNUAL SALARY | NUMBER OF FGLI REG | NUMBER OF RETI- UPT | CSC ELS | TOTAL VET PRFNC | CAREER / CAREER PT | COND | TEMPORARY PT | PT | I |
|-------|-----------|-----------|---------|----------|--------------|----------------------|------------------|-------------------------|--------------------------|---------------------------|------------|-----------------------|--------------------------|------|-----------------|-----|-----|
| 01 | 116 | 1 | 0 | 3 | 3 | 54 | 59 | 1357 | 6544 | 42 | 21 | 75 | 33 | 64 | 1 | 18 | 17 |
| 02 | 557 | 8 | 9 | 16 | 13 | 297 | 344 | 1231 | 7106 | 260 | 95 | 425 | 215 | 349 | 22 | 79 | 17 |
| 03 | 1815 | 8 | 10 | 30 | 37 | 850 | 1431 | 1747 | 7578 | 1102 | 288 | 1627 | 349 | 1397 | 23 | 23 | 18 |
| 04 | 2950 | 46 | 28 | 164 | 334 | 841 | 2049 | 3078 | 8541 | 2053 | 487 | 2802 | 1941 | 2604 | 57 | 102 | 56 |
| 05 | 1118 | 28 | 24 | 120 | 126 | 183 | 718 | 4275 | 9784 | 844 | 170 | 1083 | 757 | 1068 | 18 | 107 | 27 |
| 06 | 560 | 31 | 34 | 96 | 62 | 23 | 314 | 5578 | 10472 | 452 | 81 | 550 | 448 | 547 | 1 | 26 | 2 |
| 07 | 118 | 3 | 3 | 17 | 13 | 6 | 71 | 8025 | 12527 | 87 | 24 | 114 | 84 | 113 | 1 | 4 | 3 |
| 08 | 1205 | 22 | 16 | 91 | 124 | 182 | 846 | 4943 | 11065 | 925 | 199 | 1183 | 970 | 1174 | 3 | 21 | 1 |
| 09 | 64 | 2 | 66 | 9 | 7 | 6 | 38 | 9578 | 14496 | 47 | 16 | 63 | 53 | 63 | 1 | 1 | |
| 10 | 65 | 2 | 1 | 14 | 5 | 8 | 36 | 8285 | 15700 | 39 | 25 | 65 | 55 | 65 | | | |
| 11 | 107 | 13 | 1 | 19 | 15 | 7 | 46 | 11042 | 17449 | 71 | 31 | 105 | 93 | 103 | | 2 | |
| 12 | 62 | 15 | 1 | 11 | 10 | | 20 | 16320 | 20537 | 37 | 25 | 62 | 57 | 62 | | | |
| 13+ | 21 | 0 | 1 | 2 | 5 | 3 | 5 | 21314 | 23720 | 12 | 9 | 21 | 18 | 21 | | | |
| OTHER | 108 | 1 | | | | | 4 | 4045 | 4224 | 3 | 1 | 5 | 4 | 3 | | | |
| TOTAL | 8870 | 194 | 239 | 592 | 757 | 2460 | 5981 | 3428 | 9312 | 5974 | 1472 | 8180 | 5078 | 1693 | 100 | 301 | 169 |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

MARINES

PAY PLAN - GS

| GRADE | EMP | TOTAL | IMMEDIATE ANNUITY ELIGIBLE | RETIRED MIL | LESS 5-YRS SVC | SEVERANCE PAY | AVG ANNUAL SALARY | NUMBER OF REG | FEGLI OPT | RETIRED ELS | GSC | TOTAL VET PRFNC | CAPEER / FT | CAREER COND PT | TEMPORARY FT | PT | I |
|-------|-----|-------|----------------------------|-------------|----------------|---------------|-------------------|---------------|-----------|-------------|------|-----------------|-------------|----------------|--------------|-----|---|
| 01 | | | | | | | | | | | | | | | | | |
| 02 | 6 | | | | 6 | 5 | 232 | 5996 | 3 | 3 | 6 | 1 | 6 | | | | |
| 03 | 102 | | 4 | | 59 | 89 | 1516 | 7291 | 65 | 20 | 101 | 11 | 98 | | | | |
| 04 | 32 | | | 1 | 8 | 26 | 3035 | 8534 | 20 | 6 | 31 | 8 | 30 | | | | |
| 05 | 24 | | 1 | | | 17 | 5101 | 9903 | 20 | 3 | 24 | 12 | 24 | | | | |
| 06 | 5 | | 1 | | 3 | 3 | 6219 | 12098 | 5 | | 5 | 2 | 5 | | | | |
| 07 | 4 | | | | | | | 12275 | 3 | 1 | 4 | 2 | 4 | | | | |
| 08 | 4 | | 1 | | | 1 | 14724 | 13580 | 4 | | 4 | 4 | 4 | | | | |
| 09 | 6 | | | 1 | | 4 | 10662 | 15337 | 4 | 2 | 6 | 6 | 6 | | | | |
| 10 | 5 | | 3 | | 1 | 2 | 12511 | 17037 | 4 | 1 | 5 | 5 | 5 | | | | |
| 11 | 4 | | 1 | | | 3 | 14236 | 17803 | 3 | 1 | 4 | 4 | 4 | | | | |
| 12 | 3 | | 1 | | 1 | 2 | 11425 | 20915 | 1 | 2 | 3 | 3 | 3 | | | | |
| 13+ | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | |
| TOTAL | 195 | 6 | 3 | 5 | 14 | 1 | 3 | 78 | 152 | 3081 | 9002 | 132 | 41 | 193 | 58 | 189 | 3 |

PAY PLAN - WG

| | | | | | | | | | | | | | | | | | |
|-------|-----|----|---|----|----|----|-----|-------|-------|------|------|-----|----|-----|-----|-----|---|
| 01 | 1 | | | | | | | | | | | | | | | | |
| 02 | 15 | 2 | | 2 | | 1 | 1 | 1985 | 8029 | 1 | 1 | 1 | 1 | | | | |
| 03 | 1 | | | | | 5 | 11 | 3690 | 7643 | 11 | 2 | 13 | 6 | | | | |
| 04 | 28 | | | | | 1 | 1 | 954 | 7634 | 1 | 1 | 1 | 1 | | | | |
| 05 | 202 | 2 | | 1 | | 11 | 18 | 2687 | 9624 | 20 | 2 | 23 | 15 | | | | |
| 06 | 13 | 15 | 2 | 3 | 17 | 40 | 117 | 3043 | 9355 | 169 | 26 | 199 | 42 | | | | |
| 07 | 1 | 2 | 1 | 1 | 1 | 2 | 8 | 5350 | 10211 | 12 | 1 | 13 | 10 | | | | |
| 08 | 93 | 7 | 1 | 1 | 1 | | | 10670 | | 1 | 1 | 1 | 1 | | | | |
| 09 | 1 | | | 4 | 8 | 19 | 65 | 5652 | 11208 | 70 | 17 | 93 | 77 | | | | |
| 10 | | | | | | | 1 | 6107 | 11056 | | | 1 | 1 | | | | |
| 11 | | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | |
| TOTAL | 355 | 28 | 4 | 11 | 27 | 6 | 50 | 79 | 222 | 4209 | 9820 | 284 | 49 | 345 | 253 | 345 | 1 |

Figure 1 (Continued)

CHARACTERISTICS OF UDD COMMISSARY EMPLOYEES

MARDAC-10958

MARINES

PAY PLAN - WS

| GRADE EMP | TOTAL EMP | IMMEDIATE ANNUITY ELIGIBLE 55/30 60/20 62/05 50/20 XX/25 | RETI- R'D MIL | LESS 5-YRS SVC | SEVERANCE PAY | AVG ANNUAL SALARY | NUMBER OF FGLI REG | CSC RETI- RES | TOTAL VET PRFNC | CAREER / COND | | TEMPORARY | |
|--------------|--------------|--|---------------------|----------------------|------------------|-------------------------|--------------------------|---------------------|-----------------------|------------------|----|-----------|----|
| | | | | | | | | | | FT | PT | FT | PT |
| 01 | | | | | | | | | | | | | |
| 02 | | | | | | | | | | | | | |
| 03 | | | | | | | | | | | | | |
| 04 | 5 | 1 | | | 4 | 6778 | 10936 | 5 | 5 | 2 | | 5 | |
| 05 | 6 | | 1 | 1 | 3 | 10489 | 12844 | 6 | 6 | 6 | | 6 | |
| 06 | 8 | 1 | | | 4 | 7048 | 12812 | 5 | 2 | 7 | | 8 | |
| 07 | 3 | | | | 1 | 4725 | 12715 | 3 | 3 | 2 | | 3 | |
| 08 | 5 | | | | 4 | 8959 | 14111 | 3 | 1 | 5 | | 5 | |
| 09 | 5 | | 1 | | 4 | 10340 | 14626 | 3 | 2 | 3 | | 5 | |
| 10 | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | |
| TOTAL | 32 | 2 | 8 | 2 | 1 | 20 | 8435 | 13010 | 25 | 5 | 31 | 25 | 32 |

PAY PLAN - OTHER

| | | | | | | | | | | | | | |
|-------|----|---|---|---|---|----|-------|-------|-------|----|----|----|----|
| 01 | | | | | | | | | | | | | |
| 02 | | | | | | | | | | | | | |
| 03 | | | | | | | | | | | | | |
| 04 | | | | | | | | | | | | | |
| 05 | 22 | 3 | 2 | 4 | 1 | 12 | 6803 | 10975 | 18 | 3 | 22 | 20 | 22 |
| 06 | 1 | 1 | | | | | 11856 | 1 | 1 | 1 | | 1 | |
| 07 | | | | | | | | | | | | | |
| 08 | 13 | 1 | 1 | 3 | 1 | 7 | 8706 | 12169 | 12 | 1 | 13 | 11 | 13 |
| 09 | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | |
| TOTAL | 36 | 5 | 1 | 2 | 7 | 1 | 19 | 7502 | 11431 | 31 | 4 | 36 | 36 |

Figure 1 (Continued)
CHARACTERISTICS OF UDD COMMISSARY EMPLOYEES

MARINES

PAY PLAN - TOTAL

| GRADE | IMMEDIATE ANNUITY ELIGIBLE | | | | | RET- RED | LESS 5-YRS SVC | SEVERANCE | | AVG ANNUAL SALARY | NUMBER OF | | CSC RETIR- EES | TOTAL CAREER / | | CAREER COND | | TEMPORARY | |
|-------|----------------------------|-------|-------|-------|-------|-------------|----------------------|-----------|-------|-------------------------|--------------|-----|----------------------|----------------|-----|-------------|----|-----------|----|
| | 55/30 | 60/20 | 62/05 | 50/20 | XX/25 | | | N | PAY | | FEGLI REG | UPT | | FT | PT | FT | PT | FT | PT |
| 01 | 1 | | | | | | 1 | 1 | 1985 | 8029 | 1 | | 1 | 1 | | | | | |
| 02 | 21 | 2 | | | | | 11 | 16 | 2609 | 7172 | 14 | | 5 | 7 | | | | | |
| 03 | 108 | 1 | | | | | 60 | 94 | 1734 | 7465 | 70 | | 21 | 14 | | | | | |
| 04 | 66 | 2 | | | | 5 | 20 | 47 | 3378 | 9412 | 66 | | 10 | 29 | | | | | |
| 05 | 256 | 20 | 1 | 5 | 1 | 40 | 44 | 150 | 4152 | 9653 | 22 | 34 | 252 | 182 | | | | | |
| 06 | 22 | 4 | 1 | 4 | 4 | | 2 | 12 | 5515 | 11056 | 21 | 1 | 22 | 15 | | | | | |
| 07 | 10 | 2 | 1 | 2 | 1 | | | 4 | 8959 | 13032 | 7 | 2 | 10 | 7 | | | | | |
| 08 | 115 | 8 | 2 | 13 | 2 | 9 | 19 | 77 | 6291 | 11547 | 89 | 20 | 115 | 95 | | | | | |
| 09 | 7 | 2 | | | | | | 5 | 9751 | 14727 | 4 | 2 | 7 | 5 | | | | | |
| 10 | 5 | | | 3 | | | 1 | 2 | 12511 | 17037 | 4 | 1 | 5 | 5 | | | | | |
| 11 | 4 | | | 1 | | | | 3 | 14236 | 17803 | 3 | 1 | 4 | 4 | | | | | |
| 12 | 3 | | | 1 | | | 1 | 2 | 11425 | 20915 | 1 | 2 | 3 | 3 | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | |
| TOTAL | 618 | 41 | 8 | 18 | 56 | 10 | 54 | 413 | 4150 | 9840 | 472 | 99 | 605 | 368 | 602 | 4 | | 12 | |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

OTHER DOD

PAY PLAN - GS

| GRADE | TOTAL EMP | IMMEDIATE ANNUITY ELIGIBLE | RETI- RED | LESS 5-YRS SVC | SEVERENCE PAY | AVG ANNUAL SALARY | NUMBER OF REG | FFGLT OPT | CSC RETI- ETS | TOTAL VLT PRENC | CAREER / FT | CAREER COND | TEMPORARY FT | PI | I |
|-------|-----------|----------------------------|--------------|----------------------|------------------|-------------------------|------------------|--------------|---------------------|-----------------------|----------------|----------------|-----------------|----|---|
| 01 | | | | | | | | | | | | | | | |
| 02 | | | | | | | | | | | | | | | |
| 03 | | | | | | | | | | | | | | | |
| 04 | 1 | | | 1 | 1 | 730 | 1 | | 1 | 1 | 1 | | | | |
| 05 | 1 | | | | 1 | 5034 | 1 | | 1 | 1 | 1 | | | | |
| 06 | | | | | | | | | | | | | | | |
| 07 | 1 | | 1 | | | 12626 | | | 1 | 1 | 1 | | | | |
| 08 | | | | | | | | | | | | | | | |
| 09 | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | |
| TOTAL | 3 | | | 1 | 2 | 2662 | 2 | 1 | 3 | 2 | 3 | | | | |

PAY PLAN - WG

| | |
|-------|--|
| 01 | |
| 02 | |
| 03 | |
| 04 | |
| 05 | |
| 06 | |
| 07 | |
| 08 | |
| 09 | |
| 10 | |
| 11 | |
| 12 | |
| 13+ | |
| OTHER | |
| TOTAL | |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

MARDAC-10958

OTHER DOD

PAY PLAN - WS

| GRADE | TOTAL EMP | IMMEDIATE ANNUITY ELIGIBLE | 55/30 60/20 62/20 50/20 XX/25 | RETIRED | LESS 5-YRS SVC | SEVERANCE PAY | N AVG\$ | AVG ANNUAL SALARY | NUMBER OF REG | FGLI | OPT | CSC | RETIR-ELS | TOTAL VET PRFNC | CAREER / FT | CAREER COND | PT | TEMPORARY | PT | I |
|-------|-----------|----------------------------|-------------------------------|---------|----------------|---------------|---------|-------------------|---------------|------|-----|-----|-----------|-----------------|-------------|-------------|----|-----------|----|---|
|-------|-----------|----------------------------|-------------------------------|---------|----------------|---------------|---------|-------------------|---------------|------|-----|-----|-----------|-----------------|-------------|-------------|----|-----------|----|---|

| | | | | | | | | | | | | | | | | | | | | |
|-------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 01 | | | | | | | | | | | | | | | | | | | | |
| 02 | | | | | | | | | | | | | | | | | | | | |
| 03 | | | | | | | | | | | | | | | | | | | | |
| 04 | | | | | | | | | | | | | | | | | | | | |
| 05 | | | | | | | | | | | | | | | | | | | | |
| 06 | | | | | | | | | | | | | | | | | | | | |
| 07 | | | | | | | | | | | | | | | | | | | | |
| 08 | | | | | | | | | | | | | | | | | | | | |
| 09 | | | | | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | | |
| TOTAL | | | | | | | | | | | | | | | | | | | | |

PAY PLAN - OTHER

| | | | | | | | | | | | | | | | | | | | | |
|-------|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 01 | | | | | | | | | | | | | | | | | | | | |
| 02 | | | | | | | | | | | | | | | | | | | | |
| 03 | | | | | | | | | | | | | | | | | | | | |
| 04 | | | | | | | | | | | | | | | | | | | | |
| 05 | | | | | | | | | | | | | | | | | | | | |
| 06 | | | | | | | | | | | | | | | | | | | | |
| 07 | | | | | | | | | | | | | | | | | | | | |
| 08 | | | | | | | | | | | | | | | | | | | | |
| 09 | | | | | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | | | |
| OTHER | 1 | | | | | | | | | | | | | | | | | | | |
| TOTAL | 1 | | | | | | | | | | | | | | | | | | | |

3328
3328

Figure 1 (Continued)
CHARACTERISTICS OF DCD COMMISSARY EMPLOYEES

WARDAC-10958

| OTHER DDC | | | | | | | | | | | | | | | |
|------------------|-------|-----------|---------|----------|--------------|---------------|------------------|---------------|------------------|-----|-----|--------------|-----|-------|----------|
| PAY PLAN - TOTAL | | | | | | | | | | | | | | | |
| GRADE | TOTAL | IMMEDIATE | ANNUITY | ELIGIBLE | RETI- RED | LESS 5-YRS | SEVERENCE PAY | AVG ANNUAL | NUMBER OF REG | REG | OPT | RETI- BES | CSC | TOTAL | CAREER / |
| EMP | 55/30 | 60/20 | 62/05 | 50/20 | XX/25 | SVC | N | SALARY | REG | OPT | OPT | BES | FT | PT | COND |
| 01 | | | | | | | | | | | | | | | |
| 02 | | | | | | | | | | | | | | | |
| 03 | | | | | | | | | | | | | | | |
| 04 | 1 | | | | | 1 | 1 | 730 | 1 | | | 1 | 1 | 1 | 1 |
| 05 | 1 | | | | | | 1 | 5034 | 1 | | | 1 | 1 | 1 | 1 |
| 06 | | | | | | | | | | | | | | | |
| 07 | 1 | | | | | | | 12626 | | | 1 | 1 | 1 | 1 | 1 |
| 08 | | | | | | | | | | | | | | | |
| 09 | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | |
| OTHER | 1 | | | | | | | 3328 | | | | | | | |
| TOTAL | 4 | 1 | | | | 1 | 2 | 2882 | 2 | 1 | 1 | 3 | 2 | 2 | 3 |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

TOTAL DOD

PAY PLAN - GS

| GRADE EMP | IMMEDIATE ANNUITY ELIGIBLE | | | | | | RETI- RED | LESS 5-YRS SVC | SEVERANCE | | AVG ANNUAL SALARY | NUMBER OF FECLE REG | | CSC RETI- EES | TOTAL VET PRFNC | | CAREER / CAREER CUND | | TEMPORARY | | |
|---------------|----------------------------|-------|-------|-------|-------|-------|--------------|----------------------|-----------|-------|-------------------------|---------------------------|------|---------------------|-----------------------|------|-------------------------|-----|-----------|-----|-----|
| | 55/30 | 60/20 | 62/05 | 50/20 | XX/20 | XX/20 | | | N | AVG | | OPT | FT | | FT | PT | FT | PT | FT | PT | I |
| 01 | 70 | | | | | | 3 | 32 | 28 | 451 | 5407 | 19 | | 9 | 35 | 6 | 29 | 2 | 8 | | 13 |
| 02 | 529 | 3 | | | | | 2 | 334 | 326 | 587 | 6162 | 179 | | 60 | 365 | 58 | 224 | 79 | 75 | 8 | 8 |
| 03 | 3643 | 13 | 16 | 49 | 47 | 4 | 25 | 1739 | 2914 | 1600 | 7343 | 2143 | | 458 | 3155 | 483 | 2645 | 354 | 237 | 26 | 48 |
| 04 | 1065 | 10 | 15 | 25 | 60 | 5 | 21 | 181 | 881 | 3524 | 8671 | 781 | | 123 | 1024 | 223 | 1007 | 10 | 35 | 79 | 101 |
| 05 | 546 | 14 | 18 | 8 | 55 | 11 | 17 | 40 | 410 | 5197 | 9913 | 428 | | 73 | 530 | 173 | 531 | 3 | 10 | 1 | |
| 06 | 213 | 12 | 6 | 4 | 32 | 3 | 8 | 13 | 150 | 6713 | 11162 | 163 | | 37 | 212 | 95 | 211 | | 1 | | |
| 07 | 214 | 16 | 4 | 3 | 45 | 10 | 10 | 10 | 120 | 7471 | 12116 | 157 | | 44 | 206 | 121 | 205 | 1 | 1 | | |
| 08 | 87 | 7 | 2 | 3 | 21 | 4 | 7 | 5 | 40 | 9051 | 13362 | 61 | | 19 | 82 | 70 | 83 | | 8 | | |
| 09 | 158 | 17 | 3 | | 26 | 6 | 14 | 14 | 87 | 9823 | 14576 | 113 | | 41 | 152 | 129 | 152 | | 4 | | |
| 10 | 106 | 12 | 2 | | 24 | 6 | 5 | 12 | 55 | 8969 | 15596 | 68 | | 37 | 104 | 90 | 103 | | 3 | | |
| 11 | 169 | 19 | 3 | 3 | 36 | 11 | 18 | 20 | 96 | 11165 | 17319 | 121 | | 55 | 180 | 162 | 183 | | 4 | | |
| 12 | 116 | 33 | | | 20 | 9 | 11 | 6 | 43 | 14259 | 20483 | 67 | | 44 | 115 | 107 | 116 | | | | |
| 13+ | 29 | 6 | 1 | | 5 | 2 | 5 | 1 | 10 | 19555 | 23868 | 16 | | 12 | 28 | 26 | 29 | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | 6965 | 162 | 70 | 95 | 371 | 68 | 146 | 2407 | 5160 | 3023 | 8833 | 4316 | 1012 | 6188 | 1743 | 5518 | 449 | 252 | 392 | 115 | 162 |
| PAY PLAN - WG | | | | | | | | | | | | | | | | | | | | | |
| 01 | 80 | | | | | | | | | | | | | | | | | | | | |
| 02 | 326 | 13 | 12 | 14 | 23 | 1 | 31 | 47 | 55 | 871 | 7306 | 25 | | 16 | 56 | 23 | 45 | 1 | 13 | 3 | 9 |
| 03 | 142 | | | 2 | 7 | 1 | 2 | 410 | 555 | 1697 | 7652 | 449 | | 145 | 643 | 393 | 478 | 167 | 82 | 38 | 36 |
| 04 | 4204 | 70 | 71 | 104 | 202 | 15 | 413 | 52 | 66 | 1812 | 8275 | 53 | | 24 | 84 | 80 | 79 | 1 | 42 | 1 | 19 |
| 05 | 2795 | 79 | 65 | 84 | 251 | 40 | 224 | 1476 | 2942 | 2918 | 8509 | 2700 | | 663 | 3008 | 2889 | 3496 | 236 | 172 | 39 | 92 |
| 06 | 629 | 33 | 20 | 9 | 114 | 27 | 52 | 645 | 1913 | 3804 | 9351 | 2078 | | 348 | 2603 | 1939 | 2576 | 88 | 108 | 23 | 10 |
| 07 | 32 | 2 | 1 | | 7 | 1 | 52 | 38 | 367 | 5210 | 9976 | 506 | | 76 | 608 | 525 | 615 | 1 | 69 | 7 | 2 |
| 08 | 2267 | 77 | 38 | 101 | 184 | 30 | 166 | 404 | 1616 | 4954 | 10843 | 1723 | | 331 | 2181 | 1817 | 2201 | 5 | 1 | 1 | 4 |
| 09 | 6 | | | 1 | | | | 2 | 4 | 5950 | 11630 | 4 | | 1 | 10 | 9 | 10 | | 1 | | |
| 10 | 10 | | 1 | 1 | | | 1 | 2 | 7 | 6344 | 11458 | 9 | | 1 | 1 | 1 | 1 | | | | |
| 11 | | | | | | | | | 1 | 1900 | 11283 | 2 | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | 10993 | 274 | 208 | 316 | 788 | 121 | 890 | 3077 | 7543 | 3589 | 9374 | 7572 | 1607 | 10027 | 7761 | 9534 | 409 | 145 | 425 | 107 | 172 |

Figure 1 (Continued)
CHARACTERISTICS OF DOD COMMISSARY EMPLOYEES

TOTAL DOD

PAY PLAN - WS

| GRADE | TOTAL EMP | IMMEDIATE 55/50 | ANNUITY 60/20 | ELIGIBLE 62/65 | 50/20 | XX/20 | RETIRED MIL | LESS 5-YRS SVC | SEVERANCE PAY | AVG ANNUAL SALARY | NUMBER OF FEGLI REG | NUMBER OF UP1 | CSC RE TIR - EES | TOTAL VET PRFNC | CAREER / FT | COND PT | TEMPORARY FT | PT | I |
|-------|-----------|-----------------|---------------|----------------|-------|-------|-------------|----------------|---------------|-------------------|---------------------|---------------|------------------|-----------------|-------------|---------|--------------|----|---|
| 01 | 22 | 2 | 2 | 4 | 4 | | | | 16 | 5429 | 10503 | 17 | 4 | 22 | 16 | 22 | | | |
| 02 | 35 | 1 | 4 | 10 | 20 | 1 | 2 | 4 | 25 | 5581 | 11540 | 30 | 4 | 38 | 30 | 39 | | | |
| 03 | 140 | 11 | 4 | 20 | 19 | 13 | 16 | 7 | 78 | 7173 | 11845 | 117 | 15 | 133 | 117 | 138 | 1 | | |
| 04 | 139 | 14 | 2 | 4 | 19 | 13 | 6 | 6 | 79 | 7786 | 12406 | 105 | 27 | 135 | 115 | 136 | 2 | | |
| 05 | 109 | 19 | 2 | 1 | 35 | 9 | 4 | 2 | 39 | 7787 | 12882 | 91 | 15 | 106 | 100 | 108 | 1 | | |
| 06 | 80 | 13 | 2 | 20 | 20 | 5 | 2 | 2 | 37 | 8348 | 13768 | 57 | 18 | 77 | 73 | 79 | | | 1 |
| 07 | 80 | 7 | 4 | 12 | 12 | 3 | 6 | 2 | 48 | 9796 | 14237 | 62 | 15 | 80 | 80 | 80 | | | |
| 08 | 92 | 5 | 1 | 3 | 19 | 3 | 6 | 3 | 55 | 10515 | 14308 | 71 | 19 | 92 | 81 | 92 | | | |
| 09 | 3 | | | | | | | | 2 | 14865 | 16799 | 3 | | 3 | 3 | 3 | | | |
| 10 | | | | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | | | | | | |
| 13+ | | | | | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | | | | | |
| TOTAL | 704 | 70 | 13 | 16 | 140 | 40 | 42 | 26 | 379 | 8158 | 12891 | 553 | 117 | 686 | 601 | 697 | 4 | | 1 |

PAY PLAN - OTHER

| | | | | | | | | | | | | | | | | | | | | |
|-------|-----|----|----|----|----|----|----|----|-----|-------|-------|-----|----|-----|-----|-----|---|-----|----|----|
| 01 | 20 | | | | | | | | | | | | | | | | | | | |
| 02 | 9 | 1 | 1 | | | | | 1 | 5 | 4795 | 4747 | 6 | | 7 | 2 | | 1 | 9 | 10 | |
| 03 | 8 | | | | | | | 4 | 6 | 1974 | 7898 | 4 | | 4 | 6 | | | 2 | | |
| 04 | 217 | 6 | 3 | 9 | 25 | 5 | 30 | 23 | 133 | 4876 | 7374 | 174 | 17 | 207 | 4 | 7 | 1 | | | |
| 05 | 175 | 21 | 5 | 4 | 31 | 9 | 9 | 9 | 94 | 9885 | 9885 | 145 | 19 | 207 | 172 | 207 | 7 | | | |
| 06 | 21 | 7 | | 1 | 4 | | 2 | 1 | 7 | 5965 | 11492 | 19 | 2 | 171 | 139 | 172 | 2 | 1 | | |
| 07 | | | | | | | | | | 10147 | 11492 | 19 | | 21 | 17 | 21 | | | | |
| 08 | 204 | 12 | 8 | 4 | 32 | 7 | 8 | 6 | 132 | 6895 | 11995 | 170 | 27 | 201 | 170 | 203 | | | | |
| 09 | 3 | 1 | | | 1 | | | 1 | 1 | 1469 | 13554 | 2 | 1 | 3 | 2 | 3 | | | | |
| 10 | | | | | | | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | | | | | | | |
| 12 | 1 | | | | | | | 1 | 1 | 5308 | 18403 | 1 | | 1 | 1 | 1 | | | | |
| 13+ | 1 | | | | | | | 1 | 1 | 2122 | 9197 | 1 | | 1 | 1 | 1 | | | | |
| OTHER | 277 | 1 | | | | | | 7 | 8 | 1739 | 4660 | 19 | 6 | 78 | 10 | 7 | | | | |
| TOTAL | 936 | 49 | 17 | 18 | 94 | 21 | 49 | 54 | 388 | 5851 | 8901 | 541 | 72 | 694 | 524 | 629 | 1 | 111 | 72 | 79 |
| | | | | | | | | | | | | | | | | | 1 | 122 | 84 | 89 |

(continued)

| TOTAL DOLLAR | | | | | | | | | | | | | | | | | | |
|------------------|-----------|-----------------|---------------|----------------|-------------|-------------|----------------|-------|-----------------------------|---------------------|---------------|---------------|--------------------------|--------|--------------|-----|-----|-----|
| PAY PLAN - TOTAL | | | | | | | | | | | | | | | | | | |
| GRADE | TOTAL EMP | IMMEDIATE 55/50 | ANNUITY 60/20 | ELIGIBLE 62/25 | 50/20 XX/25 | RETIRED MIL | LESS 5-YRS SVC | PAY N | SEVERANCE AVG ANNUAL SALARY | NUMBER OF FEGLI REG | OF ALTIR- EES | CSC VET PRFNC | TOTAL CAREER / CAREER PT | COND I | TEMPORARY FT | PT | I | |
| 01 | 192 | 2 | 13 | 14 | 4 | 4 | 19 | 99 | 1489 | 6720 | 61 | 29 | 113 | 47 | 17 | 23 | 20 | 32 |
| 02 | 1403 | 18 | 20 | 55 | 75 | 35 | 149 | 911 | 1425 | 7231 | 664 | 209 | 1053 | 487 | 748 | 157 | 66 | 84 |
| 03 | 3933 | 24 | 20 | 55 | 11 | 43 | 1807 | 3064 | 1747 | 7537 | 2317 | 497 | 3376 | 682 | 2869 | 281 | 80 | 120 |
| 04 | 5625 | 100 | 91 | 142 | 306 | 470 | 1686 | 4035 | 3210 | 8589 | 3760 | 830 | 5174 | 3399 | 4842 | 216 | 40 | 92 |
| 05 | 3625 | 133 | 90 | 57 | 312 | 254 | 650 | 2456 | 4183 | 9599 | 2742 | 455 | 5410 | 2411 | 3387 | 82 | 25 | 10 |
| 06 | 943 | 65 | 28 | 14 | 170 | 64 | 54 | 561 | 5880 | 10600 | 745 | 133 | 918 | 710 | 926 | 1 | 3 | |
| 07 | 326 | 25 | 7 | 14 | 64 | 17 | 13 | 185 | 7970 | 12421 | 242 | 362 | 314 | 213 | 313 | 1 | | 2 |
| 08 | 2650 | 101 | 49 | 111 | 256 | 187 | 418 | 1843 | 5348 | 11134 | 2025 | 396 | 2556 | 2138 | 2579 | 6 | 1 | 4 |
| 09 | 170 | 16 | 3 | 1 | 28 | 6 | 14 | 94 | 9676 | 14493 | 122 | 42 | 163 | 135 | 163 | 7 | | |
| 10 | 116 | 12 | 3 | 1 | 24 | 6 | 14 | 62 | 8672 | 15605 | 77 | 36 | 114 | 99 | 113 | 3 | | |
| 11 | 191 | 14 | 3 | 3 | 36 | 11 | 20 | 97 | 11069 | 17270 | 123 | 55 | 181 | 163 | 184 | 5 | | |
| 12 | 117 | 33 | | 9 | 20 | 11 | 7 | 44 | 14059 | 20456 | 68 | 44 | 116 | 108 | 117 | | | |
| 13+ | 30 | 6 | 1 | 2 | 5 | 3 | 2 | 11 | 17971 | 23375 | 17 | 12 | 29 | 27 | 30 | | | |
| OTHER | 277 | 1 | | | | | 1 | 8 | 1739 | 4600 | 19 | 6 | 78 | 10 | 7 | 111 | 72 | 79 |
| TOTAL | 19598 | 555 | 308 | 445 | 1393 | 1127 | 5504 | 13470 | 3565 | 9286 | 12902 | 2008 | 17595 | 10629 | 16378 | 949 | 398 | 423 |

Note: Average annual salaries shown consist of wages only. Total labor costs may be estimated by increasing these salaries by the following benefit rates:

- a. 9% of salary for full-time and part-time career and career-conditional employees.
- b. 7.5% of salary for full-time and part-time temporary employees.
- c. 6.5% of salary for intermittent employees.

These benefit rates include Defense expenditures (where applicable) for CS retirement or FICA, life insurance, terminal leave, workman's compensation and overtime.

APPENDIX 10-C

SALARY COSTS AND EMPLOYEE MIX BY WORK SCHEDULE

The chart on page 10C-2 shows the existing full time and other than full time commissary employee mix for all services. Also shown are the average annual salaries within each service by the various work schedules and the total annual salary costs, including benefits.

FIGURE 1

SALARY COSTS AND EMPLOYEE MIX BY WORK SCHEDULE
AS OF APRIL 1975

(US CITIZEN CIVILIANS ONLY)

| <u>Military Component</u> | <u>EMPLOYEE MIX BY WORK SCHEDULE</u> | | <u>AVERAGE ANNUAL SALARY BY WORK SCHEDULE (PER MAN YEAR INCLUDING APPLICABLE BENEFITS)</u> | | <u>TOTAL ANNUAL SALARY COSTS WITH BENEFITS</u> |
|----------------------------------|--|---------------------------------------|--|---|--|
| | <u>% Full Time</u> | <u>Other Than Full Time*</u> % | <u>Full Time</u> | <u>Part Time</u> <u>Intermittent</u> | |
| Army | 92% | 8% | \$10,185 | \$7,615 | \$ 78.8 |
| Navy | 71% | 29% | \$ 9,796 | \$8,646 | \$ 35.9 |
| Marine Corps | 99% | 1% | \$10,760 | \$8,583 | \$ 7.6 |
| Air Force | 93% | 7% | \$10,150 | \$7,544 | \$ 95.3 |
| Weighted Average All Services | 89% | 11% | \$10,122 | \$8,372 | \$217.6 |
| | | | | \$7,831 | (TOTAL) |

*Other than full time employees include part time and intermittent personnel.

APPENDIX 10-D

ANALYSIS OF POTENTIAL SAVINGS IN PERSONNEL COSTS (INCLUDING BENEFITS) THROUGH INCREASED USE OF OTHER THAN FULL TIME EMPLOYEES

The chart on page 10D-2, portrays for all services the potential savings in personnel costs which may be obtained through various combinations of full time and other than full time commissary store employees.

Entries for each service begin at the combination beyond that which currently exists; i.e., Army is about 90% full time and 10% other than full time; Navy is about 70% full time and 30% other than full time.

In the "Employee Mix" section of the chart, the percentages of other than full time personnel shown represent full time equivalents.

Current staffing authorizations are based on "average" sales volumes and as a result, provide more personnel than needed for slow business periods and an insufficient number of personnel for peak periods. Only infrequently does the actual sales volume equal the "average" sales volume on which manpower authorizations are computed.

By increasing the percentage of other than full time personnel in the employee mix, the work force can be readily adjusted to be commensurate with the work load. This would permit management to reduce the work force below current levels for the low work load periods and to increase the work force above current levels for the high work load periods. In addition to achieving substantial savings in personnel costs as shown on the charts, customer service during peak periods would be improved, potential sales losses reduced and customer savings increased.

FIGURE 1

ANALYSIS OF POTENTIAL SAVINGS IN PERSONNEL COSTS (INCLUDING BENEFITS) THROUGH
INCREASED USE OF OTHER THAN FULL TIME EMPLOYEES

| EMPLOYEE MIX BY WORK SCHEDULE | | ARMY | | NAVY | | MARINE CORPS | | AIR FORCE | | TOTAL - ALL SERVICES | |
|----------------------------------|------------------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|
| % FULL TIME | % OTHER THAN FULL TIME | SAVINGS (\$ MILLIONS) | PERCENT SAVINGS | SAVINGS (\$ MILLIONS) | PERCENT SAVINGS | SAVINGS (\$ MILLIONS) | PERCENT SAVINGS | SAVINGS (\$ MILLIONS) | PERCENT SAVINGS | SAVINGS (\$ MILLIONS) | PERCENT SAVINGS |
| 95% | 5% | | | | | \$.06 | .9% | \$.7 | .8% | \$.06 | .3% |
| 90% | 10% | \$1.2 | 1.5% | | | \$.14 | 1.8% | \$2.0 | 2.1% | \$.84 | .3% |
| 85% | 15% | \$2.2 | 2.8% | | | \$.22 | 2.9% | \$3.2 | 3.4% | \$ 3.42 | 1.6% |
| 80% | 20% | \$3.2 | 4.1% | | | \$.30 | 4.0% | \$4.5 | 4.7% | \$ 5.70 | 2.6% |
| 75% | 25% | \$4.2 | 5.3% | | | \$.38 | 5.0% | \$5.7 | 6.0% | \$ 8.08 | 3.7% |
| 70% | 30% | \$5.1 | 6.5% | \$.5 | 1.4% | \$.46 | 6.0% | \$7.0 | 7.3% | \$10.36 | 4.8% |
| 65% | 35% | \$6.1 | 7.8% | \$.8 | 2.2% | \$.54 | 7.0% | \$8.2 | 8.6% | \$13.14 | 6.0% |
| 60% | 40% | | | | | \$.61 | 8.1% | | | \$15.71 | 7.2% |

APPENDIX 12-A

ANALYSIS OF TOTAL COST

12-A.1. GENERAL.

a. This appendix presents an analysis of an estimated range of total costs (direct and indirect) of the present commissary system and the first three alternatives. Alternative 4 (Government Owned, Contractor Operated) is not portrayed because its extensive differences did not permit a meaningful comparison. FY 78 was selected for presentation in tables 2 through 5 because the unsettling impact of customer losses in FY 76, FY 77, and FY 78 will be completed. FY 78 will be the first year of operations after the absorption of 100 percent reimbursement of direct costs. For costing purposes it was assumed that all organizational changes would be fully implemented, even though, in reality, this would not be the case.

b. The tables used and their purpose are as follows:

| <u>No.</u> | <u>Table</u> | <u>Purpose</u> |
|------------|---|--|
| 1. | Alignment of Functions | Indicates classification of functions, by alternative and by Service, as direct or indirect funded. |
| 2. | Direct and Indirect Cost Comparison by Alternative | Portrays, by Service and by alternative, the functions converted to estimated dollar costs of operations by direct, indirect, and total costs for FY 1978. |
| 3. | Cost Ranking of Alternatives (Direct Costs and Total Costs) | Ranks the alternatives using the upper limit of the estimated range of direct costs and total costs for FY 1978. |
| 4. | Cost Ranking of Alternatives (Indirect Cost) | Ranks the alternatives using the estimated indirect costs for FY 1978. |
| 5. | Estimated Customer Savings Percent | Indicate estimated customer savings, by alternative and by Service, for FY 1978. |

12-A.2. DESCRIPTION OF TABLES.

a. Table 1. This table depicts certain functions for each alternative by Service and indicates whether each would be funded on a direct or indirect basis. Displayed functions include only those functions that vary between alternatives or Services for direct or indirect funding. Functions pertaining to management and operation of the stores would be included under store operations for each alternative and be funded on a direct basis; therefore, these non-varying functions were not separately identified.

b. Table 2. This table converts groups of functions to estimated dollar costs, direct or indirect, by Service and alternative, for FY 1978. Two cost estimates are provided for Alternative 2, (Consolidated Commissary/Exchange Merger) and are labeled 2A and 2B. Two estimates were used because the Study Group and the Army/Air Force Exchange Service used different percentages for calculating personnel, operating, and construction costs. Navy and Marine Corps costs are identical for both estimates.

c. Table 3 and 4. These tables reflect the same costs using the upper limit of the range of costs to rank the alternatives from the lowest to highest cost.

d. Table 5. This table reflects the estimated customer savings after consideration of 100 percent reimbursement of the direct costs displayed in tables 2 through 4.

12-A.3. ANALYSIS.

a. The variance in certain functions in alternative 1 (Centralized Separate Service) is primarily due to the method for funding the intermediate headquarters (i.e., regions and area offices); the Army and Navy versions of alternative 1 assume direct funding, while the Air Force and Marine Corps versions of alternative 1 assume indirect funding.

b. All four versions of alternative 1 assume indirect funding of the central headquarters (CMO, AF CMO, NAVRESO, CSMO).

c. Alternative 2 has the greatest direct and total costs under either estimate because installation and higher level support costs are funded on a nonappropriated/direct cost basis: whereas, in alternatives 1 and 3 (Joint Service), these costs are indirect. Conversely, this gives alternative 2 the lowest indirect costs.

d. Alternative 3 has the greatest centralization, the least direct costs, and is the overall least costly alternative. Alternative 3 receives about the same amount of indirect support as alternative 1.

NOT USED

12A-3

AS-Air Services
A-Army
N-Navy
M-Marine Corps
AF-Air Force

TABLE 1
ALIGNMENT OF FUNCTIONS
DIRECT AND INDIRECT
FUNDING

| FUNCTIONS | Present Service Commissary System | | | Alternative 1 Centralized Separate Svc Systems | | |
|-------------------------------|---------------------------------------|--|--------------------------------------|---|--|--------------------------------------|
| | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) |
| Civilian Personnel: | | | | | | |
| Employment | AS | | | AS | | |
| Promotion & Step Increases | AS | | | AS | | |
| Performance Ratings | AS | | | AS | | |
| Records Maintenance | AS | | | AS | | |
| Employee Relations | AS | | | AS | | |
| Safety | AS | | | AS | | |
| Payroll & Timekeeping | AS | | | AS | | |
| Training/Manpower | AS | | | AS | | |
| Other | AS | | | AS | | |
| Forms & Publications | AS | | | AS | | |
| Legal Services | AS | | | AS | | |
| Medical & Dental | AS | | | AS | | |
| Communications(exc telephone) | AS | | | AS | | |
| Leases | AS | | | AS | | |
| Civil Engineering: | | | | | | |
| Plant Property Acct. | AS | | | AS | | |
| Maintenance & Repairs | AS | | | AS | | |
| Refuse Collection | AS | | | AS | | |
| Snow Removal | AS | | | AS | | |
| Sanitation | AS | | | AS | | |
| Design & Cost Estimating | | AS | | | AS | A/N/M |
| Transportation & MHE | A/AF | | N/M | | | |
| Finance & Accounting | | | N/M | | M/AF | A/N |
| Preparation of Vouchers | A/AF | | | | | |
| Payment of Vouchers | AS | | | AS | | |
| Maintenance of Accts. | A/M/AF | | N/M | | M/AF | A/N |
| Auditing (Internal) | AS | N/M | | | AS | |
| Auditing (External) | AS | | | | AS | |
| Data Processing | A/AF | AS | N/M | | AS | A/N |
| Inventory Control | | | AS | | M/AF | A/N |

12 A 14

FY78

AS-All Services
A- Army
N- Navy
M- Marine Corps
AF- Air Force

TABLE 1 (Continued)
ALIGNMENT OF FUNCTIONS
DIRECT AND INDIRECT
FUNDING

| FUNCTIONS | Alternative 2 Consolidated Commissary/Exchange Systems | | | | Alternative 3 Joint Service Comsys Store Agency | | | |
|--------------------------------|---|--|--------------------------------------|--|--|--|--------------------------------------|--|
| | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) | | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) | |
| Civilian Personnel: | | | | | | | | |
| Employment | | | AS | | AS | AS | | |
| Promotion & Step Increases | | | AS | | AS | | | |
| Performance Ratings | | | AS | | AS | | | |
| Records Maintenance | | | AS | | AS | | | |
| Employee Relations | | | AS | | AS | | | |
| Safety | | | AS | | AS | | | |
| Payroll & Time Keeping | | | AS | | AS | | | |
| Training/Manpower | | | AS | | AS | | | |
| Other | | | AS | | AS | | | |
| Forms & Publications | | | AS | | AS | | | |
| Legal Services | | | AS | | AS | | | |
| Medical & Dental | AS | | AS | | AS | | | |
| Communications (exc telephone) | AS | | AS | | AS | | | |
| Leases | | | AS | | AS | | | |
| Civil Engineering: | | | | | | | | |
| Plant Property Acct. | AS | | | | | AS | | |
| Maintenance & Repairs | AS | | | | AS | | | |
| Refuse Collection | AS | | | | AS | | | |
| Snow Removal | AS | | | | AS | | | |
| Sanitation | AS | | | | AS | | | |
| Design & Cost Estimating | | | AS | | | | | |
| Transportation & MHE | | | AS | | | | | |
| Finance & Accounting: | | | | | | | | |
| Preparation of Vouchers | | | AS | | | AS | | |
| Payment of Vouchers | | | AS | | | | | |
| Maintenance of Accts. | | | AS | | AS | | | |
| Auditing (Internal) | | | AS | | | | | |
| Auditing (External) | | AS | AS | | | | | |
| Data Processing | | | AS | | | | | |
| Inventory Control | | | AS | | | | | |

AS-All Services
A-Army
N-Navy
M-Marine Corps
AF-Air Force

TABLE 1 (Continued)
ALIGNMENT OF FUNCTIONS
DIRECT and INDIRECT
FUNDING

| FUNCTIONS | Present Service Commissary System | | | Alternative 1 Centralized Separate Svc Systems | | |
|--------------------------|-----------------------------------|----------------------------------|--------------------------------|--|----------------------------------|--------------------------------|
| | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) |
| Budgeting: | | | | | | |
| Surcharge Control | | AS | | | AS | |
| Cash Investments | | | | | AS | |
| Reimbursements | | A | N/M/AF | | A/M/AF | N |
| Accountability of Resale | | | | | | |
| Stocks | | | AS | | M | A/N/AF |
| Field Assistance | | AS | N/M | | M/AF | A/N |
| Procurement: | | | | | | |
| Local | A/AF | | N/M | | M/AF | A/N |
| DPSC | | AS | | | M/AF | A/N |
| Security | AS | | N/M | | | |
| Fire Protection | AS | | | AS | | |
| Veterinarian | AS | | | AS | | |

12A.6

NOTES: 1. Installation Support - functions performed at store level by the host installation at no cost to the commissary store.

2. Above Installation Support - functions performed above store level by commissary functional personnel or other personnel outside of the commissary organization and which are not charged as direct costs to the commissary system.

3. Store Level & Above - functions being performed at either store level or intermediate headquarters, such as field or regional offices, and which are considered as a direct cost to the commissary system.

AS-All Services
A-Army
N-Naval
M-Marine Corps
AF-Air Force

TABLE 1 (Continued)
ALIGNMENT OF FUNCTIONS
DIRECT and INDIRECT
FUNDING

| FUNCTIONS | Alternative 2 | | | Alternative 3 | | |
|--------------------------|--|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| | Consolidated Commissary/Exchange Systems | | | Joint Service Comsy Store Agency | | |
| | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) | INSTALLATION SUPPORT (INDIRECT) | ABOVE INSTAL. SUPPORT (INDIRECT) | STORE LEVEL AND ABOVE (DIRECT) |
| Budgeting: | | | | | | |
| Surcharge Control | | | AS | | AS | |
| Cash Investment | | | AS | | AS | |
| Reimbursements | | | AS | | AS | |
| Accountability of Resale | | | | | | |
| Stocks | | | AS | | | AS |
| Field Assistance | | | AS | | AS | |
| Procurement: | | | | | | |
| Local | | | AS | | AS | |
| DPSC | | | | | AS | |
| Security | AS | | AS | | AS | |
| Fire Protection | AS | | | AS | AS | |
| Veterinarian | AS | | | AS | | |

- NOTES: 1. Installation Support - functions performed at store level by the host installation at no cost to the commissary store.
2. Above Installation Support - functions performed above store level by commissary functional personnel or other personnel outside of the commissary organization and which are not charged as direct costs to the commissary system.
3. Store Level & Above - functions being performed at either store level or intermediate headquarters, such as field or regional offices, and which are considered as a direct cost to the commissary system.

TABLE 2
DIRECT and INDIRECT COSTS
COMPARISON BY ALTERNATIVES
MILLIONS OF DOLLARS
(Explanatory notes at end of table.)

| FY78 ALTERNATIVES | (1) Store Level Costs: Personnel | (2) Operating Costs | | (3) Construction Costs | | (4) Total Direct Costs | | (5) Above Store Region/ Complex | (6) Level Personnel Headquarters | (7) Support Costs (CPO, F & AO, etc.) |
|----------------------------------|---|---------------------------|--------|------------------------------|--------|---------------------------------|---------|--|--|--|
| | | Low | High | Low | High | Low | High | | | |
| PRESENT SYSTEM | | | | | | | | | | |
| A | 88.1 | 20.0 | 23.3 | 8.9 | 10.2 | 117.0 | 121.6 | (7) | (7) | |
| N | 56.2 | 12.4 | 16.7 | 10.0 | 10.0 | 78.6 | 82.9 | (1) | (7) | |
| MC | 9.3 | 2.9 | 3.4 | 0.8 | 0.8 | 13.0 | 13.5 | (7) | (7) | |
| AF | 111.4 | 28.8 | 33.1 | 9.6 | 11.0 | 149.8 | 155.5 | (7) | (7) | |
| TOTAL | \$265.0 | \$64.1 | \$76.5 | \$29.3 | \$32.0 | \$358.4 | \$373.5 | | | \$44 |
| ALT 1 Cent. Separate Svc Systems | | | | | | | | | | |
| A | 79.7 | 19.7 | 23.3 | 8.7 | 10.0 | 108.1 | 113.0 | (1) | (7) | |
| N | 49.5 | 12.4 | 16.5 | 10.0 | 10.0 | 71.9 | 76.0 | (1) | (7) | |
| MC | 9.3 | 2.7 | 3.8 | 0.8 | 0.8 | 12.8 | 13.9 | (7) | (7) | |
| AF | 106.6 | 28.8 | 33.1 | 9.6 | 11.0 | 145.0 | 150.7 | (7) | (7) | |
| TOTAL | \$245.1 | \$63.6 | \$76.7 | \$29.1 | \$31.8 | \$337.8 | \$353.6 | | | \$30 |
| ALT 2A Consol. Comsy/Exc Systems | | | | | | | | | | |
| A/AF (AAFES Est.) | 199.9 | 223.4 | 56.2 | 62.8 | 18.2 | 20.3 | 274.3 | 306.5 | (1) | (1) |
| N | 50.4 | 50.4 | 25.1 | 25.1 | 10.9 | 10.9 | 86.4 | 86.4 | (1) | (1) |
| MC | 7.5 | 8.4 | 2.2 | 2.5 | 0.8 | 0.9 | 10.5 | 11.8 | (1) | (1) |
| TOTAL | \$257.8 | \$282.2 | \$83.5 | \$90.4 | \$29.9 | \$32.1 | \$371.2 | \$404.7 | | |
| ALT 2B Consol. Comsy/Exc Systems | | | | | | | | | | |
| A/AF (Study Group Estimate) | 210.2 | 236.3 | 69.5 | 78.0 | 18.0 | 20.3 | 297.7 | 334.6 | (1) | (1) |
| Total (Incl N&MC Above) | \$268.1 | \$295.1 | \$96.8 | \$105.6 | \$29.7 | \$32.1 | \$394.6 | \$432.8 | | |
| ALT 3 Joint Service Commissary | | | | | | | | | | |
| Store Agency (JSCSA) | \$234.7 | \$64.1 | \$73.4 | \$25.7 | \$29.0 | \$324.5 | \$337.1 | (6) | \$24.6 | \$7 |

(Numbers in parenthesis indicate column in which costs are included. See Note 1 to Table 2.)

TABLE 2 (Continued)
DIRECT vs INDIRECT COSTS
COMPARISON BY ALTERNATIVES
MILLIONS OF DOLLARS
(Explanatory notes at end of table.)

12A-9

| FY78 | | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
|---|--|-------------------|-------|------------------------------|------------------------|----------|----------------|---|---|
| ALTERNATIVES | | Local Procurement | ADP | Second nation Transportation | Interest On Stock Fund | Training | Other Indirect | Total Indirect Costs (Col 5 thru 13, \$61.5 Million, (see Note 11)) | Total Costs (Dir. & Indir) (col 4 & 14) |
| PRESENT SYSTEM | | | | | | | | | Low High |
| A | | (7) | (7) | (7) | | | | | |
| N | | (1) | (7) | (7) | | | | | |
| MC | | (7) | (7) | (7) | | | | | |
| AF | | (7) | (7) | (7) | | | | | |
| TOTAL | | | | | \$22 | \$6 | \$25 | \$158.5 | \$516.9 \$532.0 |
| ALT 1 Cent Senarate Svc Systems | | | | | | | | | |
| A | | (7) | (7) | (7) | | | | | |
| N | | (7) | (7) | (7) | | | | | |
| MC | | (7) | (7) | (7) | | | | | |
| AF | | (7) | (7) | (7) | | | | | |
| TOTAL | | | | | \$22 | \$6 | \$25 | \$144.5 | \$482.3 \$498.1 |
| ALT 2A Consol Comsy/Exc Systems | | | | | | | | | |
| A/AF (AAFES Est) | | (1) | (1) | (1) | | | | | |
| N | | (1) | (2) | (2) | | | | | |
| MC | | (1) | (1) | (1) | | | | | |
| TOTAL | | | | | \$21 | \$3 | \$25 | \$110.5 | \$481.7 \$515.2 |
| ALT 2B Consol Comsy/Exc Systems | | | | | | | | | |
| A/AF (Study Group Estimate) | | (1) | (1&2) | (1&2) | | | | | |
| Total (Incl N&MC Above) | | | | | \$21 | \$3 | \$25 | \$110.5 | \$505.1 \$543.3 |
| ALT 3 Joint Service Commissary Store Agency (JSCSA) | | (7) | (7) | (1) | \$21 | \$3 | \$23 | \$140.1 | \$464.6 \$477.2 |

(Numbers in parenthesis indicate column in which costs are included. See Note 1 to Table 2.)

NOTES: (For Table 2)

1. Columns 1 through 4 contain two figures which indicate the lower and upper limits of the range of direct costs. The costs are derived from the Study Group cost analysis model (Chapter 3) and are obtained from the chapter or appendix discussing the appropriate alternative (Chapters or Appendices 4 through 8). Columns 5 through 14 contain indirect costs. In most cases there is no requirement by the Services to account for these costs, so estimates are based on inconsistent and incomplete data. These costs are also estimated on a range of costs, but, to be conservative, only the upper limit of the range has been included in the table. Some columns contain a number in parenthesis, rather than costs, which indicates the column in which the appropriate functional cost appears.
2. Col 5 contains the region or complex headquarters personnel costs.
3. Col 6, headquarters personnel costs, are included in other columns, except for alternative 3 which separately identifies headquarters costs.
4. Col 7, support costs at installation and higher level, have been developed from factors on a per-installation basis.
5. Col 8 contains local procurement personnel costs.
6. Col 9 contains the ADP costs, primarily personnel.
7. Col 10 contains the second destination transportation costs. First destination transportation costs are generally included in the cost of goods sold. Overseas transportation costs, which equate to an estimated \$59 million for all Services, are not included in any alternative.
8. Col 11, interest on the stock fund, was computed at 10 percent per year on the average inventory.
9. Col 12, training costs, are estimated for all Services based on the estimated costs for one Service.
10. Col 13, other indirect costs, includes an estimate of \$18 million for building maintenance and miscellaneous costs for veterinary services, safety, health inspections, civil engineering, etc.
11. The following additional indirect costs were held constant for all alternatives and are included in total indirect costs: Wholesale level (DPSC costs and losses to the DOD stock fund), \$36.5m, and rent (GSA census weighted annual average of \$1.48 per square foot), \$25m.

Table 3
Cost Ranking of Alternatives
By Direct Costs and Total Costs
(Using the Upper Limit of the Range of Costs)
FY78

| <u>Alternative</u> | <u>Direct</u> | | <u>Indirect</u> | <u>Total</u> | |
|--------------------|---------------|-------------|-----------------|--------------|-------------|
| | <u>Low</u> | <u>High</u> | | <u>Low</u> | <u>High</u> |
| 3 | 324.5 | 337.1 | 140.1 | 464.6 | 477.2 |
| 1 | 337.8 | 353.6 | 144.5 | 482.3 | 498.1 |
| 2A | 371.2 | 404.7 | 110.5 | 481.7 | 515.2 |
| Present | | | | | |
| System | 358.4 | 373.5 | 158.5 | 516.9 | 532.0 |
| 2B | 394.6 | 432.8 | 110.5 | 505.1 | 543.3 |

Table 4
Cost Ranking of Alternatives
By Indirect Cost
FY78

| <u>Alternative</u> | <u>Direct</u> | | <u>Indirect</u> | <u>Total</u> | |
|--------------------|---------------|-------------|-----------------|--------------|-------------|
| | <u>Low</u> | <u>High</u> | | <u>Low</u> | <u>High</u> |
| 2A | 371.2 | 404.7 | 110.5 | 481.7 | 515.2 |
| 2B | 394.6 | 432.8 | 110.5 | 505.1 | 543.3 |
| 3 | 324.5 | 337.1 | 140.1 | 464.6 | 477.2 |
| 1 | 337.8 | 353.6 | 144.5 | 482.3 | 498.1 |
| Present | | | | | |
| System | 358.4 | 373.5 | 158.5 | 516.9 | 532.0 |

Table 5
Estimated Customer Savings Percent
FY78

| <u>PRESENT SYSTEM</u> | <u>Low</u> | <u>High</u> |
|---|------------|-------------|
| A | 12.8 | 14.0 |
| N | 11.2 | 12.9 |
| MC | 12.2 | 13.7 |
| AF | 12.5 | 13.6 |
| ALT.1 Centralized Separate Service Systems | | |
| A | 13.5 | 14.7 |
| N | 12.5 | 13.9 |
| MC | 12.5 | 13.3 |
| AF | 12.9 | 14.0 |
| ALT. 2A Consolidated Commissary Exchange Systems | | |
| A/AF (AAFES Est.) | 13.3 | 13.3 |
| N | 12.3 | 13.9 |
| MC | 14.1 | 14.2 |
| ALT.2B Consolidated Commissary Exchange Systems | | |
| A/AF (Study Group Est.) | 11.9 | 11.9 |
| ALT. 3 Joint Service Commissary Store Agency (JSCSA) | | |
| | 13.4 | 14.3 |

APPENDIX 13-A

STAFFING COMMENTS AND RECOMMENDATIONS (ARMY)

This appendix contains (Pages 13A-2 through 13A-4) comments and recommendations received from Department of the Army during the staffing of the draft study report. Actions taken by the study group on each of the comments and recommendations are contained at pages 13A-5 through 13A- .



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20310

28 MAY 1975

MEMORANDUM FOR: DEPUTY ASSISTANT SECRETARY OF DEFENSE
(MILITARY PERSONNEL POLICY)

SUBJECT: Departmental Review of Draft Report on the DOD Study
of Military Commissary Stores

Reference is made to your memorandum dated 14 May 1975.

Concur in the draft report subject to the comments and recommendations set forth in the inclosed discussion.

1 Incl
As stated

Paul D. Phillips
Acting Assistant Secretary of the Army
(Manpower and Reserve Affairs)



COMMENTS AND RECOMMENDATIONS CONCERNING THE
STUDY OF MILITARY COMMISSARY STORES

All references to military commissary stores becoming "self-supporting" or "self-sustaining" as a result of PBD 282 should be changed to specify the requirement for reimbursement to appropriated funds for the costs of military and civilian commissary store personnel and oversea utilities in addition to those expenses currently requiring reimbursement in compliance with Section 814 of the DOD Appropriations Act.

Centralized management for Army commissaries, as envisioned in the report, will necessitate maximum effort being devoted to the development of an automated system which can respond to the regional and central management concept.

The recommended alternative for the Army is based in part on a store level savings of 2610 personnel (page 6A-11, Volume II). A manpower savings of approximately 25 percent for the Army appears to be questionable. Recommend that this area be reviewed and either additional supporting data be furnished or the stated reduction in spaces be revised. Conversely, the estimate of only 177 personnel to staff field offices and perform the functions assigned (e.g., central procurement, accounting, budget, and fund control) appears to be conservative and could result in an overstated savings attributable to Alternative 1.

Assuming that requisite authority can be obtained to invest surcharge funds to generate additional revenue, such investment should be limited to funds accumulated for constructing and equipping commissary stores. Reimbursement of expenses incurred by the Operation and Maintenance Appropriation (OMA) must be made more frequently than at present (i.e., on a 15 day cycle to improve cash management).

Since the central management concept withdraws responsibility for management and supervision from Army major and installation commanders, yet continues to rely on them for various support functions, and will possibly impact on installation commissary operations, it will be essential that these commanders review and concur in the proposed concept prior to any action being taken to implement it.

The implications of operating an additional stock fund on an installation should be reviewed carefully, especially from the manpower and ADP resource requirements. In addition, the Phase II plan for the Worldwide Integrated Management of Subsistence (WIMS) by the Defense Supply Agency should be considered to avoid a future conflict.

Concurrent with the implementation of Alternative 1 early action should be initiated to progress toward the further development of Alternative 3 in order to achieve the maximum savings inherent in a system which can employ standard procedures in budgeting, financial management, procurement, item selection and stockage, and ADP systems.

It is recognized that a joint service commissary store agency would require extensive development; encounter many obstacles and would be disruptive to the commissary systems. There appears, however, to be areas where commonality can be achieved, under Alternative 1, with resulting dollar savings for all services. Examples are: (1) Description, listing, and acquisition of commissary operating equipment; (2) Layout and design of store facilities and (3) Uniform stockage and sale of merchandise categories.

STUDY GROUP CONSIDERATIONS AND ACTIONS

Following are the considerations and actions taken by the study group with respect to the staffing comments and recommendations received from the Department of the Army. Paragraphs are sequenced in the order listed in the Army reply.

a. Use of Terms "Self-supporting" and "Self-sustaining". Recommendation adopted.

b. Development of Automated System. Comment concurred in. This comment reinforces the conclusions and recommendations expressed throughout the study concerning the requirement for an automated management and information system under the central management concept. Further consideration of this comment is stated in paragraph 13-2.b., Volume I.

c. Manpower Savings. Recommendation adopted with respect to the estimated personnel savings at store level under the central management concept. Additional supporting information concerning the estimated savings of 2610 personnel has been included in Appendix 4-A, Volume II. The estimate of 177 personnel for field offices would provide 32 personnel for each of four field offices within the United States, and 49 personnel for the purposed field office in Europe. This estimate is highly dependent upon implementation of a fully automated management and information system, with single source input of transaction data by daily communications link with each commissary store. The estimate was made prior to the ADP support requirement estimate contained in the study at Annex A, Appendix 8-A, Volume II, page 8A-39. This estimate was made external of the study group, and it strongly supports the validity of the 177 personnel requirement estimated for the field offices. It is accepted that detailed planning and implementation could result in an increased staffing requirement for the field offices. Any such increases, however, would be minor and would be more than offset by the conservative methods used for estimating; e.g., disregarding potential personnel reductions due to reduced sales volumes.

d. Reimbursement of Appropriated Funds and Investment of Surcharge Collections. Comment concurred in with respect to more frequent reimbursement of appropriated funds for commissary store expenses. The study group did not concur with the suggested limitation on funds for investment, since this would preclude the investment of surcharge collections not intended for construction or equipment, such as reserves and other funds not immediately required for reimbursement.

e. Review and Concurrence of Installation Commanders.

Comment noted. The Department of Defense has no plans, as far as is known, to staff this study with individual commanders. It would appear to be the responsibility of each of the Services implementing the central management concept to accomplish whatever staffing is considered appropriate.

f. Operation of Additional Stock Fund. Comment concurred in. Each service must carefully review the impact a separate stock fund for commissary store subsistence will have in the United States and overseas. It was the unanimous opinion of the study group, however, that direct control of stock funds for the procurement of subsistence for commissary store resale was essential under the central management concept.

g. Development of Standard Procedures. Comment concurred in. Emphasis must be given, concurrent with verticalization, to the development of ADP and accounting systems which promote standardization between the military commissary store systems. All standardization actions taken in this regard can facilitate eventual consolidation under a joint service commissary agency, if that alternative is adopted.

h. Common Areas for Potential Savings. Comment concurred in. The Joint-Service committee, referred to in paragraph 2-7.b. of the study, could provide the means of achieving further standardization of service commissary store operations.

APPENDIX 13-B

STAFFING COMMENTS AND RECOMMENDATIONS

(Navy and Marine Corps)

This appendix contains (pp 13B-2 through 13B-10) comments received from the Department of the Navy during the staffing of the draft study report. Actions taken by the study group on each of the comments and recommendations are contained at pages 13B-11 through 13B- .



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D C 20350

30 May 1975

MEMORANDUM FOR THE ASSISTANT SECRETARY OF DEFENSE
(MANPOWER AND RESERVE AFFAIRS)

Subj: OASD(M&RA) Study of Military Commissary Stores; comments
on draft report of

- Encl: (1) Navy comments on Draft Report of the OASD(M&RA)
Study of Military Commissary Stores
(2) Marine Corps comments on Draft Report of the OASD
(M&RA) Study of Military Commissary Stores
(3) Navy Alternative Plan for Implementing PBD 282

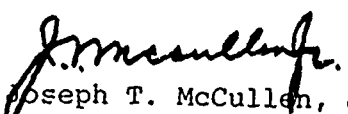
The draft report of the OASD(M&RA) Study of Military Commissary Stores has been reviewed as thoroughly as possible within the time available. Navy comments on the draft report are provided in enclosure (1). Study conclusions and recommendations are addressed in the same order as presented in the draft report. Marine Corps comments are provided in enclosure (2).

The Navy's past experience with a centralized commissary store and exchange management structure makes implementation of alternative 2 of the study plan particularly feasible for Navy. Navy analysis, based on current centralized organization structure, indicates that if appropriated fund support of commissary stores is to be withdrawn, the greatest potential for meaningful patron savings would be achieved for Navy through merger of Navy commissary stores and exchanges under the Armed Services Exchange Regulations. Certainly there are issues which must be resolved in converting employees to nonappropriated fund status. However, we believe these issues can be resolved by implementing a properly designed transition program in an orderly time phased manner. This transition is essential if we are to retain a meaningful commissary store benefit and provide for the best interest of the employees. We strongly believe that, given the circumstances of PBD 282, a merged system offers us the best long range solution and will provide patron savings of at least 10 percent and probably more. A merged nonappropriated fund Navy resale system, as outlined in enclosure (3), is our objective.

The Services must retain flexibility in implementing a self-sustaining commissary store system in order to optimize existing management economies. In this regard, there is no



need to change the existing Marine Corps organizational structure as indicated in enclosure (2). However, continued study of the means for obtaining the optimal organization within each Service which will maximize patron savings while minimizing costs is essential. The Department of the Navy intends to follow through on refining its organizational structure and management techniques to this end.


Joseph T. McCullen, Jr.
Assistant Secretary of the Navy
(Manpower and Reserve Affairs)

Navy Comments on the Draft Report of the
OASD (M&RA) Study of Military Commissary Stores

Reference

Para. 2-5d.

In reviewing key factors considered in examining each alternative, the study group presupposes that the services will prevent a substantial loss of sales through effective customer communications. Although Navy strongly concurs that an improved perception of the savings available through commissary stores is important and should be undertaken, it is considered to be overly optimistic to anticipate a significant lessening of the impact of higher commissary store prices on sales from improved communication.

Para. 2-5e.

If, as suggested above, the customer's perception of commissary savings cannot be significantly influenced by an in-house education campaign, the savings estimates determined under this presumption may be overstated. It is considered that only alternative 2, merger of commissary stores and exchanges will permit the Navy to offer meaningful savings at Navy commissary stores. These increased savings from this alternative result from:

Economies achieved through consolidation of common resale functions of exchanges and commissary stores;

Improved personnel efficiency by converting employees to the nonappropriated fund personnel structure which is more adequately suited to a resale function; and,

Increased revenues from the sale of cigarettes, soft drinks, candy and household items by commissary stores at exchange markups.

Para. 2-6a.

The draft report concludes that "Economies obtainable appear to be sufficient to permit reimbursement for direct costs as proposed, retain significant savings for customers, and maintain a workable commissary system." For reasons indicated above, this statement is believed to be optimistic.

- Para. 2-6b. The Navy concurs that the time constraints imposed inhibit orderly implementation of a viable commissary store system which is self-sufficient for direct costs. However, it is believed that conversion of the Navy's commissary stores to a nonappropriated fund mode is attainable within the time constraints imposed.
- Para. 2-6d. The Navy does not concur that Alternative 1 has the least impact of all alternatives on patrons and personnel of Navy commissary stores. (See comments on 2-5e).
- Para. 2-6e. The Navy considers that Alternative 2 would provide Navy commissary store patrons with significantly greater savings than any of the other alternatives considered as opposed to conclusion of the study group that this alternative would produce marginally lower savings than Alternatives 1 and 3. The Navy concurs with the advantages identified with Alternative 2.
- Para. 2-6f. The draft report concludes that Alternative 3 (a Joint-Services Commissary Agency) would provide the greatest overall cost reductions and savings. The Navy considers the estimate of direct costs of \$432.8 million for Alternative 2 (merger with exchange systems) inordinately high in comparison to the estimate of direct costs for Alternative 3, \$337.1 million. The differences between the costs estimated for these two alternatives appear to be attributable primarily to certain indirect support functions, such as accounting and fiscal services. These costs are to be borne by nonappropriated funds in Alternative 2 and by appropriated funds in Alternative 3. From the Table on page 2-3, it appears that the shift of these costs is projected to reduce appropriated fund costs by less than \$30 million while increasing nonappropriated fund costs by about \$95 million. Since in Alternative 2, (merger with exchange systems), the functions involved would be assumed by nonappropriated fund organizations currently performing similar functions for exchanges, the estimate of direct costs included in the draft report for Alternative 2 appears seriously overstated. For

this reason, it is considered highly unlikely that a separate organization (Joint-Service Agency) for management of commissary stores could operate the commissary stores for \$66 million per year less than the cost at which they could be operated by existing nonappropriated fund resale organizations. It is noted that the draft report, in the Table on page 2-3, acknowledges that Alternative 2 would reduce appropriated fund support by \$30 million per year below the appropriated fund cost of Alternative 3 while providing approximately the same estimated savings to patrons.

Para. 2-7c. In addition to the proposed legislation, it is recommended that Section 814 of the Defense Appropriations Act be appropriately revised to permit the operation of commissary stores in a manner similar to military exchanges.

Para. 2-7g. The Navy considers that this recommendation is overly restrictive, in that it does not provide the flexibility for the Navy to adopt a management/organizational structure most responsive to its particular needs.

Para. 6-4a(3). This paragraph proposes certain methods of operation for Navy commissary stores. The Navy does not concur with the following specific proposals:

Proposed: "Where practicable, the 6-day sales week would revert to a 5-day week, 8 hours per day."

Comment : The Navy considers that the number of Navy commissary stores operating on a 6-day sales week should be increased rather than reduced. This is the only satisfactory method of increasing the utilization of grossly inadequate commissary store facilities. Currently, the Navy, on the average, operates its stores fewer hours per week, than does the Army or Air Force due to the lack of sufficient staffing funds. The number of hours a store is operated per day should be based on customer

traffic rather than the standard 8 hour work day.

Proposed: "Efforts would be directed to achieve a permanent/temporary employee mix of 40%/60%."

Comment: It is recognized that the use of temporary labor provides flexibility. However, the employment of a 60% temporary work force is not considered prudent personnel management, i.e., turnover would increase, morale would be impaired, and career progression would be disrupted. The Navy would utilize a greater number of part-time permanent employees if end-strength restrictions were eliminated.

Proposed: "The number of line items and product mix at each activity would be reduced to more manageable proportions."

Comment: Currently, Navy commissary stores average fewer line items than Army and Air Force stores. The Navy considers that an increase from the current average of 3,000 line items per store to approximately 3,500 line items is required to provide patrons with an adequate selection of brand name and price line merchandise.

Proposed: "The use of military personnel will be discouraged except at isolated locations where qualified civilians are not available."

Comment: The Navy, because of its unique mission, requires shore billets for military personnel. The loss of commissary store shore billets would severely impact on the Navy's sea-shore program, decreasing retention of career personnel to the degree that the Navy's readiness would be severely impaired. Also, since the Navy's commissary stores are not operated as a part of a troop support function, military billets

are required in its commissary store program for essential command control. In addition, military training billets are required in order to establish adequate career progression for military commissary store managers and supervisors.

Para. 10-2a.

The Draft Report presents certain advantages and disadvantages envisioned in the transition of Civil Service commissary store employees to a NAF structure. It appears that all of the advantages are long-term advantages that will continue to accrue, whereas all of the disadvantages are short-term considerations and most have undefined probabilities of occurrence.

Marine Corps Comments on the Draft Report of the
OASD(M&RA) Study of Military Commissary Stores

1. The implementation and staffing of the centralized service managed commissary store program should be at the discretion of the individual Service. The Marine Corps does not have a layered command structure as do the other Services. This Headquarters deals directly with the individual installation command that has a commissary store function. The proposed Commissary Store Management Office concept, as developed in Volume II, Chapter 6C, is counter to the normal practice of the Marine Corps in that it would create additional Headquarters staffing and indirect costs associated with commissary stores. The management of twelve commissary stores can be adequately accomplished by present Headquarters staffing. Even though the Marine Corps commissary store system is decentralized, this Headquarters maintains adequate control by centrally managing the revenue from the markup that is used for construction and capital assets, monitoring all financial and operating reports, and submitting budgeting data.

2. The feasibility of creating commissary store complexes is being studied. Indications are that some economies in procurement, administration, and inventory control could be gained by establishing a parent and branch store concept. The geographical dispersion of the Marine Corps commissary stores negates the practicability of establishing the concept of East and West Coast complexes as outlined in Volume II, Chapter 6C.

Navy Alternative Plan for Implementing PBD 282

The Navy is developing an alternative plan for implementation if Congress approves the proposed withdrawal of appropriated fund support for commissary stores. This plan would achieve the intent of PBD No. 282 with a much less severe impact. It would invclve:

- A one-year phased conversion of Navy commissary stores to NAF instrumentalities operated in accordance with Armed Services Exchange Regulations;
- Employment of Commissary Store employees as NAF employees;
- Organizational merger of Navy commissary stores and exchanges into resale regions;
- Operation of commissary stores as separate cost centers with a zero profit objective;
- The sale of cigarettes, candy, beverages and household items in commissary stores at normal exchange markups, thereby reducing markups on foodstuffs.

The Navy estimates that this merger of Navy commissary stores and exchanges into an integrated Navy resale system would provide savings in excess of 10 percent on food purchases.

This plan of action would achieve the intent of PBD No. 282 by making appropriated fund support of commissary stores the same as that provided for exchanges. Its implementation is feasible within the framework of the President's budget as it has been submitted to Congress. However, modifications in the wording of the proposed legislation pertaining to military commissary store operations would be required to delete the requirements for reimbursement of military personnel costs and the costs of utilities used in commissary stores overseas. In addition, appropriate wording would be needed to recognize that, upon completion of the merger of existing military commissary store systems with existing military exchange systems, both types of stores are intended to operate in the future as NAF instrumentalities governed by the Armed Services Exchange Regulations.

STUDY GROUP CONSIDERATIONS AND ACTIONS

The following comments keyed to the paragraphs in the Department of the Navy response are made by the Study Group:

Para 2-5d - Prevention of sales losses through customer communications:

It was not the Study Group's intention to convey the impression that the avoidance of substantial sales loss depends only on effective customer communications. Customer communication is only one of a series of significant factors which must be pursued in order to minimize commissary sales losses. As indicated in paragraph 2-6a, the Study Group's conclusion is "based on the assumed effective implementation of management, accounting, pricing, customer information, ADP, personnel and statutory changes addressed in detail within the report."

Para 2-5e - Derivation of estimated sales and savings: The derivation of estimated costs and savings depicted in the various tables of this study are based on the best information available. Appendix 3-A elaborates on methodology used. The savings computed for Alternative 2 considered the organizational and operating efficiencies which the Navy has indicated.

Para 2-6a - Navy comments on sufficiency of Study Group recommended actions to provide significant savings: Noted.

Para 2-6b - Conversion of Navy commissary stores to a nonappropriated fund mode within the time constraints imposed: The Study Group considered that the time constraints imposed would inhibit orderly conversion of commissary stores to nonappropriated funded activities and/or merger with exchanges, thereby adversely impacting on customer savings and personnel

Para 2-6d - Impact of Alternative 1 on personnel and patrons: The savings for Alternative 1 are comparable to those in Alternative 2. The adoption of Alternative 1, which would include the utilization of improvements outlined in Chapter 5, would therefore have little adverse impact on customers and, by remaining in the current operational mode, would avoid disruption of the work force at a time when procedures are being implemented to absorb significant additional operating costs.

Para 2-6e - Advantages/disadvantages of Alternative 2 compared to Alternatives 1 and 3: Organizationally, merger of the Navy exchanges and the Navy commissary stores can be accomplished in two basic ways. The existing centralized commissary store system can be decentralized and merged with the decentralized exchanges; or, the exchanges can be organized with centralized command and control and the centralized

systems merged. The latter alternative appears to afford the greatest advantages; however, it represents a major organizational change. For such a change to be effective, substantial ADP capability with associated program applications must be developed and installed. It is estimated that it would take 3 to 5 years before such a total system could be developed and completely installed in the field under a regional concept. Therefore, it would seem appropriate that verticalization of the Navy Exchange System be accomplished prior to consideration of any further consolidation.

Para 2-6f - Cost estimate Differences between Alternatives 2 and 3:

Alternative 2 provides that the commissaries be merged with the Services' exchange systems resulting in three separate systems. Alternative 3 provides that the service commissaries be merged into a single joint agency with the consolidation of procurement, inventory control, accounting, data services, and administrative controls. The Study Group estimated that the personnel costs under Alternative 2 with three systems would approximate 10.2 percent of sales while under Alternative 3, with one system, would approximate 8.1 percent. Similarly, operating costs under Alternative 2 would approximate 3.6 percent of sales while under Alternative 3 they would approximate 2.5 percent. Capital outlay under both alternatives would be approximately the same.

Para 2-7c - Revision of Section 814 of the Defense Appropriations Act:

Noted.

Para 2-7g - Study Group's recommendation for future assessment of a joint-service commissary system: The Study Group considers that the actions it has recommended are most responsive to the needs of commissary store patrons. Such actions may or may not be most responsive to a particular service's needs.

Para 6-4a(3) - Comments on proposed methods of operation: This paragraph was written considering the significant loss in sales which can be anticipated from the implementation of PBD 282. With a marked sales reduction, the Study Group considers it highly probable that attendant reductions in staffing would force curtailment of operating hours and that some stores could operate just as efficiently and more economically on a 5-day week. Moreover, pruning line items with low demand from the assortment would be essential to achieving the contribution needed to constrain costs and retain savings. In any event, this should not be a matter of controversy since the Navy will be making the determination of which store, if any, will require such action.

Concur with the Navy's comments concerning temporary labor. The final draft has been changed to read, "Efforts would be directed to achieve a full-time/other-than-full-time employee mix of 60/40 percent, respectively." The Study Group felt that the majority of management

positions within the commissary store systems should be civilianized, particularly since the cost of military salaries shall be made reimbursable under the provisions of PBD 282; however, this will have to be tempered by the needs of the services. As management data and point of sale systems become more sophisticated, the requirements for technically qualified managerial career personnel will increase. The Army and Air Force have successfully civilianized store level managerial positions.

Para 10-2a - Advantages vs disadvantages concerning transition of civil service commissary store employees to a NAF structure: Noted. Some of the more restrictive features of the civil service personnel controls are dealt with in the recommendations of the study. If these are adopted, it will help to offset these disadvantages.

APPENDIX 13-C

STAFFING COMMENTS AND RECOMMENDATIONS (AIR FORCE)

This appendix contains (Pages 13C-2 through 13C-4) comments and recommendations received from Department of the Air Force during the staffing of the draft study report. Actions taken by the study group on each of the comments and recommendations are contained at pages 13C-5 through 13C- .

DEPARTMENT OF THE AIR FORCE
WASHINGTON 20330

30 MAY 1975



OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (MANPOWER &
RESERVE AFFAIRS)

SUBJECT: Departmental Review of Draft Report on the DOD Study
of Military Commissary Stores

The subject study has been reviewed and the Air Force essentially concurs in the recommendations. The study appears to be complete and comprehensive and should be very valuable in developing an organization and operating structure to improve the efficiency and effectiveness of the Air Force Commissary System.

The Air Force has initiated action to develop an implementation and execution plan for a centralized commissary system. The plan should be completed in July 1975.

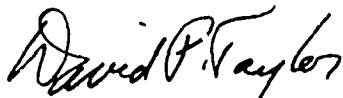
It is recommended that the development of commissary accounting and ADP systems be accomplished on an expedited basis. The efficiencies of a centralized system will be further enhanced with the adoption of automation.

A determination was made in the Air Force to fiscally separate the troop issue and resale functions of the commissary system. Cost codes are being developed to effect this fiscal separation as of July 1, 1975.

Regarding the alternative of contracting out, it is agreed that to contract the total commissary system might not be feasible. However, we should like the latitude to contract individual stores on a test basis within the framework of a centralized Air Force Commissary System.

Comments for further refinement of the subject study are reflected in Attachment 1, for your consideration.

1 Attachment
Comments


- DAVID P. TAYLOR
Assistant Secretary of the Air Force
Manpower and Reserve Affairs

COMMENTS

1. Volume I:

a. Paragraph 2-7.c(3) recommends deletion of criteria as reflected in Section 814, DOD Appropriations Act. A criteria for establishment, continuation and/or disestablishment is desirable and therefore it is suggested that a realistic, appropriate criteria be developed as a substitute for the current language.

b. Paragraph 5-1.c. The term "part-time" is used in describing certain types of employees. Suggest substitution of "other than full-time" in this paragraph and in other references to insure that intermittent employees will also be considered.

c. Paragraph 5-1.e. Not all commissary stores are operated in inadequate facilities that were constructed for other purposes.

d. Paragraph 6-4.d. Phase II of the Air Force centralized system, conversion of the field offices into regional headquarters, is currently viewed with reservation. The Air Force Study of Operational Alternatives, Commissary System dated March 1975 concluded that a regionalized system was more expensive. This concept will require a further analysis in-depth, particularly in view of the large geographical area of each region. This comment has application to other references to regionalizing in the study.

e. Paragraph 8-2.n. Recommend change in language concerning criteria for consistency (See paragraph 2-7.c(3) comments above).

2. Volume II:

a. Paragraph 5-D.5.c. The Air Force has standardized definitive drawings by class of store for commissary construction which includes equipment requirements.

b. Paragraph 6-D.3.a(4). Add the following: "However, these manyear equivalents may not equate to one full authorization in any specific functional area. Therefore, combining the management and administration of 16 Air Force commissaries, located in close proximity into groups of two commissaries which saves approximately 37 authorizations, should be accomplished concurrently with the establishment of the AFCMO."

c. Paragraph 6-D.6. Equipment requirements have been standardized to the extent possible. Quantity buying does not necessarily equate to economy. Transportation costs and lack of maintenance capability in certain geographical areas for a particular piece of equipment could be cost prohibitive.

d. Paragraph 6-D.3.b. The proposed staffing pattern for the headquarters organization as depicted in Figure 4 of the study will require further analysis. Accordingly, development of the most appropriate organizational structure for centralized management of the Air Force system will be addressed in the implementation plan.

STUDY GROUP CONSIDERATIONS AND ACTIONS

The following actions were taken by the study group on the staffing comments received from the Department of the Air Force. Paragraphs are in the sequence listed in the Air Force reply.

Volume I

a. Criteria for Establishing Commissaries

The requirement for a criteria based upon distance, savings, and convenience is considered unnecessary in view of the requirements of PBD 282. If deemed necessary, the DOD Commissary Store Regulation could be modified to incorporate a requirement for a minimum number of patrons to be served prior to authorizing the establishment of a commissary store.

b. Use of Term "Part-time" vs other than "Full-time"

Concur. This recommendation has been incorporated in the study.

c. Commissary Facilities

Concur. This recommendation has been incorporated in the study.

d. Conversion of Field Offices

The study offered a proposed organizational structure. The Air Force group tasked to develop an implementation and execution plan should address this subject.

e. Criteria for Establishing Commissaries

Noted. (See a. above.)

Volume II

a. Standardized Definitive Drawings

This paragraph has been clarified in the study.

b. Man-year Equivalents

This recommendation has been incorporated in the study.

c. Standardized Equipment Purchases

Noted.

d. Staffing Patterns for Headquarters

Noted.