



T H E M I L I T A R Y C O A L I T I O N

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March 1, 2004

Major General Charles J. Wax, USAF (Ret)
Director of the Unified Exchange Task Force
1401 Wilson Blvd, Suite 401
Arlington, VA 22209

Dear General Wax:

On December 15, 2003 at the quarterly briefing to The Military Coalition you asked us to provide answers to three questions regarding our member's views of the Military Exchanges and the value of the Exchanges to servicemembers and their families. On behalf of The Military Coalition (TMC) and its 35 military and veterans organizations representing approximately 5.5 million current and former members of the seven uniformed services officer and enlisted including active, Reserve and Guard, retired members and veterans, plus their families and survivors, we are pleased to provide our views to the Task Force.

Generally, TMC has reserved taking a position regarding the consolidation of the Exchanges until more is known about the DoD initiative and how it will affect the future operations of the Exchanges, services to patrons and their quality of life. TMC's greatest concern is the retention of Service identity among the Exchanges and optimal funding for morale, recreation and welfare (MWR) programs.

Specific answers to each of the three questions are provided in the attachment.

Sincerely,

The Military Coalition
(Signatures Enclosed)

Attachment to Above:

TMC's Answers to Unified Exchange Task Force Questions

Question #1: What do your members value most about their Exchange benefit?

Answer: Our members see the Military Exchanges, to include the vendors in the Exchange Mall and the ancillary services like the service stations, Class Six stores and Shopettes, providing a valuable service to the local military community where they serve and live. They value the low everyday prices on consumer goods as a result of volume purchasing, supported by timely distribution systems and catalog/mail order services. Most importantly, they value the tax-free purchasing. Because of central purchasing methods, members enjoy the choice of purchasing brand name products at discounted prices or Exchange labeled goods at favorable prices. For those who reside on a military installation or in close proximity, they find the Exchanges convenient and accessible.

Members on deployment to the operational theaters in Southwest Asia find the forward deployable AAFES or Ships Stores invaluable to their morale bring a touch of home to the front lines.

The Services Exchange On-Line Store are increasingly valued by patrons, especially Reservists and retirees who may not live near an installation, better access to the exchange benefit they value and have earned.

For those members who have a Military STAR Card, they value its low interest rate, the lowest among any major credit card companies on the market, and the flexibility it provides under the Deployment Program for members who are deployed. No major credit card company offers a similar service.

Question #2: When it comes to sustaining the Exchange benefit, what are your members worried about?

Answer: The primary need of our members is that the Exchange has the products they want when they need them and at the time they are shopping in the Exchange. They want one-stop shopping like they experience at Wal-Mart. They want and expect the Exchanges to provide brand name product lines in a variety of price ranges to meet the needs of a diverse customer base. Failure to provide quality products (brand or exchange labeled) on the shelf at best value and at best price frustrates patrons and incentivizes them to shop elsewhere.

Members are concerned about impact that base closures will have on their Exchange. They are concerned that decisions to close an Exchange will be based solely on base closure actions without consideration to the needs for the residual retiree or Reserve Component population. They want access to an Exchange, or a BX Mart like facility, without having to drive hundreds of miles to use another Exchange.

Loyal patrons also aware that MWR programs and services are reliant on dividends from Exchange sales and that many factors may influence the funding of those valued services. For example, terrorist events and the security protections needed on military installations to safeguard the people and military operations directly impact Exchanges and their sales. Reduced access reduces sales and dividends to MWR services.

Members worry that any alteration of current Exchange operations, such as Exchange consolidation, could be put MWR funding at risk and a loss of Service identity of their Exchanges. Members value their Service's Exchange and believe that their unique needs would be not be met because of centralized operations from afar.

Question #3: What do your members want to know about Exchange integration?

Answer: Of primary interest, our members want to know how Exchange consolidation will benefit them personally and how it will positively affect pricing of products available in the Exchange. Otherwise, they do not want to hear or see anything about integration. They expect that Exchange consolidation, if permitted by the Congress, will be positive; resulting in lower cost, better quality products, greater choice of products and more funding for MWR programs and services. Without those outcomes, they will hold DoD leadership and Congress accountable for having compromised a valued benefit and service.

Prepared: 2/22/04

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