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UNITED STATES GENERAL ACCOUNTING OFFICE

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STATEMENT OF

FRED J. SHAFER

DEPUTY DIRECTOR, LOGISTICS AND COMMUNICATIONS DIVISION

UNITED STATES GENERAL ACCOUNTING OFFICE

BEFORE

SPECIAL SUBCOMMITTEE ON NONAPPROPRIATED FUNDS IN DOD

#00511

COMMITTEE ON ARMED SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

ON

GENERAL ACCOUNTING OFFICE SURVEY OF THE
MILITARY COMMISSARIES IN EUROPE

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Mr. Chairman and Members of the Subcommittee:

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WE ARE PLEASED TO BE HERE TODAY TO DISCUSS SOME OF OUR SURVEY
OBSERVATIONS ON THE OPERATIONS OF MILITARY COMMISSARIES IN EUROPE.
THE SURVEY WAS UNDERTAKEN IN ORDER TO BROADLY APPRAISE THE ADEQUACY
OF COMMISSARY MANAGEMENT AND THE QUALITY OF SERVICE TO COMMISSARY
CUSTOMERS. WE DISCUSSED OUR OBSERVATIONS WITH OFFICIALS IN EUROPE
AND WE RECENTLY MET WITH ARMY HEADQUARTERS OFFICIALS IN WASHINGTON
TO APPRISE THEM OF OUR OBSERVATIONS.

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IN SUMMARY, WE BELIEVE THAT IMPROVEMENTS IN INVENTORY AND PERSONNEL MANAGEMENT COULD RAISE THE LEVEL OF SERVICE TO THE CUSTOMERS. MORE SPECIFICALLY, WE NOTED THAT OPPORTUNITIES EXISTED TO IMPROVE COMMISSARY MANAGEMENT BY:

- ... MAINTAINING A CLOSER RELATIONSHIP BETWEEN COMMISSARY SALES AND STOCK FUND MONIES MADE AVAILABLE FOR STOCK REPLENISHMENT
- ... INCREASING THE ACCURACY OF REPORTED DEMANDS FOR FOOD ITEMS
- ... REPLENISHING STOCKS ON A MORE FREQUENT BASIS
- ... INCREASING THE USE OF "DIRECT DELIVERIES" TO THE LARGER VOLUME COMMISSARIES
- ... CREATING A VIABLE CAREER FIELD FOR COMMISSARY MANAGERS WHICH SHOULD INCLUDE AN ENHANCED TRAINING PROGRAM
- ... PROVIDING MORE FLEXIBLE POLICIES AND PRACTICES IN THE HIRING AND SELECTION OF PERSONNEL TO FILL COMMISSARY POSITIONS.

WE WOULD NOW LIKE TO DISCUSS THESE AND OTHER MANAGEMENT IMPROVEMENT OPPORTUNITIES IN MORE DETAIL. WE BROUGHT THESE MATTERS TO MILITARY OFFICIALS ATTENTION AND, IN SOME CASES, CORRECTIVE ACTION WAS TAKEN. IN OTHER AREAS, THE DEPARTMENT OF DEFENSE MUST EITHER UNDERTAKE STUDIES TO IDENTIFY WHAT MUST BE DONE OR IT MUST CONTINUE WITH SOME OF THE THINGS CURRENTLY BEING DONE.

IMPROVED INVENTORY MANAGEMENT COULD
RAISE LEVELS OF CUSTOMER SERVICE

PROBLEMS IN FUNDING AND ARMY STOCK
FUND MANAGEMENT PRACTICES

OUR SURVEY DISCLOSED A SHORTAGE OF MERCHANDISE FOR SALE IN EUROPE DURING 1970 AND 1971, WHICH WAS PARTIALLY CAUSED BY THE ARMY ALLOCATING FUNDS FOR REPLENISHING WAREHOUSE STOCKS IN LESSER AMOUNTS THAN THE SALES BEING MADE BY THE COMMISSARY STORES. SHORTAGES OF MERCHANDISE ALSO OCCUR BECAUSE OF THE ARMY'S PRACTICE OF TRANSFERRING FUNDS AMONG AND BETWEEN SOME 16 STOCK FUND CATEGORIES WHICH INCLUDE THE SUBSISTENCE CATEGORY.

A SHORTAGE OF COMMISSARY ITEMS IN FISCAL YEAR 1971 RESULTED FROM THE ARMY APPROVING ONLY \$133 MILLION FOR STOCK REPLENISHMENT AGAINST AN INITIAL SALES PROJECTION OF \$153.3 MILLION. FUNDING FOR STOCK REPLENISHMENT IN THE FIRST QUARTER OF FISCAL YEAR 1971 WAS ESTABLISHED AT \$28 MILLION AGAINST A COMMISSARY SALES PROJECTION OF \$40.3 MILLION. THE RESULT WAS A RESTRICTION IN THE LEVEL OF REQUISITIONING FOR COMMISSARY STORES.

BECAUSE OF THE REDUCED FUNDING, THE ARMY MATERIEL COMMAND (MATCOM) IN EUROPE CANCELLED REQUISITIONS IN THE FIRST MONTH OF FISCAL YEAR 1971 FOR ALL BRAND NAME NONPERISHABLE ITEMS AND FOR A PORTION OF ITS PERISHABLE REQUIREMENTS. DURING THE ENTIRE FIRST QUARTER OF FISCAL YEAR 1971, REQUISITIONS FOR 571 BRAND NAME NONPERISHABLE AND 61 PERISHABLE ITEMS WERE EITHER CANCELLED OR RESTRICTED. IN EFFECT THIS ATE INTO, OR USED UP, SAFETY STOCKAGE LEVELS FOR MOST ITEMS AND REDUCED THE ABILITY OF THE MATERIEL COMMAND TO SATISFY THE DEMANDS OF COMMISSARIES FOR THESE ITEMS.

DIVERSION OF SUBSISTENCE FUNDS TO OTHER MATERIEL CATEGORIES HAD ALSO CREATED SHORTAGES OF COMMISSARY ITEMS DURING EARLIER PERIODS. THE ARMY'S STOCK FUNDS MAY BE SHIFTED TO SUPPORT VARIOUS ORGANIZATIONS AND MAY BE SHIFTED FROM ANY ONE OF THE 16 CATEGORIES TO ANOTHER. ONE OF THE 16 CATEGORIES IS SUBSISTENCE.

WE FOUND THAT THESE INTRA-FUND TRANSFERS IN FISCAL YEAR 1970 HAD REDUCED STOCK FUND MONIES AVAILABLE TO REPLENISH WAREHOUSE STOCKS FROM \$151.3 MILLION TO \$144.2 MILLION. THESE ADJUSTMENTS WERE MADE EVEN THOUGH THE \$151 MILLION HAD BEEN BASED ON PREVIOUS SALES AND DEMAND EXPERIENCE WHICH HAD NOT CHANGED SIGNIFICANTLY DURING THE ENTIRE PREVIOUS 2 YEARS.

TO EASE MATCOM'S FUNDING DIFFICULTIES, THE DEPARTMENT OF THE ARMY DIRECTED THAT FISCAL YEAR 1971 FUNDING AUTHORITY FOR SUBSISTENCE, WHICH INCLUDES COMMISSARY STORE SUPPORT, NOT BE DIVERTED TO OTHER MATERIEL CATEGORIES OF THE ARMY STOCK FUND, AND SUBSEQUENTLY THE OBLIGATIONAL AUTHORITY WAS INCREASED. IN CONNECTION WITH THIS POINT, WE NOTED THAT THE ARMY AGAIN DIRECTED IN SEPTEMBER 1971 AND FEBRUARY 1972 THAT FISCAL YEAR 1972 STOCK FUND MONIES PROGRAMMED FOR SUBSISTENCE WILL NOT BE DIVERTED TO OTHER MATERIEL CATEGORIES.

IN OUR SURVEY, WE MADE NO ATTEMPT TO EXAMINE INTO ARMY STOCK FUND MANAGEMENT TO DETERMINE THE BASES FOR THE REDUCTION IN FUNDS AVAILABLE TO REPLENISH WAREHOUSE SUBSISTENCE STOCKS. HOWEVER, AS LONG AS THE AMOUNTS AVAILABLE ARE NOT SUFFICIENT TO COVER MARKET FORECASTS, OR ARE PERMITTED TO BE TRANSFERRED TO OTHER FUND CATEGORIES, COMMISSARY MANAGERS WILL CONTINUE TO HAVE DIFFICULTIES MAINTAINING STOCK LEVELS WHICH WILL SATISFY CUSTOMER REQUIREMENTS.

DEMAND FOR INDIVIDUAL ITEMS NOT
CONSIDERED WHEN REDUCING INVENTORIES

REDUCTIONS IN TOTAL INVENTORY LEVELS ON A FLAT TONNAGE BASIS WITHOUT REGARD TO STOCK LEVELS OF THE INDIVIDUAL SUBSISTENCE ITEMS RESULTED IN SHORTAGES FOR SOME HIGH DEMAND ITEMS.

FOR EXAMPLE, IN FISCAL YEAR 1970, MATCOM DIRECTED THAT THE DEPOT ON-HAND TONNAGE BE LOWERED FROM 18,900 TO 17,500 SHORT TONS--A REDUCTION OF MORE THAN 8 PERCENT.

IN ORDER TO MEET THE FLAT TONNAGE REDUCTION REQUIREMENT, MATCOM REDUCED CURRENT REQUISITIONS FOR ITEMS WHICH WERE IN RELATIVELY HIGH DEMAND. CONSIDERATION WAS NOT GIVEN TO PURGING THE INVENTORY OF LARGE QUANTITIES OF LOW DEMAND ITEMS IN THE DEPOT. FOR EXAMPLE, THERE WERE ABOUT 45,000 UNITS OF FOUR NONPERISHABLE FOOD ITEMS IN STOCK EVEN THOUGH THE AVERAGE MONTHLY DEMAND FOR THESE ITEMS WAS ONLY 255 UNITS. AT THAT DEMAND LEVEL, THE UNITS ON HAND REPRESENTED 14 YEARS SUPPLY.

AS A RESULT OF THE APPROACH TAKEN TO REDUCING THE INVENTORY, SHORTAGES RESULTED AND CUSTOMER REQUIREMENTS FOR POPULAR ITEMS WERE NOT SATISFIED.

WE DID NOT DETERMINE WHY THIS APPROACH TO REDUCING THE INVENTORY WAS TAKEN, BUT IT WAS EVIDENT THAT IT IMPACTED ADVERSELY ON CUSTOMER SATISFACTION.

ADEQUATE INVENTORIES DEPENDENT ON
MORE ACCURATE MARKET DATA

THE AVAILABILITY OF STOCKS IN THE TYPES AND QUANTITIES NECESSARY TO BE RESPONSIVE TO CUSTOMERS' DEMANDS REQUIRES THAT ACCURATE DATA ON PRIOR AND CURRENT REQUISITIONS AND SALES BE MAINTAINED TO FACILITATE FUTURE WAREHOUSE REPLENISHMENT REQUISITIONS. OUR SURVEY INDICATES, HOWEVER, THAT MATCOM'S PRACTICES IN DETERMINING WHAT AND WHEN TO ORDER WERE BASED ON A HIGH DEGREE OF JUDGMENT WITH ONLY MINIMUM RELIANCE BEING PLACED ON ACCUMULATED DEMAND DATA. THE SUPERIMPOSING OF JUDGMENT ON DEMAND DATA AVAILABLE WAS PREMISED ON A LACK OF CONFIDENCE IN SUCH DATA OR A BELIEF THAT SUCH DATA NEEDED ADJUSTMENT FOR SEASONAL TRENDS. THE EXTENT OF THIS CONDITION IS ILLUSTRATED BY THE NUMBER OF ADJUSTMENTS-- 70 TO 80 PERCENT--MADE TO REQUISITIONS INITIALLY BASED ON AVAILABLE DEMAND DATA DURING 2 MONTHS.

ACCORDING TO MATCOM AND COMMISSARY OFFICIALS, SOME OF THE REASONS FOR THE CHANGES TO AVAILABLE DEMAND DATA RECEIVED FROM THE COMMISSARIES ARE:

1. MONTHLY SALES FIGURES ARE NOT ADJUSTED WHEN AN ITEM GOES OUT OF STOCK. FOR EXAMPLE, THE MONTHLY SALES FIGURE FOR AN ITEM THAT WENT OUT OF STOCK ON THE FIFTH DAY OF THE MONTH WOULD NOT BE ADJUSTED TO SHOW WHAT SALES WOULD HAVE BEEN FOR THE ENTIRE MONTH IF STOCK HAD BEEN AVAILABLE.
2. IF THE DEPOT FILLS ONLY PART OF A PREVIOUS COMMISSARY ORDER, IT WAS ALLEGED THAT THE COMMISSARIES INFLATE

THEIR SUBSEQUENT REQUISITIONS IN AN EFFORT TO
"OUTGUESS" THE SYSTEM.

3. COMMODITIES IN TRANSIT ARE NOT CONSIDERED WHEN
EVALUATING INVENTORY LEVELS.

OUR FINDINGS CONFIRM THOSE OF AN ARMY COMMISSARY STUDY TEAM. IN
ITS REPORT, THE STUDY TEAM STATED THAT LACK OF ACCURATE CUSTOMER DEMAND
DATA HAD CAUSED INVENTORY EXCESSES AND SHORTAGES.

DURING OUR SURVEY, WE DID NOT ATTEMPT TO VERIFY THESE ALLEGATIONS
NOR DID WE ATTEMPT TO DETERMINE THE RANGE OF FACTORS WHICH MIGHT CON-
TRIBUTE TO INACCURATE DEMAND DATA. NEVERTHELESS, IT IS APPARENT THAT
IMPROVEMENTS IN THE ACCURACY OF DEMAND DATA IS NECESSARY IF THE ARMY
IS TO AVOID SHORTAGES OF SOME ITEMS AND EXCESS IN OTHERS IN ITS
COMMISSARY SYSTEM IN EUROPE.

IMPROVEMENTS NEEDED IN SELECTING
NEW ITEMS TO MEET CUSTOMERS'
PREFERENCES

PATRONS OF ARMY AND AIR FORCE COMMISSARIES SUPPORTED BY THE ARMY'S
WHOLESALE SYSTEM HAD LIMITED OPPORTUNITY TO INFLUENCE THE SELECTION OF
NEW ITEMS OFFERED FOR SALE ON COMMISSARY SHELVES. FURTHER, WHEN A NEW
ITEM WAS SELECTED, AN UNREASONABLY LONG PERIOD PASSED BEFORE IT BECAME
AVAILABLE TO THE STORE CUSTOMER. CONSEQUENTLY, AS POINTED OUT IN ONE
OF THE ARMY'S OWN STUDIES, THERE WERE COMPLAINTS OF LIMITED SELECTION
OF BRAND NAME ITEMS, ITEMS OF POOR QUALITY, HIGH PRICES, AND EMPTY SHELVES.

IF COMMISSARY PATRONS WANTED NEW ITEMS STOCKED, THE APPROVAL PROCESS
IN EUROPE WAS COMPLICATED. USAREUR HAD A GENERAL RULE OF DELETING AN ITEM
FOR EACH RECOMMENDED ADDITION. THIS RULE IN ITSELF DISCOURAGED FAST OR
FAVORABLE RESPONSES TO NEW ITEM REQUESTS. IN ADDITION, USAREUR HAD A

REQUIREMENT THAT 60 PERCENT OF ALL COMMISSARY STORES HAD TO AGREE TO AN ADDITION OF A NEW ITEM BEFORE IT COULD BE FORWARDED TO ARMY HEADQUARTERS FOR CONSIDERATION. AS AN EXAMPLE OF THE LACK OF RESPONSIVENESS IN THE SYSTEM, AN AIR FORCE COMMISSARY THAT WE VISITED, WHICH IS SUPPORTED BY THE ARMY'S WHOLESALE SYSTEM, RECOMMENDED 19 NEW ITEMS DURING THE PERIOD OF MARCH THROUGH SEPTEMBER 1970. NONE WERE ADDED TO THE STOCKAGE LIST, AND THE COMMISSARY MANAGER WAS NOT GIVEN ANY INFORMATION OF ACTION TAKEN ON HIS PROPOSALS.

BY CONTRAST, AN AIR FORCE COMMISSARY NOT OPERATING THROUGH THE ARMY WHOLESALE SYSTEM HAD DEVELOPED A SYSTEM OF QUICK RESPONSE TO CUSTOMER PREFERENCES. THE COMMISSARY MANAGER, IN RESPONSE TO A CUSTOMER'S REQUEST, COULD ASK THAT AN ITEM BE ADDED TO THE STOCK LIST USED BY THE COMMISSARY SO THAT HE COULD REQUISITION IT DIRECTLY FROM THE DEFENSE PERSONNEL SUPPORT CENTER ADMINISTERING HIS REQUISITION. THE ITEM COULD BE ADDED TO THE LIST, REQUISITIONED, AND ON THE STORE SHELVES 97 DAYS LATER. FOR ITEMS ADDED TO THE LIST, THIS STORE EXPERIENCED AN AVERAGE OF 134 DAYS FROM THE DATE THAT THE ADDITION OF AN ITEM WAS RECOMMENDED TO THE DATE IT BECAME AVAILABLE ON THE SHELF. NAVY COMMISSARY STORES, BEING RESUPPLIED DIRECTLY FROM THE U. S., ENJOYED A SIMILAR ITEM SELECTION AND RESPONSE PROCEDURE.

AFTER OUR FIELDWORK WAS COMPLETED, THE ARMY IN EUROPE STARTED A NEW SYSTEM WITH THE OBJECTIVE OF BEING MORE RESPONSIVE TO PATRON RECOMMENDATIONS FOR NEW COMMISSARY ITEMS. THUS, THE ARMY IS AWARE OF DEFICIENCIES IN ITS COMMISSARY SERVICES AND IS ATTEMPTING TO IMPROVE ITS MANAGEMENT.

WE HAVE NOT EXAMINED INTO THE NEW SYSTEM, AND WE CANNOT COMMENT ON ITS EFFECTIVENESS.

IMPROVED DISTRIBUTION AND STOCK REPLENISHMENT SYSTEMS

MONTHLY REQUISITIONING, INSTEAD OF MORE FREQUENT REPLENISHMENT, AND THE EXTENDED TIME PERIODS REQUIRED FOR THE DISTRIBUTION AND DELIVERY OF REQUISITIONED ITEMS CAUSED DELAYS IN REPLENISHMENT OF COMMISSARY ITEMS AND CONTRIBUTED TO THE PROBLEM OF UNSATISFIED CUSTOMER REQUESTS.

AT THE TIME OF OUR SURVEY IN FISCAL YEAR 1971, THE ARMY'S SYSTEM REQUIRED ABOUT 4 MONTHS FROM THE TIME A REQUISITION WAS PLACED BY A COMMISSARY TO THE TIME THE STOCK WAS ON THE STORE SHELVES AND AS LONG AS 9 MONTHS TO SELECT AND PLACE A NEW ITEM ON THE SHELVES. THIS LENGTHY CYCLE WAS CAUSED IN PART BY A MONTHLY, RATHER THAN A BI-WEEKLY, REQUISITIONING CYCLE. THE TIME WAS FURTHER EXTENDED BECAUSE OF THE TIERS THROUGH WHICH REQUISITIONS AND SUBSEQUENT FOOD DELIVERIES WERE REQUIRED TO PASS.

THE MONTHLY CYCLE ALSO CREATED STRESSES AND EXCESS COSTS AND DELAYS IN THE DISTRIBUTION SYSTEM. THE SINGLE REQUISITION INVOLVED DISTRIBUTION OF ABOUT 7,000 SHORT TONS OF SUBSISTENCE PER MONTH. MUCH OF THIS TONNAGE WAS DELAYED IN THE UNITED STATES SO THAT IT COULD BE CONSOLIDATED FOR OCEAN SHIPMENT AT THE CONUS PORT. THE 7,000 TONS WERE THEN USUALLY MOVED THROUGH THE EUROPEAN PORTS AND SHIPPED TO THE GIESSEN DEPOT; AND IN ORDER TO UNLOAD AND WAREHOUSE THIS HUGE VOLUME OF MATERIAL, DEPOT PERSONNEL HAD TO WORK OVERTIME.

AT THE TIME OF OUR REVIEW, ARMY AND AIR FORCE PERSONNEL IN GERMANY WERE TESTING A DIRECT DELIVERY CONCEPT AT SEVEN STORES. THIS WILL CHANGE THE RESUPPLY CONCEPT FOR COMMISSARY RESALE STORES FROM A COMPLETELY DEPOT-SUPPORTED OPERATION TO A DIRECT DELIVERY OPERATION FROM THE UNITED STATES FOR THE LARGER COMMISSARY STORES IN EUROPE. A SMALLER DEPOT WILL BE RETAINED FOR SUPPORT OF SMALL STORES WHICH DO NOT HAVE A SALES VOLUME ADEQUATE TO SUSTAIN A DIRECT DELIVERY SYSTEM.

UNDER THIS CONCEPT, THE STORES RECEIVE ITEMS REQUISITIONED BY DIRECT SHIPMENT IN CONTAINERIZED VANS, THEREBY BYPASSING THE ARMY'S DEPOT SUPPORT SYSTEM IN EUROPE. THE OBJECTIVE WAS TO IMPROVE SERVICE TO CUSTOMERS AND REDUCE COSTS BY ELIMINATING THE INVESTMENT IN DEPOT STOCKS AND REDUCING TRANSPORTATION, HANDLING, AND PILFERAGE COSTS.

IN MARCH 1971, IT WAS ANNOUNCED THAT DIRECT DELIVERY WOULD BE EXPANDED TO 29 ADDITIONAL ARMY AND AIR FORCE STORES. THE EXPANSION WAS TO BE IN TWO INCREMENTS--14 STORES IN THE FIRST AND 15 IN THE SECOND. THIRTY-SIX STORES WOULD THEN BE SUPPORTED BY DIRECT DELIVERY AND 41 SMALLER STORES WOULD REMAIN UNDER DEPOT SUPPORT--BY THE NAHBOLLENBACH ARMY DEPOT. THIS DEPOT WILL ASSUME THE SUPPORT FUNCTION FORMERLY HELD BY THE LARGER GIESSEN ARMY DEPOT. THE PLAN PROVIDES, IN ADDITION TO SUPPORTING THE 41 STORES WITH A FULL LINE OF BRAND NAME ITEMS, THAT NAHBOLLENBACH STOCK ABOUT 500-600 ESSENTIAL ITEMS FOR EMERGENCY SUPPORT OF THE 36 STORES UNDER DIRECT DELIVERY. PERISHABLE ITEMS WILL CONTINUE TO BE SUPPLIED TO ALL ARMY AND AIR FORCE COMMISSARIES BY KAISERSLAUTERN COLD STORES.

STAFFING AND TRAINING PROBLEMS

INHIBIT HIGH LEVELS OF CUSTOMER SERVICE

NEED FOR MORE EXPERIENCED AND BETTER TRAINED COMMISSARY MANAGERS

THERE IS A NEED FOR IMPROVEMENTS IN MANAGEMENT CAPABILITY AT THE COMMISSARY STORES LEVEL IF CUSTOMER SATISFACTION IS TO BE IMPROVED. THIS VIEW IS SHARED IN A DEPARTMENT OF THE ARMY REPORT ON A WORLDWIDE REVIEW OF COMMISSARIES, WHICH CITED LACK OF EFFECTIVE MANAGEMENT AS THE PRIMARY WEAKNESS IN THE ARMY'S COMMISSARY SYSTEM. THIS REPORT POINTED OUT THE LOW LEVEL OF EFFICIENCY IN MANAGEMENT AND THE STRIKING LACK OF RESPONSIVENESS TO CUSTOMER NEEDS AND EXPECTATIONS.

WE BELIEVE THAT THE MANAGEMENT WEAKNESSES IN THE EUROPEAN STORES STEM FROM TWO BASIC FACTORS--YOUNG, INEXPERIENCED SUPPLY OFFICERS SERVING IN AN UNATTRACTIVE CAREER FIELD; AND SENIOR CIVILIAN MANAGERS WHO LACK TRAINING IN MODERN STORE MANAGEMENT.

INFORMATION PROVIDED BY THE ARMY AND AIR FORCE FOR 67 COMMISSARIES IN EUROPE SHOWED THAT ONLY 40 PERCENT OF ALL COMMISSARY OFFICERS ATTENDED THE COMMISSARY MANAGEMENT COURSE OFFERED BY THE U. S. ARMY QUARTERMASTER SCHOOL, FORT LEE. WHILE THE AIR FORCE CURRENTLY REQUIRES ATTENDANCE AT THE SCHOOL AS A PREREQUISITE FOR ASSIGNMENT TO A COMMISSARY OFFICER'S POSITION, THERE IS NO SUCH REQUIREMENT IN THE ARMY. FURTHER, IT IS OUR OBSERVATION THAT MOST OF THE OFFICERS WHO ATTENDED THE COURSE WERE VERY YOUNG MILITARY OFFICERS WHOSE TALENTS WOULD SOON BE LOST DUE TO SEPARATION FROM THE SERVICE OR ASSIGNMENT TO OTHER DUTIES. FOR EXAMPLE, IN EUROPE THE ARMY HAD ONLY 13 OFFICERS ABOVE THE RANK OF CAPTAIN HAVING A COMMISSARY OFFICER'S MILITARY OCCUPATIONAL SPECIALTY CLASSIFICATION. SIX OF THESE WERE ASSIGNED TO ACTIVITIES OTHER THAN COMMISSARIES; E.G., CLUB OFFICER, EUROPEAN EXCHANGE SYSTEM, INSPECTOR GENERAL, ETC.

YOUNG MILITARY OFFICERS, WITH LESS THAN 2 YEARS OF EXPERIENCE, ARE IN CHARGE OF OVER HALF OF THE ARMY STORES AND 37 PERCENT OF THE AIR FORCE COMMISSARIES IN EUROPE, AND THESE STORES ACCOUNT FOR ABOUT ONE-THIRD OF THE ANNUAL SALES IN BOTH SERVICES.

IT WAS GENERALLY AGREED IN OUR DISCUSSIONS WITH ARMY MILITARY COMMISSARY OFFICERS THAT THE ASSIGNMENT OF A QUARTERMASTER OFFICER TO A COMMISSARY POST WAS CONSIDERED UNDESIRABLE, ESPECIALLY IF A MILITARY CAREER WAS BEING CONSIDERED. THUS IT WAS THEIR VIEW THAT MANY OF THE YOUNG CAREER OFFICERS DEVOTE TIME DURING THEIR TOURS AS COMMISSARY OFFICERS TO PLANNING FOR NEW, MORE "CAREER ORIENTED" JOB ASSIGNMENTS.

A STUDY PERFORMED BY THE LOGISTICS MANAGEMENT INSTITUTE EMPHASIZED THE UNATTRACTIVENESS OF THE COMMISSARY AREA TO MILITARY PERSONNEL AS ONE OF THE MAJOR PROBLEMS IN THE OPERATION OF MILITARY COMMISSARIES. ITS REPORT INDICATED THAT A MAJOR DETERRENT TO THE EFFECTIVE USE OF OFFICER AND ENLISTED PERSONNEL IN COMMISSARY RESALE STORES IS THE LACK OF CAREER PROGRESSION AVAILABLE IN THE PRESENT STORE ENVIRONMENT. IT STATED THAT THERE IS NO FOOD SERVICE CAREER PROGRAM OR ADEQUATE TRAINING PROGRAM FOR COMMISSIONED PERSONNEL.

ALSO, SENIOR CIVILIAN MANAGERS LACK TRAINING AND EXPERIENCE IN MODERN RETAIL STORE OPERATIONS. WHILE THESE MANAGERS HAVE MANY YEARS OF EXPERIENCE IN OPERATING COMMISSARY STORES OVERSEAS, THEY HAVE NOT RECEIVED TRAINING IN THE MODERN MARKETING TECHNIQUES BEING EMPLOYED BY AMERICAN SUPERMARKETS. AT THE TIME OF OUR SURVEY, THE U. S. ARMY QUARTERMASTER SCHOOL AT FORT LEE WAS NOT BEING USED TO PROVIDE SENIOR CIVILIAN EMPLOYEES

WITH REFRESHER TRAINING, AND THERE WAS NO TRAINING PROGRAM FOR COMMISSARY MANAGERS AVAILABLE WITHIN THE THEATER. OF THE 24 CIVILIAN COMMISSARY OFFICERS WHO HAVE SERVED FOR EXTENDED PERIODS OF TIME IN EUROPE, E.G., AS LONG AS 23 YEARS, ONLY THREE HAD ATTENDED THE COMMISSARY MANAGEMENT COURSE GIVEN BY THE ARMY QUARTERMASTER SCHOOL.

SHORTAGE OF COMMISSARY PERSONNEL
LOWERS LEVEL OF CUSTOMER SERVICE

THE MILITARY SERVICES HAVE BEEN UNABLE TO HIRE AND RETAIN ENOUGH QUALIFIED PERSONNEL IN GERMANY, AND THERE ARE RESTRICTIONS ON THE HIRING OF U. S. CITIZENS TO FILL COMMISSARY POSITIONS.

DEPARTMENT OF DEFENSE INSTRUCTIONS REQUIRE THAT LOCAL NATIONAL EMPLOYEES BE USED AS MUCH AS POSSIBLE BY THE U. S. FORCES. THEREFORE, EACH FOREIGN AREA COMMAND SEEKS TO FILL ITS CIVILIAN EMPLOYMENT NEEDS IN LOGISTICS AND SUPPORT ACTIVITIES FROM THE HOST COUNTRY LABOR MARKET. HOWEVER, GERMANY, WHERE THE LARGEST NUMBER OF STORES ARE LOCATED, HAS HAD A LONG PERIOD OF PROSPERITY AND RELATIVELY HIGH EMPLOYMENT. THERE IS A LABOR SHORTAGE IN GERMANY, AND UNCERTAINTY ABOUT JOB SECURITY DUE TO POTENTIAL TROOP REDUCTIONS DISCOURAGES LOCAL NATIONALS FROM SEEKING COMMISSARY EMPLOYMENT.

DOD HAS DIRECTED THAT U. S. CITIZENS BE EMPLOYED IN POSITIONS OF GRADE GS-5 AND BELOW AT OVERSEAS ACTIVITIES ONLY WHEN NO QUALIFIED LOCAL NATIONALS ARE AVAILABLE. ACCORDING TO THE DEPARTMENT OF DEFENSE, THE MILITARY SERVICES ARE UNABLE TO HIRE U. S. NATIONALS EVEN WHEN LOCAL EMPLOYEES ARE NOT AVAILABLE, BECAUSE THE SERVICES HAVE TO PAY THE U. S.

CIVIL SERVICE PAY SCALES RATHER THAN THE LOWER SCALES FOR LOCAL NATIONAL EMPLOYEES. SHORTAGES OF FUNDS FOR U. S. FORCES IN EUROPE WILL NOT ALLOW FOR A LARGE-SCALE SHIFT TO EMPLOYING U. S. CITIZENS.

IN THE EUROPEAN THEATER, U. S. CITIZENS CAN BE EMPLOYED ONLY AFTER THE COMMANDER IN CHIEF, U. S. ARMY, EUROPE, HAS GIVEN HIS APPROVAL ON A CASE BY CASE BASIS.

FOR THESE REASONS COMMISSARY STORES IN GERMANY ARE UNDERSTAFFED.

IN THE FRANKFURT AREA, FOR EXAMPLE, ABOUT 4,600 LOCAL NATIONAL EMPLOYEES WERE AUTHORIZED IN ALL FIELDS FUNDED FROM APPROPRIATIONS, BUT LESS THAN 3,700, OR ONLY ABOUT 80 PERCENT OF THE NUMBER AUTHORIZED, WERE EMPLOYED ON MAY 31, 1971. AT ONE ARMY COMMISSARY WE VISITED IN JANUARY 1971, POSITIONS FOR ONLY 89 PERCENT OF THE PERSONNEL AUTHORIZED WERE FILLED AND, AT THE TIME OF OUR VISIT THE SITUATION WAS EVEN WORSE BECAUSE 20 PERCENT OF THE AVAILABLE STAFF WERE ON SICK LEAVE. THE STORES HAVE COMPLAINED THAT THE SHORTAGE OF QUALIFIED PERSONNEL HAS LOWERED STANDARDS OF SERVICE, CAUSED DELAYS IN UNLOADING CONTAINERS AND DELAYS IN FILLING EMPTY STORE SHELVES.

MEAT MARKET OPERATIONS, WHERE SKILLED LABOR IS ESSENTIAL, HAVE PROBABLY BEEN THE COMMISSARY ACTIVITY MOST AFFECTED BY PERSONNEL SHORTAGES. COMMISSARIES HAVE FREQUENTLY CITED THE SHORTAGES AS THE REASON MEAT SALES HAVE DROPPED BELOW THE COMMAND'S OBJECTIVE OF 18 PERCENT OF TOTAL SALES. LESS THAN ONE-THIRD OF ALL RESALE STORES WITH SELF-SERVICE MEAT MARKETS WERE ABLE TO MEET THE OBJECTIVE DURING THE PERIOD JULY 1970 THROUGH FEBRUARY 1971. THE NINE RESALE COMMISSARIES IN THE SUPPORT

DISTRICT ENCOMPASSING FRANKFURT, GERMANY, AND SURROUNDING COMMUNITIES WERE UNDERSTAFFED FROM AUGUST 1970 THROUGH APRIL 1971. NONE OF THEM MET THE MEAT MARKET OBJECTIVE AND MEAT SALES DROPPED AS LOW AS 10 PERCENT OF TOTAL SALES.

THE SHORTAGES OF QUALIFIED PERSONNEL REQUIRED THE EMPLOYMENT OF PART-TIME LABOR AND FREQUENT PAYMENTS OF OVERTIME. AT THE KAISERSLAUTERN COLD STORES FOR EXAMPLE, OVERTIME FOR LOCAL NATIONAL EMPLOYEES HAS INCREASED STEADILY OVER THE PAST 4 YEARS. IN 1970 THE MONTHLY AVERAGE FOR OVERTIME AND PART-TIME LABOR WAS 2, 650 HOURS--OVER 330 MAN-DAYS--AND FROM JANUARY THROUGH MARCH 1971 THE MONTHLY AVERAGE WAS 4,927 HOURS--OVER 600 MAN-DAYS.

THE PERSONNEL SHORTAGE HAS LOWERED THE STANDARD OF SERVICE PROVIDED BY THE COMMISSARIES, INCREASED THE COST TO THE GOVERNMENT BY THE EXTENSIVE USE OF OVERTIME, AND CONTRIBUTED TO ACCOUNTING AND INVENTORY ERRORS WHICH HAVE CAUSED PROBLEMS IN DEVELOPING RELIABLE DATA FOR REQUISITIONING REPLENISHMENT STOCKS. THESE CONDITIONS WILL BECOME INCREASINGLY STRAINED AS EMPLOYEES REACH RETIREMENT AGE. THE CIVILIAN PERSONNEL OFFICE FOR THE FRANKFURT AREA ESTIMATED THAT 12 TO 14 PERCENT OF THE LOCAL NATIONALS ON ITS ROLLS HAVE 20 TO 25 YEARS OF SERVICE AND ARE NEARING RETIREMENT.

OTHER OBSERVATIONS ON

COMMISSARY MANAGEMENT

LACK OF STANDARD POLICIES CAUSED
VARIANCES IN PERISHABLE COMMODITY
PRICING

COMMISSARY OFFICERS ARE REQUIRED TO OPERATE THEIR MEAT AND PRODUCE DEPARTMENTS AT NO GAIN OR LOSS. THEY ARE AUTHORIZED TO ADJUST PRICES AS OFTEN AS NECESSARY TO RECOVER THEIR COSTS FOR THESE ITEMS. UNDER THE PRESENT SYSTEM USED IN THE ARMY AND AIR FORCE COMMISSARIES, THERE IS NO WAY OF KNOWING THE EXTENT TO WHICH LOSSES HAVE BEEN ABSORBED IN THE PRICES SET BY COMMISSARY MANAGERS, NOR IS ANY APPARENT EFFORT MADE TO ASCERTAIN THE EXTENT OF LOSSES. FOR GROCERY OPERATIONS, SELLING PRICES ARE SET AT THE INVOICE COST WITH A REQUIREMENT THAT LOSSES DUE TO SPOILAGE, DAMAGE, MARKDOWNS, AND OTHER INVENTORY ADJUSTMENTS BE REPORTED.

IN OCTOBER 1969, AS A SPECIAL CASE, ARMY COMMISSARIES MONITORED THE SALE OF LETTUCE AND REPORTED IN-HOUSE LOSSES AS HIGH AS 37 PERCENT. THESE LOSSES WERE ABSORBED BY INCREASING THE PRICE OF OTHER PRODUCE ITEMS. ORDINARILY, HOWEVER, AS LONG AS ARMY AND AIR FORCE STORES ABSORBED THE LOSSES THROUGH PRICE ADJUSTMENTS, MANAGEMENT WAS UNAWARE OF THE EXTENT OF SUCH LOSSES.

CONSEQUENTLY, PRICES VARIED SIGNIFICANTLY AMONG THE STORES THROUGHOUT EUROPE. FOR INSTANCE ON APRIL 16, 1971, TWO STORES LOCATED 25 MILES APART, WHICH RECEIVED THEIR PRODUCE ITEMS FROM THE SAME

WHOLESALE SOURCE, WERE CHARGING THEIR CUSTOMERS 12 CENTS AND 5 CENTS FOR A PACKAGE OF CARROTS; 26 CENTS AND 47 CENTS FOR A POUND OF TOMATOES; AND 5 CENTS AND 4 CENTS FOR A POUND OF CABBAGE. THESE EXAMPLES SHOWED PRICE VARIANCES OF 25 PERCENT TO 140 PERCENT.

IN MEAT MARKET OPERATIONS, SIMILAR PRICE VARIATIONS PREVAILED. OUR EXAMINATION OF ARMY COMMISSARY MEAT CUTTING TESTS PERFORMED IN DECEMBER 1970 SHOWED THAT EVEN THOUGH THE AVERAGE CARCASS PRICE WAS \$.47 PER POUND, COMMISSARY PRICES BETWEEN STORES WERE, FOR EXAMPLE, 94 CENTS AND \$1.16 FOR A POUND OF PORTERHOUSE; 25 CENTS AND 37 CENTS FOR A POUND OF SHORT RIBS; AND 37 CENTS AND 49 CENTS FOR A POUND OF HAMBURGER.

THE AIR FORCE AUDIT AGENCY STAFFS REPORTED SIMILAR INEFFICIENCIES IN MEAT MARKET OPERATIONS AND PRICING.

IN CONTRAST, NAVY STORES ARE REQUIRED TO ACCOUNT FOR ALL CHANGES IN INITIAL SHELF PRICES, SUCH AS MARKDOWNS FOR VARIOUS REASONS, LOSSES ON ITEMS DISPOSED OF AS WASTE AND SURVEYED LOSSES, AND FOR PRICE INCREASES MADE TO OFFSET EXCESSIVE MARKDOWN LOSSES. CONSEQUENTLY, NAVY MANAGEMENT CAN ANALYZE AND EVALUATE THE PERFORMANCE OF THE MEAT AND PRODUCE MARKET OPERATIONS OF EACH COMMISSARY RESALE STORE.

PATRONS AT DIFFERENT COMMISSARIES ARE ABSORBING LOSSES IN PRODUCE AND MEAT PRODUCTS AT VARYING RATES EVEN THOUGH WHOLESALE COSTS TO THE COMMISSARIES ARE RELATIVELY UNIFORM. THIS SUGGESTS THAT MANAGEMENT EFFICIENCY IN MEAT AND PRODUCE DEPARTMENTS MAY VARY RADICALLY FROM COMMISSARY TO COMMISSARY AND THAT THE PATRONS, THROUGH PRICE ADJUSTMENTS,

ARE PAYING THE COST OF THE INEFFICIENT OPERATIONS. THIS ALSO SUGGESTS THAT THE LACK OF INFORMATION FLOWING TO TOP MANAGEMENT, AND THE ABILITY TO PASS LOSSES ON TO THE CUSTOMER, PROVIDES LITTLE INCENTIVE FOR PRODUCE AND MEAT DEPARTMENT MANAGERS TO IMPROVE THEIR OPERATIONS.

SAVINGS THROUGH CONSOLIDATION OF
FOOD INSPECTION SERVICES

IN THE EUROPEAN THEATER, TWO ARMY ORGANIZATIONS HAD BEEN INSPECTING FRESH FRUITS AND VEGETABLES PROCURED FOR COMMISSARIES. ITEMS RECEIVED FROM THE U. S. WERE INSPECTED AT DESTINATION BY ARMY VETERINARY PERSONNEL ASSIGNED TO THE U. S. ARMY MEDICAL COMMAND, EUROPE, AND ITEMS PROCURED OUTSIDE THE U. S. WERE INSPECTED BY THE FRESH FRUIT AND VEGETABLE INSPECTION DIVISION LOCATED WITH THE PROCUREMENT DIVISION, UNDER THE DIRECTORATE OF FOOD, MATCOM. SUCH DUPLICATE ORGANIZATIONS APPEAR TO VIOLATE ARMY REGULATION 40-657 WHICH PROVIDES THAT VETERINARIANS HAVE THE RESPONSIBILITY FOR ALL FOOD INSPECTION IN THE ARMY.

WE BROUGHT THIS TO THE ATTENTION OF THE ARMY IN EUROPE ON JUNE 30, 1971, AND SUGGESTED THAT CONSIDERATION BE GIVEN TO HAVING U. S. ARMY MEDICAL COMMAND, EUROPE, ASSUME RESPONSIBILITY FOR THE INSPECTION OF LOCALLY PROCURED FRESH FRUITS AND VEGETABLES. WHILE U. S. ARMY MEDICAL COMMAND, EUROPE, WOULD UNDOUBTEDLY NEED PART OF MATCOM'S HIGHLY SKILLED INSPECTION STAFF, A REORGANIZATION WOULD PROVIDE OPPORTUNITIES FOR COST REDUCTION BY STREAMLINING THE INSPECTION FUNCTION AND ELIMINATING STAFF IN AREAS WHERE DUPLICATION EXISTS.

IN OCTOBER OF 1971, THE COMMANDER, U. S. THEATER ARMY SUPPORT COMMAND, EUROPE, APPROVED THE TRANSFER OF RESPONSIBILITY FOR INSPECTING FRESH FRUITS AND VEGETABLES PROCURED OUTSIDE THE U. S. TO THE ARMY MEDICAL COMMAND, EFFECTIVE JANUARY 1, 1972.

FOOD SERVICE TO TROOPS SUFFERS BECAUSE
OF COMMISSARY PRIORITIES

COMMISSARY RESALE STORES GET PREFERENCE OVER TROOP MESS REQUIREMENTS WHEN THERE ARE SHORTAGES OF FRESH PRODUCE. ALSO, WHEN THERE ARE SURPLUSES OF FRESH PRODUCE, QUANTITIES IN EXCESS OF NORMAL REQUIREMENTS ARE SUPPLIED TO TROOP MESSSES IN ORDER TO AVOID EXCESSIVE SPOILAGE LOSSES.

IN 18 OF THE 40 DAYS ENDING APRIL 9, 1971, KAISERSLAUTERN COLD STORES SUBSTITUTED OTHER ITEMS FOR TOMATOES ORDERED BY MESS HALLS IN GERMANY. ON THREE OF THESE DAYS ITEMS WERE SUBSTITUTED BECAUSE TOMATOES WERE UNAVAILABLE FOR ANY CUSTOMERS. ON 11 OF THE DAYS TOMATOES WERE IN STOCK AT THE WAREHOUSE, BUT WERE ISSUED ONLY TO THE COMMISSARY RESALE STORES; AND ON ONE DAY, ALTHOUGH SUFFICIENT TOMATOES WERE ON HAND TO MEET BOTH COMMISSARY AND MESS HALL REQUIREMENTS, THE WAREHOUSE ISSUED RADISHES RATHER THAN TOMATOES TO THE MESS HALLS BECAUSE ITS STOCK OF RADISHES WERE BEGINNING TO DETERIORATE.

ON FEBRUARY 18, 1971, WHEN THE MESS HALLS REQUESTED NINE DIFFERENT ITEMS FOR FRESH SALADS, THEY RECEIVED ONLY THREE OF THE ITEMS, AND THESE WERE PROVIDED IN GREATER QUANTITIES THAN ORDERED AS A SUBSTITUTE FOR THE MISSING ITEMS. ON THE FOLLOWING DAY, THE MESS HALLS RECEIVED ONLY TWO OF THE EIGHT FRESH SALAD ITEMS ORDERED. ON BOTH DAYS THE COMMISSARY STORES RECEIVED ALL THE FRESH SALAD ITEMS THEY ORDERED, INCLUDING TWO ITEMS DENIED TO THE MESS HALLS. ACCORDING TO A MESS HALL MANAGER, IT WAS IMPOSSIBLE TO PROVIDE MUCH SALAD VARIETY IN THE MENUS BECAUSE OF THE SUBSTITUTIONS.

ACCORDING TO KAISERSLAUTERN COLD STORES PERSONNEL, SUBSTITUTIONS WERE MADE TO MESS HALLS BECAUSE:

- (1) THE ITEMS REQUESTED WERE IN SHORT SUPPLY,
- (2) THE ITEMS SUBSTITUTED WERE IN LONG SUPPLY, OR
- (3) THE ITEMS SUBSTITUTED WERE IN A DETERIORATING CONDITION AND HAD BEEN RECOMMENDED BY THE ARMY VETERINARIAN FOR IMMEDIATE USE.

THE RATIONALE GIVEN FOR THE SUBSTITUTION IS THAT PRODUCE ITEMS ISSUED TO THE MESS HALLS WILL BE CONSUMED SOONER THAN IF THEY ARE ISSUED TO THE COMMISSARY STORES AND THAT LOSSES WILL BE AVOIDED OR MINIMIZED. WHILE THERE IS MERIT TO THIS REASONING, THERE ARE LIMITS TO THE CONSUMPTION CAPACITIES OF MESS HALLS FOR THE SUBSTITUTED ITEMS, AND QUANTITIES FURNISHED IN EXCESS OF THESE CAPACITIES WILL PROBABLY BE WASTED. FURTHER, COMMISSARY STORES HAVE THE OPTION OF BUYING ITEMS LOCALLY THAT ARE NOT AVAILABLE FROM THE WAREHOUSE. WE WERE TOLD THAT THIS OPTION WAS NOT AVAILABLE TO THE MESS HALLS.

IN DECEMBER 1970, THE DEPARTMENT OF THE ARMY SUBSISTENCE OPERATIONS REVIEW BOARD REPORTED ON DEFICIENCIES THAT INCLUDED UNATTRACTIVE AND UNPALATABLE FOOD AND THE ABSENCE OF VARIETY IN THE MENUS WHICH IT FOUND IN THE TROOP FEEDING PROGRAM IN EUROPE. THE BOARD CONCLUDED THAT THE TROOP FEEDING PROGRAM NEEDED TO BE REDESIGNED AND REVITALIZED. IN OUR OPINION THE PRACTICE OF SUBSTITUTING PRODUCE ITEMS IN PLACE OF REQUISITIONED REQUIREMENTS CONTRIBUTES TO THIS SITUATION.

CONCLUSION

MR. CHAIRMAN, OUR OBSERVATIONS ON COMMISSARY OPERATIONS IN EUROPE PARALLEL VERY MUCH THE FINDINGS AND CONCLUSIONS THIS SUBCOMMITTEE REPORTED IN DECEMBER 1970. YOUR REPORT CONTAINED MANY RECOMMENDATIONS WHICH, IF ADOPTED, SHOULD CONTRIBUTE TO THE IMPROVEMENT OF COMMISSARY MANAGEMENT AND COMMISSARY SERVICE TO THE USERS.

THIS CONCLUDES MY STATEMENT; WE WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.