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REPORT BY THE
Comptroller General
OF THE UNITED STATES

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RELEASED

**Changes Needed In Operating
Military Clubs And Alcohol Package Stores**

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DOD believes the military club system and related alcohol package store operations are vitally important to the morale and esprit de corps of servicemen. However, the system is having considerable financial difficulties attributed in part to the

- present form of decentralized management;
- reliance on subsidies from alcohol beverage store profits and appropriated fund support, which discourage efficiency in operations; and
- low patronage by eligible personnel because of the inability of the club system to adequately satisfy their needs and/or a small population base.

At the request of the Chairman, Nonappropriated Fund Panel, Armed Services Investigations Subcommittee, House Committee on Armed Services, GAO reviewed the operation and management of military service club systems and related alcoholic beverage package store operations.

HSE 10501



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FPCD-79-9
JANUARY 15, 1979





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-148581

The Honorable Dan Daniel
Chairman, Nonappropriated Fund
Panel
Armed Services Investigations
Subcommittee
Committee on Armed Services
House of Representatives

HSE 00501

Dear Mr. Chairman:

As requested in your December 12, 1977, letter, we reviewed the management and administration of the military club system and related alcohol package store operations. This report discusses the problems affecting club operations and the need for the Department of Defense to take steps which would improve organizational efficiency and the delivery of services to military personnel.

As directed, we did not obtain written agency comments. The matters covered in the report, however, were discussed with responsible officials and their comments are incorporated where appropriate.

Your office requested that we make no further distribution of the report prior to committee hearings at which time the report will be used. These hearings are now tentatively scheduled to be held during February 1979.

Sincerely yours,

Comptroller General
of the United States



COMPTROLLER GENERAL'S REPORT
TO THE NONAPPROPRIATED FUND
PANEL, ARMED SERVICES
INVESTIGATIONS SUBCOMMITTEE,
HOUSE COMMITTEE ON ARMED
SERVICES

CHANGES NEEDED IN OPERATING
MILITARY CLUBS AND ALCOHOL
PACKAGE STORES

D I G E S T

Military service clubs generally are losing money and are dependent on profits from package stores and appropriated fund support for continuing existence. Improvements in management are needed.

This report addresses concerns of the Non-appropriated Fund Panel and attempts to answer the following questions.

- Are military clubs adequately filling Department of Defense (DOD) objectives and effectively meeting the needs of eligible personnel?
- Are the objectives being met in the most efficient, effective, and economical manner?
- What changes are needed in the operation of the club system to strengthen its financial condition while improving services to eligible personnel?

RECOMMENDATIONS

The Secretary of Defense should:

- (1) --Strengthen management of the system by transferring responsibility for club operations from installation commanders to a strong central management authority. The present decentralized system has not been effective. A structure consisting of representatives from each service would provide that their specific needs receive appropriate attention. Such an action will require extensive planning and preparation.

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During the transition, the services should transfer responsibility for club operations from the installation commanders to their headquarters and assign club management personnel to these authorities.

- (2) --Direct that profits from package store operations be used primarily to support essential morale, welfare, and recreation activities benefiting all base personnel. Profits distributed to clubs should be limited to helping essential, financially troubled facilities to break even or finance capital improvements after all reasonable attempts to attain self-sufficiency have failed. These profits could be also used to fund indirect operational expenses associated with the central management authority.
- (3) --Direct that package store and club operations be separated as they have been by the Army and Air Force in Europe to provide a clearer picture of club operations and package store distributions.
- (4) --Direct that dependence on appropriated fund support to clubs be reduced and that the services civilianize club operations to the maximum extent practicable using nonappropriated funds.
- (5) --Direct the military services to seriously consider consolidating club services when all attempts at achieving self-sufficiency have proven unsuccessful. Consolidation should be planned and designed carefully to ensure improved services to all eligible personnel. (See ch. 6.)

BACKGROUND

Military clubs generally consist of separate physical facilities for officers, noncommissioned officers, and enlisted personnel with a consolidated alcohol beverage package store to serve all personnel. Over 1,000

clubs and branches and over 500 package stores are located in the continental United States and overseas.

These entities constitute a major business enterprise with gross sales revenue in the millions--\$688 million in fiscal year 1977. Package store operations are profitable, producing in fiscal year 1977 a net income of \$51 million. Even though the clubs reported a net income of \$19 million, 25 percent of all clubs lost money that same year. (See ch. 1.)

Without \$35 million in package store profits, the club system would have lost \$16 million with 57 percent of the clubs losing money. This reliance on package store profits not only serves as a disincentive to effective and efficient management but is also inconsistent with congressional intent that these profits benefit all base personnel.

Clubs also depend on appropriated fund support. This support amounted to about \$93 million in fiscal year 1977. Military personnel costs constitute a major portion of appropriated fund support applied to club systems. This practice is inconsistent with DOD's policy that civilians be employed in morale, welfare, and recreation activities to the extent practicable. (See ch. 4.)

Some of the problems within the club system can be corrected through effective and innovative management. The current decentralized management approach provides installation commanders with almost unlimited flexibility in club operations. Their actions are not always in the best interest of the clubs.

Club managers report directly to installation commanders and often lack flexibility, training, and experience necessary for successful club operations. In addition, because the Office of the Secretary of Defense is only minimally involved in club operations, there is no central management authority to coordinate and oversee club operations. (See ch. 3.)

The ability to attract and retain customers is as important for a successful military club system as it is for any private business. Twenty-four percent of the eligible personnel never use their club and 44 percent do so less than once a month. Low patronage may result from the inability of the clubs to provide desired services or a low population base. (See ch. 5.)

AGENCY COMMENTS

As directed by the Nonappropriated Fund Panel, GAO did not obtain formal comments from DOD but did discuss its findings, conclusions, and recommendations informally with responsible officials.

In general, the Office of the Secretary of Defense and service officials recognized the need to strengthen club management but felt that responsibility for club operations should be retained by the individual services. The services believed cutbacks in package store profits and appropriated fund support could create severe problems for the club system.

An official in the Office of the Secretary of Defense acknowledged that in some instances club consolidation could be successful, but service officials had reservations about such action. (See ch. 6.)

C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1 INTRODUCTION	1
Financial condition of military clubs and package stores	1
Congressional interest	4
Scope of review	6
2 OVERVIEW OF PROBLEMS FACING THE MILITARY CLUB SYSTEM	7
Controllable problems	7
External problems	9
3 NEED TO CENTRALIZE AND STRENGTHEN MANAGE- MENT OF MILITARY CLUB SYSTEM	12
Minimal OSD involvement in club opera- tions	13
Service headquarters activities are ineffective	14
Club managers often lack needed flexibility and experience	16
Conclusions	18
4 RELIANCE BY MILITARY CLUBS ON ALCOHOL PACKAGE STORE PROFITS AND APPROPRIATED FUND SUPPORT	21
Alcohol package store profits	21
Appropriated fund support	24
Conclusions	28
5 ARE MILITARY CLUBS EFFECTIVELY MEETING THE NEEDS OF ACTIVE DUTY PERSONNEL?	31
Eligibility and membership	31
Club usage	33
Improved services to eligible personnel	39
Conclusions	42
6 AGENCY COMMENTS, CONCLUSIONS, AND RECOMMENDATIONS	43
Agency comments	43
Conclusions	46
Recommendations	48

	<u>Page</u>	
I	Locations visited	50
II	Description of service management systems	51
III	Examples of local command actions impacting adversely on club operations	56
IV	Military club system questionnaire	64
V	Summary and examples of written comments on questionnaires	74
VI	Letter dated December 12, 1977, from the Chairman, Nonappropriated Fund Panel	83

ABBREVIATIONS

CONUS	Continental United States
DOD	Department of Defense
GAO	General Accounting Office
MWR	morale, welfare, and recreation
NCO	noncommissioned officers
OSD	Office of the Secretary of Defense
SNCO	staff noncommissioned officers
USAFE	United States Air Forces in Europe

CHAPTER 1

INTRODUCTION

Military clubs or "open messes" are one of the major components of the Department of Defense's (DOD's) morale, welfare, and recreation (MWR) program. DOD considers clubs to be important to the morale and well-being of service members and believes they contribute to unit identity, esprit de corps, and improved readiness. In effect, clubs support the missions of the military services. Military clubs generally consist of separate physical facilities for officers, noncommissioned officers (NCO)^{1/}, and enlisted personnel with a consolidated alcohol package store to serve all ranks. In some instances, club activities have been consolidated to serve personnel of various ranks.

At the end of fiscal year 1977, over 1,000 military service clubs and branches and over 500 alcohol package stores were located throughout the continental United States (CONUS) and overseas. The following schedule shows a breakdown by service and location of the military service clubs.

	<u>CONUS</u>	<u>Overseas</u>	<u>Total</u>
Army	a/170	93	263
Navy	a/256	84	340
Air Force	238	92	330
Marine Corps	<u>56</u>	<u>19</u>	<u>75</u>
Total	<u>720</u>	<u>288</u>	<u>1,008</u>
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a/Includes Alaska and Hawaii.

FINANCIAL CONDITION OF MILITARY CLUBS AND PACKAGE STORES

Military clubs and alcohol package stores constitute a major business enterprise with gross revenue from sales amounting to \$688 million in fiscal year 1977.

^{1/}The term noncommissioned officer as used in this report includes Navy chief petty officers.

Gross Sales Revenue

	<u>Clubs</u>	<u>Package stores</u>	<u>Total</u>
	------(millions)-----		
Army	\$139.7	\$105.7	\$245.4
Navy	97.4	78.1	175.5
Air Force	150.7	77.4	228.1
Marine Corps	<u>22.4</u>	<u>16.7</u>	<u>39.1</u>
Total	<u>\$410.2</u>	<u>\$277.9</u>	<u>\$688.1</u>

Package store operations generally result in significant profits. During fiscal year 1977, package stores reported a net income of \$51 million, most of which was distributed to military clubs and MWR activities.

Net Income From Package Store Operations

	(millions)
Army	\$20.7
Navy	12.7
Air Force	15.9
Marine Corps	<u>2.1</u>
Total	<u>\$51.4</u>

Clubs are generally not self-sustaining entities. Although the services reported net income from operations during fiscal year 1977 totaling \$19 million, 25 percent of all clubs lost money. Moreover, the services included in net income \$35 million in profit distributions from the package store operations. For most clubs, these distributions are budgeted for and are considered normal club income. Without such distributions, the clubs would have lost \$16 million, with 57 percent of all clubs reporting losses.

Reliance on Package Store Profits

	<u>Loss before package store distribution</u>	<u>Package store distribution</u>	<u>Reported net income after package store distribution</u>
	------(millions)-----		
Army	\$ - 1.0	\$11.4	\$10.4
Navy	- 4.0	8.7	4.7
Air Force	-10.1	12.9	2.8
Marine Corps	- .5	1.8	1.3
Total	\$ <u>-15.6</u>	\$ <u>34.8</u>	\$ <u>19.2</u>

Number and Percentage of Unprofitable Clubs

	<u>Before package store distribution</u>		<u>After package store distribution</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Army	a/139	a/53	59	22
Navy	188	55	89	26
Air Force	202	61	90	27
Marine Corps	<u>42</u>	56	<u>17</u>	23
Total	<u>571</u>	57	<u>255</u>	25

a/Estimates based on Army data.

Club income also included \$43 million in membership dues and slot machine profits.

Dues and Slot Machine Profits

	<u>Dues</u>	<u>Slot machine profits</u>	<u>Total</u>
	------(millions)-----		
Army	\$15.2	\$0.0	\$15.2
Navy	.9	1.1	2.0
Air Force	23.0	0.0	23.0
Marine Corps	<u>1.2</u>	<u>1.2</u>	<u>2.4</u>
Total	\$ <u>40.3</u>	\$ <u>2.3</u>	\$ <u>42.6</u>

Before 1972, each of the services had slot machine operations overseas. In response to a congressional recommendation, the Army and Air Force in 1972 discontinued use of slot machines in their club systems; thus a substantial

loss of income resulted. In 1970, the Army reported net income from slot machine operations of \$23 million and the Air Force reported net income of \$28 million. The Navy and Marine Corps retained their slot machine operations since they believed their procedures and regulations were adequate to ensure proper control.

Clubs and package stores also receive significant appropriated fund support in the form of military and civilian personnel, utilities, expensed equipment, and supplies. This assistance is not reflected in their financial statements although it is a major subsidy. During fiscal year 1977, this support, exclusive of costs associated with training club personnel, amounted to \$93 million.

Appropriated Fund Support

	(millions)
Army	\$29.6
Navy	21.5
Air Force	35.2
Marine Corps	<u>6.7</u>
Total	<u>\$93.0</u>

Without alcohol package store profits, dues, appropriated fund support, and to a lesser extent, slot machine profits, the military club system would be unable to survive and would eventually face bankruptcy unless significant management improvements were made.

Dues or profits from games are normal sources of revenue for operations such as clubs. However, relying on package store profits has generated considerable disagreement between the Congress and the military services. The question of what constitutes a reasonable amount of appropriated fund support is also controversial. Striking an equitable balance between what the taxpayers should fund and what the service members should pay presents a fundamental problem.

CONGRESSIONAL INTEREST

During the past decade, congressional committees have been interested in the problems confronting military service clubs. Investigations into fraud and malfeasance in club operations in 1969 and 1970 generated intensive interest in the control and management of nonappropriated funds. Congressional investigations determined that a lack of control and supervision over club operations by commanders and staff and the lack of qualified and trained personnel to operate and

manage the clubs permitted mismanagement to go undetected. These findings resulted in several years of hearings and numerous studies and organizational changes designed to improve club operations.

In 1972, the House Armed Services Committee established a special subcommittee to examine military nonappropriated fund activities. The subcommittee (1) questioned the prevailing practice of allocating the profits of package liquor sales solely to military clubs; (2) believed that these profits should be distributed and used for the benefit of all personnel on an installation, not merely clubs; and (3) concluded that liquor sales profits should be provided to the installation welfare fund and be used by the base commander for the benefit of all personnel under his command.

In 1977, the Nonappropriated Fund Panel, Armed Services Investigations Subcommittee, House Committee on Armed Services, held the most recent hearings on MWR activities including the military service club systems and alcohol beverage package stores. Information obtained during these hearings indicated that improvements were still needed to bring about greater efficiency, economy, effectiveness, and standardization in the management, organization, and operation of the various military service club systems. The Panel recognized that the purpose of MWR activities and military clubs has changed since the early years of their existence when they were considered fringe benefits to compensate for the low pay armed forces personnel received. However, with the all-volunteer force concept and more comparable pay, the Panel recognized that these activities are an inducement to attract and retain men and women in the Armed Forces. The Panel considers these programs even more vital today than they were in the past. The possible withdrawal of MWR benefits is viewed today by many servicemen as an erosion of benefits to which they believe they are contractually entitled. The Panel wants to pursue courses of action designed to reduce overall program costs of the financially ailing military service club system and yet still achieve the objectives of the MWR program.

On December 12, 1977, we were requested by the Chairman, Nonappropriated Fund Panel, to do a comprehensive review of the military club systems and related alcohol beverage store operations. (See app. VI.) We were asked to direct our review toward (1) determining what courses of action were needed to reduce overall program costs, (2) the feasibility of eliminating or consolidating activities with low use, (3) reducing operating hours or services where warranted, and (4) establishing realistic pricing policies to insure financial stability. In addition, we were asked to:

- Evaluate the financial integrity of club operations including the reasons which contribute to the growing number of unprofitable activities.
- Determine whether improvements are needed in the management of alcohol beverage store profits, including an analysis of the justification and need for distributing alcohol beverage store profits to clubs.
- Determine whether the service club and alcohol beverage store patronage/participation is consistent with the eligibility criteria and whether the criteria is consistent with their mission.
- Evaluate the need for assignment of appropriated fund personnel to club activities.
- Evaluate the organization and system for managing clubs and alcohol beverage stores and determine whether a more centralized system would improve management operations.

SCOPE OF REVIEW

We conducted our review during 1978 at DOD, Army, Navy, Air Force, and Marine Corps headquarters, at selected major commands, and at 18 military installations located in CONUS, Hawaii, the Far East, and in Europe. (See app. I.) We reviewed DOD and service instructions and directives, analyzed financial statements, and held discussions with officials and personnel from the military services. We also obtained, through the use of a questionnaire, the views of military personnel of all ranks on whether the military service clubs were adequately meeting their needs. (See app. IV.)

Our review was directed toward addressing the concerns of the Nonappropriated Fund Panel. As part of our review, we attempted to answer the following questions:

- Are military clubs, as presently organized, adequately fulfilling DOD objectives and effectively meeting the needs of eligible personnel?
- Are the objectives being met in the most efficient, effective, and economical manner?
- What changes are needed in the operation of the club system to strengthen its financial condition while improving services to eligible personnel?

CHAPTER 2

OVERVIEW OF PROBLEMS FACING

THE MILITARY CLUB SYSTEM

During hearings held before the Nonappropriated Fund Panel in September and October 1977, the Chairman noted a growing perception among members of the Armed Services of an erosion of nonpay benefits. He stated that this trend was disturbing to all those in the Congress and the administration who recognized the need for a well-motivated service. The Chairman emphasized the importance of administering MWR activities including the military club system in an efficient and effective manner. This is especially important today because of the financial difficulties facing many military clubs. (See ch. 1.)

The difficulties being experienced by many military clubs result from numerous problems impacting on club operations. These problems can be classified into two categories (1) those that are generated internally and may be corrected and (2) those that are external for which little action for improvement can be taken from within the system. Some of the externally generated problems are also faced by comparable activities in the private sector which confronts them with efficient and effective management. Military clubs, however, must also cope with certain externally imposed problems unique to Government activities. These matters are summarized below.

CONTROLLABLE PROBLEMS

The problems identified during our review for which corrective action can and should be taken are highlighted below and are discussed in more detail in the following chapters of this report.

Decentralized management

- Contrary to the intent of the Nonappropriated Fund Panel, the Office of the Secretary of Defense (OSD) is only minimally involved in managing the military club system.
- Although each service has a headquarters management group to develop policy and provide assistance to its club system, these groups have not been effective in influencing club management. They are reluctant to exert strong influence over the actions of installation commanders because of the perceived need to respect the exercise of command prerogatives.

- Installation commanders are generally autonomous in administering club affairs, and their actions have at times had an adverse effect on their installation clubs.
- Club managers, most of whom are military personnel, generally lack the necessary flexibility to tailor services offered to the servicemen's needs at their installations. They are subject to the strong influence of installation commanders.
- Military rotation policies often preclude continuous management experience at the installation level. As a result, club managers are often hindered in effectively administering their clubs because of their lack of experience.
- Although the services administer training programs, some club managers lack formal training.

Disincentives to efficiency

- Availability of substantial income from package store revenues is a disincentive to effective and efficient management. As a result, package store profits are not being used to benefit all base personnel as envisioned by the Congress.
- Clubs are also heavily reliant on various forms of appropriated fund support. This support which generally was applied to military clubs amounted to almost 25 percent of the clubs' gross sales.
- DOD's longstanding policy that civilians should be used to the maximum practicable extent is not being followed.
- The services also generally depend on membership dues and profits from slot machines to fund operations. Policies concerning such revenues are inconsistent.
- Because the services can rely on these additional forms of assistance, we believe that various methods of achieving greater efficiency, effectiveness, and economy--such as club consolidations--have not been widely attempted. Consolidating multiple clubs on an installation often presents a viable means to improve service to military personnel while achieving economies of scale. Installation commanders are reluctant to consider the joint use of facilities by various ranks.

They perceive a resulting breakdown of military tradition and discipline. Successful consolidations demonstrated that this is a workable alternative to closing unsuccessful clubs and denying club services to eligible participants.

Inability to satisfy needs of military personnel

- Underutilization of clubs by eligible persons contributes to their unprofitability. Our questionnaire to obtain the views of servicemen showed that 24 percent of the eligible personnel never use their club facilities; and 44 percent use them less than once a month. This may be the result of either the inability of clubs to provide desired services or a low population base which cannot support multiple club facilities on an installation.
- Reasons cited by servicemen for not using their club facilities included less than desirable entertainment, atmosphere, service, club location, and food quality.
- At certain installations, entertainment and services were geared to the needs of military retirees rather than to the desires of the active-duty personnel.

Questionable need for new facilities

- During this review, we noted that the construction of a new club facility was approved without adequate consideration for the need for such facility. A new club at the Navy Regional Medical Center on Guam, with estimated construction costs of over \$500,000, was approved to replace a facility which had been destroyed by a typhoon. There are presently five Navy commands on Guam, each operating its own club system. Five clubs are located at the naval station which is only 6 miles from the Medical Center. These clubs are generally experiencing low use and resulting financial difficulties. We plan to examine the construction approval process for military clubs in a future review.

EXTERNAL PROBLEMS

The following problems also have an adverse effect on the ability of clubs to operate profitably, but are difficult for the club system to address.

Higher costs

- The club system, like the general economy, is confronted with the impact of rapidly escalating inflation. This affects cost of goods sold, labor costs, and overhead costs.
- The recent severe decline in the value of the dollar overseas has increased overseas club expenses.
- Public Law 92-392 (5 U.S.C. 5341 et seq.) placed certain nonappropriated fund employees under the Federal wage system. DOD administratively extended these pay provisions to include club employees. This action increased labor costs for military clubs beyond that of the private sector hospitality and food service industry. The Federal wage system also requires in certain circumstances, the payment of premium pay that is not generally required in the private sector. In addition, clubs are not permitted to offset employee tips against salary costs.
- Status of forces agreements with foreign host countries have significantly increased hourly wages and severance pay for foreign national employees. We recently reported on foreign national employment practices in several countries which permit the payment of wages above prevailing local rates. The fiscal year 1979 Defense Appropriation Bill would have imposed limitations on payment to foreign national employees of salaries, wages, and benefits in excess of locally prevailing wages and practices. This provision was deleted by House and Senate conferees. Instead, they directed that DOD and the Department of State pursue negotiations to eliminate the causes for the disparities in wage rates and benefits which we reported.

Competition

- The Randolph-Sheppard Act Amendments of 1974 provided blind vendors with a priority right to operate vending facilities on Federal property. The income generated by vending machines is being diverted from MWR activities, such as the club system.
- Clubs must compete with military exchange cafeterias, snackbars, and other military clubs in the vicinity.
- The club system must compete with numerous commercial dining and recreation facilities. For example, on

Oahu in Hawaii, there are currently about 1,400
restaurant and 600 liquor licenses.

- - - -

The problem areas cited above present a significant challenge for the military club system. They create the need to reassess traditional military policies and procedures and necessitate consideration of new and innovative approaches to management. Certain problems are external and cannot be readily addressed by the club system. The alternative is to resolve problems over which the services have some control through more effective and innovative management.

CHAPTER 3

NEED TO CENTRALIZE AND STRENGTHEN

MANAGEMENT OF MILITARY CLUB SYSTEM

The military club system is decentrally managed with overall policymaking and management oversight the responsibility of OSD. Each of the four services has established a separate management and oversight group at the headquarters level to oversee club activities. Day-to-day administration of club activities, however, has been delegated to the installation commanders who are relatively autonomous in operating clubs.

Our review showed that:

- OSD involvement in the management and oversight of club operations is negligible.
- Service headquarters management groups provide the potential for a strong management system and oversight function, but they are largely ineffectual because they do not have or are reluctant to exercise line authority over installation commanders. Installation commanders, each administering the club system under their control as they see fit, often impede the efficient, effective, and economical operation of the clubs on their installation.
- Installation club managers, most of whom are military personnel, are subject to the control of installation commanders, who strongly influence their actions. They often do not have the needed flexibility and latitude to administer their clubs in a sound and business-like manner.
- Military rotation policies preclude club managers from acquiring and effectively using desirable experience at particular military installations.
- Although the services administer training programs, some club managers lack formal training.

This fragmented approach to managing a financial activity, which produced about \$690 million in annual sales revenue, needs to be changed. Military clubs must be managed in a business-like and professional manner to provide the optimum service to military members in the most efficient and economical manner.

MINIMAL OSD INVOLVEMENT
IN CLUB OPERATIONS

During hearings held before the Nonappropriated Fund Panel in September 1977, the Chairman stated that one issue that disturbs the Panel was the possibility that the MWR area would be downgraded within DOD. He noted that a prior congressional inquiry had revealed the lack of vigorous leadership exerted by OSD in nonappropriated fund operations. Great concern was expressed regarding the lack of detailed guidance provided by OSD in the major policy and operational aspects of nonappropriated funds and activities supported by these funds. The Chairman stressed that it was imperative that this large area of operations continued to receive the proper attention and priority from OSD if the system was to survive. It could not be accomplished by reduction of efforts in OSD. The Chairman recognized the desire of the Congress and DOD to reduce personnel. He noted, however, that there was an irreducible minimum level below which personnel could not be eliminated without incurring higher costs and increasing inefficiency.

The Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics, in testimony before the Panel, stated that the OSD role was one of policymaking and management oversight. He said OSD was responsible for ensuring that its policies were correctly interpreted by the services so that they operated their programs effectively and efficiently.

Our review showed that OSD involvement in club activities is minimal. Within the Office of the Assistant Secretary for Manpower, Reserve Affairs, and Logistics, only one OSD official is responsible for monitoring club activities. Clubs constitute only one segment of his responsibility as he is also responsible for other MWR activities such as package stores, exchanges, libraries, and sports programs. This official told us that his responsibility is limited to issuing broad policy statements. He does not become involved in the management and operation of clubs, and a significant amount of his time is devoted to answering specific congressional requests.

The official told us that he does not have the time or resources to monitor clubs, particularly through analysis of information received through the financial reporting system described in DOD Directive 7000.12. He acknowledged that there were still inaccuracies in the 7000.12 data as we

reported in August 1977,^{1/} but he did not have the resources to correct these deficiencies. He also said that these reports are not used for OSD management purposes and data for the individual services is not even compared. Regarding OSD oversight activities, he told us that the Defense Audit Service does not routinely audit the services' clubs. They could address this area if requested, but no such request had been made to date. He believes that if adequate staff were provided, his office could more effectively execute its management oversight responsibilities.

SERVICE HEADQUARTERS
ACTIVITIES ARE INEFFECTIVE

Each of the four military services has established its own headquarters management and oversight functions to administer club and package store activities. The primary mission of these headquarters groups is policy direction. Policy implementation is generally left to installation commanders. The headquarters management groups do not have direct authority over commanders in substantive club matters. This anomaly contributes to a fragmented form of management with base commanders not always acting in the best interest of the clubs. The management approach followed by each of the services is described in appendix II, and examples of the effects of local command actions on club operations are presented below and in appendix III.

Local command actions impact
adversely on club operations

During our visits to selected military installations, we identified several examples where local command actions had an adverse effect on club operations. Some of the installation commanders on bases we visited demonstrated an inflexible and unbusiness-like approach to club operations. Commanders are inclined to avoid changes in traditional military concepts such as the retention of separate clubs for officers, NCOs, and enlisted personnel, even where a consolidation of facilities would be a viable solution to club problems. Commanders are reluctant to close unprofitable operations and provide for the joint use of clubs by personnel of various ranks although such action would often permit realization of economies of scale and improved service to eligible personnel.

^{1/}"Appropriated Fund Support for Nonappropriated Fund and Related Activities in the Department of Defense" (FPCD-77-58).

As a substitute for efficient operations, commanders are heavily reliant on package store profits and appropriated fund support. In addition, dues and income from slot machines are also important to club operations. Dependence on these sources of revenue serve as a disincentive to achieving profitability and improving club operations. Commanders are relatively free to accept or reject suggestions for improvement in operations by audit teams and management review groups. Higher command and headquarters officials, however, are reluctant to exert pressure on commanders to implement needed changes because they wish to respect command prerogatives.

Alconbury Air Base, England

The Alconbury Air Base has three club facilities, an officers club, an NCO club, and an enlisted annex. During fiscal year 1977, the officers club lost \$19,000 and the NCO club lost \$41,000. The enlisted annex reported net income of \$42,000. The officers club suffers from underutilization, offers no entertainment, and is closed on weekends and during the breakfast period.

A 1977 Certified Public Accountant's report on the officers club operations recommended that the dining room at the officers club be closed and the officers dining services be consolidated with those of the NCO club. The base commander believed the proposed consolidation was a realistic way to reverse an unprofitable trend. Headquarters, U.S. Air Forces in Europe (USAFE), also agreed with the proposed consolidation. An analysis made by the NCO club manager estimated that the consolidation would produce an overall annual net profit of \$68,000.

The consolidation, however, has not been accomplished because the wing commander, who is also stationed at Alconbury, rejected the plan. He opposed fraternization between ranks and believed consolidation would lead to a breakdown in military discipline. The wing commander appointed a steering committee to identify alternatives to consolidation. The changes proposed by the steering committee have not had any major effect on improving club profitability. USAFE, although expressing support for consolidation, has not actively pursued this issue. USAFE officials stated that command support for consolidation is essential to the success of a consolidated club. They believed that consolidations which are forced on an installation by a USAFE directive are destined to fail.

Other command directives have also had an adverse effect on the Alconbury clubs. Based on a directive of the 3d Air Force Commander, all clubs are required to close their bar activities during quarterly alert exercises to simulate a more realistic wartime environment. These alerts can last up to 5 days and result in lost club revenues. Although club bars are not permitted to remain open, we noted that the package store continues to sell wine and liquor, and the exchange snack bar and commissary continue to sell beer. USAFE officials told us that other European commands do not have such a restriction on clubs sales. We were told by a club manager that during hostilities in Vietnam, military clubs remained open. He also noted that during alerts at Alconbury, a nearby commercial drinking establishment is heavily frequented by base personnel.

CLUB MANAGERS OFTEN LACK NEEDED
FLEXIBILITY AND EXPERIENCE

The club management field presents many challenges and requires talented personnel who are familiar with club operations. They should be well-informed about the market they are required to serve. Of primary importance to successful performance is independence and flexibility to tailor individual club services to the specific needs of installation personnel. Managers, however, should be given the latitude and authority to reject ideas that are not workable and not in the best interest of their clubs.

Under the existing club system organization, installation club managers, most of whom are military personnel, are subject to the policies and desires of the installation commanders. The commanders exert considerable influence on the actions of club managers. As shown in appendix III, actions precipitated by the local commanders may not always be in the best interest of the installation club system.

Military rotation policies also prevent managers from acquiring and effectively using valuable general experience in the club management field and specific experience at individual military installations. Managers are subject to frequent rotation, often to or from an unrelated career specialty. By the time they develop a firm understanding of the needs and problems of the club situation on a given military installation, they are often reassigned. This situation results in a frequent turnover of management personnel and a loss of valuable experience and insight into the specific needs of clubs and their patrons at individual military installations.

Army assignment objectives require a 36-month tour in CONUS for officers and a 30-month tour for enlisted personnel. Overseas assignments vary according to marital status, and whether the soldier is accompanied by his family. Accompanied tours overseas generally range between 24 and 36 months, depending on location. Unaccompanied tours range between 12 and 24 months. Army officers have a primary and alternate career specialty designation. They are normally assigned two primary specialty tours for every alternate specialty tour.

According to a 1977 Army study, there are more positions for enlisted club managers overseas than in CONUS (59 percent versus 41 percent), therefore assignments of enlisted managers in CONUS only range between 18 and 20 months. This contrasts with the Army's 30-month assignment objective. This could interrupt management experience and impact on the effectiveness of club management.

The Air Force rotation policy for club managers depends on whether the manager is military or civilian. Military club managers are rotated about every 3 years, except in remote overseas locations where assignments range between 12 and 15 months. Civilian club managers, 95 percent of whom are retired military, are not rotated unless they request it. As discussed in chapter 4, the Air Force is presently civilianizing its officer club managers.

The Marine Corps policy specifies a minimum assignment period for club management personnel of not less than 2 years. Despite this requirement, the Marine Corps club system experienced a high turnover rate at some of the installations we visited. At Camp Pendleton's San Luis Rey officers club, there have been 16 managers in the past 8 years. Of the 56 club management positions at Camp Pendleton, 45 are held by personnel who have been in their position less than 1 year. At the Marine Corps Air Station at El Toro, California, the officers club and the Santa Ana staff noncommissioned officers (SNCO) club have each had three managers in a 1-year period. The SNCO managers were all military, and two of the three were serving as club managers for the first time with no prior club experience.

The Navy's club managers are generally civilian (see ch. 4); only 20 percent are military personnel. Civilian managers are not subject to Navy rotation requirements. Overseas assignments for military managers range from 1 to 3 years; CONUS assignments range from 2 to 4 years.

Each of the four military services has recognized the need to train its club management personnel. However, each

of the services except the Marine Corps operates its own training programs.

The Army, Navy, and Air Force each conducts several inhouse training courses for club managers. Selected personnel are also able to attend courses offered by various associations and academic institutions. In addition, an Army program has been established with private industry to permit club managers to gain experience by working with the civilian sector of the hospitality industry. We noted that in certain instances, reciprocal training privileges have been extended among the various services. Marine Corps managers are permitted to participate in the Navy's inhouse courses; and Army managers are permitted to attend the Armed Forces culinary course presented by the Navy. Management training, however, is generally administered separately by each service.

Although the opportunity for training existed, we noted instances where club managers were inadequately trained. For example, 13 of the 20 club managers at the Marine Corps Camp Butler, had no formal training in club operations. Only 19 of the 56 managers at Camp Pendleton, had completed the mess management course.

CONCLUSIONS

The weaknesses in the management of military club affairs discussed above have contributed to the financial difficulties presently confronting the military club system. A strong centralized management system is needed to provide this significant business-oriented activity with sound direction. Under the existing system, no central authority oversees the operation of the military club system or compares and contrasts the successes and failures of club operations. Although the Nonappropriated Fund Panel has expressed to OSD its concern that this large area of operations should continue to receive the proper attention and priority from OSD if the system is to survive, OSD involvement in club management has been minimal.

Each of the four military services are conducting their own individualized club systems, with diverse policies and procedures; and, each of these systems is losing money and not adequately meeting the needs of servicemen. There are as many management philosophies on club administration as there are base commanders. There are over 1,000 military clubs and each commander responsible for these clubs is relatively independent and autonomous in making club policy decisions. In addition, the base commanders exert considerable and often negative influence over the actions of club

managers who are often not free to manage their clubs using sound business techniques. Their management actions are often dictated by the commanders whose primary efforts must be dedicated to mission-related matters rather than to the business affairs of a club system.

Alternatives to decentralized management

We believe that a strong centralized management system would help ensure that the military club system is administered in a business-like manner and that OSD policies are consistently applied among the services. Responsibility for club operations should be transferred from installation commanders to a central authority which has experience and expertise to operate military clubs in an efficient, effective, and economical manner.

Strong centralized management could be achieved through a number of alternatives such as:

- Establishing a strong management authority at the OSD level.
- Establishing a separate DOD club management agency composed of representatives from each of the services.
- Appointing one of the services to serve as the executive agent to manage all military clubs.
- Strengthening the present management authorities within each service and increasing OSD's coordinating and oversight responsibilities.

Certain defense-related functions such as the administration of military exchange facilities and supply management already operate to a limited extent under a central management authority.

The military exchange systems are administered by the Army and Air Force Exchange Service, the Navy Resale System Office, and the Marine Corps Exchange Service. In July 1978, the Defense Audit Service issued a report on its comparative evaluation of the management policies and procedures of the military exchange systems and concluded that DOD should consider, as one way to improve operations, the eventual consolidation of the three exchange systems.

Responsibility for the broad functions of personal property management in the Federal Government is vested

primarily in two authorities--the Secretary of Defense for the military organizations (Defense Logistics Agency) and the Administrator of General Services for other Federal agencies (General Services Administration). In our February 1976 report to the Congress on the status and progress toward implementing a national supply system (LCD-75-232), we reported on the opportunities to reduce duplication in supply management between the two agencies. We estimated that through a greater consolidation of efforts, about \$21 million in savings would result.

The benefits of centralization were also demonstrated by central procurement of distilled liquors by the Navy, Army, and Air Force in the San Francisco Bay Area. The program, in effect since 1973, is administered by the Navy with the cooperation of the other participating services. Although the program met with considerable resistance at first, the benefits through volume purchasing, inventory control, and improved merchandising and management soon became evident. In 1977 the Coast Guard also joined the program.

Regardless of the form of centralization, installation commanders could continue to serve as management advisors in a centralized management system to provide valuable suggestions to tailor the services offered on a particular installation to the needs of servicemen. The major policy direction provided club managers should, however, originate at the headquarters level. The commanders would benefit from this transfer of authority because it would free them to concentrate their time and effort on mission-related activities.

Installation club managers would be able to more effectively manage their clubs if they reported to a higher authority than the local commander. To operate a successful military club, a manager must be completely familiar with the market he is attempting to serve. Although he must operate within the overall framework of military policies and procedures and sound business practices, he must tailor the services offered to the needs of servicemen at each installation. These needs vary according to installation, rank, age, locale, and taste. Under the present decentralized system in which managers are subject to the strong and often negative influence of installation commanders, local management's ability to administer club operations effectively is being hindered.

CHAPTER 4

RELIANCE BY MILITARY CLUBS ON ALCOHOL PACKAGE

STORE PROFITS AND APPROPRIATED FUND SUPPORT

As discussed in chapter 1, military clubs are generally experiencing serious financial difficulties. Although the services reported overall net income from club operations of \$19 million, without \$35 million in assistance from package store profits, clubs would have lost \$16 million--with 57 percent of all clubs showing losses. In addition, this loss would have been significantly greater without the benefit of \$93 million in appropriated fund support.

Some of the problems being experienced by the club system are externally generated and therefore, beyond the control of the services to correct. Other problems, however, such as the lack of effective management control and the need to provide improved services to military personnel are capable of being corrected. Installation commanders have relied heavily on the profits from package store operations and appropriated fund support to sustain the troubled club system. In effect, these subsidies have become a crutch which allows inefficiencies in management to continue and have tended to obscure the need to concentrate on solving crucial problems.

ALCOHOL PACKAGE STORE PROFITS

During hearings held in October 1972, the House Armed Services Committee's Special Subcommittee on Nonappropriated Fund Activities questioned the then prevailing practice of permitting the profits of liquor store sales to accrue solely to military clubs. The subcommittee believed the revenue generated from the profits of liquor sales should be distributed to the post welfare fund and be used for the benefit of all personnel on an installation, not merely members of clubs and messes. The subcommittee recognized the acute financial problems confronting open messes as a result of increased commodity prices and general operating expenses. However, these problems were perceived as being faced by every open mess, many without authorized package stores and profits generated from liquor sales. The subcommittee believed that when a package store outlet is authorized by the Secretary of a service, it is intended to benefit the entire installation.

Noncompliance with congressional intent

The method for distributing package store profits between clubs and other MWR activities varies by service. The allocation is generally left to the installation commander. The Army has established a formula for allocating the profits in the United States, Puerto Rico, and Panama. However, if a club does not meet monthly net income objectives or loan payment requirements, or must finance package store capital improvements, the installation commander can apply the profits to the clubs under his control as he sees fit as long as some distribution to MWR activities is made. At overseas installations, distribution is left up to the major command.

The Air Force has left the allocation to the installation commander's discretion in the United States, provided some distribution is made to other MWR activities. At Pacific locations, the amount distributed to MWR activities is based on package store sales of foreign-made products. Local commanders may also fund MWR activities through a surcharge on bottles sold at the package store. At European locations, however, none of the profits are distributed to the clubs.

The Navy permits the installation commander to decide on the allocation between clubs and other MWR activities. He is not required to distribute any of the profits to other MWR activities.

The Marine Corps has established a policy for allocating package store profits whereby the installation commander is required to allocate 85 to 90 percent of the package store profits to the clubs. The profits are shared by the clubs on an installation based on package store revenues generated by officers, NCOs, and enlisted personnel. The allocation of package store profits between clubs and other MWR activities for fiscal year 1977 is shown below.

Allocation of Package Store Profits

	<u>Clubs</u>	<u>Other MWR activities</u>
	------(percent)-----	
Army	64	36
Navy	87	13
Air Force	76	24
Marine Corps	93	7
Total	74	26

Although a portion of package store profits is presently being transferred to the base welfare funds, the spirit of congressional intent concerning package store profits is still not being followed. During fiscal year 1977, of total package store profits of \$51 million, only \$13 million was transferred to the MWR area to be used for the benefit of all personnel on military installations. Package store profits amounting to \$37 million were allocated to the club system-- \$35 million was directly transferred to the clubs and \$2 million was used to fund certain administrative costs in Europe. The package stores retained \$1 million.

The benefits from the funds generated by package store sales were, for the most part, limited to those who use the clubs. According to responses to our questionnaire, 24 percent of all eligible personnel never use the clubs; and 44 percent use the clubs less than once a month. (See ch. 5.) Therefore, a significant number of servicemen are receiving few if any benefits from package store profits through MWR activities.

Generally, clubs in all services and at most locations throughout the world are dependent on package store profit distributions. At Air Force installations in the Far East, package store operations are not reported separately. As a result, profits are not distributed as they are in CONUS but are retained within the club system and account for overall system profitability. Such reporting does not present a true picture of club financial performance, and precludes meaningful evaluation of both the club system and package store operations. The Army and Air Force in Europe administer package stores (class VI stores) separately from the club system. Although the Army does not directly transfer a portion of package store profits to the club operations in Europe, during fiscal year 1977, \$1.9 million in package store profits were used in part to fund central accounting and personnel costs. This amounted to about 20 percent of European class VI profits benefiting clubs and 80 percent going to other MWR activities. This contrasts to the Army's applying 99 percent of package store profits to clubs in CONUS and the Far East and only 1 percent to other MWR activities.

None of the Air Force's European class VI profits went into the club system but instead were transferred entirely to other MWR activities. In CONUS, however, 94 percent of Air Force package store profits was allocated to clubs. In Europe, without the benefit of package store profits, Air Force clubs were significantly more successful than their CONUS counterparts. Sixty-eight percent of all Air Force clubs in Europe were operating profitably without package

store profits. This compares to 30 percent of Air Force clubs in CONUS which were profitable without considering package store profits.

During hearings held by the Nonappropriated Fund Panel in September and October 1977, Army and Air Force officials testified on package store profit distributions in Europe.

A senior Army club management official said that in CONUS the clubs had always run the package stores. Managers were dependent on this relationship and were more closely tied to it. In Europe this relationship never existed. Although clubs do receive some of the class VI funds to cover certain expenses such as accounting, civilian personnel, and administration costs, they generally were not dependent on it. Clubs in Europe found other means to overcome the lack of package store profits. In the past, they had slot machines. Many CONUS clubs have obtained large loans to finance new club construction. Their ability to repay these loans is based on the expected package store profits.

According to a senior Air Force club management official, a total cutoff of all package store profits from the open mess program would have a calamitous economic impact on the program. Because it is not clear that the Congress intended a total cutoff, the Air Force permits installation commanders to distribute package store profits to clubs provided some distribution is made to the base welfare funds. Installation nonappropriated fund councils recommend the percentage to be distributed. Final decision, however, rests with the local commanders. The Air Force maintains that its procedures appropriately implement congressional intent. All profits from European class VI operations except those programmed for capital improvements are distributed to welfare fund activities. At other overseas locations, different methods of profit sharing are in effect.

The official stated that in CONUS, Alaska, and Hawaii, package stores were traditionally administered by clubs. In Europe, clubs had not run the package stores and are used to operating without the benefit of package store income.

APPROPRIATED FUND SUPPORT

Pursuant to DOD Directive 7000.12, each military service reports to OSD the amount of appropriated fund support received by clubs and package stores. The services, however, do not include this support in their financial statements covering the operations from clubs and package stores. During fiscal year 1977, the clubs lost \$16 million without

the profits received from package stores and this loss would have been much greater without appropriated fund support of \$93 million. The financial reporting system tends to obscure the great effect of this support on club operations, thus precluding a meaningful analysis of operations by management. The services rely heavily on this assistance.

The following schedule shows how appropriated fund support is distributed between CONUS and overseas for three of the services. The Navy does not have this data readily available.

	<u>CONUS</u>	<u>Overseas</u>	<u>Total</u>
------(millions)-----			
Army	a/\$14.6	\$15.0	\$29.6
Air Force	b/ 28.0	7.2	35.2
Marine Corps	<u>4.8</u>	<u>1.9</u>	<u>6.7</u>
Total	<u>\$47.4</u>	<u>\$24.1</u>	<u>\$71.5</u>

a/Includes Alaska, Hawaii, Puerto Rico, and Okinawa.

b/Includes Alaska and Hawaii.

During hearings held by the Nonappropriated Fund Panel in September 1977, the Chairman cited the support of nonappropriated fund activities with appropriated funds as a major issue confronting the Congress and the executive branch. The Chairman said the alternatives range from total funding of MWR activities with appropriated funds, to eliminating all appropriated fund support. He said that neither of these alternatives appeared to be desirable. Total appropriated funding would undoubtedly be objectionable to the taxpayers of this country; complete withdrawal of such support would be "penny-wise and pound foolish." The fundamental problem recognized is to strike an equitable balance between what the taxpayers should fund and what the service members should pay for directly out of their pockets. The Chairman stated that there is no question that increased efforts must be made to bring about greater efficiency, economy, and effectiveness in accomplishing program objectives.

We recognize that the abrupt withdrawal of appropriated fund support is not feasible. The Army predicted in a recent study that if appropriated fund support were terminated, 25 percent of the Army clubs may not survive. An additional 44 percent would have to either consolidate or close. As the

management and operation of the club system improves, however, we believe that reliance on these funds could eventually be lessened.

Need to civilianize club management

Appropriated fund support is used to fund such costs as military and civilian personnel, utilities, expensed equipment, and supplies. Military personnel costs constitute a major portion of appropriated fund support applied to club systems.

In our report "Appropriated Fund Support for Nonappropriated Fund and Related Activities in the Department of Defense" (FPCD-77-58, Aug. 31, 1977), we reported that DOD's longstanding policy (directive 1315.10) that civilians should be used to the maximum extent had not been followed for several years. We recommended that the Secretary of Defense revise the DOD policy to authorize military staffing of MWR activities only where civilian employees are not available. The 1978 Defense appropriation bill reduced the number of military personnel that can be used in nonappropriated fund activities. The conference committee directed that DOD emphasize the maximum use of nonappropriated fund civilians instead of military personnel. Our review showed that in at least three of the services, the majority of club management positions are still held by military personnel paid with appropriated funds.

The following schedule shows the number of military and civilian personnel assigned to the club management within each service and the percentage of military personnel to total personnel at the time of our review.

	<u>Military personnel</u>	<u>Civilian personnel</u>	<u>Total personnel</u>	<u>Percent of military personnel to total</u>
Army	893	221	1,114	80
Navy	a/	a/	a/	20
Air Force (note b)	636	c/119	755	84
Marine Corps (note d)	264	138	402	66

a/Information on the number of military and civilian management personnel in the Navy was not readily available. Navy officials estimate only about 20 percent of club management personnel is military.

b/It should also be noted that the Air Force is in the process of civilianizing all positions in the officers open mess program. This action was initiated because the dwindling size of the officer open mess career specialty has made it increasingly difficult to obtain interested and qualified officer personnel.

c/Excludes nonappropriated fund civilians.

d/Includes some personnel in staff positions doing administrative-clerical functions.

During testimony before the Nonappropriated Fund Panel in October 1977, Army club management officials stated the installation commanders need military personnel for executive command and control of MWR activities. They indicated this was especially true at isolated military bases in CONUS and at most overseas locations where it is difficult to recruit and retain qualified civilian employees. In addition, Army officials said military personnel identify and relate to the needs of the soldiers since they are also members of the command which they serve. Army officials said that by using members of the military community in managerial functions, the commander is able to maintain the pulse of his command to eliminate potential morale problems. They said that eliminating military leadership from overall management duties involving essential military community services would have a detrimental effect on troop morale, discipline, and military effectiveness. The Air Force testified that military positions are authorized for executive control and command supervision, at locations where qualified civilians are not available, and to provide a rotational base, training, and

career progression. As noted above, however, the Air Force is civilianizing all positions in the officers open mess program. The Marine Corps testified that some executive management positions should remain military and a number of trained military managers are required to operate clubs in forward areas.

CONCLUSIONS

Alcohol package store profits and appropriated fund support serve as disincentives to achieving efficiencies and economies in operations. These sources of revenue have permitted the club system to operate with complacency rather than with dedication to produce the most efficient organization offering maximum services to members. Applying most of the package store profits to club operations rather than to other MWR activities is contrary to congressional intent that profits benefit all base personnel; using military club managers rather than available civilians is contrary to DOD's own regulations. These subsidies have become crutches for management which have obscured the need to solve problems. Dependence on these subsidies should be reduced.

Under optimum conditions, the military club system should for the most part, be self-sustaining, supporting itself with revenue from operations. We recognize that self-sufficiency cannot be accomplished overnight. However, as greater efficiencies and economies in management and operation are realized, reliance on both package store profits and appropriated fund support could eventually be reduced.

The ability of the Air Force club system in Europe to operate without package store profits indicates that this subsidy is not always needed. Because of time limitations, we did not determine whether Air Force clubs in Europe are operated more efficiently and effectively than other clubs. We suspect that increased patronage contributes to the Air Force's relative success. We believe, however, that this situation demonstrates that clubs can be operated without substantial subsidies. This issue should be explored in more depth by OSD or a central management authority. In addition, the rationale that installation commanders need military personnel who identify with and relate better to the needs of the soldiers and help the local commander eliminate potential morale problems may not be realistic. Based on the poor financial condition of military clubs, most of which are managed by military personnel, we believe that the continuing reliance by the services on military managers should be reevaluated.

As one of the first steps in reducing the reliance of clubs on package store profits, the administration of and financial reporting for the clubs and package stores should be separated. Army and Air Force club and package store operations in Europe are considered as separate and distinct entities.

Uniform guidelines need to be developed regarding the application of package store profits. The profits should generally be applied to other MWR activities which benefit all base personnel. A portion of the profits could be set aside to assist clubs in certain circumstances. The distribution of package store profits could be limited to cover the overhead costs of a centralized management system. Costs associated with central management, accounting, personnel administration, and oversight could be funded with these profits. Package store profits could also be used to help essential financially troubled clubs to break even provided the club has made all reasonable attempts to achieve self-sufficiency. Where clubs are barely able to break even or are only marginally profitable, package store profits could be used to fund necessary capital improvements.

Package store profits should no longer serve as a crutch to be used at the discretion of installation commanders. The appropriate use for such profits should be determined by central management after thorough consideration of the justification for this assistance at each installation. The major portion of the profits, however, should be transferred to the MWR program and made available for the benefit of all base personnel. This additional revenue could be used to expand the MWR program or reduce the need for appropriated fund support for these activities.

Improvements in the operation of the club system should eventually enable the clubs to operate with a reduction in appropriated funds. Civilianization of management would reduce appropriated fund support as well as eliminate some of the problems associated with military managers. Based on our past reviews, we believe many military personnel are assigned to MWR programs because they are a source of manpower that is free to the using activity. Active duty personnel are not necessarily essential to effectively performing club management functions and civilians paid by nonappropriated funds generally could and should be used to replace them. As discussed in chapter 3, club managers, most of whom are military personnel, often lack the flexibility and experience to perform their duties in the most effective manner. Until profitability is achieved, however,

the club system will continue to require some appropriated fund assistance. We believe that management should determine an equitable means to allocate this assistance. One reasonable method would be to base the amount of support on the cost of externally imposed requirements which are created by law or governmental action over which the clubs have no control.

CHAPTER 5

ARE MILITARY CLUBS EFFECTIVELY MEETING

THE NEEDS OF ACTIVE DUTY PERSONNEL?

The ability to attract and retain customers is as important for a successful military club system as it is for any viable business in the private sector. In addition to generating needed revenues, high patronage indicates success in achieving the objectives of the club system--promoting the morale and well-being of service members and contributing to unit identity, esprit de corps, and improved readiness. Low patronage results in financial losses and is symptomatic of the inability of clubs to meet these objectives. To aid us in determining whether clubs are meeting their objectives, we obtained the views of a sample of servicemen through the use of a questionnaire. Eligibility criteria for club participation, club membership, and the results of our questionnaire on club usage are discussed below.

ELIGIBILITY AND MEMBERSHIP

Although eligibility criteria for club membership and requirements for dues vary somewhat within each service, the requirements generally include certain similar broad categories involving types of personnel and rank. Club membership is generally open to all active duty personnel, retired military personnel, unmarried widows of military personnel, and spouses of personnel missing in action. In some instances, DOD and other U.S. Government civilians are eligible to join.

Generally, the Navy does not operate a membership club system and does not normally assess dues. The Navy has, to a limited extent, begun charging dues in certain officers clubs. All Air Force clubs and most Army clubs charge membership dues. The Marine Corps limits its membership to active duty or retired military personnel and reservists but extends officers club privileges to civilians directly connected with the Marine Corps or who are engaged in official Marine Corps business. Only members of officers and SNCO clubs are required to pay dues.

Membership dues in the clubs provide a substantial source of revenue in the Army (\$15 million) and Air Force (\$23 million); the Navy and Marine Corps clubs each receive about \$1 million in membership dues.

Use by ineligible patrons

Each of the services has established a requirement to ensure that persons who patronize clubs are entitled to use them. During our visits to selected field installations, we noted that enforcement procedures were not always being followed and that persons who patronized the clubs were not always entitled to such use.

At Camp Butler, Okinawa, we observed what appeared to be a large number of local nationals using club facilities. The installation commander was aware of but not concerned about complaints from club members regarding this practice. He said money spent in the clubs by local nationals offsets money spent by military personnel on the local economy. At the Marine Corps Air Station, Iwakuni, unauthorized persons are being permitted to use the facilities. Eligibility criteria is enforced through infrequent club card checks when a patron wants to cash a check or when he collects his winnings from bingo or slot machines. The Marine Corps area auditor had reported on unauthorized patronage at all installation clubs by both local nationals and ineligible United States and Japanese personnel. Although this practice is prohibited by the Status of Force Agreement, the commanding officer said he would like to formally extend club membership privileges to this last group of individuals. We also noted a similar situation at Beale Air Force Base in California.

We did not, however, consider use by ineligible personnel to be a serious problem; and we believe the eligibility criteria are generally consistent with the objectives of the club system to promote and maintain the morale, well-being, and efficiency of military personnel.

Use by retired military personnel

During the 1977 Nonappropriated Fund Panel hearings, service officials provided information on what percent of club members were active duty military personnel and what percent were retirees. An Air Force official indicated that 66 percent of the club members were active duty personnel and 17 percent were retirees. The Navy messes generally were not membership clubs. However, based on the data obtained at 13 officers messes which charge membership dues, the Navy official cited an active duty membership of 61 percent and retiree membership of 18 percent. The Marine Corps and Army did not provide similar information. A Marine Corps official commented, however, on the high retiree membership in areas such as San Diego which have a substantial retired population. For example, at the gunnery sergeants club, 70

percent of the membership consists of retirees; only 30 percent are active duty. On the other hand, at more remote locations like Camp Lejeune, between 80 to 90 percent of the members are active duty personnel.

We noted at certain locations that club members were predominately military retirees. This tended to discourage use by younger active duty personnel who had different recreational and dining preferences than the retirees. MWR program objectives were not being achieved for this group.

For example, only 200 of 700 officers at the Naval Training Center in Orlando were club members. The club membership included 1,700 retired military officers. The general population in this area consisted of 50,000 retirees and their dependents. According to the club manager, the young junior officers and nuclear school students generally are not club members because of the differences in age and recreational preferences relative to the retired and senior active duty officers. He said the club caters to the older group because of their greater numbers.

A similar situation existed at the officers club serving the Marine Corps Air Stations at El Toro and Santa Ana, California. Out of a total officers club membership of 2,300 persons, 1,000 were retirees. Installation Marine Corps officials told us that younger officers are not being attracted to officers clubs. Patronage is more concentrated among senior officers and retirees. A Marine Corps headquarters official said that officers clubs have a difficult time catering to such a widespread age group. Officers range in age from 21 to 62. He contrasted this to the relatively successful enlisted clubs which serve a narrow market, usually with an age range from 18 to 21. He also told us that he thought the military services generally lack sufficient knowledge of the club markets they serve.

CLUB USAGE

During the September 1977 hearings of the Nonappropriated Fund Panel, a DOD official said that the MWR program must be responsive to the changing and individualized needs of servicemen. The character of military life has changed over the years. With the ending of the draft and the reduction of the Armed Forces following Vietnam, the demographics of military personnel have changed:

--There is presently a somewhat older force, 55 percent of whom are married, most with minor dependents.

- Military personnel are paid on a more comparable basis with workers in the civilian sector.
- Living quarters have been improved.
- Civilian communities adjacent to major installations are becoming urbanized.

This presents both benefits and drawbacks to the military community in terms of leisure-time activities and the accompanying disciplinary and community relations problems. More junior enlisted personnel have transportation, televisions, and other convenience items.

The official also indicated that different types of people want different recreational activities. Interests vary with climate, locale, and type of personnel. Military personnel also reflect the tastes and desires of the population at large. He said that military clubs must adjust to these and other social changes.

Are military clubs effectively meeting the needs of active duty personnel?

To answer this question we solicited through a questionnaire, the views of a sample of servicemen on how they perceived the services offered by their clubs. (See app. IV.) Out of an overall active duty military population of 2.1 million, we sent questionnaires to 4,708 service members who were selected, based on a stratified random sample of officers, NCOs, and enlisted personnel in each of the four services. Results from such a sample, when properly weighted, are projectable DOD-wide. The services assisted us in selecting the sample, which was designed to allow for a maximum sampling error of plus or minus 7 percent with 95-percent confidence. Of the questionnaires mailed, 325 were returned as undeliverable. We received 3,210 usable returns representing an overall response rate for delivered questionnaires of 73 percent. Target sample sizes were surpassed in all cases except for Army junior enlisted personnel where we received 75 percent of our goal. Responses to the questionnaire items varied by service and rank of respondent with more consistency among persons of comparable rank than among persons from the same service. This may be attributed to similar preferences among persons in like age groups. The results of our questionnaire are discussed below.

Membership

Dues-paying membership varies considerably by rank, with a greater percentage of officers (65 percent) joining their clubs than NCOs (38 percent) and enlisted personnel (11 percent). Projected estimates indicate that only 26 percent of all military personnel are dues-paying members. However, it should be noted that most Navy clubs and many junior enlisted clubs do not require dues. Also, many persons do not have access to a club.

About 70 percent of Air Force and Marine Corps officers and 60 percent of Army officers indicated they felt pressured or obligated to join. In fact, about one-third of the officers in these three services cited pressure as the single most important reason to join the club. Some respondents said efficiency ratings would be adversely affected if they did not join the club on their installation or that the only way one could decline membership was through a letter to the commanding officer. During our review a high-ranking officer acknowledged that he considered club membership as an indication of an officer's dedication to his career. Pressure to join their club was also cited by many SNCOs in the Marine Corps (53 percent) and Air Force (34 percent).

Usage

Overall, the average serviceman uses his club about 96 times a year including 54 meals. There are many servicemen, however, who never use their clubs or use them infrequently.

An estimated 24 percent of all servicemen never patronize their clubs. An additional 20 percent use their clubs less than once a month. The following schedule shows that more junior enlisted personnel and NCOs are non- or infrequent users than officers.

	<u>Percent of personnel who never use clubs</u>	<u>Percent of personnel who use clubs less than once a month (note a)</u>
Junior enlisted	29	47
Senior enlisted	23	46
Officer	7	22
DOD-wide	24	44

a/Includes personnel who never use clubs.

There was some correlation between club use and career intent. Those respondents indicating that they had made or probably would make the service a career used the club more often. Also, club users tended to use other dining facilities both on and off base more often than nonusers.

Reasons given for using
and not using clubs

The following reasons, listed in order of importance, were cited by the various ranks as the principal reasons for joining or using their clubs.

Junior enlisted--drink prices, entertainment, limited commercial facilities available.

Senior enlisted--check cashing services,¹/ drink prices, to socialize with peers.

Officers--pressure to join, to socialize with peers, check cashing services.

The following reasons were cited by servicemen as the principal reasons for not using their clubs.

Junior enlisted--poor atmosphere, poor entertainment, did not wish to socialize with peers.

Senior enlisted--poor entertainment, poor atmosphere, poor service.

Officers--inconvenient location of club, poor food quality, poor entertainment.

Junior and senior enlisted personnel who never use the club or use it infrequently cited poor atmosphere as the most significant factor which discouraged club usage. Many enlisted personnel thought clubs were too rowdy and objected to the military atmosphere. Some officers thought clubs were too formal or too military.

Although entertainment was often cited as one of the important reasons to use the clubs, it appeared more often as a reason not to use the clubs. Entertainment is considered by

¹/Strongly influenced by Air Force personnel and not indicative of the other services.

many as vital to a club's success. Because the clubs must serve persons with such varied entertainment preferences, satisfying all tastes is extremely difficult. Management must have a sound understanding of the market it is attempting to serve.

Dues also impacted on attitudes toward the club. Dissatisfaction with dues was directly related to the amount of dues charged. For example, 50 percent of the Air Force officers, who paid an average of \$11 a month, believed their dues were unreasonable. This compared to 25 percent of the Army and Marine Corps officers who believed that their dues were unreasonable. Army officers paid an average of \$9.50 a month; Marine Corps officers averaged \$6.30 a month. Air Force officers also felt less positive about their clubs than their counterparts in other services. This suggests that based on dues paid, their expectations of benefits from club activities were not being met.

Socializing with military personnel was cited by officers as an important reason to use their clubs. This desire was not shared by junior and senior enlisted personnel who cited "getting away from the military atmosphere" as the most important reason they preferred commercial establishments. Officers and to a limited extent, senior enlisted personnel consider their clubs to be a professional meeting ground. Junior enlisted personnel, on the other hand, use their clubs for reasonable drink prices, entertainment, and/or because commercial facilities are not always available or accessible. Location of clubs and availability of commercial establishments strongly influenced use or nonuse by all personnel.

Club usage in foreign areas is higher than in the United States. Although respondents expressed more negative opinions about overseas clubs, they used the clubs one and one half times more than clubs in the United States. The decline in the dollar value overseas, relative isolation, and the club's familiar atmosphere in a foreign environment probably contribute to this anomaly.

Projected estimates based on survey responses show that 45 percent of the military population would increase patronage if negative factors were improved. About 35 percent of the population would not change their usage and 20 percent didn't know how their usage would be effected. Those who said their patronage would increase most often indicated that entertainment, atmosphere, service and attitude of employees, menu variety, and quality of food were negative factors.

Alternatives to present
club environment

We asked survey participants what they would prefer if the club financial situation continues to deteriorate and certain alternative actions were to be taken. The alternatives were divided into three broad categories with several options:

1. Maintain separate officers, NCOs, and enlisted clubs,
but

- increase or initiate dues,
- increase food and drink prices,
- increase or initiate entertainment charges,
- decrease services,
- decrease operating hours, or
- decrease physical size of club.

2. Consolidate clubs into "all ranks" facilities with

- common dining rooms and lounges,
- common dining rooms and separate lounges for officers and enlisted personnel,
- separate lounges and separate dining rooms served by a central kitchen,
- several buildings open to all ranks, offering different services such as a discotheque, supper club and specialty restaurant, or
- officers from all services in a given vicinity would consolidate into one club; the same for junior and senior enlisted personnel.

3. Close unprofitable clubs.

The responses to this question are summarized below.

	<u>Junior enlisted</u>	<u>Senior enlisted</u>	<u>Officer</u>
	------(percentages)-----		
Continue separation with changes	23	25	39
Consolidate	45	45	31
Close unprofitable clubs	<u>32</u>	<u>30</u>	<u>30</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>

Although none of the alternatives were popular, in the event that further actions were necessary, more junior and senior enlisted personnel preferred consolidation over the other alternatives. Officers, however, preferred to retain the traditional separation of ranks rather than consolidate or close unprofitable clubs. A significant percentage of officers would consider some form of consolidation. Almost one-third of all respondents preferred closing unprofitable clubs rather than modifying dues, prices, services, or consolidating into "all ranks" facilities.

Examples of written comments which were included on questionnaires are shown in appendix V.

IMPROVED SERVICES TO ELIGIBLE PERSONNEL

As shown by our questionnaire results, many servicemen do not patronize their clubs for various reasons. Tastes and preferences of military personnel vary greatly as they do among civilians. Because sufficient patronage is necessary to ensure success, clubs must offer those services that appeal to servicemen.

Major changes may be needed in the methods in which these services are being offered. Some of these changes may require adjustments in traditional military concepts, particularly those regarding rank separation. Such changes should not be viewed by servicemen as an erosion of benefits. By modifying the structure of unsuccessful clubs on a military installation, eligible personnel will benefit through improving and retaining club services.

A small patronage base could contribute to a club's problems. Using the Marine Corps as an example, the officers and SNCO clubs generally show poorer financial results than

enlisted clubs. Without alcohol package store distributions, losses were experienced by 78 percent of the officers clubs, 65 percent of the NCO clubs, and 38 percent of the enlisted clubs. Out of a total active duty population for Marine Corps personnel of 192,000, only 10 percent are officers, 14 percent are SNCOs, and 76 percent are enlisted personnel. Considerably smaller officer and SNCO populations seem to contribute to the greater financial difficulty experienced by their clubs.

We also analyzed the extent to which the food and bar operations contributed to club profitability in the Marine Corps. Profit from food operations after meeting all direct expenses amounted to only 6 percent of gross sales; profit from bar operations amounted to 41 percent. Based on observations at Marine Corps clubs visited, we conclude that the larger the facility, the more extensive the menu, and the greater the variety of services offered, the less profitable the facility is likely to be. Officers clubs tend to fall in this category. Enlisted clubs, on the other hand, which offer fewer frills and fast food items are generally profitable. When clubs have elaborate facilities and provide extensive services and menus but serve a low population base, management should address certain key questions.

- How essential is the dining operation, particularly if it is underutilized?
- Is the club offering the type of services that patrons desire?
- If the club cannot continue to sustain itself from operations, how can the eligible personnel presently served by the club continue to be served?

Benefits available through consolidation

Where club patronage falls to such a low level that the operation is no longer viable, consolidation may offer a reasonable alternative. Consolidation, for administrative purposes or for permitting joint-use of club facilities by various ranks, has been attempted to a limited extent by each of the services. It does not represent a panacea for all club problems; but, when all attempts at achieving self-sufficiency have failed, it may present a workable solution.

We examined various forms of consolidations implemented by the Air Force. We noted that 38 (67 percent) of the 57 consolidations produced profitable results without considering

package store distributions. There were 36 involving officers and enlisted personnel sharing the same facilities, 30 of which were successful, and 6 were not. At these installations, there were generally only a few officers whose limited numbers apparently could not support separate clubs. Fourteen cases involved consolidations for administrative purposes only; 8 of these were successful, and 6 were not. At seven other installations, the consolidations resulted in losses. At five of these locations, the officer population was similar in size to the enlisted population. At two of the locations, officers and enlisted personnel shared all of the facilities except the cocktail lounges.

The type of consolidation which works at one installation may not work at another. Each installation has unique characteristics which should be considered. Some of the various alternatives include:

- Opening all club facilities to everyone regardless of rank. Each separate facility could concentrate on a different theme to satisfy varying tastes such as a formal dining room, fast-food operations, or disco.
- Officers and senior NCOs sharing the same dining room but retaining separate bars.
- Where there is a large club facility, retaining separate dining rooms and bars served by common management and a central kitchen.
- Retaining separate facilities but combining such functions as management, procurement, and accounting.

These are variations of possible consolidations. The important factor that must be considered is to provide adequate and necessary services to all eligible personnel. Although consolidation may involve combined use of facilities by various ranks, overall services offered may actually improve. For example, in chapter 3 we discussed a proposed consolidation of the dining services offered to officers and NCOs at the Alconbury Air Base which had been rejected by the wing commander. In this instance, the officers club offered no entertainment and was closed on weekends. By permitting the officers to use the NCO facilities, the officers would benefit by being provided services that they now lack. In addition to providing improved services to officers, club management officials estimate that the present \$60,000 loss experienced by the officers and NCO clubs could be converted to a net annual profit of \$68,000.

CONCLUSIONS

Based on relatively low patronage and the poor financial condition of many military clubs, we believe the club system may not have adequately adjusted to the changing military environment. As a result, MWR program objectives are not being effectively achieved and tax dollars are being used to support certain club operations with questionable value. Club management must continually consider whether clubs are providing the services required and desired by active duty military personnel. If they are not, the services must determine how the needs of personnel would be better served. If sufficient commercial facilities are available and can adequately meet these needs or if multiple club facilities on an installation are not supported by base personnel, adjustments in club services may be appropriate.

Clubs should provide services that will attract members; personnel should not feel pressured to join. Factors such as club atmosphere, entertainment, and the type of service offered must be frequently evaluated by club management to ensure that the market is being properly served.

Military clubs at overseas locations are particularly important to American servicemen. These clubs fill a void in the lives of personnel stationed overseas and should provide optimum services to ensure that the quality of life overseas is equal to that enjoyed by personnel stationed in CONUS.

If all reasonable attempts at improvement cannot result in better services and increased patronage, other alternatives must be considered. Where clubs are having financial difficulty resulting in part from a small patronage base, some form of consolidation may present a viable alternative. Through consolidation, services to eligible personnel may be improved and financial stability may be restored. Consolidations must be tailored to the specific needs of each installation. They must be carefully planned and designed to meet the needs of affected personnel. As shown above, enlisted personnel would generally prefer some form of club consolidation rather than higher prices, reduced services, or club closures. Almost one-third of the officers chose consolidation as a viable alternative.

CHAPTER 6

AGENCY COMMENTS, CONCLUSIONS, AND RECOMMENDATIONS

DOD believes the military club system and related alcohol package store operations are vitally important to the morale and esprit de corps of servicemen. The club system, however, is having considerable financial difficulties which can be attributed in part to the present form of decentralized management; reliance on subsidies from alcohol beverage store profits, and appropriated fund support, which discourage efficiency in operations; and low patronage by eligible personnel because of the inability of the club system to adequately satisfy their needs and/or a small population base. Significant changes in club system operations are needed to improve services to military personnel and to permit the club system to become more self-sufficient. To successfully achieve these improvements, new and innovative approaches to management and club operations are required.

AGENCY COMMENTS

As directed by the Nonappropriated Fund Panel, we did not obtain formal comments from DOD on the matters discussed in this report. However, we discussed our observations with responsible officials whose views are presented below.

Centralized management

OSD officials do not believe that OSD should be involved in the operational aspects of the club system. They said that many areas within DOD could be centralized, but according to Presidential guidelines, OSD's mission is one of policy direction and not operational involvement. They believe the respective services should control their club systems. In addition, OSD lacks the staff resources to perform such a function.

The consensus of officials in each service was also that club management should remain the responsibility of the respective services.

Army officials recognized the need to strengthen their headquarters role. They acknowledged that installation commanders need to be more responsive to headquarters oversight reviews. They said that voluntary adoption of oversight recommendations must be replaced with mandatory compliance

using command channels. An April 1978 Army study on club management, however, rejected a strong Army club command and recommended that the present Club Management Directorate be retained with some modifications. The study concluded that as a last resort a centralized Army club command is a viable organizational structure for managing Army clubs if appropriated fund support is totally withdrawn.

Air Force officials recognized drawbacks in a decentralized operation but believe the base commander is in the best position to adopt the club system services to the geographical and psychological factors affecting troop morale.

Navy officials questioned the need for a central authority and doubted the possibility of creating a successful one. They believed a vertical structure could be established within each service but were concerned about diminishing the base commanders' responsibilities.

Marine Corps officials also opposed centralized management of club activities under DOD. They expressed concern that the Marine Corps would lose control of its club system. They said, however, that Marine Corps headquarters management should be strengthened--not just for policy and guidance, but for improved operational control in certain areas.

Reliance on package store profits and appropriated fund support

Air Force officials expressed concern as to whether the club system could survive without package store profits and appropriated fund support. The Marine Corps officials expressed similar concern with regard to package store profits. However, they believed the club system could function without appropriated fund support if such support were eventually terminated. Army officials also believe drastic cutbacks in package store profits and appropriate fund support would create severe problems. The Army would instead prefer gradual reductions, if necessary, which would allow for proper planning to ensure that the club system could generate revenue to cover the reduced support. In effect, Army officials acknowledged that the club system could sustain itself without this support, provided sufficient steps were taken to produce additional revenue. Navy officials believed the Navy's method for allocating package store profits to military clubs is consistent with congressional intent.

Consolidating club facilities

According to the Deputy Assistant Secretary of Defense for Military Personnel Policy, consolidations would be considered at some locations, particularly where there is a small patron base. He believed that consolidations involving trainees and young enlisted personnel would not work well. He said consolidating only for financial reasons should be resisted. We noted that in the July/August 1978 issue of "Club and Food Service" (a trade magazine devoted to the military club and food service field), this official was quoted as stating:

"Consolidated open messes have been very successful at many bases. There are economies of scale, particularly in food service operations, which permit consolidated open messes to provide a better balanced program to the membership than would be possible with separate facilities for officers and enlisted personnel. At smaller installations or those with relatively small numbers of personnel, the consolidated mess is the only really viable alternative in today's high cost environment. I would, therefore, expect some further growth in the number of consolidated open messes but not at major troop installations where the patron base is adequate to support separate officer and enlisted open messes."

Army headquarters club management officials favored "functional consolidation" to total consolidation of activities as a means to reduce operating costs. Clubs with common kitchens, ballrooms, and parking areas would not present a problem. Bars and entertainment areas should be kept separate because tastes vary between ranks and fraternization could result in disciplinary problems.

These officials cited a consolidation at Ft. Belvoir, Virginia, involving junior and senior NCOs which resulted in the senior NCOs being alienated from club participation. In this case, club managers scheduled entertainment programs based on the preference of the majority of club members who were junior enlisted personnel. The entertainment did not meet the needs of the senior NCOs, and they withdrew their support from the club. This problem was alleviated somewhat by providing the senior enlisted personnel an area within the club and catering more to their tastes.

The officials thought a consolidation involving officers and senior NCOs may be more viable. They said in Europe socializing between officers and senior NCOs is quite common.

The officials believed consolidation should only be undertaken when conditions are appropriate and after very careful planning.

Air Force headquarters officials said everything possible would be done to retain clubs in their present form. If this was not possible, they would consider consolidation and possible club closures. They said these actions were presently beyond the authority of Air Force club management headquarters and would have to be taken by the major commands.

Marine Corps headquarters officials were generally opposed to consolidated all-ranks facilities. They expressed concern about fraternization between ranks. Like the Army, they believed senior personnel would not participate in an all-ranks facility. In most instances, they believed it would be better to close facilities than to consolidate. However, the Marine Corps is moving toward consolidation by building "modular" clubs which provide a common-use ballroom, central kitchen, and common mechanical/electrical systems while providing separate dining and lounge facilities for use by personnel of different ranks.

Navy headquarters officials believed that consolidating losing operations could result in one entity continuing to be unsuccessful.

CONCLUSIONS

We believe the matters discussed in this report demonstrate that the present decentralized management approach in each service has not been effective. A centralized management system is needed to provide guidance and oversight and to ensure that sound business decisions are implemented.

Centralized management could be achieved through such alternatives as (1) establishing a strong management authority at the OSD level, (2) establishing a separate DOD club management agency with representatives from each of the services, or (3) appointing one of the services to serve as the executive agent to manage all military clubs.

A central management authority consisting of representatives of each service would allow the services to participate in club management and thereby alleviate some of its expressed concern. Local commanders could continue to serve as a valuable resource by acting in an advisory capacity to ensure that the specific needs of the personnel on their installation are adequately met.

A central authority would be in a better position to analyze and compare operations and financial data DOD-wide to determine what factors contribute to successful or unsuccessful operations. Such an authority could make objective decisions affecting club operations such as the need to consolidate. Limited attempts at consolidation have demonstrated that this is a viable alternative to unprofitable club operations. Consolidation should not be viewed as an erosion of benefits but rather as a means to provide improved club services which might otherwise be terminated.

A centralized management authority could see that policies regarding package store profit distribution, appropriated fund support, and use of military personnel are applied and reported consistently and agree with the intent of the Congress and DOD.

The present distribution of package store profits is not consistent with congressional intent that these monies benefit all base personnel. Also, reliance on these profits and appropriated funds serves as disincentives to management. Using appropriated funds primarily to fund military positions is contrary to DOD's policy that civilians be used to the maximum extent practicable.

Reliance on these subsidies should be reduced as the clubs become self-sufficient through improved efficiency and economy. Club and package store operations should be separated as they have been in Europe by the Army and Air Force. Separating operations would not only provide a clearer financial picture of club operations but would also provide better visibility of package store profit distributions. Uniform guidelines should be developed to ensure that all base personnel benefit from the profits. An appropriate use for some of the profits may be to fund the costs of a centralized management authority. Also, some of these profits could be used to help essential, financially-troubled clubs to break even or make needed capital improvement after all reasonable attempts to achieve self-sufficiency have been unsuccessful.

Improved club operations should also eventually reduce the need for appropriated fund support. As improvements are made, club management should, to the extent practicable, be civilianized and financed with nonappropriated funds.

We recognize that until profitability is achieved, the club system will continue to require some appropriated funds. One reasonable method to provide this support would be to base it on the amount of externally imposed costs created

by law or governmental action which is not normally imposed on comparable commercial activities.

We also recognize that the transition to a centralized management system will require sufficient planning and preparation. While this reorganization is in process, each of the services should strengthen their present management structure by transferring responsibility for club operations from the installation commanders to the headquarters authorities and assigning club management personnel to these authorities.

RECOMMENDATIONS

We recommend that DOD take steps to improve military club operations to provide better services to eligible personnel and to achieve eventual financial self-sufficiency. The Secretary of Defense should:

- Strengthen management of the club system by transferring responsibility for club operations from installation commanders to a strong central management authority. A structure consisting of representatives from each service would ensure that their specific needs receive appropriate attention. Recognizing that such an action will require extensive planning and preparations, we recommend that during the transition the services transfer responsibility for club operations from the installation commanders to the headquarters authorities and assign club management personnel to these authorities.
- Direct that profits from package store operations be used primarily to support essential MWR activities benefiting all base personnel. Profits distributed to clubs should be limited to helping essential, financially-troubled facilities to break even or finance capital improvements after all reasonable attempts to attain self-sufficiency have failed. These profits could also be used to fund indirect operational expenses associated with the central management authority.
- Direct that package store and club operations be separated as they are by the Army and Air Force in Europe to provide a clearer picture of club operations and package store distributions.
- Direct that dependence on appropriated fund support to clubs be reduced and that the services civilianize

club operations to the maximum extent practicable using nonappropriated funds.

--Direct the military services to seriously consider consolidating club services when all attempts at achieving self-sufficiency have proven unsuccessful. Consolidation should be carefully planned and designed to ensure improved services to all eligible personnel.

LOCATIONS VISITED

Headquarters, Department of Defense:

Office of the Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
Commandant of the Marine Corps

Major commands:

U.S. Army and Air Force commands in Europe
U.S. Army Support Command, Hawaii
Commander, Naval Forces, Marianas
U.S. Air Force, Military Airlift Command, Illinois
U.S. Air Force, Strategic Air Command, Nebraska

Installations:

Army:

Fort Bragg, North Carolina
Fort Jackson, South Carolina
Fort Leavenworth, Kansas
Fort Shafter, Hawaii
Greater Stuttgart Military Community, Nellingen
Installation, Germany

Navy:

Naval Air Station, Millington, Tennessee
Naval Air Station, Norfolk, Virginia
Naval Training Center, Orlando, Florida
Fleet Activities, Yokosuka, Japan
Naval Station, Guam

Air Force:

Kirtland Air Force Base, New Mexico
Beale Air Force Base, California
Alconbury Air Base, England
Sembach Air Base, Germany

Marine Corps:

Camp Pendleton, California
Marine Corps Air Station El Toro, California
Marine Corps Air Station Iwakuni, Japan
Camp Butler, Okinawa

DESCRIPTION OF SERVICEMANAGEMENT SYSTEMSArmy

Although the mechanism for a centralized management system is in place, operational control of clubs remains with the installation commanders. The Adjutant General is responsible for control and general staff supervision over the activities of the Army club system. To assist him in this capacity, he receives general guidance from a Department of the Army Board of Advisors. The Board consists of major command representatives and recommends actions on broad policies and objectives for the Army club system. The Board provides for direct major command involvement in policy development and implementation. The Adjutant General develops and promulgates the Army policy for club management and operations, establishes minimum operating goals and standards for Army clubs, and has the responsibility to take appropriate action when such standards are not achieved.

The Army Club Management Directorate, under the Adjutant General Center, operating through three regional offices, exercises technical supervision and financial and executive management control over the Army club system. Club Management Directorate provides management assistance service to commanders. Its assistance teams, through visits to selected installations, attempt to identify ways to improve club operations. Followup visits may be made to verify implementation and effectiveness of corrective action. In addition to Club Management Directorate assistance visits, audits and inspections are also done by the Army Audit Agency, public accounting firms, and the Inspector General.

The major commanders also exercise command supervision over installation commanders and monitor Army club activities. The major commanders allocate appropriated fund resources of personnel and logistical support for each installation club system within their jurisdiction. Operational control of the clubs remain, however, with the installation commanders.

The installation commander is responsible to the Club Management Directorate for the operation, supervision, financial solvency, and support of the installation club system on his base. Although subject to Department of the Army policy guidance, the commander has considerable flexibility in managing base activities. Areas in which the commander controls club operations include appointing the installation club manager, deciding on the scope of activities, hours of

operation, types of services, internal operating controls, membership dues structure, advisory council member appointments, assuring authorized appropriated fund support is provided, and implementing corrective and followup actions required by audits and inspections.

The installation club manager is the primary club adviser to the installation commander and is responsible in the overall management and operations of the club system and the performance of assistants, branch managers, and employees. Notwithstanding the Army's provision for the mechanism of a chain of command and numerous internal reviews of club operations, local commanders are in a relatively autonomous position in matters relating to club activities.

Navy

The organizational structure of the Navy club system is also designed in a manner which could provide for specific direct line authority from headquarters down to the installation commanders. The Navy system also relies primarily on the commanding officers to operate the various clubs as they see fit. The Chief of Naval Operations has assigned responsibility for providing administrative and technical guidance to clubs to the Chief of Naval Personnel, who heads the Bureau of Naval Personnel. The Bureau promulgates policy and procedures, issues letters of guidance, requires financial reports, and provides technical assistance and training to managers and operating personnel. The Navy Special Services Administrative Activity within the Bureau performs management assistance visits to Navy clubs. Before October 1, 1977, this group did management reviews, prepared a final inspection report, and made followup visits. Because of local command complaints about excessive audits and reviews, the need for "help" rather than "inspection," and the questionable authority of the Chief of Naval Personnel to inspect clubs, the review teams' functions were limited to providing assistance without a written report. In addition to assistance visits, audits and inspections are also done by local audit boards, the Naval Audit Service, public accounting firms, and major command inspectors.

The commanding officer at each base, however, has direct responsibility for the operation of clubs in his command, as he does for any other elements of his installation. He is able to issue local club regulations. To assist him in managing clubs on his installation, the commander appoints an advisory group to make recommendations to improve club operations. He also appoints club managers and a local audit board

consisting of three or more qualified military or civilian personnel under his command. The audit board conducts quarterly audits which include inventories of club assets.

For each club under his command, the commander appoints a mess treasurer or manager who acts as his direct representative in the administration of the installation clubs. The commander may also appoint a mess liaison officer between himself and the various mess treasurers or managers. The commander has the option of filling this position with a civilian mess coordinator.

Air Force

The Air Force characterizes its club management system as one of "centralized policy and decentralized operations." The Deputy Chief of Staff for Manpower and Personnel is responsible for establishing policy relating to Air Force clubs and monitoring policy implementation. The Air Force Manpower and Personnel Center is responsible for administering the club system for the Deputy Chief of Staff. This responsibility includes reviewing financial data, providing staff assistance teams to assist in improving club operations, and overall management responsibility. Audits and inspections are also done by the Air Force Audit Agency, public accounting firms, inspector general teams, the Office of Special Investigations, and major command assistance teams.

The Air Force Manpower and Personnel Center assistance teams conduct visits to Air Force clubs, but their visits do not result in formal reports to the installation commanders. The teams can only make suggestions to the commanders which they may accept or reject. Major command assistance teams also conduct visits to Air Force clubs and make suggestions to the commanders. Although the major commands have direct authority over the bases in their commands, the installation commanders may still exercise the prerogative of rejecting their suggestions.

The installation commander, through the MWR Chief, must ensure that the clubs are operated properly. This responsibility includes the overall management of clubs including ensuring adherence to directives; establishing basic operational policies, such as hours of operation; review of installation financial statements; and acting on recommendations of the club advisory council. The council serves only in an advisory capacity to the commander.

The MWR Chief on each base is directly responsible to the commander for the management and successful operation of clubs

on an installation. His division includes the club managers and the Nonappropriated Fund Financial Management Branch.

The Branch provides financial accounting and analytical services and has responsibility for assisting club managers in making financial analyses and interpreting data on program planning and decisionmaking.

Marine Corps

The Marine Corps club system also operates under a concept of centralized policy development and guidance with decentralized control of day-to-day operational functions. The Commandant of the Marine Corps is responsible for technical direction of Marine Corps club activities. This function has been delegated to the Deputy Chief of Staff, Manpower, who oversees club activities through the Personnel Services Division. The Morale Support Activities Branch, through its Club Section, formulates and regulates policy concerning the establishment, operation, and maintenance of the Marine Corps club system. The Section also provides management consultant team service for onsite evaluation of club activities in the field. The Club Section has limited authority to enforce regulations pertaining to the club system's financial performance. For example, current headquarters procedures do not provide any means to enforce the requirement that club branches should realize at least a 5-percent profit based on sales revenue.

The Financial Management Section, as part of its responsibilities, conducts financial management assistance visits to field activities as required, makes financial management studies and analyses, and reviews and follows up on audit reports, inspection reports, and other sources of information on club activities.

In addition to review functions done by the Morale Support Activities Branch, reviews are also done by the Field Audit Service area auditors, the Inspector General, public accounting firms, and the Naval Audit Service.

The Marine Corps Nonappropriated Fund Board advises the Commandant on matters relating to nonappropriated fund activities. The Board consists of the Deputy Chief of Staff, Manpower, and representatives from each major headquarters department.

The day-to-day operation of clubs is the direct responsibility of the local commander. He is responsible for the establishment, administration, operation, and financial condition of clubs according to applicable policies and

procedures. The Marine Corps currently maintains 21 "command club management systems" and 14 independent clubs. The purpose of the system is to consolidate and coordinate the management functions of all multiclub commands into a single administrative unit under one officer in charge or system manager at the installation level. The system provides administrative support for all management functions deemed appropriate by the local commander. The commander appoints the system director who supervises the administration of the system.

Advisory groups are also established at each installation to monitor club activities and provide advice to the commander. The group serves only in an advisory capacity and the commander may approve or disapprove recommendations made by the group.

Club managers are selected by and are accountable to the local commander. The headquarters club section does not have a program for recruiting qualified managers nor the capability to assign managers to clubs where they would be of the most benefit.

Headquarters is prepared to assist local commanders in improving club operations by providing the services of management assistance teams. However, only 6 of the 17 branches that were unprofitable after package store profit distributions were visited in fiscal year 1977.

EXAMPLES OF LOCAL COMMANDACTIONS IMPACTING ADVERSELYON CLUB OPERATIONSArmy VII Corps, Greater
Stuttgart Military
Community, Nellingen
Installation, Germany

Nellingen is one of the installations within the Greater Stuttgart Military Community and houses 3 of the 16 clubs in the Stuttgart area club system. During fiscal year 1977, the Nellingen club system reported a net loss of \$27,000.

According to the Stuttgart area club system manager, he is unable to turn the Nellingen club system around because of the commander's restrictive policies toward consolidation. The installation commander has banned mixed ranks functions at any of the installation clubs. The area club system manager said qualified customers are prohibited from bringing guests into their club if the guest is of another rank and not qualified as a principal customer. For example, an NCO could not invite an officer or enlisted member to the NCO club. Generally, the other Stuttgart installations have some type of mixed ranks clubs. The Nellingen policy on guest admissions is more restrictive than the Army regulation governing club guest eligibility which defines a bona fide guest as anyone invited to a club by a member and who is not eligible to join that club. The Stuttgart Community and Army VII Corps commands are aware of the Nellingen policy but have chosen not to challenge the local commander because they believe it is important to respect the prerogatives of installation commanders.

Although over 90 percent of eligible officers belong to the officers club, less than 50 percent use the club facilities more than three times a week. Many officers live near other military installations and use their clubs rather than return to Nellingen. Many NCOs eligible to use the NCO club do not use the facilities. The NCO club manager attributes the poor use to the command restriction on fraternization between ranks. Younger NCOs are unable to bring female enlisted personnel to their club as guests. They, therefore, go to clubs at another installation or patronize commercial establishments. The enlisted club manager believes that the enlisted club facility could readily accommodate Nellingen NCOs.

An area club management official believes consolidating Nellingen clubs could increase the patronage base and generate more revenue. He said there has been a need at Nellingen to consolidate the enlisted and NCO clubs, as well as make the officers club available to the top three NCO grades.

The Stuttgart area club manager believes that consolidating the Nellingen clubs would result in profitable club operations. For the month of March 1978, Stuttgart club management officials estimate that about \$7,000 in net profit could have been realized at Nellingen rather than the net loss of \$1,800 actually experienced by the club system. Previous experience with a 1-day all ranks function held at the enlisted club before the implementation of the commander's policy restricting fraternization, resulted in a \$3,000 net profit for the month.

Fort Shafter, Hawaii

Fort Shafter, located on the Island of Oahu, is the headquarters for the U.S. Army Support Command, Hawaii.

Fort Shafter's officers and NCO club, although reporting net income of \$176,000 for fiscal year 1977, actually experienced a \$70,000 loss without the benefit of package store profits. The installation club system's principal problems are extremely high labor costs and underutilization by eligible personnel.

Between fiscal years 1976 and 1977, labor costs in the club system increased by about \$93,000. During fiscal year 1977, labor costs at the officers club were about 82 percent of gross sales; and for the first 5 months of fiscal year 1978, labor costs averaged about 88 percent of gross sales. Labor costs exceeded gross sales during October and November 1977. These costs are considerably out of line with average labor costs experienced by all services. During fiscal year 1977, service-wide labor costs averaged 49 percent of gross sales.

The U.S. Army Support Command club system suffers from low use by eligible participants, and club management is unable to generate enough sales revenue to sustain the type and magnitude of operations that now exist. Only about 55 percent of the eligible officers were members of the command club system. During the 9-month period April through December 1977, an average of only 22 evening meals were served each day at the Fort Shafter officers club. On at least eight occasions, no more than six persons came for dinner. On one evening, no customers were served. We also noted that the

officers club at the Tripler Army Medical Center located about 1 mile from Fort Shafter is also underused. The installation club manager advised that the closure of this facility is being considered.

The lack of participation in the Fort Shafter officers club is partly attributable to competition from commercial establishments and possibly other military clubs. About 18 of the 30 military clubs on Oahu are in the vicinity of Fort Shafter. There are also many commercial restaurant and beverage establishments in the area. There are currently in effect about 1,400 restaurant and 600 liquor licenses on the Island.

A recent survey of officers in the U.S. Army Support Command showed that the reasons cited most frequently for joining their clubs were obligation and tradition. The reasons cited most frequently for not using the clubs were dissatisfaction with the clubs' atmosphere and hours of operation. Only 20 percent of the officers felt the entertainment offered by the clubs was satisfactory. A similar survey was conducted at the Tripler Army Medical Center officers club. About 81 percent of the respondents believed the club did not suit their needs. Only 18 percent frequented the club more than three times a month.

U.S. Army Support Command club management officials consider appropriated fund support essential for the continued operation of the club system. During fiscal year 1977, the command received about \$650,000 in appropriated funds. In a location such as Hawaii, an extremely popular resort area with numerous dining and related facilities, the need for numerous service clubs is questionable. In effect, appropriated funds are being used to support club facilities that are not used by the intended military personnel.

Based on membership statistics, lack of use, and patron attitudes, we question the need for the continuing operation of the Fort Shafter officers club. The needs of the officers affected by the club's closure could be adequately served through the use of commercial facilities and other military clubs. The Fort Shafter NCO club could also adequately serve the installation's officers if they were permitted to use the club. The installation commander and other U.S. Army Support Command representatives, however, strongly opposed any type of consolidated facility. They believed such a move would be viewed as an erosion of benefits, was contrary to military tradition, and would undermine the fighting force if the various ranks socialized together. They cited what they believed to be an unsuccessful consolidation of officer and senior NCO

clubs in Germany. They said neither group felt comfortable under the arrangement.

Sembach Air Base, Germany

The Sembach Air Base has an officers club and a NCO club which is open to all enlisted ranks. The officers club reported a loss of \$21,000 for fiscal year 1977; the NCO club reported net income of only \$200. The two clubs received appropriated fund support of about \$172,000 for the year. For the first 6 months of fiscal year 1978, the officers club reported a net profit of \$1,300; and the NCO club realized a profit of \$23,000.

We explored the possibility of increasing the officers and NCO clubs' use by consolidating services and thereby helping the profitability of both clubs. The MWR Chief told us that consolidation would provide a viable means of improving services to members of both clubs while doubling their profit potential. The proposed consolidation would involve making dining facilities at both clubs available to all club members; however, the bar facilities, would remain separate.

In commenting on this proposal, the installation commander rejected the concept of fraternization between officers and enlisted personnel because of a possible erosion of military discipline. The wing commander, however, expressed support for the consolidation. He cited the successful operation of a base ice cream parlor that was open to all ranks. Base officials told us that they would prepare a cost-benefit analysis of the proposed consolidation.

Beale Air Force Base, California

At Beale Air Force Base, in addition to the base commander, there are also two wing commanders and an air division commander. The air division commander has become involved in decisions relating to club activities. We noted an example where his actions have had an adverse financial impact on operations of the officers club.

The officers open mess at Beale Air Force Base lost about \$5,000 during fiscal year 1977. The Air Force Audit Agency had reported to installation officials in July 1977, that the noon meal service resulted in a loss of about \$400 a month from March to May 1977. The report noted that participation at the noon meal did not generate enough income to cover expenses and recommended that eliminating this meal service should be considered. In a cost study prepared by the

internal auditors, it was noted that on two occasions an average of only about 10 officers and about 20 civilians were observed in the dining room during the noon meal.

The air division commander had determined that the noon meal service would continue. He believed the noon meal was a necessary service that a club should provide its members. On four separate days during May 1978, we noted an average of six civilians dining at the club, some of whom were not eligible to use the club. There were no military personnel using the facilities. The commander told us that he had authorized secretaries and other civilian employees to use the club because, when stationed at another installation, he had experienced a conflict with the civilian personnel office because he had not provided adequate eating facilities for his civilian employees. He was aware that his decision at Beale permitted ineligible civilians to use the officers club.

This example illustrates a command decision to retain a club service which apparently was not needed and resulted in a financial loss.

Fleet Activities, Yokosuka, Japan

The chief petty officers club, although reporting a net profit for fiscal year 1977 of \$5,000, experienced a loss of \$21,000 for the year, without package store profits. In November 1977, the Naval Audit Service recommended that the club be closed and the patrons be permitted to use either the officers club or petty officer's club, both of which would accommodate additional patrons. The local commander did not agree with the recommendation and determined that the club in question would remain open. He indicated that closing this facility would be viewed by the affected NCOs as an erosion of benefits and would adversely affect their morale. He also said that his immediate superior did not accept the concept of mixing ranks at club facilities. The commander said the installation is responsible for supporting fleet as well as shore-based personnel in the Yokosuka area. This results in peak and valley club usage and would make it difficult to combine facilities during periods when the fleet was in and base population increased considerably. The commander also indicated that he preferred to initiate action to contract for labor at the chief petty officers club.

In this instance, the internal audit recommendation was not implemented because of the local commanding officer's action. The audit group concluded if the club were converted to a contract operation, then the purpose of its recommendation--to increase club profitability--would be satisfied.

If the club were not converted to a contract operation, however, the audit group proposed that its recommendation would be reconsidered.

It appears that local command reluctance to permit socialization among the ranks would preclude consolidation from taking place. The commander said if clubs cannot make a profit or at least break even, they should be closed. If consolidation of facilities after closing the chief petty officers club were not permitted, the affected personnel would then have no club facilities. It seems that closing the chief petty officers club and consolidation would offer a viable solution to the club system's problems. The facilities at the chief petty officers club could be retained as an annex opened temporarily to handle increased patronage when ships were in port.

In January 1978 the clubs at Yokosuka and Yokahama were consolidated into a single fiscal entity for financial reporting and management purposes. An all ranks facility had been established at Yokahama after certain club facilities were closed. The Yokosuka commander acknowledged that although initial resistance was experienced at Yokahama, the realization that if an all ranks facility were not accepted, the club system would be closed, eventually resulted in a workable operation.

Naval Air Station, Memphis, Tennessee

The officers club at the Naval Air Station reported net profit of \$7,000 for fiscal year 1977 after distributing alcohol package store profits of \$90,000. Without the distribution, the club experienced a loss of \$83,000 from operations. The club manager attributed the club's financial problems to a small patronage base of only 400 active duty officers and the high cost of labor and utilities. The chief petty officers club also reported a net profit of \$53,000; however, without package store profits of \$63,000, the club lost \$10,000. The enlisted club reported a net profit of \$92,000 after package store distributions of \$61,000. This club earned \$31,000 from operations.

Regarding a possible consolidation of the various club facilities to improve profitability, the commanding officer told us that he generally disagreed with the concept of consolidation. He said it is important to maintain a distinction among the ranks. Such a distinction motivates members of the various ranks. He acknowledged, however, that a combined NCO and enlisted club might work provided that only the dining facilities were merged. He believed it is important

to retain separate bar facilities. He strongly opposed any consolidation that would involve participation by officers.

The commanding officer also opposed assessing dues as a means of increasing club revenues. He said that Navy tradition discourages charging dues. He further believes that dues tend to serve as a crutch for management. He also believes that the present Navy restrictions on raffles and opening clubs to local civilians eliminate a substantial source of income for club operations.

Marine Corps Air Station, Iwakuni, Japan

The Iwakuni club system includes an officers club, a SNCO club, an enlisted club, and a facility open to all enlisted personnel. The four clubs reported total net income of \$36,000 for fiscal year 1977. However, only the SNCO and combined enlisted clubs showed a profit. The officers club reported a loss of \$19,000; and, the enlisted club reported a loss of \$3,000. Without package store profit distributions of \$96,000, the club system lost \$60,000 from operations. The combined enlisted facility with net income from operations of \$29,000 was the only club operating profitably without package store profits. Use of the officers club was low because only 373 officers were assigned to the base and many of them preferred the less expensive and informal field ration mess.

Installation club management officials believed that because of the losses experienced by the officers and SNCO clubs without package store profits, consolidating club activities would be desirable and feasible. They felt that the officers and SNCOs could dine together and the officers club bar could be divided to accommodate both groups separately.

The commanding officer rejected the possibility of consolidated club facilities for officers and SNCOs. He acknowledged that the installation clubs will eventually have to be consolidated, but said such a move was contrary to Marine Corps tradition and he was not going to be the one to implement such a change.

We discussed the concept of combined club facilities with officers and SNCOs at the installation. They did not object to combined facilities, but preferred retaining separate bars. One cited the successful "all ranks" clubs used by North Atlantic Treaty Organization forces that seemed to be working very well.

Without authorization the local command converted seven positions in the club system from nonappropriated to appropriated funds resulting in increased appropriated fund costs of \$153,000 a year. Although benefiting the club system's reported financial condition, this action improperly transferred a direct cost to the Government which should have been funded with self-generated club revenues. The club system reported a profit of \$41,000 from February to May 1978. Had the employees been paid with nonappropriated funds, the club system would have lost \$6,000.

Marine Corps Air Station, El Toro, California

The officers, SNCO, and enlisted clubs at El Toro reported an overall profit of \$64,000. If package store profits of \$251,000 had not been applied, however, the club system would have lost \$187,000 from operations.

The local commander issued certain directives that had an adverse effect on club use. One directive prohibited personnel from being served alcoholic beverages while in uniform during certain hours of the day. Another directive eliminated "bosses night" when senior enlisted members invite officers to dinner. Club management officials said this prohibition was intended to eliminate fraternization between officers and enlisted personnel. The installation commander told us that he felt very strongly against joint use of club facilities by the various ranks. He preferred closing unprofitable clubs rather than permitting any form of joint fraternization. Club management officials told us that these actions by the commander reduced club business by about \$30,000 a year and transferred this potential club revenue to commercial establishments.



**UNITED STATES
GENERAL ACCOUNTING OFFICE**

MILITARY CLUB SYSTEM QUESTIONNAIRE

This questionnaire is being given by the U.S. General Accounting Office, an agency of the Congress that is totally independent of the military services. Its purpose is to obtain information about various aspects of the military club systems and alcoholic beverage stores so that we can make suggestions about improving them.

You have been randomly selected to receive this questionnaire. It is extremely important that we get the honest opinions of both those who use the clubs and those who do not. Your participation is very important since we are only contacting a small number of personnel in each service.

All your answers will be kept strictly confidential. Completed questionnaires will be tabulated and analyzed in summary form only. No individually identifiable responses will be reported or made available to anyone.

Please complete the questionnaire and return it in the enclosed envelope. Also mail the enclosed postcard back separately when you return the completed questionnaire. The postcard contains a control number, the purpose of which is to verify that you have received, completed and returned the questionnaire. There is no association between your questionnaire and your postcard.

Thank you for your help.

When answering this questionnaire, please consider the club at the above installation. If this club is not correct, please cross out and indicate the club to which your answers refer.

PLEASE CIRCLE ONE LETTER ONLY FOR EACH QUESTION UNLESS OTHERWISE INSTRUCTED.

1. What is your branch of service?

A. Army	C. Marine Corps
B. Navy	D. Air Force

2. What is your current pay grade?

A. E1-E3	E. E7-E9
B. E4	F. O1-O3
C. E5	G. O4-O6
D. E6	H. W1-W4

3. What is your current marital status?
 - A. Single
 - B. Married

4. Where are you presently living?
 - A. On base
 - B. Off base
 - C. Aboard ship (If stationed aboard ship, answer remaining questions for your home port)

5. How likely is it that you will make a career of the military? (That is, spend at least 20 years in the active service.)
 - A. Does not apply--I have already spent 20 years in the military
 - B. Definitely will
 - C. Probably will
 - D. Undecided
 - E. Probably will not
 - F. Definitely will not

6. How many dependents currently reside with you? (Include wife, children, parents, etc.) Enter 0 if no dependents reside with you. (If aboard ship, indicate dependents at home port.)

_____ dependents

7. Are you now a dues-paying member of a club at your installation? (The term club refers to open messes, not Rod and Gun Clubs, Aero Clubs, Ski Clubs, etc.)
 - A. The club at my installation does not require dues-paying membership
 - B. Yes
 - C. No, there is no club on my installation that I am eligible to join
 - D. No, although I am eligible to join if I choose

If your answer to question 7 was "D" answer questions 8 and 9--otherwise skip to question 10.

8. Were you ever a member of the club at this installation?
 - A. Yes
 - B. No

9. Do you plan to join the club at this installation?
 - A. Yes
 - B. Undecided
 - C. No

10. How much are the monthly club dues at your installation?

\$ _____ per month

_____ Does not apply. The club at my installation does not require dues or there is no club on my installation that I am eligible to use

_____ Don't know

APPENDIX IV

APPENDIX IV

11. How often do you use the club at your installation or any of its facilities for the following meals and functions: (Circle one letter in each column.)

	<u>Breakfast</u>	<u>Lunch</u>	<u>Dinner</u>	<u>Official/ Military Activities</u>	<u>Other^{1/}</u>
Does not apply--not offered at the club	X	X	X		
Never	A	A	A	A	A
1 - 5 times a year	B	B	B	B	B
6 - 11 times a year	C	C	C	C	C
1 - 3 times a month	D	D	D	D	D
Once a week	E	E	E	E	E
Twice a week	F	F	F	F	F
3 times a week	G	G	G	G	G
4 times a week	H	H	H	H	H
5 times a week	I	I	I	I	I
6 times a week	J	J	J	J	J
7 times a week	K	K	K	K	K

^{1/}Other includes shows, drinks, bingo, dance bands, disco's, etc.

12. How often do you use other facilities on your installation (general mess, dining hall, exchange cafeterias, snack bars, Rod and Gun Clubs, recreation centers, etc.) for each of the following: (Circle one letter in each column.)

	<u>Breakfast</u>	<u>Lunch</u>	<u>Dinner</u>	<u>Other^{1/}</u>
Never	A	A	A	A
1 - 5 times a year	B	B	B	B
6 - 11 times a year	C	C	C	C
1 - 3 times a month	D	D	D	D
Once a week	E	E	E	E
Twice a week	F	F	F	F
3 times a week	G	G	G	G
4 times a week	H	H	H	H
5 times a week	I	I	I	I
6 times a week	J	J	J	J
7 times a week	K	K	K	K

^{1/} Other includes shows, drinks, bingo, dance bands, disco's, etc.

13. How often do you use off-base commercial establishments for the following: (Circle one letter in each column.)

	<u>Breakfast</u>	<u>Lunch</u>	<u>Dinner</u>	<u>Other</u> ^{1/}
Never	A	A	A	A
1 - 5 times a year	B	B	B	B
6 - 11 times a year	C	C	C	C
1 - 3 times a month	D	D	D	D
Once a week	E	E	E	E
Twice a week	F	F	F	F
3 times a week	G	G	G	G
4 times a week	H	H	H	H
5 times a week	I	I	I	I
6 times a week	J	J	J	J
7 times a week	K	K	K	K

^{1/} Other includes shows, drinks, bingo, dance bands, disco's, etc.

14. How often do you use clubs at other installations for the following: (Include time spent in temporary duty status. Circle one letter in each column.)

	<u>Breakfast</u>	<u>Lunch</u>	<u>Dinner</u>	<u>Other</u> ^{1/}
Never	A	A	A	A
1 - 5 times a year	B	B	B	B
6 - 11 times a year	C	C	C	C
1 - 3 times a month	D	D	D	D
Once a week	E	E	E	E
Twice a week	F	F	F	F
3 times a week	G	G	G	G
4 times a week	H	H	H	H
5 times a week	I	I	I	I
6 times a week	J	J	J	J
7 times a week	K	K	K	K

^{1/} Other includes shows, drinks, bingo, dance bands, disco's, etc.

15. How do you feel about each of the following statements concerning the club at your installation? (Skip to question 17 if there is no club that you are eligible to use)

a. I feel (felt) pressured or obligated to join the club.

- A. Strongly agree
- B. Agree somewhat
- C. Disagree somewhat
- D. Strongly disagree

b. The club is one of few places available in this location to eat, drink, and socialize.

- A. Strongly agree
- B. Agree somewhat
- C. Disagree somewhat
- D. Strongly disagree

c. The club dues are reasonable.

- A. Not applicable - There are no dues
- B. Strongly agree
- C. Agree somewhat
- D. Disagree somewhat
- E. Strongly disagree
- F. Don't know

d. The atmosphere at the club is: (Circle all that apply.)

- A. Pleasant and appeals to me
- B. Too ethnically oriented
- C. Too rowdy
- D. Too formal or old fashioned
- E. Too military oriented
- F. Too family oriented
- G. Other--please specify

e. The dress code at the club is:

- A. Reasonable
- B. Too casual
- C. Too formal

16. How many miles do you live from the club at your installation? (Write in the approximate number of miles or check one of the other answers if appropriate.)

_____ Miles

___ Don't know

___ There is no club on my installation that I am eligible to use

17. Are you now a dues-paying member of a club at another installation? (Circle all that apply.)

- A. Yes, an Army club
- B. Yes, a Navy club
- C. Yes, an Air Force club
- D. Yes, a Marine Corps club
- E. No

18. Do you use any nearby clubs other than your installation's? (Circle all that apply.)

- A. No (Skip to question 20)
- B. Yes, Army
- C. Yes, Navy
- D. Yes, Marine Corps
- E. Yes, Air Force

19. Why do you use these other clubs? (Circle all of the factors below that apply.)

- A. Prices are better
- B. Quality of food is better
- C. Entertainment is better
- D. Location is more convenient
- E. No dues are required
- F. Service is better
- G. Atmosphere is better
- H. Some place different
- I. Better mix of customers
- J. Other--please specify _____

20. What kind of influence does each of the following have on your decision to join or how often to use the club at your installation? Consider the club as it is now, not as you would like it to be. (Skip to question 26 if there is no club at your installation that you are eligible to use.)

	Don't know	Strong positive influence	Somewhat positive influence	Neither positive/negative influence	Somewhat negative influence	Strong negative influence
a. Food prices	A	B	C	D	E	F
b. Drink prices	A	B	C	D	E	F
c. Quality of food	A	B	C	D	E	F
d. Variety of menu	A	B	C	D	E	F
e. Quality of drinks	A	B	C	D	E	F
f. Quality of service/ attitude of employees	A	B	C	D	E	F
g. Entertainment	A	B	C	D	E	F
h. Location (from residence)	A	B	C	D	E	F
i. Hours of operation	A	B	C	D	E	F
j. Amount of dues	A	B	C	D	E	F
k. Physical appearance/decor/ cleanliness	A	B	C	D	E	F
l. Dress code	A	B	C	D	E	F
m. Socializing with military personnel	A	B	C	D	E	F
n. Atmosphere	A	B	C	D	E	F
o. Check cashing services	A	B	C	D	E	F
p. Use of major credit cards	A	B	C	D	E	F
q. Place to meet new people	A	B	C	D	E	F
r. Pressure or obligation to join	A	B	C	D	E	F
s. One of few places available to eat, drink, and socialize	A	B	C	D	E	F
t. Other -- please specify:	A	B	C	D	E	F

21. If the factors you selected as having a negative influence were substantially improved or eliminated, would you use the club at your installation more often?

- A. No, I would not use the club for any reason
- B. No, I already use the club as much as I like
- C. Not sure
- D. Yes, my patronage would increase somewhat (1-3 more times per month)
- E. Yes, my patronage would increase considerably (4 or more times per month)

22. Which of the factors above is the one most important reason why you joined or use the club at your installation? (Write in letter which appears to left of factor.)

23. Which of the factors above is the one most important reason why you do not use the club more? (Write in letter which appears to left of factor.)

24. How much do each of the following factors influence you to use off-base commercial establishments rather than the club at your installation?

	<u>Not at all</u>	<u>A little</u>	<u>Some</u>	<u>Fairly much</u>	<u>Very much</u>
a. Food prices	A	B	C	D	E
b. Drink prices	A	B	C	D	E
c. Quality of food	A	B	C	D	E
d. Variety of menu	A	B	C	D	E
e. Quality of service/ attitude of employees	A	B	C	D	E
f. Entertainment	A	B	C	D	E
g. Location	A	B	C	D	E
h. Hours of operation	A	B	C	D	E
i. Getting away from the military atmosphere	A	B	C	D	E
j. Acceptance of major credit cards	A	B	C	D	E
k. Opportunity to try new places	A	B	C	D	E
l. Variety of atmospheres	A	B	C	D	E
m. Chance to meet non-military people	A	B	C	D	E
n. Other--please specify:	A	B	C	D	E

25. Which of the factors above is the one most important reason why you use off-base commercial establishments rather than the club at your installation? (Write in letter which appears to left of factor.)

26. Have you ever used an "all ranks" facility? (One that included officer and enlisted personnel.)

- A. Yes
B. No (Skip to question 28.)

27. What was your impression of the "all ranks" facility you used?

- A. Highly favorable
B. Somewhat favorable
C. No opinion
D. Somewhat unfavorable
E. Highly unfavorable

To offset inflation and other economic pressures, military clubs have had to increase prices, initiate or increase dues, reduce operating hours and decrease services. If additional cut backs are necessary, how would the following actions affect your use of the club at your installation? (Skip to question 31 if there is no club at your installation that you are eligible to use.)

	M Y U S E O F T H E C L U B W O U L D					
	Increase Considerably	Increase Somewhat	Stay the Same	Decrease Somewhat	Decrease Considerably	Don't Know

28. One alternative is to continue to operate separate clubs for officers and enlisted personnel with the following actions:

a. Increase or initiate dues	A	B	C	D	E	F
b. Increase food and drink prices	A	B	C	D	E	F
c. Increase or initiate entertainment charges	A	B	C	D	E	F
d. Decrease services; for example, go to cafeteria style meals, limited menu, etc.	A	B	C	D	E	F
e. Decrease operating hours	A	B	C	D	E	F
f. Decrease physical size of club	A	B	C	D	E	F

29. Another major alternative is to consolidate clubs with the following results:

a. Common dining room and cocktail lounge for officers and enlisted personnel	A	B	C	D	E	F
b. Common dining room with separate lounges for officers and enlisted personnel	A	B	C	D	E	F
c. Separate dining rooms served by one kitchen and separate cocktail lounges for officer and enlisted personnel	A	B	C	D	E	F
d. Several buildings offering different services to all ranks. For example, a supper club, discotheque or specialty restaurant	A	B	C	D	E	F
e. Rather than an "all ranks" facility, consolidate different services' clubs within a certain vicinity. For example, one officers club for all Army, Navy, Air Force and Marine Corps personnel	A	B	C	D	E	F

30. A third major alternative would be to close unprofitable clubs. Please rank the three major alternatives with "1" being your most preferred, "2" being your second most preferred, and "3" being your least preferred.

- | | |
|--|-------|
| a. Continue separate clubs for officers and enlisted personnel with the types of actions described in question 28. | RANK |
| | _____ |
| b. Consolidate clubs with the types of actions described in question 29. | _____ |
| | _____ |
| c. Close unprofitable clubs | _____ |

APPENDIX IV

APPENDIX IV

31. Indicate your satisfaction or dissatisfaction with each of the following aspects of the military alcoholic beverage package store at your installation? (Skip to question 34 if there is no military alcoholic beverage package store at your installation.)

	<u>Don't Know</u>	<u>Very Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Neither Satisfied Nor Dissatisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Very Dissatisfied</u>
a. Selection of brands to choose from	A	B	C	D	E	F
b. Prices	A	B	C	D	E	F
c. Hours of operation	A	B	C	D	E	F
d. Policy on checks and major credit cards	A	B	C	D	E	F
e. Variety or number of different kinds of alcoholic beverages	A	B	C	D	E	F

32. How often do you use the military alcoholic beverage package store at your installation?

- A. Never
- B. 1-3 times a year
- C. 4-6 times a year
- D. 7-11 times a year
- E. Once a month
- F. Twice a month
- G. Three times a month
- H. Once a week
- I. More than once a week

33. About how much do you spend (on a monthly basis) for beer, wine, and liquor purchased at the military alcoholic beverage package store at your installation? (Include purchases made by any dependents who reside with you. Write your answer in the space below.)

\$ _____ per month

34. Recently the military has attempted to deglamorize the use of alcohol through various publicity efforts and training programs. What effect, if any, would you say these measures have had on your use of the military alcoholic beverage package store at your installation?

- A. Does not apply - There is no military alcoholic beverage package store at my installation
- B. Does not apply - I have not been aware of any such publicity or training programs

As a result of these measures my use has:

- C. Increased greatly
- D. Increased somewhat
- E. Stayed about the same
- F. Decreased somewhat
- G. Decreased greatly

35. What effect, if any, would say these measures have had on your use of the club at your installation?

- A. Does not apply - There is no club at my installation that I am eligible to use
- B. Does not apply - I have not been aware of any such publicity or training programs

As a result of these measures my use has:

- C. Increased greatly
- D. Increased somewhat
- E. Stayed about the same
- F. Decreased somewhat
- G. Decreased greatly

THANK YOU FOR YOUR COOPERATION.

Please turn back to the beginning of the questionnaire and check each question to make sure your intended answer has been selected. Remember that all of your answers will be treated confidentially.

We welcome your additional comments on the questions we have asked or any related issue. Please provide those comments at the bottom of this page.

Return your completed questionnaire using the postage-paid envelope that has been provided. Also, drop the enclosed postcard in the mail to notify us that your questionnaire is on the way.

SUMMARY AND EXAMPLES OF WRITTENCOMMENTS ON QUESTIONNAIRES

Of the 3,210 responsive questionnaires returned, 680 contained about 1,300 written comments pertaining to the club system or military life. The number of favorable and unfavorable comments are summarized below, with the frequency of response shown parenthetically. Examples of the comments follow.

SUMMARY OF FAVORABLE COMMENTS (154)

Clubs are needed for morale (33), for persons on temporary duty (12), in isolated or overseas locations (26), to socialize with peers (10), and for check cashing (10); don't use current club but have enjoyed other clubs in the past or use clubs at other locations (32); other generally favorable comments (31).

SUMMARY OF NEGATIVE COMMENTS (693)

Atmosphere and appearance (134), entertainment (94), pressure to join (41), nondrinkers (84), quality of food or menu (45), prices (53), service (37), dues (41), catering to certain ranks (41), constraints by base commander or higher levels (29), competition from civilian sector (25), lack of women (18), and other negative comments (51).

Examples of specific comments relating to club operations are presented below.

GENERALLY FAVORABLE COMMENTS

--"At my three previous stations, I used the Officers Clubs on a virtually daily basis; I ate there, attended social events there, and met my friends there for Happy Hour and other occasions. Particularly while stationed overseas, I used the club facilities very heavily, relying on the club kitchens for almost all my meals."

* * * * *

"Whatever you do, leave the overseas clubs alone. In so many foreign countries and remote stations such as Guam, the lack of an Officers, or NCO, or Airmen's Club will deprive the people assigned to these locations of a social center of activities

which they may share with their peers, and I emphasize PEERS. There are not adequate off-base commercial businesses to take up the slack, and in some cases, you would not want off-base establishments to do so, since you would be contributing to a flow of dollars into local foreign economies, and since the atmosphere off of some foreign stations ranges from a jovial 'We love you for your money' to an extremely hostile 'Yankee go home.' GIs overseas find enough ways to get into trouble without being forced to do all their socializing off-base. I know, I've bailed more than one of my troops out of a foreign national jail." (Air Force officer)

--"The availability of an open mess for commissioned officers (and for other grades as traditionally found at Navy installations) is an absolute must if the morale of the officer corps is not to be further eroded. In Japan, the deterioration of the dollar against the yen has made the continued availability of the open mess even more important. The beverage stores are oases in this fiscal desert, and to close them would be to deny U.S. forces personnel access to a valuable source of recreation and relaxation." (Navy officer)

--"The club is a good idea and works well both here and at other bases I have been. Although I don't drink alcohol, I approve of the way it is handled here on base. I do tend to use clubs dining areas when TDY [temporary duty] and remote mainly for quiet atmosphere and the feeling that I am a part of it and belong." (Air Force senior enlisted)

--"Clubs are most important in remote areas and overseas. Overseas clubs often are the only locations where a serviceman can relax, enjoy a good meal at reasonable prices and catch a breath of home. These clubs are exceptionally important to morale of deployed forces. I believe that, as a result, they directly enhance operational capabilities." (Navy officer)

GENERALLY NEGATIVE COMMENTS

--"The clubs are an expensive drain on the individual, more useful for senior officers, not responsive to changing styles and individual needs, a continuing source for alcohol abuse

(I'm a drinker), a source of civilian agitation, and largely a military tradition that persists past its overall usefulness. The facilities should be combined in almost all cases, with an emphasis on the TDY personnel." (Air Force officer)

--"I don't like the [installation] AFB Club; I find its atmosphere sterile, its food unpalatable, and its entertainment infrequent and not of high quality. The same criticisms cannot be levelled at the other Officers Clubs in the San Antonio area. The [nearby] Club has good food and entertainment and [another nearby] Club is one of the finest in the country. The [installation] AFB Club simply does not measure up to the level of its competition.

"Here in San Antonio, there is such a plethora of activities and commercial restaurants and nightclubs, et cetera, that the clubs are hard-pressed to compete. What is more, I have no desire to travel all the way home and then all the way back to base to use the [installation] AFB Officers Club. That's a round trip of 45 miles; I can find just about anything I want within a 5-mile radius of my home. Why should I use the Club, in such circumstances?

"If,* * * you must cut something, then cut out the unprofitable clubs." (Air Force officer)

"For an 'O' club to be of value to the officers using it it has to offer something more than the local community. Quality of food is probably the single worst aspect. Why take your friends out to your club and serve them bad food delivered with poor service at prices comparable to the outside community; it just doesn't make sense. I doubt there is a military club in existence that the base commander isn't the biggest beneficiary of. I've had to pay \$10 per month at Marine Clubs and I've avoided using the club because the food was so bad. You can't refuse to join without severe criticism and lots of red tape--even the right of free choice in entertainment comes under scrutiny. You can go elsewhere all right but you still owe the club \$10 a month. I'd go out just as often to a better

restaurant--the extra cost would be worth it and probably be equal to my club dues." (Marine Corps officer)

--"With well managed facilities, good service, food, and competitive prices, the clubs should increase their business. Presently I find little that encourages club use." (Army officer)

--"Too much money is spent on frills such as decor and facilities redecorating; not enough on basics of good menu, food prices, and bar prices. Gimmicks may work in the short run, but the bread and butter of the club is its week in week out food/bar service. People will socialize where it is comfortable, price-service wise." (Marine Corps officer)

--"I have been in [this] area for 30 months. The club has not served a meal I could eat." (Army senior enlisted)

COMMENTS ON DUES

--"Primary reason for not joining club at this base is high dues and high cost of dinner meal. Additional reasons are that dues and high meal costs are being used to support after hours free 'goodies' for MAC HQ and for those who live on or adjacent to the base. Essentially the club services are not worth \$120 per year dues." (Air Force officer)

--"I find a need (to use the club) a few times a year when out of town guests or relatives visit, or on special family occasions * * * for socializing or entertainment, but do not feel paying monthly dues is justified for the little use I would have of the club compared to those who use the facilities often. My suggestion is to stay with your monthly dues for those that use the club frequently, but to also have a separate club card for use by those people like me who use the club only 'X' amount of times per year." (Air Force senior enlisted)

--"I believe that when the club(s) started charging dues to get in it was a big mistake; it discouraged most of the SNCOs and other enlisted people I know. A small increase in drink prices and

food prices would have been more effective and easier to adapt to. Dues was a slap in the face causing an initial boycott that many have refused to break." (Marine Corps senior enlisted)

--"As a Staff NCO in the Marine Corps, I feel it rather ridiculous to have to pay a monthly dues for membership in the club system. That I.D. card that I carry and the stripes on my shirt sleeve should be enough to allow myself and my family into the club. I have worked almost 6 years to get into the Staff ranks and should have some more privileges, instead of having them taken away, or paying for them." (Marine Corps senior enlisted)

--"It is economically disadvantageous to belong to the club.

"Dues are \$10 per month. I normally would use the club 2 or 3 times a month for lunch. The price difference for a comparable meal at a restaurant is about 50 cents making a total saving of about \$1.50 per month. I'm paying \$8.50 a month to belong to a losing business which I have been pressured to join." (Air Force officer)

COMMENTS ON
PRESSURE TO JOIN

--"There is considerable 'unofficial' pressure to join the club as a symbol of your 'team' spirit * * * This is officially condoned by the regular publication of a list for wing commander, base commander, etc., of local officers who are not club members. If club membership was looked on as a privilege, not as an obligation, participation might actually increase * * * Because of the subtle coercion, I harbor some resentment for the local club and probably have decreased my patronage." (Air Force officer)

--"People at this base have been refused operational awards because they don't care to belong to the club." (Air Force officer)

--"My OER [Officer Effectiveness Report] depended on joining the club." (Air Force officer)

--"In the past 3 years an extraordinary amount of high level pressure (unethical) has been placed on [installation] personnel to join up. Such pressure in itself causes massive dislike/dis-satisfaction concerning the club." (Navy officer)

--"The term 'pressure and obligation' seems to be representative of a negative context. To me and most career officers, the 'obligation' to join is always present but as such is not a forced issue or an unsavory requirement. It is considered a 'social obligation' in so far as the success of the club is dependent on each member contributing to its membership and patronage and in doing so providing a mechanism for social interchange and entertainment within the officers corps." (Marine Corps officer)

COMMENTS ON ATMOSPHERE

--"It seems to me that in all the clubs I have ever been in (nationwide) there are two types of people who use the clubs.

1. People who drink to an excess with no self control, and
2. People who are 'married' to the Service and don't talk about anything else.

The people described in the above are the reasons I refuse to go or take my wife." (Navy junior enlisted)

--"I noticed that nowhere in this questionnaire do you ask my sex, yet I feel it is pertinent to my use (or lack of use) of the club. An unaccompanied female in the lounge will very likely find herself treated, not as a patron of the bar, but as part of the entertainment. (I speak from personal experience.)" (Air Force senior enlisted)

--"The military club system gives me the impression that the clubs are especially for those who drink, or enjoy that type of atmosphere. I think it is very unfair to nondrinkers, and people, like myself, who would occasionally like to take their family out to a nice quiet dinner at discount prices without feeling like they are helping support a booze factory there." (Navy junior enlisted)

--"My feelings are that I wouldn't take my worst enemy to the 'Animal Pit,' more or less my wife, or a guest." (Marine Corps junior enlisted)

COMMENTS ON
SOCIALIZING WITH PEERS

--"In my view the single most important function of a club is to provide a reasonable, easily accessible place for unit members social functions. A place for officers, noncommissioned officers or enlisted to meet each other on an off-duty basis. The value of improved esprit de corps and of understanding gained from talking to fellow officers of your unit cannot be measured in the clubs' profit and loss statement." (Marine Corps officer)

--"Military clubs provide a very important meeting and socializing environment, in which to conduct business, informally discuss business matters, or relax." (Air Force officer)

--"I am not interested in the club system. I would rather use the off post restaurants, etc., because it is not an extension of the barracks or the military, even the best soldier should get away from the military environment once in a while and having to attend a military club is not my idea of an enjoyable time." (Army junior enlisted)

--"I do my best as a staff NCO at work all day long * * * But on off duty time I get as far away from the base as possible." (Marine Corps senior enlisted)

COMMENTS ON CONSOLIDATION
INTO "ALL RANKS" FACILITIES

--"I believe the clubs should all be together. Enlisted men and officers should use the same club. We are told to work as a team why not enjoy ourselves as a team. I have a friend who is an officer and when we want to enjoy ourselves we have to use an off base place to do so." (Air Force junior enlisted)

--"I like the idea of allowing officer and enlisted personnel to socialize in one club, if they so

choose. I am strongly in favor of more social activities, centered around the military clubs, that are 'rank-immaterial' (examples: duplicate bridge, 'oldies' dances, hay rides, meetings of special interest groups, etc.)." (Army senior enlisted)

--"The only logical solution to the club issue (especially at a place like [installation]) is to consolidate clubs--the officers have the largest facility with only less than 200 officers assigned--the enlisted have the smaller, run-down facility with around 1,500 EM assigned." (Air Force senior enlisted)

--"At [installation] we had a very small All Ranks Club where officers and enlisted all got together * * * to have fun and socialize. Here at [installation] AFB we have a huge, beautiful NCO club and a huge beautiful officer's club, and I won't pay the same dues I did at [installation]." (Air Force senior enlisted)

--"If military clubs are to survive, then we must consider the Family Club (E1 to O10). We are not providing for the young married and family personnel but are controlling the use of our club's policy, price, atmosphere, etc., by senior officers and their wives, both active and retired * * *." (Navy officer)

--"I don't feel officers and enlisted should have the same clubs, because a good enlisted may be under the influence and may say something to an officer, which would put his stripes on the line.

"Also officers have to be above the men under them and it would not be good for enlisted to see their OIC [Officer in Charge] drunk."
(Marine Corps junior enlisted)

--"I will not participate in any club consolidated to accommodate all ranks. I must be able to relax in an environment totally separate from the people (EM) who work for me. Consolidated NCO and EM clubs aren't working; neither will combined NCO and officer clubs." (Army officer)

--"As a Chief Petty Officer, the CPO club is one place I can socialize with persons of similar

background and taste and still relax as only other CPOs are present. I very much dislike clubs for all ranks." (Navy senior enlisted)

--"Mixing enlisted and officers at clubs not only ruins the family atmosphere I desire * * * but also is a detriment to proper good order and discipline. It's fine to visit the CPO Club and Enlisted Club when invited for special occasions such as Chief's initiation or 'we passed the big inspection' ship's party but not for continued social fraternizing. I also feel that my sailors would not desire their commanding officer to be dining out and drinking, etc., in 'their' club. It would inhibit some and embolden others. Believe me. If a club is not profitable, close it. Simple as that." (Navy officer)

--"It is my opinion that the consolidation of the club system to create a single club for all ranks would be a grave error in that it would be highly detrimental to discipline. In an atmosphere where all ranks freely fraternized while consuming alcoholic beverages, serious breaches of military courtesy and discipline would be an inevitability and would certainly effect negatively the performance of our armed forces. I believe I can state with considerable veracity that the vast majority of my fellow Marine officers would be willing to pay higher dues in order to retain the present club system. In the event of a consolidation of the club system, however, I think officer attendance would fall off to such a degree as to become all but non-existent." (Marine Corps officer)

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JOHN F. LALLY
COUNSEL

December 12, 1977

The Honorable Elmer Staats
Comptroller General of the
United States
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Staats:

Two reports by the General Accounting Office (GAO), "Changes are Needed in Operating Military Resorts," No. FPCD-76-20, April 6, 1976, and "Appropriated Fund Support for Nonappropriated Fund and Related Activities in the Department of Defense," No. FPCD-77-58, August 31, 1977, have provided Congress with meaningful information and recommendations relative to the Department of Defense morale, welfare and recreation (MWR) activities.

On September 27, 1977, Mr. Clifford Gould, Deputy Director, Federal Personnel and Compensation Division, testified before the Nonappropriated Fund Panel, Investigations Subcommittee, concerning the August 31, 1977 report. Members of the Nonappropriated Fund Panel found this testimony to be most useful. As a result, the Panel used much of the information in its October 5, 1977 hearing on the operation of the military service club systems and alcoholic beverage package stores.

Information obtained during these hearings indicates that improvements are needed to bring about greater efficiency, economy, effectiveness and standardization in the management, organization and operation of the various military service club systems.

In this connection, the Nonappropriated Fund Panel of the Investigations Subcommittee requests that the GAO undertake a comprehensive review of the military club systems and related alcoholic beverage package store operations.

Hon. Elmer Staats

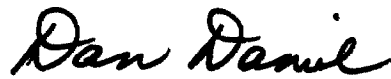
December 12, 1977

The review should be directed toward determining what courses of action are needed to reduce overall program costs, the feasibility of eliminating or consolidating activities with low utilization, reducing operating hours or services where warranted, and establishing realistic pricing policies to ensure financial stability. The Panel would also like GAO to:

- a. Evaluate the financial integrity of club operations, including the reasons which contribute to the growing number of unprofitable activities.
- b. Determine whether improvements are needed in the management of alcoholic beverage store profits, including an analysis of the justification and need for distributing alcoholic beverage store profits to clubs.
- c. Determine whether the service club and alcoholic beverage store patronage/participation is consistent with the eligibility criteria and whether the criteria is consistent with their mission.
- d. Evaluate the need for assignment of appropriated fund personnel to club activities.
- e. Evaluate the organization and systems for managing clubs and alcoholic beverage stores and determine whether a more centralized system would improve management and operations.

The Panel would like to obtain the final report by September 1978 so that the information can be used at hearings. It is also requested that GAO coordinate and periodically brief members of the Professional Staff concerning the progress of this assignment.

Sincerely,



Dan Daniel
Chairman
Nonappropriated Fund Panel

DD:wcl

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