
Defense Report

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Post Exchange Profits—How Should They Be Used

The General Accounting Office is the Congressional "watchdog" over the management of the Executive Branch, primarily seeking to make sure that the President and his cabinet use the money and manpower allotted by Congress wisely. GAO recently claimed that prices in the military exchange systems could be raised almost 8 percent to provide more income for morale, welfare and recreation activities, thereby reducing the need for appropriation assistance.

The GAO report claims a 7.8 percent increase in prices would still leave a savings margin of 16 to 18 percent for the military family shopping in the exchanges. This contradicts recent market surveys by the Third Quadrennial Review of Military Compensation showing a current 18 percent saving. Other things also make the GAO report appear short-sighted:

* The "profits" from the exchanges already subsidize morale, welfare and recreation programs to the tune of about \$100 million annually. Many of those programs are not "nice to have" but vital necessities created by stationing troops in remote places. A strong case could be made for total appropriated funding for those activities.

* Each year the exchange system invests about \$80 million in the construction of new facilities which then become government property. This sort of "reverse subsidization" has been going on for many years.

* Exchange facilities in high-cost overseas areas permit the government to reduce the Cost of Living Allowance paid to equalize expenses for service personnel. Department of Defense surveys show that in a single year the cost of living savings to the government from overseas commissary and exchange operations amounted to \$556 million!

Military people do not begrudge the use of exchange profits to support those things that make family life on a military installation special. They can swim free in pools supported by non-appropriated funds built up from exchange profits. They can play a cheap round of golf, send their children off to well-supported Scouting activities or to a lively teen center. They can check out a canoe or a camping kit for a vacation trip.

But service men and women have watched with concern the gradual whittling away of the value of "fringe benefits" like medical care, commissary shopping and "bargains" in the exchanges. They will view this latest GAO recommendation with renewed alarm. Their best hope, at the moment, is that the President's Commission on Military Compensation, meeting now, will look at the total system of pay and benefits, not items in isolation. Only this kind of review will restore the confidence military people should have in their civilian leaders.