
Defense Report

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The General Accounting Office Proposal to Lower Post Exchange Prices — Watch Out for The Trap!

The General Accounting Office, which was established by Congress to keep an eye on the executive departments, most often issues reports that will mean still another belt-tightening by people in our military services. For this reason our uniformed people were understandably surprised when they heard of a GAO report that proposed *lowering* prices in the post exchanges and ships' stores where service people and their families buy their necessities.

The report pointed out that exchange prices are influenced by the need to show profits. Those profits support a major portion of the morale and recreation activities on military bases and ships. The Third Quadrennial Review of Military Compensation, in fact, estimated the annual contribution of PX profits to morale and recreation activities at about \$100 million. That figure has undoubtedly been driven higher by inflation since the report was compiled. The activities supported by exchange profits include libraries, sports programs, recreation centers, arts and crafts, and professional entertainment for troops deployed overseas.

What the GAO has recommended is that the responsibility for supporting these activities be removed from the exchange systems so prices could be lowered to simply cover operating expenses. Funds appropriated by Congress, the GAO says, should be used to support the morale and recreation functions. At first glance, this seems to be an offer the military services should not refuse. But there are pitfalls that have made the military wary and brought a response of "Thanks a lot, but no thanks."

A major factor in the operation of the present system is that the services, while strictly accountable for the way the nonappropriated funds from exchange profits are administered, are free to allocate them quickly to points of greatest need, without having to ask permission from Congress. Service people and their families who swim in pools built with nonappropriated funds or go fishing in boats bought from and maintained by those funds know they share in the costs of the program through their exchange purchases and are not using tax dollars.

But perhaps the most important consideration is the freedom of the service personnel managers to plan welfare and recreation programs without constant worry over their ability to obtain appropriations. There is no need to worry about which influential members of Congress will support a request to build a craft shop or buy some sailboats for use at installations outside their states. If the local commander can justify the need for the expenditure it can be made quickly, in time to cope with a morale problem that has surfaced unexpectedly.

Most patrons of the military exchanges would rather pay a few cents more for a tube of tooth paste if they are sure those pennies will accumulate to the welfare of all military people. The Department of Defense should be applauded for rejecting GAO's offer.