



## Executive Briefing

Aug. 12, 2022

From the Desk of the ALA President – Steve Rossetti

***Special Edition: ALA appeal to the Congress on major consequential measures affecting resale programs in this year's defense bill.***

### Quotes of note

*“Your decades of distinguished service with several prominent companies supporting the military mission have been spectacular. Working jointly with federal counterparts, you were a visionary and innovator in the marketing and presentation of products and services to the Agency and keeping their commissary placement and presentation on the industry’s cutting edge. Your career is personified by patriotism, with an unparalleled work ethic and uncompromising standards. The average defense commissary patron may not fully realize the extent of your superior work, but they have been the beneficiaries of quality products at the best price due to your efforts. You have indeed provided the vital, behind-the-scenes vendor support that allows these commissary privileges to endure for our military community. Moreover, you are deeply respected and admired by this industry and your colleagues in this vital mission.”* **ALA Chairman Ray Milo in presenting the ALA’s Lifetime Achievement award to Julian Stovall, long-time military resale industry expert and advocate.**

*“The House Armed Services Committee recognized that the commissary program is the key to fighting military food insecurity and should be the hub of efforts to battle inflation and hunger. DeCA has the infrastructure, the distribution, the industry and sourcing relationships, the mission, the expertise, the passion, the prices, the systems, and the nutrition expertise. The \$750 million increase in the DeCA budget for 2023 puts lead directly on the food insecurity target. You don’t have to reinvent a food insecurity solution—just re-invigorate what’s already there.” ...and that’s what they did.”* **Steve Rosetti, ALA President.**

*“The Exchange was the only company that gave me an opportunity to serve the best customers in the world, and for that, I am truly grateful.”* **Henry “Robbie” Robinson, services operations assistant on being recognized by AAFES CEO Tom Shull.**

*“Rather than lowering its standards, the Pentagon can take a more pragmatic approach. Greater priority can be given to retaining troops once they enlist, as the Marines have done.”* **Former NY Mayor Michael Bloomberg.**

*"We figured out how to do something for the warfighters that no other retailer can do."* **Colin Fortier, AAFES' B2B support liaison. On an AAFES/USO program to get gaming consoles to the troops.**

*"We expect most retailers to reduce forward inventory purchases given lower demand expectations. This should support eventual margin stabilization as inventory levels correct and also ease some supply chain bottlenecks."* **Fitch Ratings report.**

*"It's time to bust the [credit card duopoly](#) and make credit cards competitive again. The credit card industry is dominated by Visa and MasterCard, and the amount merchants have paid for fees levied to process their transactions [more than doubled](#) from \$65.1 billion in 2011 to \$137.8 billion last year. Capitalism without competition creates opportunities for unfairness and exploitation, especially in times of crisis. Dozens of Main Street retailers and grocers brought to my attention the opaqueness of their credit card fees and the looming fee increases. As fuel prices began to soar, convenience stores and gas stations echoed their sentiments. With razor-thin margins, [wholesale inflation](#) at over 11%, supply chain disruptions, and the unavailability of labor, Kansas consumers are spending an extra \$700 a month due to inflation, and retailers are facing solvency problems. With gross domestic product contracting for a second straight quarter, falling 0.9% from April to June, this recession will further affect Main Street and all retailers."* **Senator Roger Marshall on his bill to control credit card interchange fees.**

## **By the numbers**

**68 million**—Households that went online to purchase groceries, up 3 % percent YoY. The monthly active user base grew more than 5% for pickup and almost 4% for delivery, whereas the ship-to-home's MAU base shrunk by over 4%.

**8.5percent**—July YoY inflation, compared to 9.1 percent in June.

**1.1 percent**—food inflation in July, the seventh consecutive monthly increase of 0.9% or more. They climbed across all the major categories, including meats, poultry, fish and eggs, dairy products, fruits, and vegetables,

**6.4 percent**—YOY July AAFES sales increase.

**11 percent**—YoY trucking cost increases for in-house fleets of PepsiCo, Walmart, and Sysco Corp.

**13.1 percent**—YoY July grocery inflation.

**\$37 billion**—House increase to the Administration defense budget request.

**\$45 billion**—Senate Armed Services Committee increase to the Administration defense budget request.

**150,000**—Recruits the military needs to bring in each year to meet its 1.3 million active-duty force goal. Through the end of June, the Army had signed up 22,000 troops, 60% below its annual target. It could end the year with as few as 445,000 troops, nearly 40,000 smaller than the force size authorized by Congress.

**75**—Years OSC/Webco has been serving the U.S. military.

**1.84 points**--New York Fed's GSCPI supply chain index above typical levels — down from an all-time high of 4.32 in December. The GSCPI's downward movement suggests that products are slowly moving more freely through the economy.

The Fiscal Year 2023 National Defense Authorization Act is shaping up to be one of the most consequential measures in the recent history of the military resale program. From a \$750 million increase to DeCA to programs that could devastate military exchange programs of the DoD to food service reform initiatives, the bill contains multiple measures that could transform this business for the better or for the worse. While the Senate has not completed work on its bill, the House has and the Senate Armed Services Committee has acted. There is still work to do on the Senate bill including amendments to the committee-passed version, the process may be truncated this year. So ALA is weighing in now with the conferees to ensure that our views get a full airing.

Here's the text of the ALA letter to Congress:

*"As you prepare for deliberations on the FY 2023 National Defense Authorization Act, we urge your consideration of our views.*

*H.R. 7900 greatly enhances the commissary program's ability to deal with military hunger and food insecurity by recognizing and amplifying the commissary's purpose and potential and we applaud the added commissary funding that is vital to dealing with this pressing DoD challenge.*

*However, several provisions in H.R. 7900 would have a negative effect on the viability and operations of the nonappropriated fund activities of the Department of Defense including exchanges. Overall, Congress should consider "scoring" impacts to these programs from legislative proposals that potentially result in a substantial negative financial impact on nonappropriated fund entities of the Department of Defense and that are not imposed on similar commercial businesses. This scoring should be done prior to the implementation of any law or regulation promulgated by the Federal Government that results in (1) denying military personnel and their families' products that are widely available in commercial businesses, or, (2) or has a substantial negative financial impact on nonappropriated fund entities of the Department of Defense that are not imposed on similar commercial businesses. These financial impacts have direct resource implications for the DoD.*

**ALA opposes Section 631, HR 7900, Prohibition on Sale of Chinese Goods in Commissary Stores and Military Exchanges.** *This provision is a recipe for the failure of the military's exchange system, a critical cornerstone in the DoD's ability to provide a base structure to care for its personnel and their families.*

*If enacted, this provision would deprive military personnel and families of products that are widely available to other American citizens. Congress has not chosen to ban these products from off-base retailers and military personnel and their families should be entitled to at least the same rights and privileges as the citizens they defend.*

*Impact of this provision would be devastating to military exchanges which are a cornerstone of base support services. Exchanges provide much needed products and services for millions of military personnel and their families and constitute a major aspect to the military family support ecology. And operations at large bases enable provision of services at small and remote locations that would otherwise be unsustainable.*

*Exchanges are the golden goose that keeps on giving. Earnings from these operations provide billions of dollars to support vital community programs and build new exchange facilities. This provision would essentially eliminate their capability to generate any earnings and kill their building programs. In fact, if CBO were required to dynamically score the impact on the DoD from this provision, it would approximate \$2 billion a year in lost proceeds and capabilities to the Department.*

***Other impacts would include:***

- Depriving military family members of hundreds of millions of dollars in sales tax savings that they enjoy by virtue of their military service.*
- Empty shelves.*
- Tens of thousands of job losses that disproportionately impact military spouses, Veterans, and dependents with huge costs for severance.*
- Crippling of ability to provide exchanges support services in combat zones and forward-deployed areas.*
- Crippling of the exchange ability to provide lunches at DoD schools, military uniform support overseas bakeries and water plants.*

*Congress needs to nurture this program rather than harm it. This is just the latest of headwinds to hit the exchange operations. Just as exchanged program managers come up for air, they are hit with yet another punch to the gut. Just recently, we've seen the impact of minimum wage provisions not mandated for off-base businesses that are costing the exchanges hundreds of millions of dollars. And this amid exchanges having to cope with the pandemic and the associated COVID costs to keep employees and military patrons safe.*

*Congress shouldn't be searching for government programs that work so they can kill them. If Congress wants effective government, it needs to reward successful government programs.*

*The conferees need to strike this provision.*

***ALA opposes Section 2814 H.R. 7900. Privatization of Navy and Air Force Transient Housing.*** *DoD is already undergoing reforms to these programs that will ensure their modernization and eliminate any reliance on appropriations.*

*The CBO analysis of the direct spending provisions of this measure says it all: "CBO considers military lodging run by private entities to be a governmental activity that uses a private-sector financial intermediary to serve as an instrument of the federal government. In CBO's view, investments by those entities to improve the lodging facilities should be treated as governmental expenditures because most of the income for the project would be paid from appropriated funds such as per diem payments to service members. Because those investments would not be contingent on the availability of appropriated funds at the time they are made, CBO classifies them as direct spending. Using information on the reported costs to improve privatized Army lodging, CBO estimates that enacting section 2814 would increase direct spending by more than \$5 billion in the 10-year period beginning in 2033."*

- Transient housing is an integral part of the Air Force, Navy, and Marine Corps community support programs.*

- *The DoD is actively involved in a comprehensive review of these programs to determine the best way to operate lodges.*
- *The GAO cited that the “All-NAF” business model, which is like the Army’s privatized model, prohibits the use of appropriations. And the GAO raised serious questions about the financial viability and cost estimates of the Army’s privatized model.*
- *Overseas lodge operations rely on the support bases of operations located in the United States.*

*This provision is just a cost transfer to the taxpayer and the troops. Instead of pushing for privatization of Air Force, Navy, and Marine Corps lodging, the DoD would be better served if Congress directed a reevaluation of the Army’s privatization program and the impact on per diem payments to soldiers and their families and the feasibility of in-sourcing the Army lodges as opposed to outsourcing the lodges of the other service branches.*

***ALA supports the \$750 million increase to the Defense Commissary Agency Working Capital appropriation included in H.R. 7900.*** *Military hunger and food insecurity has been a major issue for years and most recently, hyper-inflation in grocery products has made the situation worse.*

*This committee action hits the military hunger issue squarely. In H.R. 7900, the Congress has rightfully recognized that it doesn’t need to create new and untested program to deal with military food insecurity, it merely needs to turn up the knobs and leverage a tested, effective, and proven system for getting high quality and cost-saving food to the troops.*

*The commissary program was created to deal with DoD food insecurity. Years of Congressional and DoD support paid off during the pandemic as vital products continued to flow despite multiple supply chain barriers presented by the spread of COVID and ensuing supply chain difficulty. The program was there for our military families, and its employees showed up for work despite COVID uncertainty.*

*And this investment by the American people in the commissary program once again will pay dividends in the DoD’s efforts to deal with food insecurity and inflation. This program has the supply chain, infrastructure, and ability to directly get to the issue of food inflation and insecurity.*

*The Department of Defense underscored the role of commissaries in dealing with food insecurity in its July 2022 report *Strengthening Food Security in the Force: Strategy and Roadmap* and recognized how the commissary program is on the vanguard of the food insecurity fight. Indeed, ALA has also been on the front lines of this effort with many member companies pitching in to help military families deal with food insecurity through massive food donation programs.*

*The \$750 million commissary boost will enable the DoD to turn up the knob on the existing commissary benefit and deliver vital savings to day-to-day needs of financially distressed servicemen and women and their families. Outlays in future years could be indexed to food inflation to ensure a consistent and high level of savings.*

*The increased funding would avoid forcing DoD to reach into patrons’ pockets to finance operating shortfalls of the agency charged with delivering grocery savings to the military. It would boost the ability of commissary program management to continue its commendable efforts at improving benefit delivery.*

*The increased funding would re-establish the commissary program as a benefit and eliminate the tension cited by the 2022 NDAA-directed GAO report that cited tension between whether the need to increase prices to*

*patrons to fund the management of the program and the need to provide maximum savings to patrons, an imperative made more urgent by food inflation*

*Prior to 2017, commissaries offered food to patrons at the cost charged to the commissary by vendors, eliminating any price markup on food and providing savings for military families. In 2017, the Department of Defense started increasing prices above the price paid to the vendor to offset the operating costs of commissaries.*

*The \$750 million increase would result in billions of dollars in additional savings to commissary beneficiaries during the inflationary times and boost grocery savings by nearly 15 percent, providing a vital financial injection into the most distressed and food insecure military families. Measures could include:*

- Putting lead directly on the food savings target by using their vast personnel data capabilities to identify financial distressed military families and provide them with an added discount on their commissary rewards card.*
- Suspending the five-percent surcharge on commissary purchases to enable additional savings until grocer inflation subsides.*
- Targeting of added funding to savings targeted to critical household staples such as baby food and nutritional items.*
- Underwriting the cost of commissary delivery to get discounted food products to hard-pressed beneficiaries with limited mobility and to troops in the barracks.*
- Underwrite the capability to expand distribution centers to enable forward buys of products as an inflation hedge.*
- Underwriting the ability of the commissary program to get products to guard and reserve at isolated locations and make underserved areas a mission focus for the commissary program.*
- Enhancing the ordering system and personnel to ensure product shelf availability.*

***Modify Section 5702. Minimum wage for Federal contractors.*** *This provision would codify Executive Order 14026. Nonappropriated fund programs of the Department of Defense are financed primarily from revenue derived from mark-ups of products and services to military personnel and their families. The executive order on minimum wage for federal contractors falls primarily on these nonappropriated fund entities and an indirect tax to military and their families. The executive order cost NAFIs hundreds of millions of dollars per year in direct wage hikes and in wage compression hikes, forcing them to absorb the cost in their operations and diminishing their ability to finance capital expenditures and forcing the increase of prices to the troops. Further, the Department of Labor regulations implementing the executive order applied the minimum wage to concessionaires of the NAFIs as well, reducing licensing and concession revenue and increasing prices to the troops. While the DoD recognized this impact and saw fit to provide some relief from appropriations during FY 2022 from the earnings of products and services, this funding only covered part of one year of costs and the likelihood of funding offsets for future years is not by any means guaranteed. ALA urges the conferees to modify this section to require DoD to calculate the full cost of this executive order to the nonappropriated fund instrumentalities and mandate reimbursement from appropriations for any incremental costs to NAFIs in implementing this executive order.*

**Oppose Sec. 1107 H.R. 7900, Inflation Bonus Pay for Certain Departments of Defense Civilian Employees.** This section is another unfunded mandate for nonappropriated fund programs of the DoD. Military exchanges and certain MWR programs are self-funded. These programs already are coping with the Federal mandate on a \$15 minimum wage and wage rates already meet or exceed prevailing rates in nearly all 50 states—some by as much as 50 percent. The impact of this provision on nonappropriated fund programs should be scored by CBO or GAO and Congress should allocate funding to these programs to enable them to cope with the higher costs.

**Support Sec. 579J, H.R. 7900, Report on Effects of Inflation on Families of Members of the Armed Forces.** Inflation, particularly for groceries and essential needs, have severely impacted military families. The commissary and exchange programs exist to help families cope and the report should include efforts by DoD to leverage and enhance these programs to assist families in coping with inflation.

**Support Section 626, H.R. 7900, Hunger Among Military Families Data Collection; Training; Report.** This provision calls for designation of an individual to assist members at installations on referring servicemembers and dependents to Federal nutrition assistance programs. ALA believe that the DoD would be well-served to include with this report efforts to inform eligible commissary beneficiaries including veterans on how to avail themselves of the commissary benefit. Further, the data collection effort should include determining personnel who are accessing their commissary benefits and determining methods and procedures to encourage access to the commissary benefit to curb hunger in the armed forces.

**ALA commends and supports language in the report accompanying the Senate Armed Services Committee mark-up of the 2023 NDAA citing the inflationary strain being placed on servicemembers and their families and the impact of rising prices on the revenue, profits, and operations of the military exchange and commissary programs.** We urge that the Secretary of Defense, in the mandated report to the HASC and SASC include Administration and Congressional actions that have impacted the exchange and commissary programs to cope with inflation and ensuing impact of inflation on patrons of these entities.

**ALA commends and supports language in the House Report 117-397 accompanying H.R. 7900 on Labeling Post Exchange and Commissary Benefits on Veteran Health Identification Cards.** Commissary and exchange benefits can greatly assist disabled veterans in coping with inflation and helping make ends meet. The House effort to promote enhancing the Veterans Health Identification Card to note exchange and commissary benefit entitlement will go a long way to ensuring access and awareness of these benefits.

**ALA commends and supports language in the House Report 117-397 accompanying H.R. 7900 on Department of Defense Basic Allowance for Subsistence and Food Management.** The GAO Report 22-103949 rightfully notes that the Department needs to better track dining hall usage. Far too many military personnel are not able or are unwilling to take full advantage of their food subsistence benefits due to poor food quality and accessibility on military installations. Congress has directed efforts to improve quality and availability through food transformation and the Secretary of Defense has committed to providing a report on these mandated food transformation efforts by October of 2022 to include increased use of meal cards that are redeemable at multiple locations on the installation. ALA looks forward to working with the Congress and the DoD in ensuring that installation food offering quality is improved so that all military personnel can take full advantage of their subsistence benefits with multiple quality healthy and nutritional food offerings.

Respectfully, Stephen Rossetti (President, ALA).

**Happy 75<sup>th</sup>. OSC/Webco.** OSC/Webco is celebrating its 75<sup>th</sup> Anniversary this month of benefiting and advocating for the military resale channel. Happy Birthday to the entire OSC team and best wishes for continued success.

**Congress calls for charging stations at commissaries and exchanges.** A provision in the Defense bill that was passed by the House (Section 141) encourages charging stations at commissaries and exchanges. The provision says that the stations can be operated at a “For profit” basis. The measure says that it only applies to “non-tactical vehicles” and would only be open to authorized patrons.

**AAFES Shoppers Generate \$5 Million for National Guard Quality-of-Life Programs.** ALA’s Larry Lapka reports. The \$5 million for National Guard programs is part of the \$205 million generated by Exchanges worldwide in 2021 to support Soldiers, Airmen, and their families.

Historically, about 60 percent of Exchange earnings are contributed to on-installation quality-of-life programs and remaining earnings are used to further enhance the shopping experience at PXs, BXs, Expresses and online at [ShopMyExchange.com](https://www.shopmyexchange.com).

In the last 10 years, the Exchange has provided \$3.5 billion in earnings for critical military quality-of-life programs.

“Much like our National Guard heroes go where they are needed, the Exchange goes wherever our troops go to support, provide and comfort,” said Exchange Director/Chief Executive Officer (CEO) Tom Shull. “National Guard members are a vital part of the military community, and it is an honor for the Exchange to serve and support them.”

In 2021, the Exchange served National Guard members throughout an exercise at Camp Garfield with a mobile field Exchange (MFE) — an Exchange store on wheels — stocked with snacks, beverages, and hygiene products.

Throughout the COVID-19 pandemic, the Exchange has provided personal shopper service and contactless shopping for quarantined National Guard members, as well as an MFE for National Guard members serving in the Army field hospital in New York City.

The Exchange also has a long history of natural disaster support, including during hurricanes, earthquakes, and other extreme weather, often serving the National Guard members who help affected communities get back on their feet after disasters.

National Guard members also have access to Exchange sweepstakes; Hawaii National Guard Staff Sgt. Ross Lazaro was one of five grand-prize winners in the Military Star Card “Your Holiday Bill

**AAFES Opens First Panda Express in Europe. ALA’s Larry Lapka reports.** Airmen and families here at Ramstein Air Base can enjoy “a taste of home” at the first Panda Express to open in Europe, located in the Army & Air Force Exchange Service’s (AAFES) Kaiserslautern Military Community Center (KMCC) Exchange food court.

The line for the Aug. 2 grand opening wrapped around the entire food court, as military members and families waited for the restaurant to open.

Jochen Halfmann, CEO of Lagardère Travel Retail Germany, said his team worked hard with the Exchange to bring the first Panda Express to the military community in Europe.

“It’s been an amazing journey to partner together with AAFES,” Halfmann said. “We are very excited to be bringing ‘a taste of home’ to military and families here who are so far from home.

Panda Express, and all the Exchange’s 1,600-plus restaurants, including the more than 50 added in 2021, offer Better-For-You (BFY) choices to support warfighters’ readiness and resiliency.

“Our military and families have another great option for their dining-out experience,” said Col. Don Nowlin, the Exchange’s Europe/Southwest Asia/Africa region commander.

“It’s fantastic to see the excitement on our customers’ faces when we can bring them a little piece of home.”

Nataki Jones, wife of Brig. Gen. Otis C. Jones, 86th Airlift Wing commander, along with her nine-year-old son Hamilton, joined Jennifer Jordan, general manager (GM) of the KMCC Exchange, in cutting the ribbon on the restaurant at its grand opening.

The Jones family recently moved to Germany when Brig. Gen. Otis C. Jones took up the mantle of leadership as the commander of 86th Airlift Wing on July 15.

“Being in Germany is a phenomenal experience for our family,” Jones said. “But the anticipation of Panda Express opening really got my children excited. It was a restaurant that we enjoyed frequently in the states, so to have it here is wonderful — it’s ‘a taste of home.’”

Alyssa Young and her nine-year-old son Brantley drove more than 75 miles to be the first in line for the grand opening.

“Panda Express is his absolute favorite,” Young laughed about her son’s enthusiasm for the restaurant and its orange chicken. “His jaw hit the floor when he found out the restaurant was opening — saying that his wish had come true.”

**AAFES Opens 24/7 Micro Market at Hill Air Force Base Security Forces Building.** On Aug. 5, the AAFES unveiled its fifth self-serve “Bistro-to-Go” Micro Market, with this newest entry on the installation here in the Security Forces building

75th Security Forces Squadron Commander Maj. Doug Dinkins and 75th Mission Support Group Commander Col. Khalim Taha joined Hill BX General Manager (GM) Tammy Hairston and Services Business Manager Dahlia Haliburton in cutting the ribbon on the new 24/7 convenience market.

The Micro Market offers meals, snacks, and beverages, including Better-For-You (BFY) options such as salads, wraps, fresh fruit, protein bars, and breakfast burritos.

Previously, the Security Forces Squadron had very limited food options during certain times of the day.

“The Exchange is committed to meeting the needs of our community,” Hairston said. “Adding this Micro Market ensures our airmen have what they need when they need it.”

**AAFES PX Opens Durable Medical Equipment Shop at Fort Buchanan, Puerto Rico.** On July 14, AAFES grand opening of the Janz Medical Supply store here in the PX mall made it simpler for the base's military community to access braces, mobility devices, maternity supplies, and other durable medical equipment.

The Exchange is focused on providing on-installation wellness services to the military community. The Janz shop at Fort Buchanan is part of the Department of Defense (DoD) retailer's priority to expand these services on military installations worldwide. The store accepts TRICARE and most insurances.

"The Exchange is excited to bring this new resource to the Fort Buchanan community," said Fort Buchanan General Manager (GM) Andrea Frazier. "We're committed to making life better and more convenient for our Soldiers, retirees, veterans, and military families."

Joining Frazier at the opening day ceremonies were Garrison Commander Col. Tomika M. Seaberry and Command Sgt. Maj. Roderick W. Hendricks.

One hundred percent of Exchange earnings are reinvested in the military community, with about 60 percent historically going to support on-post quality-of-life programs.

In 2021, AAFES reported that Fort Buchanan Exchange shoppers generated \$8.7 million in critical support for Army quality-of-life programs at the installation.

**Supply chain woes easing somewhat.** Supply chain bottlenecks are beginning to clear up as consumer spending returns to a more normal mix of goods and services. The [New York Fed's Global Supply Chain Pressure Index](#) (GSCPI) fell for the third straight month in July, hitting its lowest point since January 2021.

At 1.84 points above typical levels — down from an all-time high of 4.32 in December — the GSCPI's downward movement suggests that products are slowly moving more freely through the economy

"We expect most retailers to reduce forward inventory purchases given lower demand expectations," Fitch Ratings reported Monday. "This should support eventual margin stabilization as inventory levels correct and also ease some supply chain bottlenecks."

Flashback: The pandemic shifted spending from services to physical goods in historic fashion, creating demand that manufacturers, logistics companies and retailers weren't prepared for. They've been trying to catch up ever since.

Quick take: The swing back to services has been under way for months, exemplified most recently by hotel chains Marriott and Hilton reporting booming earnings in recent weeks. That easing of pressure on supply chains is already being felt by retailers.

What they're saying: In consumer electronics, supplies have "not only caught up" but may be barreling toward "a surplus situation," Kimball Electronics CEO Donald Charron said Friday on a conference call. In apparel, Under Armour CFO David Bergman said Wednesday that they are now seeing signs that supply chain disruptions "could find some balance from this point" through the end of the year.

The other side: Port backups — which have driven many of the supply chain issues — remain significant, straining access to certain goods. And the global semiconductor chip shortage, key to the shortage of new vehicles, is expected to take years to resolve as companies like Intel build new onshore factories. "There's less cargo flowing," Ocean Audit CEO Steve Ferreira tells Axios, "but there's still so much backed up."

**Digital dollar movement.** Lawmakers are pushing the Federal Reserve to move swiftly toward [issuing a digital dollar](#), to combat steps from China and others they say could one day threaten the U.S. status as the global reserve currency.

The bipartisan group of lawmakers, including Reps. Maxine Waters (D., Calif.) and French Hill (R., Ark.), has sought for the U.S. to counter global competitors [launching digital versions](#) of their currencies. The House Financial Services Committee, which both serve on, might vote on related legislation as soon as next month. Waters has framed competition over new forms of central-bank money as “a new digital assets space race.” The Biden administration and the Fed don’t share a sense of urgency.

Fed Chairman Jerome Powell has indicated the central bank [isn’t in a rush](#), as it confronts inflation and a slowing economy. Mr. Powell has said it is more important to get the digital dollar right than to be first to market, in part because of the dollar’s critical global role. He has also said the Fed won’t issue a digital dollar without support from elected officials. The White House has largely remained neutral on a digital dollar, with President Biden [ordering a study](#) to determine its implications for issues such as economic growth and stability.

Ms. Waters, who chairs the financial services panel, has drafted legislation that would require the Fed to study a digital dollar, building on the central bank’s existing work on the issue, and creating a process for the U.S. to potentially issue one in the future.

**Committee-passed Senate version of NDAA includes language on car sharing.** Here it is:

*The committee is aware of the many environmental, logistical, and financial benefits of car sharing and ride sharing, particularly for people who do not own a vehicle and live in an isolated or remote area without easy access to transportation. Car sharing involves many individuals sharing a single vehicle. Car sharing can be structured as a rental business, whereby the shared vehicles are owned by a corporation as part of a fleet and available for hourly or daily rental, or*

*as a peer-to-peer network, whereby an individual vehicle owner makes his or her personal vehicle available for others to rent when the owner is not using it. Ride sharing, on the other hand, provides a peer-to-peer platform for vehicle owners and operators to give rides to others for a fee without the owner relinquishing control of the vehicle.*

*In the committee report accompanying H.R. 4350 (H. Rept 117-118), the National Defense Authorization Act for Fiscal Year 2022, as passed by the House of Representatives, the Committee on Armed Services of the House of Representatives required the Department of Defense (DOD) to study the logistics and benefits of peer-to-peer car sharing. Although this provision required a thorough review of car sharing as an economic and social business model, it did not require the Department to assess the feasibility and advisability of a DOD-sponsored car sharing pilot program on military installations.*

*Given the known benefits of car sharing and ride sharing, the committee believes the Department of Defense should explore the possibility of encouraging such practices on military installations. The committee therefore directs the Secretary of Defense to provide a briefing to the Committees on Armed Services of the Senate and the House of Representatives, not later than April 1, 2023, on the feasibility and advisability of conducting a car sharing or ride sharing pilot program at military installations, including installations that are in remote or isolated areas. This briefing shall include the following: (1) An analysis of the transportation-related challenges that servicemembers and their families face, particularly those stationed at remote or isolated installations; (2) An analysis of whether a car sharing or ride sharing pilot program on military installations could ease such*

*transportation-related challenges; (3) Recommendations, if any, for the type or types of cars sharing or ride sharing that would be most appropriate to pilot on a military installation, including a consideration of the foreseeable legal, ethical, and military cultural issues that could arise from car sharing or ride sharing at military installations, particularly for peer-to-peer models such as individual car or ride sharing; (4) Projected costs associated with such a pilot; and (5) Any other relevant matters that the Secretary deems appropriate.*

**Food service event to coincide with ALA Annual Convention.** Government and industry resale folks are convening in Norfolk Va. for the ALA Annual Convention October 10-13. This year's session will include a Food Service event that will coincide with the resale meetings. Details on the ALA website.

**Defense bill limits sale of unsafe portable heaters in exchanges.** SEC. 1099I of the bill says that DoD cannot sell portable heaters that "do not comply with applicable volunteer safety standards." The provision also says that commanders must let consumers in military family housing know about Consumer Product Safety Commission regulations governing the use of the heaters.

**Defense bills caught in year-end Congressional sausage maker.** More than seven weeks remain until the 2023 fiscal year begins on Oct. 1, but observers of Congress are already warning that time is running out for lawmakers to pass the annual National Defense Authorization Act and appropriations bill that will fund the Pentagon before that deadline.

Should Congress fail to pass those bills on time, they'll have to pass a continuing resolution to keep the federal government open, a move that keeps spending levels frozen at the previous year's levels, Air Force Magazine reports.

Defense Department leaders have frequently bemoaned the use of CRs, saying they stall new programs, delay production increases, and keep funds stuck in the wrong accounts. Department of the Air Force leaders, in particular, have already said that any delay in the 2023 budgeting process would have "a particularly negative effect."

Yet such a delay is looking more and more likely.

For the NDAA, the House passed its version of the bill in mid-July, increasing the top line of the Pentagon's budget request by \$37 billion. The Senate Armed Services Committee passed its version in June, with committee leadership filing it to the Senate floor in mid-July. The full chamber has yet to vote on the bill.

On the appropriations side of things, both the House and Senate have yet to approve a defense spending bill. The House Appropriations Committee did pass its markup of a spending plan for the Pentagon in June, but the full chamber has yet to debate it. The Senate Appropriations Committee, meanwhile, did not unveil its spending bills until late July.

"The good thing is that the House went ahead and passed six of the 12 appropriations bills," retired Col. Anthony Lazarski, a former professional staff member for the Senate Armed Services Committee and aide to Sen. Jim Inhofe (R-Okla.) and a principal with consulting firm Cornerstone Government Affairs, said on the latest episode of the Mitchell Institute's Aerospace Advantage podcast. "So they got them all out of committee, and then they brought six to the floor. ... What didn't come to the floor is the defense bill, as well as Homeland Security and a few others, because there just wasn't an agreement, and they weren't sure they were going to be able to get the votes on the floor."

Now, Congress is at the start of its August recess period, with both chambers slated to return in early September after Labor Day. But with Election Day looming Nov. 8, lawmakers won't stay in Washington, D.C., for long before heading back out on the campaign trail. The House is scheduled to have its last day in session before the election Sept. 30, while the Senate is tentatively set to be in session for two weeks in October, though that could change.

In order to get the NDAA signed into law by Oct. 1, the Senate would have to pass its version soon after returning in September, allowing for the conference process to start whereby lawmakers and staff members from both chambers draft a compromise bill. That process can take several weeks, before both chambers would then have to vote on the new bill, presumably before the House leaves town.

And it's far from certain that the Senate will vote on its version of the NDAA quickly in September. Col. Todd Harmer, also a former congressional aide and now an executive with consulting firm American Defense International, pointed out that doing so will require cooperation between SASC leaders and Senate Majority Leader Chuck Schumer (D-N.Y.)

"The big question ... is going to be when that bill does go to the floor. There are a lot of competing priorities," Harmer said on the podcast. "I know [Sen. Jack Reed (D-R.I.)] and Sen. Inhofe do not have an agreement from Leader Schumer yet to bring it to the floor. But hopefully [they will] by mid-September, and then the committees can conference the bill.

Even then, Harmer predicted that Congress won't meet its deadline.

"We will not get it done before the end of this fiscal year," Harmer said. "So, I think some time after the election, in November before Christmas, we'll finally see the FY23 Defense Authorization Act."

Lazarski also sounded skeptical.

"For both of these bills, nothing will happen for conference," Lazarski said. "They're going to wait until after the election, see what happens, who's going to have a majority in the next Congress. And then it's really going to be a tough negotiation as we go forward.

"Obviously they're going to want to get these bills done as they do every year, but it's probably going to take until Christmas, potentially until the end of the calendar year, and if they're having problems, which obviously we're hoping they don't, there is a possibility of kicking it into the next Congress. And that could push this back all the way to March because the bills will have to get refiled. But right now, we're hearing that they're going to try to get this done."

Harmer and Lazarski are not alone in expressing concern that key spending bills may not get done before the start of the new fiscal year. Indeed, it has become a recurring issue in Congress. The Pentagon has started the new fiscal year under a continuing resolution in 12 of the last 13 years, including each of the last three years.

For the NDAA, leaders have found a way to speed up the process by drafting a compromise bill outside of the conference process and then introducing it in both chambers. However, critics say such a move reduces free and open debate. **AAFES Director/CEO thanks associates for welcoming new civilian shoppers.** ALA's Larry Lapka reports. Tom Shull, the director, and CEO of the AAFES, visited the Exchange here to thank associates for serving the military community — especially Department of Defense (DoD) and Coast Guard civilians and retirees, who gained Exchange shopping privileges in May 2021.

With more than 42,000 Common Access Card (CAC)-holders in the surrounding area, the Fort Meade Exchange has one of the largest populations of newly eligible Exchange shoppers in the U.S.

“It’s terrific to see every member of our military community come together at their PXs and BXs,” Shull said during his Aug. 1 visit. “Our Fort Meade teammates have really stepped up to welcome newly authorized shoppers and are doing an exceptional job of communicating customer experience improvements, such as self-checkout and branded fuel, as they are made.

“The partnership and collaboration happening across the organization to make our 2022 strategic priorities fully operational reflect the awesome professionalism and passion of ‘Team Exchange.’”

During his visit, Shull met with main store, mall, and food court, Express and Military Clothing Store (MCS) associates and managers. He commended the team’s steadfast service throughout the COVID-19 pandemic.

Shull noted, “The Fort Meade Exchange is setting the bar high. They have exceeded earnings goals for the past two years by sharpening their pencils and managing overhead costs while leaning forward to tell our story of service and support to DoD civilians in the area.”

AAFES reported that 2022 sales at the Fort Meade Exchange are tracking to be on par with pre-pandemic numbers. Shull, who marks 10 years of service as the Exchange director/CEO this year, and Fort Meade PX General Manager (GM) Robin Boylan recognized associates who have gone above and beyond in their service to “the best customers in the world.”

“Fort Meade Exchange associates are so dedicated to taking care of our shoppers, whatever they need,” Boylan said. “It meant a lot to them to hear Mr. Shull’s personal appreciation and encouragement.”

Shull honored 21 associates for their exceptional efforts by presenting each with a challenge coin.

**Those honored associates included:**

- Robin Boylan, general manager
- Esther Bradley, Express manager
- Scott Brintall, services business manager
- Zuleyka Cardona, laborer/stocker
- Qiana Carr, Burger King manager
- Lawan Correia, Military Clothing Store (MCS) shift manager
- Gregg Cox, senior vice president, government affairs
- Karen Foster, Fort Detrick Express inventory control associate
- Jennifer Gilbert, Arby’s assistant manager
- Amanda Hartfield, regional vice president

- Dawn Holland, main store manager
- Marcia Jackson, inventory control associate
- Stefania John, sales area manager
- Chris Jonczak, visual merchandiser
- Meerim Kasymbaeva, customer experience associate
- Megan Khalsa, inventory control associate
- Carie Nalley, office associate
- Robert Pennington, warehouse worker foreman
- Darlene Reff, sales, and merchandising manager
- Henry “Robbie” Robinson, services operations assistant
- Kyle Wheaton, operations manager

Henry “Robbie” Robinson, services operations assistant, was one of the associates who was awarded the Exchange Director/CEO’s challenge coin.

“That moment I will remember forever,” said Robinson, a veteran who has been with the Exchange for 32 years. “When I retired from the Air Force, no companies were hiring at the time.

“The Exchange was the only company that gave me an opportunity to serve the best customers in the world, and for that, I am truly grateful.”

**Former NY Mayor Michael Bloomberg speaks out on the military recruiting crisis. The US is facing a shortfall of troops. Here’s how to solve:**

*From the Suwalki Gap to the Taiwan Strait, the US military faces no shortage of potential crises. But perhaps its biggest challenge lies close to home: A dwindling number of Americans are able and willing to serve in uniform. To maintain the military’s edge, the Pentagon needs to rethink how it recruits and retains troops — while also preparing to fight future wars with a leaner active-duty force.*

*On current trends, the outlook is troubling. To meet its overall goal of an active-duty force of 1.3 million, the military needs to bring in roughly 150,000 new recruits across its six service branches. With two months left in the fiscal year, the Pentagon is still 15% short of that goal, with the largest service, the Army, facing the biggest shortfall. Through the end of June, the Army had signed up 22,000 troops, 60% below its annual target. It could end the year with as few as 445,000 troops, nearly 40,000 smaller than the force size authorized by Congress.*

*A tight labor market is one reason for this state of affairs, but the bigger problem is the shrinking pool recruiters are drawing from. Because of rising rates of youth obesity and drug use, the share of Americans aged 17 to 24 who are eligible to serve without a waiver has fallen to 23%. Discounting those already enrolled*

*in college, the number is only 12%. The military estimates that among those who are eligible, a mere 9% have a “propensity” to serve, the lowest since 2007, during the height of the Iraq War.*

*While boosting incentives to attract high-quality recruits makes sense, other proposals — such as relaxing physical fitness standards or making it easier for recruits to obtain waivers for prior drug use or medical conditions — risk undermining readiness and discipline. Creating a boot camp for applicants who perform poorly on the Armed Forces Qualification Test may help low-aptitude candidates meet the minimum threshold for service, but it threatens to degrade the military’s overall competence.*

*A more pragmatic approach. Greater priority can be given to retaining troops once they enlist, as the Marines have done. Financial bonuses, faster promotion opportunities, and incentives for obtaining new skills would encourage troops to consider longer military careers. The Pentagon can also broaden its pool of potential enlistees by stationing more recruiters in communities with low levels of military participation.*

### **Commissary shelf stocking contract solicitation—29 Palms**

<https://sam.gov/opp/3cd3dfb49c144f0595cfbe4c5e5c57e9/view>

**Union cites federal pay gap.** Federal employees on average earned 22.47 percent less in 2021 than their counterparts in the private sector, according to new calculations released Friday by the Federal Salary Council.

It was the first update to the pay gap in two years and shows that the federal government remains at a disadvantage when competing for skilled workers in today’s labor market.

“The pay gap is not just a Washington D.C. problem. It exists in cities and small towns across America, where federal employees live and work delivering important services that taxpayers depend upon every day,” said NTEU National President Tony Reardon, a member of the Federal Salary Council. “The Council is well aware of the difficulties that federal agencies face competing for workers who frequently find higher salaries in the private sector, which is why this pay gap is a valuable piece of information for our elected officials to consider when setting salaries for the federal workforce.”

**USO Taps AAFES B2B Team to Send Gaming Consoles Overseas.** ALA’s Larry Lapka reports. The Army & Air Force Exchange Service (AAFES) recently assisted the United Service Organizations (USO) in fulfilling the organization’s desire to purchase and send gaming equipment to service members supporting NATO efforts overseas.

These items are in integral part of the USO’s USO2GO Program (<https://www.uso.org/programs/uso2go>), which provides customizable entertainment kits to troops serving in remote locations that do not have a traditional USO center.

The Exchange’s Business-to-Business (B2B) team answered the call. Buyer Eric Hines was instrumental in getting the consoles to the USO, and along with Inventory Specialist Josh Moran and Inventory Management Supervisor Andrew Torok, ensured that enough consoles were reserved with suppliers for the program. “Our initial buy took place in October,” Hines said. “Between October and April, we were able to contribute 250 gaming consoles.”

Because of the Exchange’s support and unique capabilities in serving those who serve, the USO has since worked with the team to purchase more products from the Exchange to support warfighters at the tip of the

spear. “They recognized our capabilities and tapped us as a resource,” Hines said. “Now they are continuing to order to meet their future needs.”

Collin Fortier, the Exchange’s B2B support liaison, cited the success of the collaboration as the reason for the USO’s continued business. “They requested a number of furniture items and products from other categories, and they have asked for our help to support troops in Okinawa, Greenland and Honduras,” Fortier said.

Fortier and Hines said the relationship with the USO could not have expanded beyond the initial program without the contributions of Moran, Torok, Exchange Senior Business Analyst Melissa Cleary and Financial Operations Manager Kimberly Brown. “Based on the success of the project, we look forward to a long-term relationship with the USO,” Fortier said. “It took a total team effort. We figured out how to do something for the warfighters that no other retailer can do.”

**\$65 K to sign up in the Navy.** The Navy is now offering to pay up to \$65,000 in student loans for new recruits who can ship out by Sept. 30. The service is also offering some recruits up to \$50,000 as an enlistment bonus. “They are not mutually exclusive, so if a future sailor maximizes both, that adds up to a life-altering \$115,000, and the opportunity to serve in the world’s finest Navy,” Rear Adm. Lex Walker, commander of Navy Recruiting Command said in a [Navy memo](#).

**HASC report has language on Defense nutrition.** Here’s what they said:

The Committee understands the Department of Defense is making progress with the development of nutrition policy and governance. Moreover, the Committee notes the DoD Nutrition Committee has established the Food and Nutrition Subcommittee and Dietary Supplements and Other Self-Care Products Subcommittee that provide policy recommendations on their respective areas of expertise. Additionally, work has been completed on mapping the stakeholders within the DoD Food and Nutrition Landscape. Therefore, the Committee directs the Secretary of Defense to provide a briefing to the Committee on Armed Services of the House of Representatives, not later than January 31, 2023, on the establishment of the Defense Feeding and Nutrition Board (DFNB) to include the following:

- (1) The composition, governance structure and timeline for implementation of the DFNB;
- (2) DoD’s process and methodology for revising the service Buyers’ Guides;
- (3) Additional nutrition policies and procedures that require updating; and
- (4) Any additional actions DoD needs to take to meet omega-3 fatty acid and other nutritional requirements to ensure nutritional readiness of Service members.

**HASC report has language on Federal Prison Industries.** Here’s what they said.

The committee notes that section 827 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110–181) established a 5 percent threshold under which the Department of Defense was to acquire products produced by Federal Prison Industries (FPI), as long as the products met the needs of the Department in terms of quality, performance, and price. Since then, concerns have been raised about the decline in contracts awarded by the Department to FPI, which may put at risk the program established to help manage, train, and rehabilitate inmates through employment. The committee expects the Department to mine acquisition data, take advantage of e-commerce portals to assess its use of FPI, and identify new opportunities to acquire products from FPI. The committee looks forward to the Comptroller General of the

United States report directed in the committee report accompanying the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (H. Rept. 116–442) to assist in its oversight of the Department’s use of FPI.

**HASC report has language on Morale, Welfare and Recreation Program Usage.** Here’s what they said.

The Committee understands that Morale, Welfare and Recreation (MWR) programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. MWR programs foster physical and mental well-being and aid in readiness, recruitment, and retention of personnel. They enhance the physical, cultural, and social needs of Service members and their families by providing installation and community support systems for a mobile military population. The Military Services resource their MWR programs from either Annual Planning Figure (APF) or non-appropriated funds (NAF), or a combination of both. There are three categories of MWR programs: (1) Category A (mission-sustaining); (2) Category B (community support); and (3) Category C (revenue-generating). However, it remains unclear on why some Services are not meeting funding thresholds and the plan for modernization of overall MWR programs. Therefore, the Committee directs the Secretary of Defense in coordination with the Secretaries of the Military Departments to provide a report to the Committee on Armed Services of the House of Representatives, not later than April 1, 2023, on the plan to modernize the MWR program, provide usage data by category and beneficiary group to include retirees, family members and others and the funding rationale on why some Services are not hitting required funding thresholds.

Best regards,

Steve Rossetti