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THE HOUSE ARMED
SERVICES COMMITTEE

STATEMENT OF
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BEFORE THE
MILITARY PERSONNEL SUBCOMMITTEE
OF THE
HOUSE ARMED SERVICES COMMITTEE

On

13 MARCH 2007

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Chairman Snyder, Congressman McHugh, distinguished Members of the Military Personnel Subcommittee, thank you for this opportunity to testify before you today. Although the Subcommittee plans to hold separate hearings on military resale and Morale, Welfare, and Recreation (MWR) programs this year, this statement reflects the posture of the Marine Corps Community Services (MCCS) Program which encompasses both the Marine Corps Exchange and MWR Programs.

The expansive, combined arms reach of MCCS touches almost every corner and square foot of an installation and includes over 80 programs supported by a common overhead and management team. Established in 1999, the MCCS of today is nearing 10 years of service to Marines and their families. As with Marines who first earn the Eagle, Globe and Anchor upon completing the Crucible and Boot Camp, the integration of the Marine Corps Exchange, MWR, Family Services, Child Care and Voluntary Education Programs is also a transformation. Establishing MCCS required the concerted effort of everyone involved with strong leaders at every level, to guide or force this change in direction, and a firm belief that the change was right for the Marine Corps. Today, just like your Marines, MCCS is a strong, well-supported component of the Marine Corps that is recognized for critical recruiting, retention, and readiness support because of its value to individual Marines and their families.

With our earned success and belief in transformation, MCCS shall be continuously poised and ready to listen, learn, and respond to the needs of Marines, their families, and the Marine Corps institution. In this regard, the Commandant of the Marine Corps has established Marines in

combat and Sailors serving with us as our number one priority. Over the past year, your Marines deployed to all corners of the globe in support of our Nation's combat or humanitarian missions. With more than 20,000 Marines ashore throughout the U.S. Central Command's Area of Responsibility, Operations Iraqi Freedom and Enduring Freedom (OIF/OEF) remain our largest commitment. In addition to those operations, the Marine Corps also deployed forces to: support humanitarian and disaster relief efforts; participate in over 50 Theater Security Cooperation events; protect our Embassies; and respond to a Non-Combatant Evacuation from Lebanon, the largest since Vietnam. For the future, the Marine Corps is committed to the defense of our homeland and to remain faithful to our mission—to be where our country needs us, when she needs us, and to prevail.

Marines and the families of Marines, who sacrifice so much for our Nation's defense, should not be asked to sacrifice quality of life. MCCS has been and will continue to be a forceful advocate for Marine Corps quality of life requirements. Over the next few years, we will aggressively seek ways and means to sustain and even improve the quality of life of our Marines and their families. In the process, we will remain critically attuned to assessing the effectiveness of our organization, programs, and services. Marines are not hesitant to learn from Sister Services and use the best practices of commercial industries. MCCS is additionally committed to providing our Commanders with the necessary tools, templates, policies, and resources so that they may proudly fulfill the Marine Corps enduring commitment to every Marine and their family that Marines take care of their

own. We believe that we have all necessary resources to address any identified deficiencies, but, will not be reluctant to ask Congress for help as may be required.

Marine Corps Exchange Operations

The Marine Corps Exchange (MCX) has been proudly serving Marines and their families since 1897. Times changed, business practices evolved, and customer services continued day-to-day. Over five years ago, however, we started really listening and learning more about our customers and realized that every facet of the MCX shopping experience needed to be specifically touched and modernized. Today, amid the dust, construction, change orders and boxes, we must remind ourselves and our customers that the pain of transformation is temporary but the pride of the Marine Corps Exchange is forever. This pride will only grow stronger with completed renovation of our Exchanges at MCAS Miramar, MCB Quantico, and MCAS Cherry Point, projected for this fall.

At the same time we directed change to our outward face to the customer, we have modernized our internal functioning as well. New levels of operational excellence began with centralized buying but continue with and are enabled by leveraged logistics and implementation of our new information technology systems. As a result, we are better, smarter, and more efficient resale managers and service providers. We are additionally proud that the previously forecasted savings are being realized from this enhancement of our back office functions.

Looking to the future, we have developed a long-term strategy that accentuates our strengths. Size matters in retail and our size enables us to be agile, expeditionary,

and react quickly to new ideas. We are deliberately "branding" our experience closely to the ethos of Marine Corps pride. Our vision for the MCX in the next five years is for it to be our customers' first choice. We are viewing changes and improvements "through our customers' eyes and expectations." Our staff of retail professionals are prepared to lead us into an exciting future and beyond the pain of renovation.

New Small Store Format. At our Elmore MCX at Camp Allen in Norfolk, Virginia, we have tested our small store, shared facility prototype that combines a Marine Mart and Main Exchange. The store's new floor plan, like all our renovated and new stores, is set for a more customer-friendly shopping experience - less cluttered with ample space to shop. The store is well lit and departments are clearly identified by mounted wall signs. Aisles are set at five feet for ease in shopping cart maneuverability. The Elmore MCX design was, in fact, nominated to compete in the 2006 Design Build Institute of American National Capital Chapter Awards and won the category for "Best Project under \$5 million." We have with great pride received customer feedback such as: "great place to shop" and "I love everything about this store." If increased sales signify success, sales are up at the Elmore MCX by about 61 percent and profits have increased approximately 163 percent.

Associate/Customer Satisfaction. Associates and customers alike continue to show strong satisfaction with the MCX. In September 2006, Marine Corps Exchanges, Marine Corps-wide, participated in an Associate and Customer Satisfaction Index (ASI/CSI) survey that is used to measure satisfaction levels at regular intervals, identify problem

areas, and provide recommendations for program improvement. The MCX associates' satisfaction increased over the past year by one point, to 67, continuing an increased trend over the past five years. MCX customers rated their overall satisfaction score at 71, which is consistent with the last survey. We found that pricing remains an MCX strength and is a key driver of satisfaction. Finally, the American Customer Satisfaction Index survey of the MCX increased by a statistically significant three points in 2006, from 67 to 70. We know more work must be done, but are confident we will continue forward progress.

Price Survey. In cooperation with the Navy Exchange Command (NEXCOM), and the Army Air Force Exchange System (AAFES), the MCX participates in a yearly price survey to measure customer savings. The most recent survey was conducted from October 8 - 15, 2006 in 10 market locations. A product list consisting of 373 line items representing 36 merchandise categories was used to accumulate pricing data across the specified market locations. Survey findings revealed an MCX savings range from four percent on low margin merchandise, such as health and beauty and lawn and garden items, to a high of 60 percent on high margin merchandise, such as luggage and cameras. In aggregate, the MCX offers customers an average market basket savings of 16 percent before taxes. To increase potential awareness of savings from shopping the MCX and connection of the revenue generated to dividends for MWR facilities, programs, and services, we are planning several initiatives designed to alert customers.

New Business Ventures. MCX continues to enter into new business ventures with popular brands that Marines and their families prefer. For example, in Fiscal Year 2006,

sales of Brooks Brothers apparel were over \$1 million; sales of Vera Bradley handbags and accessories were at \$661 thousand; and we sold more than \$351 thousand worth of Dell computers. We will continue to provide preferred name brands to our customers.

Armed Services Exchange Merchandise Restrictions (ASER). Enhancing the shopping experience and ensuring customer satisfaction, includes not only offering our patrons the brands they want, but also the best possible merchandise selections. We continue to maintain, however, that ASER restrictions no longer have a useful purpose, but rather force Servicemembers and their families to shop outside the gate, exposing them to higher prices and unfavorable credit terms. We look forward to working with the Congress to lift the remaining restrictions on diamonds and furniture at the earliest possible date.

Exchange Cooperative Efforts Board. As stated previously, Marines are not hesitant to leverage the best practices of Sister Services or commercial industries for the benefit of the Marine Corps. As we end 2006 and begin 2007, we believe a spirit of increased trust and openness exists among our sister Exchanges and the Department of Defense about the future and protection of the military exchange benefit that will be further developed through the Exchange Cooperative Efforts Board (ECEB). The ECEB specifically has tightened administrative procedures and established a formal process management system that will enable joint analysis of key cooperative initiatives that have the greatest potential for return on investment and/or improved operational efficiency of the military Exchanges in the areas of enterprise architecture, logistics, indirect procurement, and gift cards. We will continue to

jointly work on efforts that make sense for our patrons and provide value.

Nonappropriated (NAF) Fund Construction. Over the next five years, the focus of the NAF construction program will be placed on renovation/replacement of our Exchanges. By improving the shopping experience, we hope to attract more customers and increase sales. For Fiscal Year 2006 through Fiscal Year 2009, the MCCS Board of Directors has approved 11 Exchange renovation, expansion, or replacement projects at a cost of \$91.4 million.

MCX Sales and Profits. This year, the MCX had an unprecedented year in earnings, which demonstrates that we are better adapting more to the ebbs and flows of deployments. Additionally, our payroll is declining due to the efficiency of centralized buying and centralized accounts payable and our product assortment and selection continues to improve.

In Fiscal Year 2006, Exchange sales were \$764 million, an increase of one percent over the prior year. It is important to note that approximately \$100 million in sales were realized by AAFES for Marine-operated forward exchanges in Iraq and that these sales are not included in MCX sales results. Our MCX profits for Fiscal Year 2006 were \$47 million, an increase of 65 percent over last year. Although a portion of this increase is a result of corrected overhead allocation between the MCX and MWR program, the importance of this increase in profitability is that we are now realizing the benefits of the MCX centralized buying, centralized accounts payable, and branding efforts. Margins improved while payroll costs decreased. These profits resulted in a significant

increase in dividends to \$33.4 million.

Morale, Welfare, and Recreation

MWR programs must be adaptive and evolve to meet the needs of those they serve. Marines and their families have key demographic differences when compared with Sister Services. For instance, the Marines are younger, more junior, and less married than the other Services. Additionally, Marine families, on average, are also considerably younger. We must be responsive to all demographic segments and mitigate the challenges and inherent risks of our force. We have found great success and help in evolving our programs with the use of Functionality Assessments (FA)s, which I will mention throughout this portion of my statement. To date, 14 FAs have been conducted encompassing more than half of our programs.

Deployment Support. Over the past four years, we have learned that we must be focused on providing support throughout the entire deployment cycle with programs and activities designed to address specific pre, during, and post-deployment issues and challenges. For Marines deployed to OIF/OEF, the focus is on providing refreshed services and support that help mitigate the risks of isolation and separation for a force that has endured many combat deployment cycles. On the home front, this new emphasis has resulted in the reinforcement of the roles and responsibilities of unit Commanders and highlighted the importance of educating Marines and their families about the realities of deployments and the programs available to mitigate negative behaviors.

In addition to deployment-specific MWR support, MCCA provides many of the spaces, places, and programs that promote social interaction, encourage active lifestyles, and maintain "livable communities" where our Marines and their families make their homes.

Fitness. Marines are warrior athletes and need a comprehensive fitness program to develop and sustain the physical skills necessary for combat, including core strength, endurance, speed and coordination. We offer numerous programs to help them attain healthy lifestyles and achieve their fitness goals. I am pleased to report that the overall state of our fitness program remains strong with MCCA fitness facilities at a 96 percent compliance rate with DoD fitness facility standards. Physical fitness, however, is about more than weight rooms and running tracks. In November 2006, the Marine Corps Combat Development Command announced a new approach to physical training that will focus on preparing Marines for the tough physical challenges they will face in combat and in peacetime training. This new concept, called "Functional Fitness," will result in a major change in the way Marines view exercise and how units build training programs to prepare their warriors for combat. Aerobic training is over-emphasized in current orders and doctrine and little attention is given to strength training, general physical preparedness, injury-proofing Marines, or on training around an injury during an active recovery. Semper Fit Program Managers are working with the concept proponent to determine how Commanders can best incorporate our MCCA well-equipped fitness facilities and qualified professionals into meaningful functional fitness regimens for Marines.

To remain current and accessible to our Marines, Semper Fit has been working with the Marine Corps Institute (MCI) and the National Strength and Conditioning Association to develop three non-resident courses. The Semper Fit Basic Fitness Course provides Marines and Marine leaders with a science-based curriculum on Fitness and Exercise Science Principles, Nutrition, Injury Prevention, and Exercise Programming. This science-based curriculum provides key fundamentals to understanding functional fitness. This course has been very popular with Marines. In the time it has been available, approximately 6,700 Marines have enrolled in the course, and about 2,000 of the 6,700 have completed the course. A Semper Fit Advanced Course is under development to include topics such as Biomechanics, Advanced Nutrition, Advanced Exercise Physiology, and Supplements. The final course, Stress Management, is nearing completion. These MCI courses will ensure quality fitness education is available to help Marines meet their fitness goals. They will also provide training credits for Marines that may benefit them at promotion time.

In partnership with the Training and Education Command's College of Continuing Education, Marines are now able to complete their annual classroom Semper Fit training requirements on Fitness, Nutrition, Injury Prevention, Tobacco Cessation, Sexual Health and Responsibility, Suicide Awareness, Alcohol and Substance Abuse Prevention, and Hypertension and High Cholesterol online using a new interactive approach. So far, Marines have had great things to say about the versatility and interactive nature of the courses. From a Commander and program manager perspective, the new system allows us to track the number

and ranks of Marines taking the courses and their completion of them as well as target education programs provided based on demographics and prevalence of health risks.

Community Recreation. MCCA also offers a wide variety of recreation programs and outdoor activities that provide Marines and their families opportunities for physical activities and a balance between work and life conflicts. These activities help build a sense of community by providing inexpensive, wholesome activities that encourage social interaction and an active lifestyle. One of these important activities is the Single Marine Program (SMP). Originally created in 1995, the SMP program has provided a forum for our young, predominately single Marines to elevate quality of life concerns while offering activities that develop life skills and encourage responsible citizenship. As the program celebrated its 10 year anniversary, we undertook a review involving both single Marines and senior enlisted leadership to identify the program's strengths, weaknesses, and opportunities to grow. East and West coast conferences were conducted to consolidate, clarify, and reach consensus on the future state of the program. A few of the key recommendations included the best ways to educate Marines about the program; the need to identify a "Home of the SMP" that is centrally located to single Marines and that will serve as a hub for meetings and other activities; and to focus the program on quality of life advocacy, recreation, and community involvement. SMP coordinators are now using the feedback from the conferences to develop a plan of action that will change the program to better meet the needs of this new generation of single Marines.

Another initiative underway in our recreation community is "Are You Listening." For most of our patrons, the staffs of our recreation programs are the most visible and accessible face of all the programs MCCA offers. The "Are You Listening" initiative builds on this relationship by training our recreation staff to actively and positively interact with our patrons to identify potential risks and behavioral warning signs (such as substance abuse, loneliness and boredom, behavior/lifestyle choices, and suicidal ideations). They are also trained on resources available to Marines and families and when appropriate, how to make a referral recommendation. In August 2006, we completed a pilot training program for 17 individuals representing 13 installations. Through formal and informal surveys, participants of varying disciplines within MCCA introduced to this "Are You Listening" initiative provided extremely positive and encouraging feedback. Due to the success of the pilot training, we are in the process of formalizing a training curriculum and are scheduled to begin offering the training at Marine Corps Base Hawaii in April and at Marine Corps Base Camp Lejeune North Carolina, in May.

Children, Youth and Teens. Taking care of our youngest family members calls for a broad spectrum of programs along with a caring professional staff. In terms of DoD standards, 20 (91 percent) of our 22 Child Development Centers (CDCs) eligible for accreditation have earned such accreditation through the National Association for the Education of Young Children. The remaining two of our centers are currently involved in the re-accreditation process with completion expected by October 2007. Additionally, our School Age Care programs are pursuing

their initial accreditation from the National After School Association. Currently, 11 programs, or 54 percent, are accredited with the remaining 13 programs expected to earn their initial accreditation by the end of this year. MCCA is also exceeding the current DoD potential childcare need standard of 65 percent. At 73 percent (13,041 spaces) today, we continue to strive toward the new DoD standard of 80 percent, which is to be effective later this year. To help us meet this standard, we use the DoD-sponsored Military Child Care in Your Neighborhood Project in association with the National Association of Child Care Resource and Referral Agencies to help Marines find, choose, and pay for quality civilian childcare in their local communities. For our parents who may be working extended or irregular hours due to deployments, we expanded hours of operation at some facilities and have established Family Child Care Homes that provide extended child care in emergency situations at no cost to the parent. By spring of this year, we will also open temporary modular CDC facilities at Camp Pendleton and Camp Lejeune, that were funded last year by DoD to meet emergency needs. Camp Pendleton will open two 100-child capacity modular facilities and Camp Lejeune will open two 74-child capacity modular facilities configured for younger children.

MCCA has several information technology upgrades underway that will save our customers time and remove some of the administrative burdens of using our MWR programs. One of those upgrades which will have an enormous impact on parents who depend on our Children, Youth and Teen Programs was implementation of an automated registration and usage tracking system called the Child and Youth Management System (CYMS). Currently, CYMS is being used at six

installations to manage the day-to-day business operations of our child care programs and our remaining installations are scheduled to implement CYMS by the end of Fiscal Year 2008. The system has allowed us to put in place a more standardized and efficient program model and will provide visibility of program costs, utilization, staffing, facilities, patron demographics and medical data.

Library Programs. Libraries are more than places to check out books or to read the latest edition of your favorite magazine. They are a quiet refuge that also builds a sense of community by offering a place for multicultural activities, children's programs, teen reading clubs, poetry groups, community education, and special educational and recreational events. Among the varied services found at an MCCS General Library are a well-stocked assortment of professional and leisure reading materials; college preparation and academic research materials; multimedia materials, such as movies, books-on-tape and music; study rooms; and computer labs providing free Internet access. The General Library program is also involved in supporting deployed units, Marine Security Guard Detachments at various embassies, ships, hospitals, and air terminals by providing paperbacks, popular magazines, professional Marine Corps magazines, Professional Reading List books, and online resources.

In 2004, an initiative resulting from an FA termed "Bricks and Clicks" was developed to encompass the clickable, online aspect of library services. At the center of the initiative is a website that incorporates access to the online General Library Card Catalog, and a Google-like multimedia search engine that provides access to databases like Proquest, eLibrary, and Heritagequest,

where patrons can find the latest editions of a hometown newspaper, television and radio transcripts, audio/video files, or even research their family genealogy. To make the virtual library even more useful to patrons and program managers, an online Needs Assessment and Library 101 Course is being developed to offer a convenient way to help patrons learn how to use the library and online resources.

Golf Programs. The Marine Corps has golf courses located in some of the best locations in the country and in Okinawa and Iwakuni, Japan. On any give day, you will find varied groups of Marines and their families on the fairways and greens of our 11 golf courses relaxing, enjoying the outdoors, and the benefits of golf gained by individual and group play. In December 2006, Golf Program Managers gathered at NAS Coronado, California, to complete an FA of our Golf Programs. This meeting was a culmination of a nine-month process that involved rigorous documentation of the current program, analysis of Sister Services and industry standards, and gathering customer feedback, with the goal of developing a plan for streamlining and improving program activities. At the end of the process, we discovered that while most of our customers were happy with our golf programs, we were not meeting industry standards in all areas. To address these issues, the program managers developed a standard staffing model and financial goals and plan to improve the bottom line by focusing on marketing the sport as a fitness activity and learning opportunity. Two key areas of emphasis will be developing golfing packages for unit events and our retiree populations and engaging our junior Marines and their families on the virtues and benefits of a family outing spent "walking the fairways."

Clubs. The Marine Corps continues to offer membership clubs for our officers and staff noncommissioned officers (SNCOs) and remains firm in our belief that clubs are a valuable place for professional mentoring and bonding. The clubs are also valuable to the Marine Corps "Institution" as a meeting place for Command-sponsored events, mission-essential training, and official representation to the public. Lifestyle changes, alcohol de-glamorization, growth in on- and off-base food offerings, and off-base living have contributed to a decline in club membership and club patronage in general. Marine Corps Leadership believes, however, membership clubs provide an important setting where the unique values and traditions of the Corps are nurtured and encouraged. This premise is the basis for a renewed effort by Marine Corps leaders and club management to seek ways to encourage officers and SNCOs to become club members and actively support their clubs.

In September 2006, a Club FA was conducted to develop a plan to improve club efficiency and effectiveness. In conjunction with the FA, nearly 8,000 officers and SNCOs responded to a club membership survey. Fifty percent of the respondents agreed that membership clubs are valuable and 56 percent reported that elimination of membership clubs would affect their quality of life. Overall, club member respondents were generally satisfied with their club. Using survey data and industry benchmarks, the FA participants established a club financial goal for each club of breakeven status within three years and developed an action plan to achieve that goal. The plan includes achieving compliance with financial standards, developing alternative sources of revenue, planning unique special events, obtaining authorized appropriated funds, and

building on our current high customer satisfaction in food and service. It also includes building club membership by expanding the standard membership card program and engaging senior leaders in club activities and encouraging the new generation of Marines to become members of their club.

We will be developing an "image campaign" to let Marines know that we've heard what they have said about clubs and are taking action to increase the value of their membership and participation. The action plan is supported by the MCCS Board of Directors and other senior Marine Corps leaders. We are optimistic that clubs will continue to play an important part in the professional and social life of Marines and be a valued community resource.

Another initiative involving our club restaurants, snack bars, and health promotion programs is a healthy eating program we have named "Fueled to Fight." This program was developed in response to requests from our health-conscious customers for more fresh and nutritious offerings at our clubs, restaurants, and snack bars. Under the initiative, 20 of our club restaurants and snack bars are now offering an enhanced salad bar and at least one healthy entrée and side dish. These menu items comply with standards suggested in the Dietary Guidelines for Americans 2005, and in many instances are existing regional or ethnic favorites that have been modified to conform to the guidelines. We have also developed "Fueled to Fight" table tents, placemats, flyers and posters that have been distributed to our fitness and recreation centers to let our customers know about the healthier menu items and to help educate customers on how to make wise choices. Good eating habits are essential to maintaining an active, healthy lifestyle and continued mission readiness.

Facilities Modernization. We appreciate the Committee's interest in ensuring nonappropriated fund construction programs adequately maintain and replace MWR facilities at an appropriate level of frequency that is commensurate with the standards of our patrons. Providing attractive, modern, and high-quality MWR facilities supports the livable community concept and encourages pride of ownership and participation in events and programs offered at those facilities. The MCCS construction program is well structured and we continue to build and renovate needed resale, as mentioned previously, and MWR facilities. In FY06, there were three MWR projects completed at a cost of \$10.7 million. The projects included a Macaroni Grill at Camp Butler, Okinawa, for \$5.8 million; construction of an auto skills center at MCB Quantico, Virginia, for \$3.1 million; and construction of a family fun park at Kaneohe Bay, Hawaii, for \$1.8 million. Planned to start construction in Fiscal Year 2007 are a renovation of the Staff NCO Club for \$2.2 million and construction of a new MWR Category C temporary lodging facility (TLF) for \$11.9 million for Camp for Pendleton, California; renovation of the bowling center at MCLB Albany, Georgia, for \$0.4 million; replacement of the auto skills center at MCAS New River, North Carolina, for \$2.3 million; construction of a youth activities center for \$5.2 million and a TLF expansion for \$5.2 million at Kaneohe Bay, Hawaii; and construction of a youth activities center for \$6.6 million and replacement of the golf course club house, snack bar, and pro shop for \$6.3M at MCAS Miramar, California.

Fiscal Year 2006 Financial Results. From Fiscal Year 2001 through Fiscal Year 2006, budgeted appropriated funding (APF) for MWR increased \$87 million from \$117

million in Fiscal Year 2001 to \$204 million in Fiscal Year 2006. Our financials continued on target to sustain achievement of the OSD MWR 85/65 standards for Categories A and B, respectively. For Fiscal Year 2006, the Marine Corps achieved APF support of 86 percent for Category A and 69 percent for Category B. MWR funding for Mission Sustaining and Community Support programs is anticipated to remain stable through Fiscal Year 2007, with our budgeted MWR total of \$213 million.

Conclusion

The MCCA is well poised for the future and will continue to provide high quality MWR and MCX programs and services. We appreciate your support of Marines and their families and efforts to protect and enhance these important quality of life benefits.