

**NOT FOR PUBLICATION  
UNTIL RELEASED BY  
THE HOUSE ARMED  
SERVICES COMMITTEE**

**STATEMENT OF  
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**BEFORE THE  
MILITARY PERSONNEL SUBCOMMITTEE  
OF THE  
HOUSE ARMED SERVICES COMMITTEE  
ON  
MILITARY RESALE AND MORALE, WELFARE AND RECREATION OVERVIEW  
ON  
MARCH 12, 2009**

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## **Introduction**

Chairwoman Davis, Congressman Wilson, and distinguished Subcommittee Members, thank you for this opportunity to report on the posture of Marine Corps Community Services (MCCS), which includes Marine Corps Morale, Welfare, and Recreation (MWR), family programs and the Marine Corps Exchange.

Your Marines carry on a proud tradition of being ready to answer the Nation's call at a moment's notice, serving always with distinction in the face of great challenge. With over 31,200 Marines deployed to dozens of countries around the globe, the young men and women who fill our ranks today continue to demonstrate an amazing resiliency in multiple deployments to dangerous lands.

As of the end of 2008, there were 198,902 active duty Marines and 189,929 dependent family members. Over the course of the year, 77,400 Marines deployed to Operation Enduring Freedom or Operation Iraqi Freedom (OEF/OIF). These deployed Marines had 65,500 family members. In fact, 68% of the active Marine Corps have a recent deployment to combat. Marines and their families know that these separations and their sacrifices are making a difference, that they are part of something much larger than themselves, and that their Nation stands behind them. We are grateful to the Congress and the American people for continuing to address their reasonable expectations of support.

## **Marine Corps Vision and Strategy 2025**

During 2008, our Commandant published the *Marine Corps Vision and Strategy 2025* that established the future direction of the Corps. This important document reaffirms our core

beliefs as an institution and the warfighting concepts validated in war. Taking care of Marines and their families remains a point of main effort and the responsibility of leaders at all levels. The MCCS and its over 80 programs serves as a ready resource to unit commanders and other leaders but also an integrated partner dedicated to enhanced personal and family readiness of Marines and their families. To remain relevant and appropriately aligned to the future of the Marine Corps, MCCS developed its *Vision and Strategy 2025* plan. Every MCCS program must demonstrate contribution to the Marine Corps goals for recruitment, retention and readiness but also remain flexible and capable of supporting the needs of our “generations” of Marines and families, who have varying needs and support requirements. Regardless of generation, Marines and their families have reasonable Quality of Life (QOL) desires. The mission of MCCS is fairly simple--make it happen--regardless of duty station, environment, or mission.

I am pleased to provide the Committee with an overview of the program improvements we have made, and the status of our implementation efforts.

### **Unit Personal and Family Readiness Program and Supporting Role of MCCS**

Throughout the proud history of the Marine Corps, unit commanders have been responsible for their unit’s readiness and helping their Marines and families achieve a beneficial level of personal and family readiness. In discharging these duties, the commander typically called upon volunteers who utilized spouse-to-spouse connections and processes to contact family members. Wartime operations and ensuing deployments burdened our volunteer network and family contact requirements increased. It is also important to note that most of our MCCS family support programs had been established to support a peace time environment. While the MCCS was capable of flexing to support deployments, sustained deployments stressed our

service delivery model. Finally, making positive contact with Marines and families regarding their MCCS benefits and programs proved even more challenging. The combined effect of these issues demanded leadership action. Last year, we reported on some of the specific actions to increase staffing at the unit level, procure technology to simultaneously push out the “news you can use”, and refresh the family programs of MCCS. This priceless investment of resources and focused effort of senior Marine Corps leaders last year was translated to results in FY08. As “helping Marines and families” became the focal and rallying point for MCCS and unit commanders, we initiated immediate action through compressed planning and implementation strategies. Nearly 400 civilian Family Readiness Officers (FROs) are now on duty throughout the Marine Corps. Serving as a special staff officer, the FRO makes direct contact with unit Marines and families to extend a commander’s personal welcome, convey official communication, arrange required deployment or readiness training, and conduct information and referral. Our volunteers are still in strong support of our unit programs, but we have been able to significantly reduce the requirement for their extended volunteer service hours. A Mass Communication Tool enables simultaneous broadcast of communication via email, text messaging, or phone, and other technology enhancements to expand communications between the unit and Marines and their families regarding official communication or important unit training events.

The Marine Corps Family Team Building Program (MCFTB) provides a strong support arm to the Unit Family Readiness Program and provides high-quality training that supports the life cycle of the Marine and family through mission, career and life events. We have expanded and enhanced our pre, during, and post-deployment training to address the increased demands and potential impact of multiple, sustained deployments on Marines and their families. We have

developed an inventory of LifeSkills training courses that specifically address challenges of military life, but also personal and family life. Acknowledging the role extended family members play in fostering personal and family readiness, we have extended our family readiness support to embrace parents of single Marines. Finally, our MCFTB staff provides Unit Command Teams training on the roles, responsibilities and supporting tools that are available to foster personal and family readiness.

One of the most beneficial results of these investments is having a unit level representative cognizant of the wealth of MCCS family support programs and capabilities. FROs have been specifically trained on the capabilities and programs of MCCS. As a trusted agent of the commander and having direct access to unit Marines and families, the FRO introduces the capabilities of MCCS as a positive force multiplier. The partnership of unit commanders and MCCS will continue to pay dividends for years to come.

### **Exceptional Family Member Program (EFMP) and Respite Care Program**

In many ways, our EFMP families must cobble together care from a variety of sources. We believe that our EFMP enrolled families are the best advocate for their special needs family member and, therefore, our program initiatives have been focused on providing a continuum of care for our Exceptional Family Members (EFM) but also supporting and growing strong advocates. We are actively helping nearly 6,200 families gain access to medical, educational, and financial services that may be limited or restricted at certain duty stations. In addition, we are working to ensure that our EFM programs for recreation, leisure and other quality of life support, such as respite care, are sufficient and effective. To achieve these goals, we have fully staffed these programs at both the installation and headquarters level.

We have also procured two technology aids at each EFMP office – a case management system and digital document senders– to assist in enrollment, case management services, and providing a robust reporting capability for our Program Managers.

The heightened stress on families who are caring for one or more family members with special needs, as well as handling the deployment cycle of one of the parents, required our attention. EFMP Respite Care is a program intended to reduce stress on Marine families by providing temporary rest periods for family members who have disabilities or are responsible for regular care of persons with special needs. Funded by the Marine Corps, this program provides up to 40 hours of care per month to all enrolled families, and can be used in conjunction with the TRICARE Extended Care Health Option (ECHO) benefit.

We are working with the Bureau of Naval Medicine and Surgery and TRICARE to resolve health care access and availability issues for EFMP families at several of our bases. In addition, legal counsel is now on staff to advise our exceptional family members on state and federal entitlements and processes.

In areas where these services are available, a National Association of Child Care Resource & Referral Agencies (NACCRRA) respite care program is provided for children with severe special needs. Respite care may also be provided to children who have EFM siblings or parents.

Gaining access to services can be most challenging to families who have members diagnosed with Autism Spectrum Disorder. We sincerely appreciate the increased Government limit that Congress approved for Fiscal Year 2009 for certain benefits available through ECHO, in particular, the Special Education benefit. When fully implemented, this increase will provide

a more robust level of Early Intervention Services, especially Applied Behavior Analysts, to beneficiaries with ASD.

### **School Liaison Program**

The education of over 52,000 school-aged children of Marine Corps parents directly contributes to the overall state of family readiness within our Corps. We recognize that our children, who are often as mobile as their military parents, face additional challenges associated with frequent moves between schools and educational systems of differing quality and standards. Some of these restrictive practices involve the transfer of records; course sequencing; graduation requirements; exclusion from extra-curricular activities; redundant or missed entrance and/or exit testing; kindergarten and first grade entrance age variations; and the power of custodial parents while parents are deployed. To address these challenges, we established School Liaison positions at each of our installations to help parents and commanders interact with local schools and districts. Installation School Liaisons work at local and district levels, while Regional School Liaisons work state issues. The national level School Liaison appropriately addresses Federal level issues and coordinates state agendas as necessary. Specifically, the School Liaisons advocate for school-aged children and form partnerships with schools and other agencies to improve access and availability to quality education as well as to mitigate education transition issues. School Liaisons are actively involved in efforts to assist school districts in applying for available competitive and noncompetitive grants focusing on issues arising with military school-aged children. Complimenting these efforts, the Marine Corps supports the work of the Office of the Secretary Defense (OSD) with respect to gaining the support of more States as signatories to

the “Interstate Compact on Educational Opportunity for Military Children” to enable reciprocal acceptance of entrance, subject, testing, and graduation requirements.

### **Child Development Program and Meeting Potential Need**

The purpose of the Marine Corps Children, Youth, and Teen Programs is to provide quality, affordable child care and youth and teen services. To ensure these programs continue to meet the unique and changing needs of Marines and their families living both on and off our installations, we conducted a Functionality Assessment of the programs in June 2008. We are now in the process of implementing improvements to service delivery.

This year, we are using multiple strategies to increase our child care capacity, including expanded hours to address increased operational tempo, as well as partnering with other organizations, on and off-base, to provide family child care and Child Development Home spaces. We are now providing 16 hours of reimbursed respite care per month for families with a deployed Marine. In addition, the Marine Corps developed partnerships to provide long and short-term support for Marines and their families who are not located near our major installations. Through our partnership with the NACCRRRA, we have been able to provide an additional 798 child care spaces to geographically-dispersed, deployed and severely-Injured service members’ children. Home based child care programs, which are encouraged to become nationally accredited, are a viable means of expanding care in addition to center-based programs. Family Child Care (FCC) providers are private contractors certified and monitored by the command. Headquarters Marine Corps will provide training at the Children, Youth and Teens Programs (CYTP) Conference of the National Association for Family Child Care (NAFCC accreditation).

We will also continue to conduct Technical Assist Visits to our installation programs in order to ensure a consistent program quality from base to base.

In our on base child development programs, we are providing 11,757 child care spaces and meeting 63.6% of the calculated total potential need. It is important to note that the Marine Corps has initiated rigorous data collection and analysis improvements. As a result, it will be necessary to correct the 2007 annual summary due to identified reporting errors. Our reported rate of 71% of calculated total potential need last year is more accurately stated as 59.1%.

The spaces are within a variety of settings:

Child Development Center:	4,519 spaces
Family Child Care Homes (FCC):	2,052 spaces
School Age Care:	2,134 spaces
Resource and Referral:	3,052 spaces.

We are not satisfied with our progress to date and have made plans for 10 Child Development Center Military Construction projects. Two of these projects were approved in 2008, and one was approved this year. These approved projects will provide an additional 915 spaces.

To relieve deployment-related stress, we offer “Kids-N-Deployment” and “Kids-N-Reunion” age-specific workshops for children (thru age 18), which include puppet shows, games, and lessons on communication with a deployed parent. We will also soon launch L.I.N.K.S. for Teens and School-Age Children and LifeSkills training.

### **Remote and Isolated Installations**

Recognizing that local communities surrounding our remote and isolated bases often have limited or less robust support services and leisure/recreation capabilities, we conducted assessments at these commands to determine requirements. We have initiated substantial

improvements to infrastructure and quality of life programming with upgraded child care availability and support, playground equipment, youth sports equipment, fitness center equipment, bike paths, and facilities. These enhancements will further promote the sense of community required to form strong bonds among our Marine families that contribute so directly to readiness.

### **Expanding Communications Between Deployed Marines and Their Families**

We learned that effective communications with family members is of paramount importance. For our families with deployed Marines, it is a critical quality of life requirement. To better connect Marines and their families and to enhance our morale and recreation capability on installations, we are installing wireless networks and access points at over 230 facilities across the Marine Corps. Full implementation is anticipated by the end of FY09. We are also testing a Morale-Portable Satellite Communication Suite (M-PSC) capability that provides an internet and web-cam capability to Forward Operating Bases (FOBs) in Afghanistan where traditional “Internet Cafés” are unavailable. This not only provides Marines with an opportunity to connect with their families, but also provides a recreation outlet at these austere and remote locations. Two systems were delivered to our forces in Afghanistan in December 2008. Initial capability tests under these austere, combat conditions in the FOBs have been very encouraging.

### **Personal Financial Management**

In difficult economic times, our Marines and their families face challenges that are no different from the American population in general, such as taking on too much debt, incurring expenses of a new child, and facing increased housing costs. Our Marines also confront unique

challenges because of their service, such as unexpected or short notice deployments, extended separations, and directed permanent reassignments, all of which can compound existing financial difficulties.

During July 2008, we conducted a Financial Quick Poll to help determine the level of financial stress on active duty Marines and their families as a result of the downturn in the economy. Of the over 9,000 Active Duty Marines who responded to the survey, 15% of enlisted Marines and 5% of officers classified themselves as being in financial distress. Respondents reported that the most frequent financial problems experienced within the past year were increases in housing costs (utility, rent and insurance), and taking on excessive debt.

We appreciate the efforts of the Congress to address the payday lending problem with the Talent-Nelson Amendment to the FY07 National Defense Authorization Act. Following up on that positive legislation, we worked with the Navy-Marine Corps Relief Society to establish a quick assist loan program that offers a \$300 interest-free loan for emergency basic living expense needs. We also conducted a functionality assessment of our Personal and Financial Management Program in October 2008, and found deficiencies and opportunities for improvement that we will pursue in 2009, to include increasing the financial literacy of our Marines and spouses. As the economy continues to decline, we anticipate that economic impacts may become more pronounced. We will continue to monitor the Corps' financial health and the success of our efforts to improve the program, and we will conduct another Quick Poll this year.

### **Family Member Employment Assistance**

The Marine Corps' Family Member Employment Assistance Program (FMEAP) provides comprehensive career-coaching assistance aimed at preparing family members to enter, maintain,

and sustain employment and career growth. Certified Workforce Development Professionals provide family members one-on-one coaching, various employment-related workshops, such as resume writing and job search skills, as well as web-based assistance.

Recently, we completed a Functionality Assessment of our FMEAP Program and identified several promising areas that would expand and improve the program, such as engaging family members earlier in the employment search; increasing job referrals through partnerships with local and national companies; providing follow up assistance after services are received; and improving program visibility.

Last year, two Marine Corps installations - Camp Pendleton and Marine Corps Base Hawaii –participated in an OSD-led demonstration project for military spouse career advancement. The Military Spouse Career Advancement Accounts (MSCAA) allow military spouses to obtain a maximum of \$6,000 over a two year period for expenses that directly relate to post-secondary education and training resulting in licensure, certification, credentials or a degree. This program is designed to be a flexible, self-managed education funding account that enables the military spouse to gain the skills needed to successfully enter, navigate, and advance in portable careers in 10 fields. We welcome the decision to expand this program to allow all active duty spouses an MSCAA.

### **Tuition Assistance (TA)**

The off-duty voluntary education benefit is an important component of personal and career development for our Marines. In Fiscal Year 2008, 25,354 Marines participated in the TA program at a rate of about 2.6 courses per individual. Distance learning still accounts for 61% of TA enrollments while courses on base account for 19%. The Marine Corps' participation in

tuition assistance has historically remained around 13%, indicating that deployments appear to have little impact on utilization rates.

### **Library Services**

We are quite proud that Marine Corps General Libraries continue to be recognized for excellence. Three of the Marine Corps General Libraries have been awarded Premiere General Library certificates from OSD and are the only Premiere Libraries within the Department of Defense.

Through the Lifelong Learning program, the Marine Corps procures online databases to provide academic research, professional resources, and recreational material that are available anytime, anywhere for Marines and their families. On the General Library's website we offer five full text newspapers and over eighteen collections of databases that cover needs such as academic research, health, criminal justice, and elementary through high school interests.

Thirty-one foreign languages can be learned on-line through the Rosetta Stone library program. The courses are available to eligible library patrons 24 hours a day, 7 days a week. Eleven foreign languages are available on pocket-sized, battery operated, Playaway devices that are convenient for deployed Marines. This initiative is being supported in unison with efforts to encourage publication of the Commandant's Professional Reading List titles on portable devices.

### **SEMPER FIT**

The Semper Fit program provides commanders with a combined arms team of fitness experts, health educators, and sports and recreation professionals to encourage and support healthy lifestyles which result in increased productivity, reduced stress, reduced medical costs,

and greater readiness. The Semper Fit program is the primary focus in promoting healthy lifestyles through which a variety of programs are provided to our Marines (active, reserve and retired), Civilian Marines, and their families. The Semper Fit Program includes the following standard programs: health promotion, fitness, sports and athletics, parks and outdoor recreation, recreation aquatics, basic social recreation (Single Marine Program (SMP) and recreation centers/ recreation rooms) and Semper Fit deployment support, which encourage and support healthy lifestyles.

Functional fitness, specifically training Marines and Marine leaders for the Combat Fitness Test (CFT), has been a focused priority in the past year. In support of this emerging requirement, Semper Fit and the Training Command developed a Combat Fitness Training course to enhance operational readiness and develop tactical performance. The rigors of the battlefield require holistic physical skills combining endurance, strength, flexibility, power, speed, coordination, agility, balance, and accuracy. Functional fitness integrates the individual needs of our Marines and the demands of today's battlefield, while using the skills and capabilities resident in our fitness centers.

### **Recreation for the Recovering Marine**

Recognizing the importance of providing recreational opportunities for our wounded, the Marine Corps has partnered with Pennsylvania State University to train recreation professionals on Inclusive Recreation for Wounded Warriors. This state-of-the-art training program for military recreation managers ensures that Marines and their families can create a "new normal" as soon as possible. Some of the best practices in place at our installations include: bowling; golf (enhanced by the purchase of specialized golf carts for disabled golfers); expanded personal

fitness training; and alternative activities for those who have been diagnosed with Traumatic Brain Injury, such as yoga, meditation, deep and shallow aquatic classes, personalized swim coaches, wall climbing, nutritional counseling, and referral to the “Back on Track” program.

### **Obtaining Quality of Life Feedback**

As I noted earlier, it is important to measure the effectiveness of our quality of life programs. The town hall meetings the Commandant regularly conducts at our installations provide him an opportunity to address directly issues or potential concerns that are voiced by our Marines and family members. These meetings, in addition to locally-established feedback mechanisms such as Interactive Customer Evaluation (ICE), provide our Program Managers information they can quickly use to respond to identified concerns and improve the program.

In late 2007, the Marine Corps conducted its fourth Quality of Life in the Marine Corps Study (prior studies were conducted in 1993, 1998, 2002). This is the first study conducted since the start of OIF/OEF, and it measured Marines and their spouses' perceptions and satisfaction with the quality of life across a wide range of issues. As a statement of the morale and commitment of today's Marine, this most recent study found that during the Global War on Terror and the high operational tempo, Marines and their family members are generally satisfied with their mission and the support provided by the Marine Corps. In fact, a very important finding from the study was that Marines with a deployment history in support of GWOT actually have a slightly higher overall QOL score than their counterparts without a deployment history.

Spouses, in particular, were another good news story from this study. We found that there was an increase in overall and specific satisfaction across the board for the spouses when compared with the results from the pre-OIF/OEF 2002 study. Spouses greatly appreciate the

health care benefits provided by the Marine Corps, the quality of professional child care they receive, and the educational opportunities for their children. These factors and others had a positive impact on the family decision to remain part of the Marine Corps.

### **Warfighter and Family Support as Category A MWR Activities**

The Marine Corps intends to fully implement the recent OSD policy change that allows Warfighter and Family Services (WFS) programs to be treated as MWR Category A activities. This welcome change will greatly improve how we provide WFS programs to Marines and their families. This change will allow us to use nonappropriated fund (NAF) support practices, such as NAF human resource and procurement practices. MWR and WFS programs are both vital to building the social fabric of the military community, and directly impact readiness and retention. Operating them via the same NAF mechanisms will offer a more integrated approach to providing service for Marines and families, and mission support for commanders.

### **Marine Corps Exchange (MCX) Operations**

The Marine Corps Exchanges (MCX) are focused on a vision that encompasses four components: creating a great shopping experience curb to register; being the first place our customers think of to shop and confident in our assortments; being clear in our customer value story; and remaining emotionally connected to the Marine Corps customer. Our logo of “MCX Core Brands, Corps Value” links the Exchange to the pride of the Marine Corps and represents our commitment to our customers to provide brands and value each time they shop the MCX. The seeds of transformation were planted about five years ago, with centralized buying, aggressive recapitalization and branding the customers shopping’ experience. We are seeing the

results of these efforts in sales, profits, savings and customer satisfaction. In one of the toughest retail economies in recent memory, the MCX exceeded all our performance measures. Although we are not immune to larger economic forces, I am confident we are well-positioned in the current retail environment with a strategy that provides value and service to our customers.

### **Store Improvements**

I am pleased to report that we had three grand re-openings in the fourth quarter of 2008, MCX Parris Island, MCX New River and Quantico Marine Mart, to bring the total count of MCX main store locations “On Brand” to six. In November 2008, the MCX New River expansion and renovation and the newly constructed MCX Parris Island had grand opening celebrations that were filled with much customer anticipation and excitement. From grand opening to year end, MCX New River experienced a sales increase of 32.2% compared to the baseline year 2006 and MCX Parris Island experienced a sales increase of 21.1%. Both of these stores are the small store format, which combines the Marine Mart convenience store and Main Exchange in one building. The small store format prototype model, MCX Camp Allen, continues to be successful with strong sales growth and reduced operating expenses. MCX Miramar, MCX Quantico and MCX Cherry Point are all performing well, after their grand openings in 2007. For FY08, merchandise sales are up 8% at Miramar, 24% at Quantico and 21% at Cherry Point. The Quantico Marine Mart experienced a 23.7% sales increase from the November 2008 grand opening to year end FY08, compared to the 2006 baseline year. In addition to sales increases, customer and associate satisfaction has also improved at these stores, validating our focus on renovation and branding.

We are on track for two main store grand opening celebrations scheduled for 2009; a new exchange at MCX Yuma and a renovated exchange at MCX Albany. I look forward to reporting the success of these “On Brand” stores next year. Additionally, because of the success of our main store “On Brand” capitalization efforts, we are developing a system-wide recapitalization master plan for Marine Marts. We have had great success with recent Marine Mart renovations and are developing the same standards that we have institutionalized with MCX main stores. We have two new construction Marine Mart locations that will open in 2009, at MCAGCC 29 Palms and Marine Corps Base Hawaii.

### **Tactical Field Exchanges**

In Operation Iraqi Freedom (OIF), the Marine Corps partners with the Army and Air Force Exchange Service (AAFES) to provide Tactical Field Exchange (TFE) services. Marines in Iraq and Afghanistan have access to a variety of items, from health and comfort, to movies, CD’s, and snack foods. Many of our MCCS Marines are serving their fourth tours in Iraq in support of the TFE operations.

Additionally, MCCS has an average of 25 MCX civilian volunteers serving the TFEs in Iraq, many of whom have volunteered to go back for a second time. We appreciate and value the service and dedication of these employees, which ensures deployed Marines receive “touches of home” no matter their location.

In Fiscal Year 2008, it is estimated that the TFEs generated \$104M in sales, slightly down from 2007 due to site closures. We deployed two MCCS Marines to Afghanistan in November 2008. They are operating out of a TFE and using mobile Warrior Express Service (WES) Teams to provide MCX service to our Marines in outlying camps. Through our

partnership with AAFES, a 50,000 square foot facility is being constructed to provide MCX service to our growing population in Afghanistan. We are preparing for increased exchange and MCCS support requirements as troop strengths increase.

### **Price Survey**

The Marine Corps Price Survey, as a Cooperative Effort with AAFES and NEXCOM, was conducted 13 - 18 October 2008 in three market locations (Arlington, Virginia; San Diego, California; and Honolulu, Hawaii). Since the Price Survey is used as a standard performance metric for all three Service Exchanges, it is important that Exchange survey methodologies be closely aligned. Therefore, MCX markets were selected to better parallel with AAFES and NEXCOM market locations. A product list consisting of 331 line items representing 33 merchandise categories was used to accumulate pricing data across the specified market locations. Merchandise categories were used that are important to our customers such as health and beauty, electronics and apparel. I am pleased to report that in the aggregate, our 2008 MCX savings is 27.2 % before taxes. This represents a savings increase of approximately 5% over last year. To optimize savings for the items Marines and their families most desire, we focus on significant customer touch points, thus ensuring high velocity items, such as razors and beef jerky, are competitively priced. We are using innovative pricing strategies to help relieve the financial strain on our young families, by selling items such as baby formula, baby food, diapers, bread and milk at or near cost.

## **Customer Satisfaction**

In September 2008, MCXs across the Marine Corps participated in a Customer Satisfaction Index (CSI) Survey. The survey measures satisfaction levels at regular intervals, thereby allowing us to identify areas requiring closer attention. MCX customers continued a five-year favorable trend by rating their overall satisfaction score higher in 2008 than they did in 2007. Key customer findings showed that pricing and the influence of our associates remain strengths for our organization and continue to be key drivers of satisfaction. We strive to have the preferred brands that are important to our customers and continue to be “expeditionary” in business. Our steady increase in CSI over the past five years is also an indicator that our vision and strategies are working. The Headquarters buying teams and Command representatives have worked closely to get the assortments right; and the proof of their success is customer satisfaction with our assortments, unprecedented sales increases, and continued price savings. Our customers also recognize the facilities investment we are making that improve the shopping experience.

Additionally, our American Customer Satisfaction Index (ACSI) results continue to remain consistent with the industry average. After an improvement in 2007, the overall MCX score decreased slightly in 2008 to slightly below the industry average. However, MCX continues to beat the industry average by a significant margin in service quality and remains above the industry average in product quality as well.

## **Exchange Cooperative Efforts Board**

We continually look to develop methods and practices that will improve the efficiency and effectiveness of our Exchange System. The Exchange Cooperative Efforts Board (ECEB)

plays a large role in this capacity as we work with the other retail activities to leverage best practices for the benefit of Marines and their families.

In 2008, the ECEB focused on the areas of Indirect Procurement and Supply Chain. Indirect Procurement Commodity Councils leveraged overhead from 2008 collaborative efforts by \$5.5M. Currently, the Exchanges have 150 collaborative contracts which reduce costs, generate revenue and improve efficiency. Related to supply chain, the Exchanges have participated in numerous import buys this year, combining the total orders of each Exchange to leverage best product costs and reduce logistics costs. Although our business models are different, the ECEB is working with DeCA to determine opportunities for cooperation between the Commissaries and Exchanges. We look forward to another year full of collaboration and promoting the benefit to Service members and their families.

### **MCX Sales and Profits**

Although the retail industry, in general, experienced unprecedented challenges last year, the MCX is proud to report we had a year of remarkable performance. While most retailers posted sales declines, the MCX posted a 9.3 % increase. In Fiscal Year 2008, our Exchange sales are estimated to be \$880.8M, an increase of 9.3 % over the prior year. During this period, we had two stores under renovation. Considering the renovations, impact of deployments, and the performance of outside retailers in 2008, we are very pleased with our results. Our estimated MCX profits for Fiscal Year 2008 are \$69.7M, an increase of 30.3 % over last year. Our Exchange dividend for MWR for FY08 is estimated at \$46.4M.

## **Clubs & Lodging**

In 2008, we began expanding the capability of our Marine Corps clubs to contribute to readiness and retention by providing increased mission essential support to commanders. Club dues were eliminated, effectively making all Marines members of the Club without having to pay for the privilege. We convened a cross-functional Club Operation Planning Team (OPT) to look at the future state of clubs that more positively links them to the Marine Corps institution and expectations of today's Marines and their families. The OPT developed a Clubs Transition Plan containing a new mission statement, strategies for the Club Concept of Operations, supporting policies, measures of effectiveness, and operational initiatives. In the coming year, we expect to continue club improvements by providing multi-media, Wi-Fi, and video gaming capabilities at these facilities.

Our successful temporary lodging facilities (TLF) program, primarily for permanent change of station Marines, continues to expand with the November 2008 opening of 12 additional rooms at MCAS Yuma and the projected openings this year of a 69-room facility at MCB Camp Pendleton in May, and a 24-room addition at MCB Hawaii in July. We have completed the upgrades of the lodging property management systems and look forward to implementing web reservations as a service to our guests. To ensure the lodging program is meeting market demand and offering quality accommodations, amenities, and services to Marines and their families, a lodging master plan will be developed this year. The plan will be our guide for building new and renovating existing rooms, as well as identifying operational elements to include in the "Inns of the Corps" branding initiative.

## **Morale, Welfare, and Recreation Facilities Modernization**

The MCCA nonappropriated fund (NAF) MWR construction program continues on a stable path. Our patrons should have nothing less than high-quality MWR facilities and our sound program reflects a philosophy of continual assessment and response.

In Fiscal Year 2008, we completed:

- Marine Corps Base Quantico, Virginia, construct Food Court at MCX (\$2.3M);
- Marine Corps Base, Camp Lejeune, North Carolina, renovate Location Exchange MCX (\$366K);
- Marine Corps Air Station New River, North Carolina, major renovation to MCX (\$6.3M);
- Marine Corps Recruit Depot/ ERR, Parris Island, South Carolina, construct MCX (\$15.5M);
- Marine Corps Recruit Depot/ERR, Parris Island, South Carolina, renovate Furniture Store (MCX) (\$1.7M);
- Marine Corps Logistics Base, Barstow, California, construct Retail Store (MCX) (\$720K);
- Marine Corps Base, Iwakuni, Japan, construct Bowling Center (\$7.6M);
- Marine Corps Air Station, Yuma, Arizona, addition to Temporary Lodging Facility (\$1.7M);
- Marine Corps Base Hawaii, construct Driving Range (\$2.0M);
- Marine Corps Base, Quantico, Virginia, construct addition to Marine Corps Community Services Headquarters (\$6.7);
- Marine Corps Air Station Miramar, RV Storage (\$3.9M).

In Fiscal Year 2008, we began:

- Marine Corps Air Station Miramar, California, replace Golf Course Club House and SNCO Club (\$7.1M);
- Marine Corps Base, Camp Pendleton, California, renovate two location Exchanges at Gas Stations (\$0.6M each);
- Marine Corps Air Station, Yuma, Arizona, construct MCX (\$17.5M);
- Marine Corps Recruit Depot/ERR, Parris Island, South Carolina, construct Youth Center (\$4.2M);
- Marine Corps Air Station New River, North Carolina, replace Auto Hobby Shop (\$2.3M);
- Marine Corps Air Station New River, North Carolina, replace Car Wash (\$1.0M);
- Marine Corps Base Hawaii, renovate Golf Clubhouse (\$2.6M);
- Marine Corps Base Hawaii, construct Convenience Store with Gas Station (\$4.9M).

In Fiscal Year 2009, we plan the following:

- Marine Corps Base Quantico, Virginia, renovate/expand Package Store (\$3.6M);
- Marine Corps Logistics Base Albany, Georgia, renovate MCX (\$3.4M), renovate Bowling Center (\$0.4M), and renovate Base Restaurant (\$0.4M);
- Marine Corps Air Ground Combat Center Twentynine Palms, California; construct Auto Skills Center addition (\$2.4M), construct Marine Mart and Gas Station (\$5.2M) and construct addition to Convenience Store (\$2.1M);
- Marine Corps Base Camp Pendleton, California, construct Car Wash expansion (\$1.3M);
- Marine Corps Air Station Cherry Point, North Carolina, renovate Marine Mart (\$1.2M);
- Marine Corps Air Station Cherry Point, North Carolina, construct Consolidated Club (\$8.4M);
- Marine Corps Base Camp Lejeune North Carolina, renovate Bowling Center (\$0.7M);

- Marine Corps Recruit Depot Parris Island, South Carolina, construct RV Park (\$0.5M);
- Marine Corps Base Hawaii, construct Youth Center (\$12.7M), expand Temporary Lodging Facility (\$7.5M); construct Gas Lanes at Convenience Store (\$1.9M).

### **Fiscal Year 2008 Financial Results**

Our appropriated fund (APF) financials continued to support the OSD MWR 85/65 standards for Categories A and B, respectively. For FY 2008, the Marine Corps achieved APF support of 91% for Category A and 83% for Category B. MWR APF direct support increased by \$117 million over FY 2007. Overall, the Marine Corps executed \$141M more MWR funding in FY 2008 than originally budgeted. This was due to additional contingency operations funds, enhanced emergency child development support, and execution decisions by Installation Commanders. For FY 2008, the Commandant directed increased programs funding to improve the quality of life for our Marines and their families. Support for these programs in FY 2008 and 2009 has been provided through GWOT Supplemental funding.

### **Credit Card Fees**

While we understand that the credit card industry must rely on a transaction fee-based model to generate profits, it naturally impacts our profitability, and ultimately our support to Marines and their families. Credit card interchange fees, which all retailers are required to pay, cost the Marine Corps MCCA activities over \$8,256,000 last year. Non-negotiable interchange fees and complex transaction rate structures make it difficult to monitor and budget for this ever-increasing expense. We look forward to the results of the Government Accountability Office (GAO) impact study.

### **Payment of Post Allowance**

Upon a March 2008 determination by OSD, all overseas NAFIs began paying post allowance to US citizens hired overseas in NAF positions. Our MCCS operations in Japan at Okinawa and Iwakuni were affected by this decision. Both NAFIs certified compliance with this policy by 24 April 2008.

Additionally, the Marine Corps was directed to pay retroactive post allowance to eligible employees for the period from December 2001 through December 2007. The cost for the retroactive claims significantly impacts the operational costs for our NAFIs. Clarification on the permissibility of using reverted appropriated funds to address this liability is important.

### **Conclusion**

This has been a highly successful year for Marine Corps Community Services, but much remains to be done. Our family readiness programs provide for the reasonable expectations of our Marines and their families, while benefiting overall readiness and retention. Our retail operations continue to succeed, generate revenues for our programs and are viewed as an important benefit by our patrons. At the Headquarters, in our regional Commands, and at each installation, we seek to improve the quality of life for Marines and their families. On behalf of the Marine Corps and Marine families, I thank the Committee for your continued advocacy and attention to the well-being of all America's Service Members and their families. It is most sincerely appreciated.