



**Navy Exchange Service Command**

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# **Navy Exchange Enhanced Use Lease (EUL) Brief**

**Alliance for Defense Communities**

**NAVFAC EUL Industry Forum**

**12 February 2009**

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*Ready. Resourceful. Responsive!*

# Navy Exchange Mission

- Provide Quality Goods and Services at a Savings
- Support Navy Quality of Life Programs



***NEXCOM provides critical non-pay benefits for Navy Families  
- Part of the bargain with an all volunteer service***

# NEXCOM Businesses

<ul style="list-style-type: none"> <li>• 104 Navy Exchange Complexes CONUS: 83 in 24 States OCONUS: 21 in 11 Countries</li> </ul>	<ul style="list-style-type: none"> <li>• \$2.8B Revenue ... \$34M for MWR</li> </ul>
<ul style="list-style-type: none"> <li>• 157 Ships Stores</li> </ul>	<ul style="list-style-type: none"> <li>• \$67M Sales ... \$11M for MWR</li> </ul>
<ul style="list-style-type: none"> <li>• 43 Navy Lodges</li> </ul>	<ul style="list-style-type: none"> <li>• \$66M Sales... \$40M savings to Navy &amp; guest budgets</li> </ul>

***NEXCOM is a \$3B, 14,000 Employee  
Global Business Enterprise***



# NEXCOM Operations/Services

## 17 different Retail Store Models

<u>Model</u>	<u># Locations</u>	<u>Model</u>	<u># Locations</u>
Mini Mart w/Gas	58	Uniform Shops/MM	8
Base Mini Mart	49	NEXMART	8
Main	44	Uniform Store	7
Housing Mini Mart	30	Fleet Stores	8
General Stores	20	Other	5
Home Stores	16	NEX Depots	7
Autoport / Mini Mart	15	Student Store	3
Hospital Store	14	Outdoor Living	3
Package Store	10		

**Total retail locations: 305**



## 455 Food Service Outlets

Contract		Direct Run	
	#		#
Subway	101	Snack Bars	24
McDonald's	39	School Lunch	10
Coffee	19	Convenience Centers/Others	10
Mobile Canteens	17	Anthony's Pizza	7
Taco Bell	16	American Eatery	6
Rice King	15	Pizza Galley	5
Pizza Hut	12	Mr. Roberts	5
TCBY	11	Deli	5
Dominic's	10	Popeyes	3
KFC	5	Robin Hood	2
Sbarro's	4	Taco Bell	2
Burger King	3	Dunkin Donuts	2
Starbucks	3	Subway	2
Panda Express	2	Cinnabon	1
Applebee's	2	A&W	1
Other	111		
<b>Total Contract</b>	<b>370</b>	<b>Total Direct Run</b>	<b>85</b>



**Some of Our Brands/Partners**

# Non-pay Benefits

- **Savings at Cash Registers**
  - **Most important non-pay benefit based on service member surveys**
  - **Also considered to be the primary exchange benefit by DoD instruction**
  - **Current market basket savings is 23% ... DOD Goal is 15% minimum savings before taxes**
- **Access to Services in Remote Areas**
- **Dividends to Support Morale/Welfare Programs**

- **Food Service**

- Free Standing Casual Dining and Quick Service Restaurants
- Food Courts
- Store front outlets (imbedded with other retail or collocated with other military operational facilities (Pentagon food service provider))

- **Automotive Service**

- Car Washes, Gas Dispensing Facilities, Quick Lube

- **Key Contract Features**

- Navy retains facility ownership (not a lease)
- Initial term limited duration (20 years free standing / 10 years store front / 5 year food court)
- Government Contracting Rules (Service Act and Davis Bacon Acts)
- Design/Construction Subject to Gov't Oversight (PPV partner expense)

# Housing PPVs/EULs

- **Navy Housing PPVs**
  - *Most NEX outlets have been “carved out” of the leases*
  - *Partners are generally not interested in providing NEX services, but they do see value in having a NEX presence*
- **Navy Bachelor Housing PPVs**
  - *Currently working on two pilot projects*
- **EULs (Enhanced-use Leases)**
  - *Current DoD/Navy initiative intended to leverage the value of non-excess property*

- **Challenges**

- ***Competition with planned/existing NEX outlets\****

\*Ref – Section 662 of H.R. 5122, the John Warner National Defense Authorization Act for the Fiscal Year 2007 (P.L. 109-364), with amendments to 10 U.S.C. Section 2667 precludes direct competition without any consideration/equitable compensation.

- ***Ability to support non-pay benefit programs***

- **Equitable pricing/savings at registers**
- **Share of profits to support MWR programs**

*Note – From a NEX perspective, its not just about making money. We're not interested in sharing revenue if it would fall on the backs of our Service Members.*

- ***Access/patronage restrictions***
- ***Conflicts between leasing/contract regulations***

- **Opportunities**
  - ***Ability to tap long-term property values***
  - ***Ability to tap into larger markets/private capital***
    - **Addresses patronage/other NEX limitations**
  - ***Expansion of retail/service opportunities***
    - **Businesses that NEX is not currently engaged in that would benefit the Service Members**
  - ***Partners offering competitive advantages and strong motivation to succeed (marketing/mgmt/brand)***
  - ***Synergistic Relationships (foot traffic generators)***
    - **In some cases, developers may benefit from having NEX outlets co-located with other amenities.**

# *Summary*

- **EUL initiatives present significant challenges/opportunities**
- **NEXCOM is interested in working with other Services and industry partners to execute EULs that will benefit our Service Members**