

Colonel SNYDER. Not specifically, because on each of our single-source procurements we do solicit competition. Rest assured, there are a number of suppliers of foreign material; all of the major drug firms in Europe watch our procurements very carefully. As you know, each procurement that we make is advertised in the Commerce Business Daily and it is in several of the trade journals. They watch us very closely.

Now, one thing you should know is because of our Buy American Act, there can be what appears to be a substantial price differential in a lower price that may be available in Italy or Germany, or whatever, and the price, but because of our Buy American Act we have a 50-percent differential which would immediately set them somewhat apart. We are prohibited from spending our Defense appropriations money without allowing this differential.

Senator NELSON. Well, is that 50-percent differential in the law? Is that a rule of the Defense Department?

Colonel SNYDER. It is in the Armed Services Procurement Regulations. I would presume that there was some legislative guidance. We don't just arrive at these things—it is the Buy American Act, which is our guide. I am not sure of the intricacies of the actual legislation, but I am sure that this was not something that we arrived at unilaterally.

Senator NELSON. You are saying that even if there is a single source, that you are required to accept the American single source if it does not exceed the world price available drug by more than 50 percent; is that it?

Colonel SNYDER. Well, that is over-simplifying it, but, generally speaking, that is true. It is a little more involved in the evaluation than that. We do not, though, specifically investigate the world price, other than what we may have read in our professional reading, ancillary reading, that would indicate something of this sort.

Senator NELSON. But you are saying that if there is a single source you do advertise automatically for bids in any event?

Colonel SNYDER. We always ask for competition regardless of the traditional history of buying it from one source; yes, sir.

Senator NELSON. And even when you have a negotiated contract with a sole source you ask for bids regularly?

Colonel SNYDER. No, sir. Now, sole source, if we are directed by the Defense Medical Materiel Board to buy a specific agent or drug from one firm, we only contact that firm. But there are only, I think, nine items of that nature, and those are under constant review where the state of the art advances or where it no longer can be designated, for professional reasons, as a sole-source item. On all items, of which there are over 500, which are single source, we do solicit competition. And the fact it isn't successful is due to any one number of reasons.

There is no single reason which you can categorically say that we could correct this situation so we would immediately have competition.

Mr. GORDON. Mr. Chairman, as I understand it, the Executive order which governs the statutory Buy American provisions sets alternative standards by which the price of products of domestic origin is deemed to be unreasonable or inconsistent with the public