

Colonel SNYDER. I would like to add, though, that each of those has been acquired by large business in the last 2 years. This is one of our great difficulties, and I know because of your interest in small business, Mr. Gordon has commented informally as to your distress over the apparent shift from small to large. Really, there is no shift as such. We are still buying, generally speaking, from these very successful small firms, but they have in the main been acquired by one of the conglomerates or one of the larger holding companies.

Now, as we—it is very interesting, because of the assistance that is given—and there may be some difference as to the word “assistance”, but because of the monitoring of the procurement and the manufacturing practices and the quality control actions of these small companies, they become more skilled, and as they become successful in participating in our Defense procurement, they are watched very carefully. And I think, really, that it is kind of a kiss of death on a small business; as we get a small business to the point where they are supplying successfully and kind of get them on their feet, they are immediately acquired by one of the larger firms.

It speaks well for our system in one way in that it is a mark of success that they can succeed with us. It is distressful in that we must again start all over in our efforts to obtain small businesses to participate in our effort.

As you know, we are given a goal of a certain amount of our procurement must be given to small business, and we spend a great deal of time in this effort. But it is very difficult.

Senator NELSON. Do you have a set-aside provision? Five percent is it?

Colonel SNYDER. Our goal for this year, for fiscal year 1971, is 20.1 percent. And this is very difficult.

Mr. GORDON. So far it is only 8 percent, isn't it?

Colonel SNYDER. I am sorry, sir.

Mr. GORDON. So far the small business set-aside program is only 8 percent, isn't it?

Admiral ETTER. It was 8 percent, I think, in 1969. In 1970 it is, as I remember, 17 percent.

Colonel SNYDER. It varies substantially between segments of the industry. We get much more small business success in the metal-bending or in the hospital equipment area than we do in the drug business. The nature of the drug business, because of the requirements for a very substantial quality control staff, sales staff, manufacturing staff, makes it very difficult for a small business—that is, it is more difficult, comparably speaking, for a small firm to succeed in the drug field than it is in one of the other fields.

Mr. GORDON. Isn't it generally true that a small business can do better in the drug industry as far as capital equipment goes? It is not a capital intensive industry, and it seems to me that a small business could do better in that field, especially in selling to the Government.

Colonel SNYDER. Well, this has not been my experience, sir. There is a very substantial investment, unless you are going to be just a tableting firm or do one very specific operation where it may be more successful, or they may be more successful in working as a subcontractor somewhere.