

When a drug is standardized for the military supply system, the manufacturer is contacted and requested to supply sufficient information so that the item's essential characteristics can be prepared.

We explored with Defense Personnel Support Center officials the question of whether, because of the substantial reliance upon information obtained from manufacturers, military specifications or purchase descriptions are restrictive and, in effect, result in a proprietary specification. These officials contend that the specifications and purchase descriptions are constructed in such a manner that any firm knowledgeable in the drug industry could manufacture the drugs. Without a detailed study of this matter, we have no basis upon which to either dispute or validate this contention.

It is clear that the degree of competition obtained in the drug procurement area is less than competition obtained for many other Government supply items. The total dollar value of drug procurements for central stock by the Veterans' Administration and the Defense Personnel Support Center in fiscal year 1970, amounted to about \$94 million. About 7 percent or \$6.4 million of the central stock procurements were made under contracts awarded pursuant to formal advertising procedures. The remainder were made under contracts negotiated with the sole source of supply or under contracts awarded after the solicitation of proposals.

Among the reasons for the limited amount of competitive procurement are, of course, the fact that many drugs are patented products and the fact that legal and administrative requirements must be met in order to obtain Food and Drug Administration approval. Also, many procurements are made by brand name either because only one brand of a particular drug is available or because of the prescribing physicians' preference. For example, about 70 percent of the drug items centrally stocked by the Veterans' Administration have been designated for procurement on a sole source basis in order to obtain specified brand name drugs.

In addition, competitive contract awards account for about 25 percent of the procurements under the Federal Supply Schedules. Most of the other contracts, which are included for the purpose of making manufacturers' product lines available to the Government at prices less than market, are negotiated without the benefit of competition.

The Defense Personnel Support Center sought to increase competition on their centrally managed drug items when, in January 1969, approximately 1,100 firms were invited to indicate their interest in bidding on 401 items, 290 of which were classified as single source. Replies were received from 104 companies. Fourteen companies requested to be added to the bidders list for 35 of the 401 drug items. Two other companies requested to be added to the bidders list for eight drug items not included in the solicitation. The other 88 responding companies either did not produce the item; reaffirmed their interest in supplying the drug items for which they were already on the bidders list; or expressed no interest in supplying any of the products to the Government.

Senator NELSON. May I interrupt? Back on page 11 you state:

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