firms being placed on the list are corrected in a timely manner. Both DPSC and the DCAS offices can recommend to DSA Headquarters firms for inclusion on the DSACEL.

The first step in our goal towards achieving a Qualified Manufacturers List has been completed with the issuance of our standards for Pharmaceutical manufacturers. These have been developed by our people and have been coordinated with the Food & Drug Administration and the Defense Medical Materiel Board.

We intend to use the standards for pre-award surveys until we get all of the defects worked out of them. Then these standards will become the basis for the development of a QML. We expect to develop a completely coordinated plan with the Defense Medical Materiel Board and submit it to our headquarters in Washington in the very near future.

Thank you for your attention. Are there any questions?

(Charts omitted.)

Mr. STAATS. Thank you, Mr. Chairman.

On page 13 of my statement, to resume. Some of the reasons advanced with respect to the absence of competition on a large number of drug items include:

—restrictions imposed by law or regulation, such as patents on New Drug Applications;

—inadequate plant facilities and no desire to make the required investment to upgrade the facilities;

—the lack of qualified personnel to make any drugs; and

—the expense of introducing a new product with no assurance of reasonable return through sustained contract awards.

The advantages of seeking the widest possible competition in drug procurement can be demonstrated by available data from which we identified nine drugs procured over a comparable period of time both competitively and on a sole source basis. The drugs purchased from sole source suppliers by the Veterans' Administration are estimated to be 60 percent higher than the average price obtained after formal advertising or the solicitation of competitive proposals by the Department of Defense. Appendix B of my statement shows the nine drugs and comparative prices.[1] It should be noted that the quantities purchased by the two agencies are different, which may account for some part of the price differences.

This statement and conclusion on the 60 percent applies, of course, only to these nine that we selected. We are not necessarily implying here that the VA did a poor job because, as mentioned previously, we found other cases where the opposite was true.

We see no reason why different Federal agencies, and this is our essential point, Mr. Chairman, should independently procure the same drug in a different manner, and possibly from the same manufacturer, and lose the advantages associated with procurement of larger quantities and, where possible, increase competition.

Without effective competition, there is a question of the Government assuring itself that the prices being obtained are fair and reasonable under negotiated procurements. Public information is available on selected areas of drug pricing—an example would be wholesale prices. In determining whether the negotiated price is the best attainable by the Government, comparison of the bid with these prices reflects reasonableness by inference. Although there is no

[1] See information beginning at p. 8058.