

contractor; or (3) the item is to be furnished from or manufactured in a different plant.

The Defense Contract Administration Service has about 80 quality assurance representatives, who are either chemists, chemical engineers, or pharmacists, and function as drug inspectors. They perform preaward surveys at the request of the Defense Personnel Support Center and are charged with the responsibility for inspecting and approving all drug items manufactured under Defense contracts. In performing their inspections the quality assurance representatives are required to inspect each drug lot.

During fiscal year 1969 a total of 168 preaward surveys were made—149 of which were performed on domestic manufacturers which were classified as either small or large business. Sixty-two small business firms were subjected to 90 surveys. Forty-seven of these surveys resulted in disqualifications. Twenty-six large businesses were subjected to 59 surveys, 25 of which resulted in disqualifications. Reasons for disqualification included poor quality control; poor housekeeping; sample failure; unacceptable subcontractor; and inadequate capacity.

The Veterans' Administration inspects each contractor plant with regard to its entire operation and for its entire product line.

Senator NELSON. May I interrupt a moment? "Reasons for disqualification included poor quality control; poor housekeeping; sample failure; unacceptable subcontractor and inadequate capacity".

How many of the small businesses who were rejected were based on inadequate capacity?

Mr. STAATS. You will note there, Mr. Chairman, just above there in the same paragraph, 62 small business firms were subjected to 90 surveys and 47 of these resulted in disqualification.

Senator NELSON. Yes, but what were the grounds for disqualification for the 47?

Mr. STAATS. I see your point. Mr. Ahart, I believe, has this.

Mr. AHART. There were—out of the 90 inspections, Mr. Chairman, seven instances where small business was disqualified, where one of the reasons was the inadequate capacity. And for the other side of the coin, out of the 59 inspections of large business there were nine cases where one of the reasons for disqualification was inadequate capacity.

Senator NELSON. Was this inadequate capacity for the particular order the Government was interested in? Is that what you are saying?

Mr. CROWTHER. Or the ability to manufacture that particular drug in some cases. They may not have the line or a specific manufacturing method for a particular drug and in that sense they are disqualified because of lack of capacity.

Senator NELSON. Could you submit for the record a breakdown of the reasons for disqualifications in each of these cases, because the raw figures do not tell very much. What is your definition of a small business?

Mr. STAATS. We took the Defense Department classification of small business here as related to pharmaceutical manufacturers.

Senator NELSON. What is it, 500 employees or less?

Mr. STAATS. No, 750 employees.