

8586 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

"(4) The item is on the Departments Planned Producers List unless * * * none of the large business Planned Emergency Producers desire to participate.

"(5) Item is being purchased for field test purposes following an R&D [Research and Development] contract.

"(6) R&D procurements with small business competition insufficient to provide * * * the best proposal.

"(7) Construction procurements estimated at more than \$500,000."

Information obtained at the VA Marketing Center and DSA's Defense Personnel Support Center, which procure about 70 percent of the drugs bought directly from suppliers by the Government, follows.

DEFENSE PERSONNEL SUPPORT CENTER PRACTICES

The Defense Personnel Support Center has formalized procedures to implement the small business procurement requirements for defense activities as set forth in the Armed Services Procurement Regulation. Also the Center has established a position of small business specialist, responsible for planning, implementing, and directing the small business and economic utilization programs.

Each year DSA sets small business goals for the Center by commodity grouping. For fiscal year 1971 the Center awarded 17 percent of the procurements in the medical commodity group—includes, in addition to drugs, many other medical federal supply classes, such as, surgical dressings, and instruments, dental, X-ray, hospital, optical, and laboratory instruments and equipment—to small concerns. A goal of 16 percent had been set by the parent organization, DSA. For fiscal years 1969 and 1970, the Center awarded 20 percent and 18 percent, respectively, of the medical commodity group procurements to small business, or slightly less than the goals of 22 percent and 21.5 percent set by DSA.

The purchase of drugs, biologicals, and chemicals by the Center represented over 50 percent of the total dollar value of procurements within the medical commodity group for fiscal years 1969 to 1971. Of this, less than 10 percent was procured from small business and the value of set asides for small business increased from about \$336,000 to about \$800,000. (See enclosure.) The percentage of awards to small business in the medical commodity group, other than drugs, biologicals, and chemicals, was about 30 percent for these years.

A purchase at the Center is initiated by a request prepared by the Division of Supply Operations. Upon receipt of the request, the contracting officer prepares a form which identifies the item and estimated quantity required and any known limitations toward making a partial, or total, setaside for small business. These forms are reviewed by the Center's small business specialist who decides whether a small business set-aside should be made. These decisions are then reviewed by a representative of SBA who may appeal decisions not to make a set-aside, or withdrawals of set-asides to (1) the contracting officer, (2) the Commander of the Center, or (3) if necessary, the Commander, DSA, through SBA in Washington, D.C.

VETERANS ADMINISTRATION PRACTICES

Except in the area of construction services, VA has not issued instructions to implement the provisions of the Federal Procurement Regulations relating to small business set-asides. As of August 1971 VA had not designated anyone at the VA Marketing Center to be responsible for planning and implementing VA's small business programs.

Until about January 1970 an SBA representative was not assigned to review the activities of the VA Marketing Center from a small business viewpoint. Thus until that time set-asides for small business were of necessity initiated by the contracting officials.

For each of the 3 fiscal years 1969 through 1971, VA purchased over \$1 million worth of drugs and chemicals from small business firms. Most of these procurements resulted, however, from the small business firms meeting price competition under normal procurement practices. Contract awards totaling only \$11,400 in fiscal year 1969 and \$15,800 in fiscal year 1970 were attributable to set-asides for small business. (See enclosure.)

Beginning in fiscal year 1971, VA has actively participated in a program of procuring drugs from small business minority group enterprises. Initiated under section 8(a) of the Small Business Act (see above), this program involves VA contracting directly with SBA. In turn, SBA subcontracts with small busi-