

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 8587

ness minority group enterprises. Under this program suppliers appear to have an advantage compared with suppliers under regular small business set-asides because prices negotiated by SBA with minority enterprises do not have to match the lowest price as under normal small business transactions. The minority group enterprise prices need only be considered reasonable. The SBA representative at the Defense Personnel Support Center informed us that the Support Center had not initiated a program for drug procurements under section 8(a) of the Small Business Act.

For fiscal year 1971 the VA Marketing Center reported purchases from minority group enterprises of about \$299,100. These purchases were reported as other agency contracts to small business, but not as small business set-asides.

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During our review we identified the following factors which seem to contribute to the lack of small business participation in drug procurements compared with the participation in procurements of other commodities.

The increasing number of drug products for which a new drug application—which is often costly to obtain—is being required by the Food and Drug Administration.

The continuous reduction in the number of drug firms in the small business category due to acquisition by large concerns, or growth into the category of large business.

The fact that most new drugs are developed and introduced into the market as proprietary or patented items by large business concerns.

We trust this information will serve the purpose of your request. We have not obtained written comments from VA on DSA on the matters discussed in this report.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

Enclosure.

SET-ASIDES AND OTHER AWARDS TO SMALL BUSINESS BY DSA AND VA, IN FISCAL YEARS 1969-71 FOR DRUGS, BIOLOGICALS, AND CHEMICALS

	Fiscal year—					
	1969		1970		1971	
	DSA	VA	DSA	VA	DSA	VA
Set-asides.....	\$336,000	\$11,400	\$672,000	\$15,800	\$800,000	-----
Other awards ¹	8,728,000	1,783,800	5,011,000	1,048,800	6,640,000	² \$1,434,700
Total (small business).....	9,064,000	1,795,200	5,683,000	1,064,600	7,440,000	1,434,700
Total (drugs, biologicals, and chemicals).....	102,366,000	23,427,100	71,997,000	23,019,100	95,066,000	27,186,700
Small business as percent of total.....	8.9	7.7	7.9	4.6	7.8	5.3

¹ These awards resulted, for the most part, from small business firms meeting price competition under normal procurement procedures.

² Includes purchases of about \$299,100 from small business minority group enterprises. (See above.)

Senator NELSON. Do you have anything you want to add?

Mr. STAATS. No.

Senator NELSON. Thank you very much.

We are adjourned subject to the call of the Chair.

(Whereupon, at 12:20 p.m., the subcommittee was adjourned subject to the call of the Chair.)