

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

(Present Status of Competition in the Pharmaceutical Industry)

WEDNESDAY, JUNE 21, 1972

U.S. SENATE,
SUBCOMMITTEE ON MONOPOLY OF THE
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 4221, New Senate Office Building, Senator Gaylord Nelson (chairman of the subcommittee) presiding.

Present: Senator Nelson.

Also present: Benjamin Gordon, staff economist; and Elaine C. Dye, clerical assistant.

Senator NELSON. Our first witness this morning is Brigadier General Hayes, Medical Corps, U.S. Army, accompanied by Colonel Lindsey.

The committee welcomes you here this morning, gentlemen. Your prepared statement will be printed in full in the record. You may proceed to present it however you wish.

STATEMENT OF BRIG. GEN. G. J. HAYES, MEDICAL CORPS, U.S. ARMY, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE (HEALTH AND ENVIRONMENT); ACCOMPANIED BY COL. DOUGLAS LINDSEY, MEDICAL CORPS, U.S. ARMY, DIRECTOR OF MEDICAL MATERIEL, DEFENSE PERSONNEL SUPPORT CENTER (DPSC)

General HAYES. I think I will read the first portion of this Mr. Chairman, and present the last portion for the record.

Mr. Chairman, it is a pleasure to appear before this subcommittee to bring you a further report on the procurement of drug products by the Department of Defense (DOD). You have already introduced my colleague, Col. Douglas Lindsey, Medical Corps U.S. Army. He is the Director of Medical Materiel, Defense Personnel Support Center (DPSC).

It has been a busy year for us. Our central procurement and issue of drug items has held steady at about \$100 million per annum in spite of decrease in size of the Armed Forces and winding down of American involvement in Vietnam. We have initiated many changes, and many others are in the mill.

We have again solicited the participation of small business in our drug procurement program, and we have solicited seriously, specifically, and with encouragement. Nevertheless, the response has been disheartening. Many of the best small drug producers have been bought