up by larger industry. Many of the remainder are already quite busy enough in production for the trade or under their own label many of the producers who would like to contract with us simply are unwilling to make the effort to bring themselves up to the standards required by DOD.

We are vigorously sounding the foreign market. The problems of patent, licensure, and New Drug Applications are formidable, but not insoluble. We hope to be able soon to report two major breakthroughs in the form of price quotations from foreign sources which will provide major savings to the American taxpayer, either through procurement of foreign drugs at lower cost, or through pressuring reduction in certain domestic drug prices.

We have made major savings in the past year by more discriminating application for our requirements for marking and packaging.

We are continuing to revise our specifications to broaden competition, and we have initiated efforts to give our specification writers a freer hand in adjusting to potential suppliers by limiting the scope of prescribed "essential characteristics," or stating performance in functional terms, without compromising quality.

Mr. GORDON. General, could you give some specific examples of that?

General HAYES. Well, one of our—anytime we can increase competition and lower price by revising a specification, we do so, if we can still preserve the quality. In at least one instance recently, we accomplished the same aim by refraining from revising the specification. We pioneered a specification requirement which limits the bacterial content of a common antacid preparation. Now, the major brand name supplier is making and offering a sterile product and has proposed that we change our specifications to require sterility. We have not done so. We feel that the the specification is quite adequate as it is. A requirement for sterility would severely limit potential competition. The changes we made in our specifications have been strictly as to details which do not limit quality but tend to limit range or resources—the color, shape of tablet, type of capsule, characteristics of container, to limit the insoluble residue in an antacid. When the detail in the specification is clearly important to the potency and purity, as for instance, the hardness of a chewable tablet or the color of an injectable solution, we don't change. The producer makes the change to specifications or he doesn't compete.

Mr. GORDON. As I understand it, a particular company came to you and asked you to include a change in a certain specification which would really have given it a monopoly; is that it?

Colonel LINDSEY. I do not think it would have given him monopoly, but it would have limited the range of potential competition. We pioneered the requirement to limit the bacterial content of a number of preparations and we think we are getting a quite satisfactory product and we see no reason to gold plate it by tightening it up.

Mr. GORDON. On the first page, you talk about soliciting participation of small business in drug procurement. How did you go about doing this?

Colonel LINDSEY. We have made two approaches. One is to look at individual drug items or classes of items and seek out small business sources.