

10206 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

AMERICAN PHARMACEUTICAL ASSOCIATION

The National Professional Society of Pharmacists

February 25, 1974

Honorable Gaylord Nelson
Chairman, Subcommittee on
Monopoly
Senate Select Committee on
Small Business
Room 424
Old Senate Office Building
Washington, DC 20510

Dear Senator Nelson:

This will respond to your letter of February 22, requesting that I analyze and comment upon the information submitted to the Senate Subcommittee on Monopoly by the Department of Defense, as per your request to them dated January 17, 1974.

I will restrict my comments to those subject areas in which I feel qualified, and I will not comment upon such aspects as the budgetary and fiscal matters, relative allocation of personnel, and so on. For purposes of ready reference, I have organized my review of the DOD response in the following areas which I will comment upon in turn: (a) plant inspections, (b) product testing, (c) problem drugs, and (d) specifications.

a. Plant Inspections

DOD's response to your question 1 reveals that DPSC, in fact, surveys only about 10% of their prospective contractors and that this 10% is the result of a conscious selection process. In other words, DPSC has already concluded that the remaining 90% constitute prospective contractors which are fully capable -- in the judgment of DPSC -- of performing satisfactorily under the terms of the proposed contracts.

Therefore, combining this information with the "45% rejection rate" for fiscal year 1973 -- mentioned in DOD's answer to question 15(a) -- results in a true rejection rate of only 4.5% of all prospective contractors; that is, fully 95.5% of the contractors submitting a bid during fiscal year 1973 were judged by DPSC to be capable to perform under the terms of the proposed contracts.

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