Mr. ZECHMAN. Yes.

Mr. GORDON. One of your previous studies, stated that there are now four different systems for the management, procurement, and distribution of drugs, but there is very little communication and coordination of activities and programs involving the annual expenditure of over $1 billion, and that the consolidation of procurement and inventory management functions in one agency would result in elimination of duplicative functions now being performed in the four agencies, and reduction in personnel requirements.

Now, it appears that instead of one agency, you are having two agencies perform these functions. How are we assured that there would be one system, and what is the advantage of having two agencies perform these functions instead of one?

Mr. ZECHMAN. First of all, Mr. Gordon, we want to rely on the expertise of both DoD and VA. I think in singling out the families of items, we can find that there is existing expertise. For instance, right now we do have a semblance of this where VA has responsibility for procurement of X-ray equipment and hearing aids.

It would be one total system, but we would rely on two agencies in order to complement that central system, and we do feel that there would be savings.

Mr. WITT. If I could make one point here, I think part of our emphasis should be understood, and that is, we want one item, one producer. In other words, we will not have four agencies buying the same item. We will have one agency doing the purchasing. Each of the agencies will develop their own requirements, but we will have one item, one purchaser, instead of having four separating offices for one item.

Mr. GORDON. Then you would have a single catalog for the whole government, is that correct?

Mr. WITT. That is what we are shooting for.

Mr. ZECHMAN. Correct, yes sir.

The CHAIRMAN. Please go ahead.

Mr. ZECHMAN. In order to describe a major problem confronting the committee and the task group, I would like to quote from the OMB study report which states that "Wholesale systems are not the primary source of supply for field installations in many cases." Further, the GAO stated in ts report of December 6, 1973, that local purchases or purchases from other than depots, comprise such a large dollar percentage of drug procurement that a method of managing the high volume items now being purchased locally has to be developed. The committee is now addressing itself to this problem of bringing these items under management control.

As of now, each agency confines its intensive management to stock items. The methods of procurement used by individual medical activities to purchase locally are primarily Federal supply schedule contracts and open market purchasing. Neither method provides for accumulating demand data on a line-item basis which is a precondition for effective procurement.

Therefore, a new system to be devised to manage not only stock items but high-demand items that may not need to be stocked because they may be supplied by means of commercial distribution.

As you can see, we are attempting a fundamental improvement in