

11724 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

procurement and supply management which we consider to be responsive not only to OMB's request, but to the criticisms of GAO in its 1973 report on drug procurement. Development of the single system will be difficult, but each agency is working together diligently toward this end.

As to the current status of the committee's effort, the first and immediate effort will be to eliminate duplication in central procurement and to effect the necessary purchasing assignments without duplication to DOD and to VA.

The next step is to bring under control the items which meet predetermined criteria for central procurement which are now being procured locally. The task group submitted a preliminary report dated January 14, 1975, which described as a concept the management system in which noncataloged, locally purchased items would be reported through a data collection system, screened, and recommended for item entry, and those items that met predetermined criteria would be assigned a national stock number, and the decision rendered whether the item would be centrally stocked or managed on a non-stock basis.

The implementation of this concept would then provide for the management of not only depot-stocked items but of the large volume of now locally purchased items which meet predetermined criteria.

However, please note that the following procedures for Government-wide management must be developed for the first time in order to manage all of the items purchased repetitively and in high volume whether they be stocked items or nonstock items.

One, a method of collecting data on noncataloged locally purchased items which would be candidates for item entry and control.

Two, a Government item entry and review procedure.

Three, a Government procedure to determine the best method of supply.

Four, a Government procedure to determine the best method of procurement and the appropriate agency to procure that item.

Five, a method of collecting and maintaining continuous usage data on items in the system that will be managed on a nonstock basis.

Six, the development of a Federal supply catalog which will contain all the items being managed intensively, whether they be stocked or not.

Mr. GORDON. What do you mean by "managed intensively"?

Mr. ZECHMAN. Right now, concerning those items which are not stocked or purchased locally, we really do not have a handle on what the volume is. If we knew what the volume is, this information could then be forwarded to the buyers who would make more appropriate and effective decisions on contracting for supplies.

Mr. GORDON. It was the word "intensively" that puzzled me for a moment.

Mr. ZECHMAN. Centrally.

Mr. GORDON. Let me ask you a couple of questions? As I understand it, the military, at least until a short while ago, was not encouraged to utilize the VA supply distribution system for those items not available in the DOD supply system, nor have civilian activities been encouraged by their parent agencies to utilize the military supply system for items not in their central supply system.