12178 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

ATTACHMENT B: OMB MEMORANDUM DATED JUNE 4, 1974, SUBJECT: PROCUREMENT AND DISTRIBUTION OF MEDICAL AND NONPERISHABLE SUBSISTENCE SUPPLIES, AND ATTACHMENT

EXECUTIVE OFFICE OF THE PRESIDE

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

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MEMORANDUM FOR:

THE SECRETARY OF DEFENSE

THE SECRETARY OF HEALTH, EDUCATION AND WELFARE

THE ADMINISTRATOR OF VETERANS AFFAIRS

THE ADMINISTRATOR OF GENERAL SERVICES

SUBJECT:

Procurement and distribution of medical and nonperishable

subsistence supplies

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The procurement of medical and nonperishable subsistence supplies for military and civil agency use has developed over the years under multiple agency management. In general the various management objectives were designed to meet the particular requirements or responsibilities of your separate agencies. The magnitude of this procurement, currently exceeding \$1.5 billion annually, and the apparent opportunities for single manager economies caused OMB to initiate a study for the purpose of determining the optimum procurement and distribution system for these commodities.

An interagency study group under OMB leadership completed extensive fact finding, reached unanimous conclusions and submitted its report and recommendations which have received official support of your agencies. I have approved the attached recommendations as measures for achieving effective and economical support of medical and nonperishable subsistence supplies. The principal objective, stated in Recommendation No. 1, is to establish a single system for Government-wide management of these commodities. The ultimate goal for that system should assure timely deliveries of required supplies by methods which result in the least total cost to the Federal Government.

A new approach to the management of supply support is set forth in Recommendation No. 3. It recognizes that a single system of management does not require that all operational responsibility for a commodity be assigned under the control of one agency as a single manager. Instead the elimination of duplication and attainment of other objectives of single managership are seen to be