

Mr. BURROWS. The standard cost including the raw material was 50 cents a 100.

Senator NELSON. And that with a sales price of \$1.36 a 100, your best judgment is that you about break even on that.

Senator JAVITS. Would the Senator yield?

Senator NELSON. Yes.

Senator JAVITS. Give us a description. You get the raw material? What does that mean? What is the raw material?

Mr. BURROWS. The raw material is prednisone.

Senator JAVITS. Is it a powder or a tablet or what? I think we ought to have some concept of what happens. I mean is the raw material the very same tablet you put in a bottle and sell for \$1.36 or is it something else? What is the processing that it goes through, et cetera?

Mr. BURROWS. There is a certain amount of processing involved to the raw material after we get it. We have to make it into tablets, among other things.

Senator JAVITS. Is that the only processing?

Mr. BURROWS. I think there is additional processing.

Senator JAVITS. How can we find that out? I think those are important points. We ought to know just what goes on here.

Mr. BURROWS. I will be glad to send you an outline of the steps that are involved in our production of Paracort.

Senator JAVITS. Can you tell us now?

Mr. BURROWS. I don't have the information with me.

Senator JAVITS. Senator Nelson, may I request that the next witness, Mr. Conzen, perhaps by being given notice, may try to find out exactly what steps are followed. What is the raw material, what do they do with it, et cetera?

Senator NELSON. Maybe the competition doesn't want to furnish that information.

Senator JAVITS. If they don't they can say so. We have the liberty to ask questions. They have the liberty not to answer them. Thank you, Senator.

Senator NELSON. Included in this price of \$1.36 a hundred, is also the royalty that Parke, Davis pays to the Schering Co.?

Mr. BURROWS. The royalty is included in the factors that I proposed to recognize in my previous exercise as an addition to the 50-cents manufacturing cost.

Senator NELSON. And that royalty is—

Mr. BURROWS. The royalty is based on the selling price, our realized selling price, so that if, on the average, we realized \$1.36, the royalty would be based on \$1.36.

Senator NELSON. Is that 6 percent?

Mr. BURROWS. Six percent; yes.

Senator NELSON. Do you have at hand the amount that you have paid to Schering based on that 6-percent royalty?

Mr. BURROWS. On Paracort through 1966 we paid to Schering, \$48,004. This is on U.S. sales. On international sales to Scherico Limited, a Switzerland-based company, which I understand is a subsidiary of Schering, \$20,972. In addition, for the period from November 14, 1956, to June 30, 1959, we paid some \$2,733 to Upjohn.

Senator NELSON. What was the last figure you gave?