

store would have an effective price differential which might exist between that drugstore and some other one?

Mr. SQUIBB. Very little, because even if you go to buy your prescription from the largest chain, that chain taking full advantage of whatever quantity discounts that are, can only buy perhaps, 5 or 10 percent less at the most. That is all that any retailer can get in advantage over another retailer. There is very little at that level.

Senator HATFIELD. That is in spite of what other witnesses have said?

Mr. SQUIBB. Well, I am sure that there are, if you examine the trade list of manufacturers, quantity discounts to retail pharmacies, but they are small. I am not talking about hospital lists. There are special prices there, but quantity discounts to retail pharmacies are minimal, in my opinion. They go 5 to 10 percent, and they cannot be any more than that or you are in trouble right away with the Robinson-Patman, unless you can give this discount to everyone.

Senator HATFIELD. But, they are significant in terms of the large institutions?

Mr. SQUIBB. Oh, very significant. I think we have covered the paragraph at the end of page 4 and the top of page 5, which I was talking to Senator Hatfield about. Price cutting, discrimination, favored customers, under-the-counter deals, hidden discounts are no factor in sales of prescription products direct to the retail pharmacy trade by pharmaceutical manufacturers. It must be stressed that the retail pharmacist does most of the prescription business in the country, and it is from this source, generally speaking, that the industry not only gets most of its sales volume, but an overwhelming percentage of its profit.

Pharmaceutical manufacturers also sell to wholesalers who, in turn, fill orders from retail pharmacies. There are sharply competing wholesalers in every city and State in the Nation, and the price to each of them on a given pharmaceutical product from a given manufacturer is identical. It has to be for obvious legal reasons, and there are no exceptions to this rule. The wholesaler price is generally discounted from 5 to 20 percent from the so-called trade—retailer—price. Price competition among wholesalers in passing along to the retailer part of this discount is a common procedure, but this also is controlled by Robinson-Patman, and wholesalers must offer these discounts equally to all his competing customers. Attempts have been made to tie in services, order quantity and order timing factors, and credit privileges with discount sharing, but generally speaking, the variance in price produced by this wholesaler practice is not large and it remains but a small factor in the determination of the ultimate price of the product on the consumer's prescription. Occasionally and especially in large metropolitan areas when competition among wholesalers for retail accounts is bitter, products can be purchased by the pharmacist from the wholesaler more cheaply than he can buy them direct, which fact in itself reflects the rigidity of the direct-selling manufacturers list, and the firm observance of the general principle of Robinson-Patman.

While prices of drug products remain generally rigid to the retail and wholesale druggist, quite a different picture is shown on prices to