

price; for Panray, 93.6 per cent. It must be the case, however, that the computed cost figure is much too high, for in competitive bids to the Military Medical Supply Agency Panray has won bids at as low as \$0.51 per thousand tablets on a 4080-bottle order, and CIBA has failed to get contracts on bids as low as \$0.52—1.3 per cent of the wholesale price. When asked how CIBA could afford to bid successfully at \$0.60 in February 1959 Mr. T. F. D. Haines, president of American CIBA, testified: '... we didn't anything like recover our out-of-pocket costs ... it was perhaps a mistake that we did that'.⁶³ This makes it all the harder to explain CIBA's later and lower unsuccessful bids. (Raw materials costs for one thousand 25-milligram tablets should be about 30 cents.) The president of McKesson and Robbins later volunteered his firm's production costs for reserpine: \$0.63 per thousand tablets, or 1.6 per cent of the wholesale price.⁶⁴

The computed production cost for meprobamate to Carter is \$7.32 for twenty bottles of fifty 400-milligram tablets, on the basis of a 20,000-bottle order. For Wyeth, the cost would be \$12.40 plus \$2.60 royalty. (Carter agreed that the Subcommittee staff's cost estimate was correct for its own production.) Both Carter and Wyeth obtain \$52.00 at wholesale for twenty bottles; a retail drug buyer would pay \$108.40 for this amount. Carter's production cost is 14.1 per cent of the wholesale price, Wyeth's is 24.0 per cent, and with the royalty to Carter, 28.0 per cent. (Carter's production cost is only 6.8 per cent of the retail price.)⁶⁵ Bids to the Military Medical Supply Agency from Carter and Wyeth ranged from \$22.50 for five hundred 400-milligram tablets in February 1958 to \$19.845 in February 1960, or from 90 to 79.4 per cent of the wholesale price for this amount. In the absence of any domestic competition, the Military Medical Supply Agency purchased abroad in June 1960, obtaining a low bid of \$3.95 from a Danish firm, a bid only 29 cents above Carter's production costs, and about 80 per cent below the bids of Wyeth and Carter.⁶⁶ Danish costs may be below American costs, but Carter could at least have met this bid had it seen fit to do so.

D. Antibiotics

Price competition in the antibiotics market is intense in unpatented drugs, such as the earlier penicillins, and streptomycin, the patent

⁶³ Ibid., Part 16, p. 9430.

⁶⁴ *House of Representatives Hearings*, op. cit., p. 16.

⁶⁵ *Report*, op. cit., p. 18.

⁶⁶ Testimony of Rear Admiral W. L. Knickerbocker of the Military Medical Supply Agency, *Hearings*, op. cit., Part 24, pp. 13784-5, 13794.