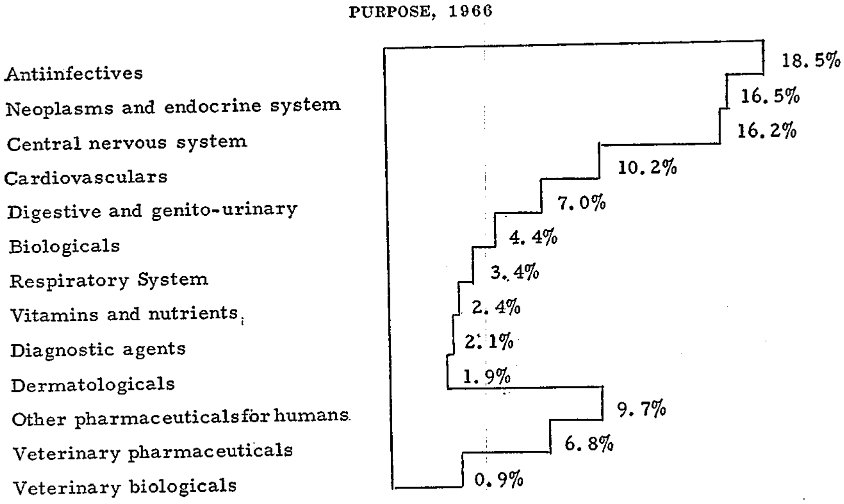
APPLIED RESEARCH AND DEVELOPMENT EXPENDITURES BY THERAPEUTIC PURPOSE, 1966



From PMA Report: Pharmaceutical Industry, Research and Development Activity, 1966-1967 page 8.

6. COMPANY WHICH LOST TOP PLACE IN DIURETICS TO MERCK BEGINNING IN 1957 (PP. 2811–12)

Referring to Table 11A entitled "Diuretics" in the Arthur D. Little, Inc. report "Trends in Market Share for Ethical Pharmaceutical Products," Senator Nelson requested identification of the companies whose products were indicated as No. 1 and No. 5 (p. 2811). Merck & Company was tentatively identified with product No. 5. With respect to the company identified with product No. 1 (p. 2816), Senator Nelson also requested some information on the effect its drop in rank had on its profits.

It has been confirmed that product No. 5 was Merck's and that product No. 1 was Lederle's Diamox.

The precise effect of Diamox's decline upon Lederle's profits cannot be determined since figures available from American Cyanamid, of which Lederle is a division, can not be broken down by product. However, data on the rise and fall of Diamox's market share are shown on pages 42 and 43 of the Arthur D. Little report.

7. EFFECT OF POLIO VACCINE INCIDENT ON CUTTER'S PROFITS (PP. 2831–32)

Senator Nelson requested information demonstrating that the decline in the profits of Cutter Laboratories beginning in 1955 was attributable to a problem that occurred with its polio vaccine (p. 2832).

It has been confirmed from Cutter Laboratories that the losses shown for Cutter in 1955 (as recorded in the Arthur D. Little study on Risk and Return) were a reflection of an incident involving defective polio vaccine, and that the record is duly shown in the annual report of the company for 1955, which showed a loss of $1,373,535 in inventory writedown and extraordinary expenditures. The annual report for 1961 sums up the further losses from the settlement of claims against the company: these payments, together with legal fees, exceeded product liability insurance by $1,564,000.

8. EXAMPLES OF RISK FACTORS (PP. 2799, 2821–22, 2841–44)

Professor Markham referred to five risk factors by which the drug industry was characterized (pp. 2799, 2821, 2822 and 2823). He gave one example of each factor. Senator Nelson requested more examples (pp. 2821–22, 2841–44).