

happened. But this is only there as an element that would be essential to formal advertising.

As I say, we have never used this as a reason for not using formal advertising.

Senator NELSON. There is, as I understand it, a provision in the law—section 1498 of title 28 of the United States Code—that provides that Federal agencies are not bound by patents issued by the Federal Government, so if there is a sole source here in the United States and other sources in Europe and if you are not satisfied with what you can negotiate with the American sole source, you may purchase in Europe; is that not correct?

Colonel SNYDER. That is correct.

Senator NELSON. And as I understand it, you have done that from time to time?

Colonel SNYDER. Yes, sir.

Senator NELSON. Is it a matter of policy in negotiating with sole source suppliers in this country to maintain a listing of the world price, so to speak, versus the sole source offering price here so that as a regular part of purchasing policy you would use the world price to guarantee that you were getting a reasonable price offering from the American sole source?

Admiral ETTER. I think that is correct, sir.

Senator NELSON. Is it a part of regular policy to do that? In other words, every time you have a sole source supplier in the United States, do you as a matter of policy check the price listing of European suppliers of the same drug?

Colonel SNYDER. No, sir. First, I would like, if I may, to define "sole source."

Admiral ETTER. This is single source here.

Colonel SNYDER. Sole source, we have very, very few. I think there are only eight or nine drug items. If you are speaking of single source, we do not solicit only one firm on a single source drug, even though it may have been historically supplied by a single source during some extended period of time.

Senator NELSON. Sole source being a case where there is no other producer in this country; right?

Colonel SNYDER. No. Sole source would be a situation where the Defense Medical Materiel Board would designate the source as the only source from which we might procure the item.

Senator NELSON. Though there may be other sources.

Colonel SNYDER. Yes. Though there may be other sources, many more. Single source is where traditionally or historically there has been the one supplier, either for reasons of price, patent, Federal authorization such as an NDA or a form 6, or whatever, even though there may have been some limited degree of competition, only one source has been successful over an extended period of time.

Senator NELSON. So it is in single-source situations where you have bought from the world market, right?

Colonel SNYDER. Generally speaking, yes.

Senator NELSON. My question is, in those situations do you always check the world price to be sure that you are at arms' length in your negotiations with the single source here?