

Mr. Chairman, this concludes my statement. We will be happy to continue with members of the panel here.

Senator NELSON. After you have negotiated a contract, have you ever asked the General Accounting Office to examine the company's production costs so that you can find out whether or not the price you paid was a fair price?

Dr. WELLS. No. The answer is no.

Mr. WHITWORTH. No, we have not.

Senator NELSON. Why not?

Mr. WHITWORTH. Well, as Mr. Staats testified, they don't have to be asked. They can come in and do it at their own instance.

Senator NELSON. If I understand Mr. Staats correctly, since the law authorized the GAO to examine cost in a contract that you have negotiated, even if they haven't initiated on their own, why hadn't you requested them to do that so you could find out whether or not you were paying a fair price?

Dr. WELLS. That sounds like a good idea to me, Senator Nelson. I really don't know. If our procurement people don't, I am sure I don't, why we haven't literally sought this type of review. GAO does review a lot of procurement practices and certainly contract practices, but I don't know about this.

Senator NELSON. You are buying repeatedly, year after year, on a negotiated basis, as are other agencies, and the law authorizes GAO to go in and examine the company's production costs. It seems to me that it would be an obligation for you to request this.

Mr. WHITWORTH. The fact remains, Senator, that I have behind me the manager of our marketing center in Chicago and he tells me we have never done so.

Senator NELSON. Well, do you intend to consider doing so?

Dr. WELLS. I think we should explore this as one possible avenue to shore up our purchasing techniques and contract compliance, yes.

Senator NELSON. As one further method of checking reasonableness of your negotiated contracts, do you check the prices in the foreign countries for the same product sold by either our own or by foreign countries?

Mr. WHITWORTH. You mean the prices of American manufacturers' products sold in foreign countries?

Senator NELSON. Either one.

Mr. WHITWORTH. We do our best to get the information from domestic companies. I think we asked 48 companies in the last—since the hearings in August to give us the foreign prices. Three only gave us those prices.

Senator NELSON. Three? You asked them in August?

Mr. WHITWORTH. After the hearings in August. It was between September and the middle of October.

Now, as far as the foreign drug prices are concerned, we do have a number of catalogs from foreign drug manufacturers that we can make spotty comparisons, sir. But we have not made any or been able to make any organized comparison except in the Canadian market, and since the last hearings we have made rather an extensive comparison of Canadian prices versus our own and we are in a better position most of the time. We have a better price. But that is the Canadian market.