

Can you think of any way to justify a markup of \$11.65 unit price to \$170?

Mr. AHART. Offhand, the difference is quite striking. I really would not know how to explain it or how to justify it. It is possible that if it is a truly competitive situation, the manufacturer might find it to his advantage to discount rather drastically off the catalog price in order to get the additional business which, if he does not get it, will go to someone else. The manufacturer is not really in the same kind of a situation as when his products are listed in the Federal Supply Schedule since there often is no competition for the items included in the schedule.

But again I would say that is a rather startling differential, and I think it would be very difficult certainly for us to explain it or for anyone else to explain that differential at this point.

Senator NELSON. All right.

Now, here are two interesting cases: One is a purchase of erythromycin tablets, same company; off the Federal Supply Schedule, the unit price \$8.90, locally purchased the unit was \$7.79. That is totally illogical, isn't it?

Mr. AHART. Well, I am not familiar with the details of the local purchase, Mr. Chairman, or what might have been involved in it. It does seem contrary to the logical situation.

Senator NELSON. Well, here is one for tetracycline: Off the Federal Supply Schedule the price is \$27 unit price; locally purchased, same company's product, \$13; so they are paying less than half as much for local purchase as they are paying off the Federal Supply Schedule.

There has got to be something wrong with that, does it not?

Mr. AHART. Well, I am really not in a position to comment on it, except it does not seem to be consistent with the logic of the Federal Supply Schedule System.

Senator NELSON. They ought to be able to purchase locally the whole thing and give up the purchasing agency if they are going to pay twice as much.

Mr. STAATS. I might interject here and say that we see great problems in the Federal Supply Service, generally beyond the area of Federal drug procurement. We have studies going on now in our Procurement Division, looking at the operation of the Federal Supply Schedule. We think there are very serious problems.

Senator NELSON. Well, to me it is just incredible to end up paying twice as much off the Federal Supply Schedule as you would have on the local purchase where the highest price logically should be.

Mr. STAATS. There has been a general presumption—and this is the substance of the issue that we are looking at—that an item on the Supply Schedule which normally carries a 10 or 15 percent discount is a good buy. In many instances we think you can get a much better buy by competitive bidding; and this is the issue that we are looking at generally with respect to the GSA's procurement supply program.

Senator NELSON. Are you also looking at the question of the specifications that will be drawn in competitive bidding by the Federal