

it approves generally of this collaboration with the single qualification that, in its view, "competition on price is desirable". The Ministry does not control insulin prices or investigate costs of production. The Ministry of Health has also told us that, with pancreas supplies at the present level, it would not encourage new entrants to the insulin field as it considers that the present manufacturers make the best use of the available material.

87. The Ministry of Food has told us that it considers that Burroughs Wellcome has made a satisfactory job of the pancreas buying arrangements.

88. The Director of the Department of Biological Standards of the National Institute for Medical Research has said that he has a high opinion of the B.I.M.'s work, both in research and in other fields connected with insulin production. Dr. R. D. Lawrence, Physician-in-Charge of the Diabetic Clinic at King's College Hospital, and Chairman of the Diabetic Association, has told us that the quality of British insulin is first-class, that he has the highest respect for the members of the B.I.M., and that the Diabetic Association has always found them most helpful and co-operative. Dr. Lawrence has also told us that, in his view, the United Kingdom market is adequately supplied and the importation of additional brands would only cause confusion.

89. The sixteen hospitals to whom we addressed some enquiries expressed general satisfaction with the present insulin position. One hospital said it would welcome British production of a particular additional type of insulin or, alternatively, greater facilities for importing it, and another that imported insulin would not be welcomed unless it had the "effect of producing a general reduction in price or the introduction of improved varieties of insulin".

90. We have not made a detailed study of world insulin prices but such information as we have obtained and the views of a number of witnesses support the statement made to us by the B.I.M. that insulin prices in the United Kingdom are now the lowest in the world, with the possible exception of those charged in Scandinavian countries.

CHAPTER 8 : CONCLUSIONS

Conclusions as to the Conditions defined in the Act

91. We are required by our terms of reference to report whether the conditions to which the Act applies prevail as respects the supply of all forms and preparations of insulin. In the circumstances of this inquiry, conditions to which the Act applies (vide Section 3 (1) of the Act) prevail if at least one-third of the goods which are supplied in the United Kingdom is supplied either (1) by one person or (2) by two or more persons who so conduct their respective affairs as in any way to prevent or restrict competition in connection with the production or supply of the goods.

92. As was stated in Chapters 1 and 5, more than one-third of the insulin supplied in the United Kingdom is supplied by Burroughs Wellcome & Co. There can, therefore, be no doubt that the conditions of the Act prevail so far as supplies from this Company are concerned. The conditions of the Act prevail as regards the other participants in the B.I.M. arrangements if, and only if, these arrangements are of such a nature as to prevent or

restrict competition. One of the participants has questioned whether the conditions to which the Act applies do in fact prevail, on the ground that the arrangements do not result in any restriction of competition.

93. The B.I.M. collaboration in the production and supply of insulin is described in Chapter 5. The arrangements made by the collaborators certainly have some effect on competition in the sense that there is some modification of the state of affairs which would prevail if they competed without any collaboration at all. The collaboration does not destroy or prevent competition, nor does it restrict competition to any substantial extent. Nevertheless, the modifying effect of the collaboration is in the direction of restricting competition between the participants; and we are of the opinion that the conditions of the Act prevail, not only as regards Burroughs Wellcome & Co. but also as regards all the participants in the B.I.M. arrangements, though as regards the latter the case is near the line. It is, therefore, our duty to state whether or not, in our view, these arrangements operate or may be expected to operate against the public interest.

Conclusions as to the Public Interest

Burroughs Wellcome & Co.

94. Although the position of Burroughs Wellcome & Co. is, in relation to the Act, legally different from that of the other participants, this difference has no practical significance and, so far as the public interest is concerned, the arrangements between all participants in the B.I.M. should be considered as a whole.

The B.I.M. and the Distribution of Insulin

95. We have explained in paragraph 4 that the only traders who may sell insulin by retail are registered pharmacists. We have described in paragraph 73 the wholesale list arrangements operated by the B.I.M. and in paragraph 64 the arrangements for resale prices made by the individual companies. We have explained that, as a consequence of the National Health Service arrangements, these prices are only charged on a very small proportion of total retail sales. We do not find that these arrangements made for the distribution of insulin operate or may be expected to operate against the public interest.

The B.I.M. and Insulin Production

Pancreas purchase and allocation

96. The arrangements for pancreas purchase are in our view efficient and satisfactory. There can be little doubt that the system adopted for the co-operative purchase of overseas glands and the care taken to improve and maintain the standard of gland treatment in slaughter-houses in the United Kingdom have led to important savings in costs and increased production of insulin. We are impressed by the researches now being made by the B.I.M. to find new sources of ox-pancreas. We regard some allocation system as a corollary to the co-operative purchase arrangements, and the arrangements for technical collaboration. We find the one now operated unobjectionable in the present circumstances of the industry, although some alteration might be desirable if the pancreas supply position altered.

Technical collaboration

97. We are impressed by the extent and thoroughness of the technical collaboration between the members of the B.I.M. and by the increase in insulin yields which has resulted from it. We draw particular attention to

the value of this increase during the war years. We have already indicated, in Chapter 6, the extent to which increases in yield have offset increases in pancreas prices. We note, too, the improvements the B.I.M. have introduced in the way of packing and presenting insulin and in formulation, and the extensive programme of general research which they are now carrying out.

Prices and Profits

98. In view of the close technical collaboration between the manufacturers, the understanding between them that one manufacturer should not alter his insulin prices without first informing the others does not appear to us to be unreasonable. We have recorded our impression in paragraph 90 that the level of British insulin prices is generally lower than that ruling in other countries and described in Chapter 6 the levels of profits of the British insulin manufacturers in recent years. We suggest that the Ministry of Health in England and Wales, the Department of Health for Scotland, and the Ministry of Health and Local Government for Northern Ireland, as in effect the principal purchasers of insulin in the United Kingdom, should take note of these prices and profits and should exercise in the future such supervision as may appear to them to be necessary.

Collaboration with Overseas Manufacturers

99. We have considered the question whether the B.I.M. members' collaboration with each other might not be at the expense of their individual collaboration with overseas manufacturers and result in loss of process information and, possibly, of commercial advantages. In the case of the American negotiations outlined at the end of Chapter 3 there were occasional differences of opinion on details between the members of the B.I.M. There is, however, no reason to assume that any individual member of the B.I.M. would have been able to come to terms. It does not seem in any event that the American manufacturers were in a position to offer much in the way of technical information. The fact that the B.I.M. arrangements do not preclude agreements with overseas manufacturers is shown by the negotiations which have taken place with the Nordisk Insulinlaboratorium for the manufacture of N.P.H. Insulin. In any event the very real advantages of collaboration among the insulin manufacturers in this country outweigh the advantages that might arise from any hypothetical collaboration between an individual British manufacturer and overseas manufacturers.

Imports

100. The fact that there have been no commercial imports of insulin since the war is not the responsibility of the B.I.M. It may well be that the level of their prices has made imports of the types of insulin already available here an unattractive proposition. With regard to types of insulin not already available here we have noted the action taken by the Ministry of Health in the case of Di-Insulin Novo and their expressed preference, in the case of new and desirable types of insulin, for home manufacture rather than import.

Final Conclusion

101. We have already cited in Chapter 7 the opinions, commendatory almost without qualification, of a number of authorities as to the quality of British insulin and the collaboration of the manufacturers. In our opinion the present position of the members of the B.I.M. as sole insulin suppliers in this country is due principally to their efficiency, enterprise and experience. Their position is, however, supported by the technical difficulties of insulin

production, the legislative requirements for manufacture and import, and the limited raw material supplies. We find that the arrangements now made by the British Insulin Manufacturers, individually and collectively, for the supply of insulin operate and may be expected to operate in the public interest and we do not recommend that any of them should be discontinued.

R. H. A. CARTER (*Chairman*)

G. C. ALLEN

C. N. GALLIE

FREDERICK GRANT

I. C. HILL

JOAN ROBINSON *

H. L. SAUNDERS

GORDON STOTT

JOSIAH WEDGWOOD

R. E. YEABSLEY

WILLIAM HUGHES (*Secretary*)

31st July, 1952.

* Mrs. Robinson was unable to attend the meeting at which this report was signed, but she had signified her agreement with it and authorized the affixing of her signature in her absence.