

Our pricing should also provide an average, long-run corporate-wide, after-tax return on stockholders' equity at a rate at least equal to that of the pharmaceutical industry as a whole, since we require earnings to support continued corporate growth and to compensate investors for the use of their capital.

All of this is evaluated against a background of the high risk involved in bringing a new pharmaceutical to market.

We consider the expected response, based on analysis of value of the product to the user, as compared with the value and price of alternatives he may have. We attempt to forecast the attainable sales volume for the product at various possible price levels, and at various times during the expected product life cycle. We give thought to the significance of the product with respect to our entire product line and its effects, if any, on the prices, sales, and profit margin of our other products. And, finally, we consider the magnitude of the investment required and the degree of risk we undertake.

These are broad principles—and like all broad principles, there are exceptions. We make exceptions under certain circumstances; for example, where economies in production or marketing are attainable in serving certain types of customers and where making a product available at a special price is expected to result in increased long-term usage.

There are also situations where we believe we have an obligation to provide vital drugs in rare and unusual conditions, even though they must be provided at a loss.

In pricing Meticorten and in our periodic review of its price, we have sought to apply these principles. Throughout the entire period that we have been marketing Meticorten, prednisone has been generally available to the public from a number of sources, and for the last 8 years, at a wide range of prices, so that the carrying out of our business judgment in this respect has in no way been in conflict with the public interest, but in fact, has served to advance it by enabling us to continue the creative development of the compound itself, and of succeeding therapies.

Many physicians prescribe Meticorten, knowing that prednisone is available at lower prices. We think there is sound reason for their doing so. We think Meticorten is the best product—the one fully proven in patients and the most carefully prepared and controlled. Their experience has confirmed this. They continue to prefer Meticorten for their patients, despite its higher price. We think they are right.

Schering Corp.'s annual report for 1966 indicates that the application of this pricing policy has not resulted in excessive profits. Over the past 5 years, Schering has averaged a return on investment which is slightly below the median for the industry, and certainly not out of line with the risks and competitive situation with which it is faced.

We have on a number of occasions considered reducing the price of Meticorten tablets and have consistently arrived at the conclusion that this would not be sound business economics, given the nature and scope of the services the medical profession and the public expect from us. As I indicated earlier, the volume of Meticorten tablets and the sales of Meticorten tablets are such that any substantial reduction in the price to meet the generic price level would simply mean that we diminish our capacity to provide these services.