

I am sure you understand that the manufacturers of many different types of products cannot sell directly to all end-users, and, as a result, the prices paid by end-users will vary. In addition to direct sales to large-volume users, it is essential that Roche sell through drug wholesalers and retailers in order to serve adequately all of the small-volume purchasers. We, of course, have no control over the prices charged by other persons who distribute our products after we sell to them.

2. The information you received from the City of Philadelphia stated that Philadelphia paid \$18.50 for 500 25 mg. chlordiazepoxide hydrochloride capsules. Our contract with Philadelphia signed on June 12, 1967, in fact specifies a price of \$28.50 per 500 25 mg. capsules for a quantity in excess of 100,000 capsules. The price quoted in the statement, namely \$18.50, refers to bottles of 500 10 mg. capsules for a quantity in excess of 250,000 capsules. In addition, it was stated that New York City paid \$28.50 per 500 25 mg. capsules of chlordiazepoxide hydrochloride. That was our previous price to New York City. The current contract, which was effective October 1, 1967, calls for \$25.50 per 500 25 mg. capsules, based on a quantity in excess of 500,000 capsules.

3. The statement noted that the Defense Supply Agency paid \$13.20 per 500 25 mg. capsules of chlordiazepoxide hydrochloride. Actually, the price of \$13.20 per 500 capsules is for 10 mg. capsules under a contract for over 20 million capsules. Our contract with the Defense Supply Agency for capsules of the 25 mg. strength calls for a price of \$24.00 per 500 capsules in a total purchase of over 3,000,000 capsules.

4. Your information that Philadelphia got a better price than the Veterans Administration for 25 mg. capsules of chlordiazepoxide hydrochloride is incorrect. As noted above, Philadelphia paid Roche \$28.50 per 500 25 mg. capsules, based on the purchase of over 100,000 capsules. The Veterans Administration paid \$21.75 per 500 25 mg. capsules based on a contract purchase of over 5,000,000 capsules. As can be seen, the Veterans Administration pays a lower unit price for capsules of the equal strength because it buys in greater volume.

5. The article also states that "Los Angeles paid a premium price even though it bought three times the quantity Philadelphia bought." This statement is incorrect. As the following table shows, for 10 mg. capsules Los Angeles paid Roche a lower price based on a quantity purchase of over 1,000,000 capsules than Philadelphia paid based on a quantity of over 250,000; and for 25 mg. capsules Philadelphia paid Roche \$28.50 based on a quantity of 100,000 and Los Angeles paid \$25.50 based on a quantity of 500,000:

Philadelphia	
10 milligrams-----	\$18. 50
25 milligrams-----	28. 50
Los Angeles	
10 milligrams-----	16. 50
25 milligrams-----	25. 50

6. The prices listed in the article for the cities not covered above are also consistent with Roche's policy of equal prices for government buyers which purchase equal quantities of the same drug from Roche. The cities of Wichita, Kansas; Newark, New Jersey; and Grand Rapids, Michigan, all have paid \$39.60 per 500 capsules of the 25 mg. strength of LIBRIUM. This is the Roche price for a bottle of 500 25 mg. capsules, to direct government purchasers who do not buy large sizes, such as the bottle of 5,000 capsules, or annual quantities large enough to justify a contract purchase.

B. Sulfisoxazole

The statement and price table of December 19 also contain information on sulfisoxazole which we believe may lead to some erroneous inferences and therefore further explanation.

1. In regard to the City of Des Moines, the table states that the city paid \$25.30 per bottle of 1,000 0.5 gram sulfisoxazole tablets. Roche does not sell this product directly to Des Moines. Purchases of Roche's sulfisoxazole by the City of Des Moines would have been from a wholesaler or retailer, or Des Moines may have purchased sulfisoxazole from another company.

2. The table quotes a price of \$6.90 for a bottle of 1,000 0.5 gram sulfisoxazole tablets to the City of Philadelphia. The current Roche contract for sulfisoxazole with Philadelphia, dated June 12, 1967, calls for a price of \$9.00 per bottle of 1,000 tablets based on a quantity of 1,000,000 tablets.