

other class of customer. Typically, the DPSC procurements account for a small share of the total market for the specific item. The DPSC individual purchases, however, are generally much larger than the average quantity sold to commercial customers.

The pricing technique employed to ascertain whether the prices offered DPSC are fair and reasonable involves a comparison of the offered prices with the catalog prices and the prices paid by commercial and other customers. Where the quantities procured by DPSC under its purchases are comparable to the average quantities sold to commercial customers, the pricing job is not too difficult. However, as in the typical situation, DPSC purchases generally involve quantities which are larger than the average quantity sold to commercial customers. The problem of deciding whether the prices offered DPSC are fair and reasonable under this circumstance is much more difficult.

In order to resolve this pricing problem, DPSC has been meeting with the drug manufacturers to obtain additional information as to their pricing philosophies and concepts. Although the drug manufacturers are adamant in their refusal to divulge costs of manufacturing their products, they have indicated that the larger DPSC purchases are considered when