These not-volume dependent expenses can be allocated in a manner reflecting the strategic (and political) view of the decision makers. Most of them used to allocate costs to any produced unit irrespective of its final destination. At the other extreme, some companies have accepted to more or less fully allocate these fixed costs exclusively to these segments of the market where a solvent demand makes the business nevertheless (highly) profitable. This allows to offer to the poorest segments of the market a price closed to or even equal to the marginal cost. Whenever possible, any additional margin would allow a real profit, although the price offered may remain much lower than the average fully loaded cost of a single produced unit. This approach has largely been used by the vaccine industry, leading, because of the specifics of this industry, to price differences of several magnitudes (1 to 50) perfectly justifiable.

This reasoning has however several limits.

The first one is of economic nature : the above described way of calculating costs (and prices) applies to a full extent as long as there are free production capacities. If it is not the case, the costs of an additional investment have at least to be taken into account (investment, financial and opportunity costs). However, experience shows that the biggest obstacle to the management accepting these increased expenses lies in the competitive allocation of resources within the company, which again implies that a socially responsible approach of the issue at least balances the cold economic one.

The second limit is of political nature : If industry has to get what it considers as an altogether acceptable return on investment, the rich market segments, which will secure this return on

investment, will have to endorse or even support the resulting possibly substantial price differences. From individuals as well as from social security institutions, this is not a spontaneous behaviour, particularly when the economic base of the policy is not analysed, nor understood. Past experience documents the fact that this becomes almost unacceptable when the product is in a kind of monopoly position on the rich segments of the market, which immediately leads to the concept of abusing a dominant position, even when it is a real social contribution to the common good.

Similarly, the customers whose wealth lies in between the extremes, must secure their part of the profit generation. Remembering that they were not so long ago belonging to the poor segments of the market demand, they (individuals as well as countries) tend to use the emotional route, or try to bargain volumes for prices to get the lowest possible price. There lies probably the most difficult part of the system : because of the often substantial difference of volumes necessary to fulfil the needs of the industrial world on one side, and the developing countries on the other side, unrealistically high prices would be necessary from the rich customers alone to make the whole approach work. The intermediary countries have to do their part of the common job.

The last important obstacle lies in the currently politically correct concept of free-trade enforcement. Any producer will put as a conditio sine qua non for endorsing these concepts the guarantee that these products which are voluntarily low priced would not come back and be reimported into the most solvent segments of the market. Parallel imports are irremediably irreconcilable with a strategy of tiered prices. While this constraint has never been too much of an issue in the vaccine industry, it may be more difficult to overcome in the rest of the pharmaceutical industry. Technical solutions such as differences in presentations, colours,

packaging, or special marking of products already exist to prevent reimport and could be further expanded, should the corresponding political will prevail. The issue may be more difficult to address when differently priced segments exist in the same country.

Supporters of a tiered prices strategy certainly do not pretend that it represents the only solution to the question of easier access to products through price reduction for the poor. It however certainly represents a very important contribution to the solution. One could even wonder whether the world, and the pharmaceutical industry, can afford not to endorse and develop it : without such a strategy, poor countries will never be able to access to new products unless mandatory licenses or abolition of industrial property rights are used to allow generic firms to serve to some extent this demand. It is certainly not in discouraging the research-based industry, which is knowingly the only one to take the risks and develop new products, that more research expenditures will be dedicated to the needs of the developing world.

On the other side, it becomes more and more obvious that industry has to consider a socially acceptable trade-off between values and value if it does not want to give course to irresistible, destructive but understandable reactions.

When this approach is accepted as it has been by the Global Alliance for Vaccines and Immunization (GAVI), it will become more evident that this is only one (minor ?) part of the way to bring more equity into our world : the international community will then unavoidably have to find the necessary resources and the developing countries, while doing their part of the financing, will have on their side to justify certain priorities which certainly do not

currently favour the well being of their citizens, and facilitate through the appropriate infrastructure the material access to health care in general, and drugs in particular.