

Pulling the Covers on Contempt

On January 16th, 1991, a letter titled "Our Commitment to Unity" was signed by Stuart Tooredman and George Hollahan for the World Service Office (WSO), and David Moorhead, an NA member. This letter mentions a course of action to fulfill the court order regarding a lawsuit that was brought against the NA member by the WSO. A short time after signing that letter, around March 20th 1991, the office distributed the following information in their Annual Report. The report illustrates the attitude the WSO had toward the court order and the way they began their report in the 1991 Conference Agenda Report (CAR) reinforces the point. They were instructed to include three motions in the CAR report concerning the lawsuit they brought against the NA member. In fact, this is the way Stuart Tooredman, the Chairperson of the WSO Board of Directors began his report. "The WSO Board of Directors does not have any new motions for you to consider at WSC '91." This seems extremely arrogant to present the following three motions - as a result of the lawsuit they brought against an NA member - for a vote in the way they did. Disregarding the Court order to present the issues to the NA Groups not the WSC is what is commonly called Contempt of Court. The NA member died prior to getting a "Motion to Enforce or Vacate and Preliminary Injunction," against the WSO for their Contempt. With the death of David Moorhead, nobody had "standing" to hold the WSO in Contempt of the Court Orders. Presumably, the WSO which is now known as Narcotics Anonymous World Services (NAWS) would be held in contempt if they were to seek legal action against individuals printing the 3rd Edition Revised Basic Text with the 4th and 9th Tradition essays found in the 2nd Edition, commonly called the Baby Blue.

Here are those three motions:

#13 That the fellowship reconsider its decision on which edition, or parts thereof (First, Second, Third, Third Revised, Fourth, or Fifth), of the Basic Text shall be produced and distributed by the WSO as the official and accepted text of Narcotics Anonymous.

In order for this motion to be considered, a description of the differences between the respective editions will be sent to each registered area and region, along with a copy of the complete Basic Text Third Edition, Revised. It is expected that the WSC will rescind the motions adopted in 1988, which adopted the Fifth Edition as the Basic Text, as well as the motion restricting any change to the text for five years.

#14. That the WSO produce, at a reduced price, the edition of the text ratified by the WSC. The actual price of this text should be determined in view of the following factors: its affordability to the membership at large; a change in the cost and quality of the materials used in producing the book; the responsibility of the WSO to provide services from the income generated by sales of the Basic Text; and whether it includes personal stories or only the first ten chapters.

#15. That the WSC be directed to obtain a group-by-group tally of all the groups registered with the WSO, on Motions 13 and 14 above. This procedure will begin on July 1, 1991 and continue through December 31, 1991. All the registered groups shall receive a copy of a paper detailing the differences between the editions of the Basic Text, and a complete copy of the Basic Text Third Edition, Revised. In addition, each group shall receive complete information concerning the issues relevant to a reduction in the price of the ratified text.

The committee appointed to supervise this tally shall consist of the following: four RSRs, to be nominated by the entire group of RSRs in attendance at the 1991 WSC; two trustees to be nominated by the members of the World Service Board of Trustees; two WSO directors, to be nominated by the directors of the WSO; and the WSC Chairperson. Those nominated by the RSRs, trustees, and directors, respectively, are to be submitted to the World Service Conference in 1991 for confirmation by two-thirds published roll-call vote, failing which, those not confirmed shall be replaced by others nominated by the RSRs, the trustees, or the directors, respectively. Two members of the WSO staff shall also be assigned as nonvoting advisory members. The results of the group-by-group tally shall be published in the *Fellowship Report*, and confirmed as official at World Service Conference in 1992.

Anonymous

Dec. 18, 2014

(All of the following information is word for word from the following document)

World Service Office - 1991 Annual Report

Greetings from the board and staff of your World Service Office. This year, the WSO annual report will be presented in four parts. The opening report comes from the WSO Board of Directors. Our report will focus on the ideas that have shaped World Service Office administrative policy over the last year. Part Two details the activities of the WSO Fellowship Services Division. Part Three describes WSO Support Services Division operations. Our financial report to the conference is Part Four.

The WSO board chairperson and both division directors will make presentations on behalf of the World Service Office at next month's World Service Conference, so that all aspects of office operations can be described as accurately and completely as possible. This will also give conference participants the opportunity to have different kinds of questions answered by the person most familiar with the subject at hand.

In past years, this report has not been available until the World Service Conference. By sending our annual report to you about a month prior to the conference, we hope to give you greater opportunity to study the material contained in it before we meet in Van Nuys. We look forward to an open dialogue with all conference participants on all aspects of World Service Office policy and practice.

In service to Narcotics Anonymous,
Stuart Tooredman, Chairperson
WSO Board of Directors

LEGAL ACTIVITY, INTELLECTUAL PROPERTY

The World Service Office has spent a great deal of energy this year focusing on legal issues related to the fellowship's "intellectual properties." *Intellectual property* is a legal term used to describe things like copyrighted literature (such as the N.A. Basic Text) and registered trademarks and service marks (including the Narcotics Anonymous name and logos). The decisions our fellowship has made over the years concerning its intellectual property can be found in the records and minutes of business meetings held at the early World Conventions, World Service Conference minutes and reports, world-level committee handbooks, and the *Temporary Working Guide to our Service Structure*. However, no single document gathers all those separate decisions together in one place, clearly spelling out the details of how N.A.'s intellectual property is administered: where it comes from, how it is approved or revised, who owns the copyright, trademark, and service mark registrations, who the registered property owners are responsible to, what can be done with the intellectual property, and how the money generated by the intellectual property should be used. It's true that, last September, we released a paper, "A Report on the N.A. Literature Trust," recounting the various decisions our fellowship has made concerning its intellectual property. However, that paper was simply a report of earlier actions; it was not itself a trust document that had been discussed and approved by our fellowship. Had such a document been in existence, this year's Basic Text controversy might never have occurred.

The WSO Board of Directors operates with the understanding that, as the fellowship's primary service corporation, the World Service Office is responsible to register and protect N.A.'s intellectual properties and to publish and distribute N.A. literature, subject to the direction of the World Service Conference. We understand the World Service Conference to be the body empowered by the members of Narcotics Anonymous to make those decisions which could affect the entire fellowship, including the approval of N.A. literature. To eliminate any further confusion, we will ask the conference in April to reaffirm these

general understandings in principle. At the same time, the World Service Office will present the conference with a trust document containing a description of N.A.'s intellectual properties and operational procedures for administering those properties. At this writing, that document is being developed in consultation with the World Service Board of Trustees and the officers of the World Service Conference. We will ask the conference to review and input the trust document for a period of six months. After factoring in the input, we will place the final version of that document on the 1992 agenda of the World Service Conference for approval by the entire fellowship. We believe this course of action will give us organizational tools our fellowship desperately needs to help limit conflict and remain focused on our primary purpose.

Another point of contention related to N.A.'s intellectual properties concerns the authorship of N.A. literature and its bearing on copyright registration. When a piece of literature is copyrighted, authorship can be cited in one of three ways: as an individual work, as a collective work, or as a work made for hire. An individual work, of course, is simply registered in the author's name. A collective work is copyrighted in the names of all the authors and editors who took part in creating it. A work made for hire, however, is registered in the name of the organization responsible for the work, no matter how many individuals actually took part in the project; for the purposes of copyright registration, the organization is shown as being the "author." So long as the project is under the control of, and subject to the approval of, the organization or agent which finally registers the copyright for the literary work produced by the project, work for "hire" may be either salaried or volunteered. Since all items of N.A. conference-approved literature are created under the auspices of N.A.'s World Service Conference, are approved by the conference, and are registered by the conference's corporate agent, the World Service Office, all pieces of N.A. literature are registered as works made for hire, showing WSO, Inc.; as the author. So that no further questions arise concerning the authorship of conference-approved, copyrighted N.A. literature, we have recently filed amplifications of our original copyright registrations describing the means by which each piece of literature was commissioned, developed, and approved for use.

As Narcotics Anonymous communities develop in more and more countries, our intellectual properties are being used more widely around the world. To insure that the fellowship's trademarks, service marks, and literary copyrights are adequately protected, the World Service Office has continued to register N.A.'s claims to these properties in those countries where fellowship-related activity is beginning. Anthony Edmondson will describe the details [below] of this activity in his report; however, a brief mention here of the significance of this activity might be helpful.

Narcotics Anonymous literature is translated by a variety of means. Sometimes it is brought to us by N.A. members from a particular country who have completed it themselves. In other cases, because the growth of the fellowship in some countries is initiated by a particular treatment center or therapist, the translation work is completed by a non-member treatment professional. In such cases, we often learn that the professional has already been utilizing the translations for their treatment practices. In most of the cases of this sort that we have encountered so far, these professionals have simply been trying to help us carry our message, and have not been attempting to appropriate our intellectual properties for their own personal or professional gain. The only major problems that have occurred in such cases have been when the translated material has shown the name of the treatment center or the individual professional in conjunction with the Narcotics Anonymous name, making it appear that the two are officially related in some way. Unfortunately, this happens in many cases and is not an exception. So long as we keep our intellectual property registrations current, we have means to remedy such problems in short order. Currently, we are registering our copyrights and marks in the South American countries in anticipation of the completion of the Spanish and Portuguese translations of the Basic Text. We expect that the copyright, trademark, and service marks will be fully registered in South America by the time those translations are complete.

In protecting the fellowship's intellectual properties, we have been involved in two court actions this year; both cases have been settled. The first case involved a Northern California company, Creative Arts. This company made copies of our Basic Text cassette tapes without our permission, marketing them with both the Creative Arts name and the N.A. logo on the cover. They also copied our recovery medallions. Upon investigation, we discovered other items in their inventory which caused us further concern. After repeated attempts to persuade this company to stop copying our materials, we filed suit in court. After lengthy proceedings, Creative Arts agreed to a settlement that required them to stop copying our Basic Text tapes, our medallions, and our logos, place a disclaimer in their catalogue, and pay some of our costs related to the lawsuit. The agreement also placed certain restrictions on their sales of other N.A. -related items, such as the medallions they purchase from us, plate, and resell to their customers.

The Creative Arts settlement did more than dispose of one of our most serious legal matters. In the course of conducting the research that led to the settlement, we discovered a process that will help us resolve a variety of problems related to the merchandising of products displaying the N.A. name or logo. This process is known as a "covenant not to sue." The covenant not to sue acknowledges the intellectual property rights of the World Service Office, and provides assurance that suit for the infringement of intellectual property rights will not be brought against someone, provided they meet our conditions for the property's use. This kind of agreement allows us to stay within our tradition of non-endorsement and protect the fellowship's intellectual property rights without having to sue anyone or become our own clearing house for N.A.-related merchandise. This has been a long-standing problem for our fellowship, and we hope this solution will resolve it. In his report [below], Anthony Edmondson will describe in greater detail the dynamics of the covenant-not-to-sue process and its potential benefits.

Our second intellectual property suit this year was related to the much-discussed unauthorized production of the Basic Text. This case was very complicated, and very difficult to address. The production and marketing of the Basic Text outside the recognized N.A. service structure was clearly an infringement of the fellowship's copyrights; that aspect of the matter was not an internal issue, but a matter to be settled in legal circles. We brought legal suit seeking a permanent injunction against continued infringement of the fellowship's copyrights and, as part of our settlement, procured that injunction. However, there were other issues behind the unauthorized publication of the Basic Text, issues that were clearly internal matters: conflict over the process by which the Basic Text has been approved and revised, and disagreement about whether we need a low-cost version of the text or some new products for the new member. The WSO Board of Directors does not believe it has the authority to settle these internal issues on its own; these issues must be settled by the World Service Conference. These conflicts have paralyzed us on several occasions, preventing us from moving forward in our delivery of services to the fellowship. Hopefully, the conference will be able to settle these problems once and for all by addressing Motions 13, 14, and 15 in this year's Conference Agenda Report.

As we leave our discussion of intellectual property matters, let us reiterate the importance of developing, as a fellowship, working documents that will allow us to function without impairment while still protecting our fellowship's intellectual properties. These types of organizational instruments, commonly used in dealing with the administration of intellectual property, are not restrictive, and will help us retain our focus on our primary purpose as we deal with the issues before us. Hopefully, in upcoming years, we will have such trust documents in place to help us avoid further diverting our energies in these areas.

LOW-COST TEXT, INTRODUCTORY GUIDE

Most of you are already somewhat familiar with the idea of producing a low-cost Basic Text. Later in this report, [below] a complete analysis of low-cost text production is provided; please refer to it for further details. That report describes some problems we have discovered with marketing such a book, including the impact publication of such a book would have on Basic Text sales. Those problems can be minimized if sales of the low-cost book are limited to fellowship buyers, manufacturing costs for the existing Basic Text are reduced, paperback Basic Text sales are increased, and across-the-board adjustments are made to our sales discount policy. Even given these measures, distributing the low-cost text would be a risky venture. Nonetheless, we would be prepared to take that risk. We believe that such a book would be very useful in carrying our message to indigent members in the U.S. and for use by developing N.A. communities in other countries.

After some preliminary consultation with the leadership of the WSC Literature Committee, we have developed an additional proposal: to publish a compilation of a number of already-approved works in a book aimed specifically at the newcomer. We might call such a book *An Introductory Guide to Narcotics Anonymous*. This introductory guide would be a pocket-sized book of about seventy pages in length. We have not yet determined the price we would have to charge for such a book. We would be able to class an introductory guide of this sort as a new product, with its own discount schedule. We think it unlikely that sales of such an introductory guide would cut substantially into Basic Text sales.

Keep in mind that the low-cost text and the introductory guide are two different books; each must be considered on its own merits. The low-cost text will give indigent individuals or groups, as well as N.A. communities in developing countries, an affordable version of our primary piece of recovery literature. The introductory guide is specifically designed to address the particular needs of newcomers. Remember that, although the introductory guide will contain *sections* of our text, the low-cost text *is* our text. In reviewing the information related to these two products, please consider the need as well as the financial effects. We intend to develop samples and production data for both the low-cost text and the introductory guide in time for your consideration at next month's conference, and hope you will carefully evaluate the merits of both books.

*Stuart Tooredman, Chairperson
WSO Board of Directors*

N.A. TRADEMARKS, SERVICE MARKS, AND THE "COVENANT NOT TO SUE" AGREEMENT

The Support Services Division director routinely administers the contracts, leases, insurance policies, consultation agreements, and sales agreements entered into by World Service Office, Inc. Although the executive director deals specifically with the registration of the fellowship's intellectual property and the primary negotiations of agreements, the Support Services Division director administers them.

One of the matters that confronted us during the year was the issue of what to do with the many vendors who use the registered trademarks and service marks of the Fellowship of Narcotics Anonymous in their products. The registered marks include the name *Narcotics Anonymous*, the stylized initials "N.A.," and the circled diamond. Our initial thought was to have our lawyers encourage each individual vendor to cease their use of our trademarks. However, this course would have given us a series of tough legal battles. This is because, so far, we as a fellowship have not taken sufficient precaution in using and protecting our trademarks and service marks.

Over the years, when groups, areas, or regions have asked about using the Narcotics Anonymous name or one of the registered N.A. symbols, our response has been that these service entities have always had implicit permission to use these properties. This implicit permission was then given to a vendor to

produce one item or another over the years. That response by the WSO has not reflected any specific decisions made by the fellowship on the subject, but has simply been our own response to questions about this issue at previous WSC meetings. We have not been able to find any specific action of the conference which addresses this issue.

Our groups, areas, and regions have contracted with vendors to produce posters, T-shirts, mugs, and other items displaying our name and logos. Because we did so without specifically restricting the vendors' use of the marks to production of the items we'd asked them to make for us, we have ended up in a position where many vendors can assert that we have given them permission to use the fellowship's trademarks and service marks whenever they like for whatever purposes they choose. We have found that, in some cases, these people have been actively using this property for years, thereby making it legally difficult to prohibit their use. Thankfully, this problem has arisen only in regard to our trademarks and service marks, and has not affected our literature or other items in the WSO inventory.

Quite honestly, we did not have a complete understanding ourselves of the significance of this issue until we became engaged in the Creative Arts lawsuit, spoken of already in the report from the WSO Board of Directors. In the course of that suit, we became aware that we should have been requiring all requests for use of N.A.'s trademarks and service marks to be in writing. By doing so, we could establish that we had taken the necessary steps to protect the fellowship's intellectual properties when dealing with outside vendors. The day may come when we will request that the conference adopt a motion to that effect. We currently impose that requirement for use of all our copyrighted literary property. Additionally, when asked in recent months, we have suggested that N.A. service committees or boards commissioning the creation of items using the fellowship name or logos insure that they retain the rights of ownership for all the artwork or drawings used in the process.

After going through the Creative Arts lawsuit, it became clear to us that unless we intended to stay in court for the next few years, some mechanism needed to be developed to deal with this situation. That mechanism is called the "covenant not to sue." This covenant is basically an agreement between us and the vendors who are using our property. The agreement allows vendors to continue selling items displaying our name or logos, provided the vendors abide by a written set of conditions. One of the conditions of this agreement requires the vendor to acknowledge the fellowship's rights of ownership of the trademarks and service marks. In this way, we will be able to protect the fellowship's rights without engaging in an endless series of extended legal battles.

In fairness, we must acknowledge that most of the vendors we have had contact with have been very open and willing to enter into this type of arrangement; in fact, virtually all of them have stated that this type of agreement is what they have wanted. Most of them have expressed their desire to work in cooperation with N.A., not in opposition to us. Over the last year, we have accumulated a file containing the names of vendors who have requested permission to use the fellowship's trademarks and service marks. Upon conclusion of the Creative Arts matter, we intend to enter into covenant-not-to-sue agreements with all of them, as long as they are willing to adhere to our conditions. Those that are not will be approached in an appropriate manner.

*Anthony Edmondson, Director
WSO Support Services Division*

REPORT CONCERNING THE MOTION FOR A LOW-COST BASIC TEXT

This year's WSC Motion 14 proposes "that the WSO produce, at a reduced price, the edition of the text ratified by the WSC. The actual price of this text should be determined in view of the following factors: its affordability to the membership at large; a change in the cost and quality of the materials used in

producing the book; the responsibility of the WSO to provide services from the income generated by sales of the Basic Text; and whether it includes personal stories or only the first ten chapters." In this report, we will examine the impact such a motion's passage might have on the World Service Office, local service offices, and the fellowship's overall ability to distribute N.A. literature. It is vital that conference participants discuss this issue in their regions, and then come to the conference with the ability to consider additional information and different perspectives before casting their vote.

As an aside, it may be useful to recall a similar motion presented to the conference four or five years ago. In 1987, the WSO studied a motion to reduce the price of the Basic Text and our information pamphlets by twenty-five percent. Such a price reduction would have resulted in a substantial loss of services to the fellowship, a loss not outweighed by the benefits individual members might have received from lower-priced literature. Our report on the matter was accepted by the World Service Conference.

BASIC TEXT SALES AND WSO INCOME

The World Service Office has only one major product: the book *Narcotics Anonymous*, our Basic Text. The World Service Office sold 291,278 English-language Basic Texts in 1990, both casebound and softbound, at an average discount rate of approximately 20% and an average production cost of about \$1 .96. After deducting discount and merchandise costs, 1990 text receipts came to about \$1,293,274.40, or close to \$4.44 for each book sold. This accounted for approximately 63.82% of WSO's 1991 income after discount and merchandise costs, which came to about \$1,993,093.65.

Basic Text sales are declining. Following its initial release on April 27, 1983, unit sales increased each year by about 125% for two straight years. From 1986 through 1989, annual unit sales growth rates dropped from 52% to 14%. Then, in 1990, unit sales dropped by 20%. As a result, the World Service Office posted its first annual net loss in 1990, income falling short of expenses by about 6.65%. Cost-cutting measures have been implemented which we believe will keep us from posting another net loss in 1991. However, the balance of WSO's 1991 budget depends on an increase of about 8% in unit Basic Text sales. If this year's unit text sales remain precisely at last year's level, and if WSO does not further reduce its operations, the office can expect to show close to a 2.5% loss. Therefore, we must view with some alarm any proposal the least bit likely to reduce unit Basic Text sales, unless the proposal also includes measures that would make up for lost text sales.

LOW-COST TEXT

Most of those we've heard urging publication of a low-cost text suggest that such a book need only contain Book One-the first 103 pages-of the Basic Text. Such a volume might be sold for around \$3.00. For the purposes of this report, we are roughly figuring the cost of merchandise for such an item at about 45 cents per copy. Because the title and substance of this book would be the same as the Basic Text we currently sell, we believe that we would have to offer customers the same discount rate we allow on other literature purchases, averaging out at 24%. (We'll talk more about discount rates later in this report.) Hence, the discount expense per unit would be about 72 cents. Income available from each book would be about \$1 .83.

IMPACT OF LOW-COST TEXT SALES ON WSO INCOME

As far as many of our customers are concerned, the low-cost text would be essentially the same as the text they currently purchase at a much higher price. If all the Basic Texts sold in 1990 had instead been low-cost texts, WSO income would have been reduced by about \$739,027.84. We do not expect the impact of a low-cost text to be this extreme, of course, since many N.A. members and other customers will continue to buy the Basic Text currently on our inventory. A certain unknown percentage of N.A. members can be expected to purchase one of the low-cost versions, and at some future point purchase

the Basic Text. However, be aware that if the actual impact of the low-cost text is only one-fiftieth as bad as the worst-case scenario described above, the World Service Office will begin showing a net loss.

We are fairly certain that our non-fellowship customers, who represent approximately 33.87% of all sales, would quickly begin ordering low-cost texts instead of Basic Texts. If our single largest customer had bought low-cost texts rather than Basic Texts in 1990, the resulting income reduction would have been approximately \$184,364.60. That kind of reduction, all by itself, would translate into something like a 4.66% net annual loss in the 1991 budget. In fairness, we must tell you that we do not believe the full impact of low-cost text sales would be felt immediately, but we have no way of telling how long it would actually take to feel the full effect. Since we might be adding another major book to our inventory in approximately two years, we may only have to look at surviving until that time. However, to bank on that, we would have to assume that the N.A. literature development schedule will be strictly adhered to over the next eighteen months or so, and that the World Service Conference will approve whatever is developed. Considering our history in that area, such an assumption would not be prudent.

REDUCED WSO INCOME, REDUCED WSO OPERATIONS

To judge the effect a substantial income reduction might have on World Service Office operations, we would suggest you examine this year's report from the WSO Fellowship Services Division, our 1990 income statement, and our 1991 budget. The loss of revenues in 1990 has already resulted in substantial cutbacks in the WSO's projected personnel and travel expenditures for 1991. Further losses will require further cutbacks in one or more of the following areas:

- 1) The European Service Office, providing literature distribution, public information, and fellowship communications support to N.A. communities in Europe. We project a loss of more than \$80,000 in 1991 for ESO operations.
- 2) Free or reduced-price literature to developing N.A. communities (e.g. India, S. America, Europe).
- 3) Accommodation of local fellowship short-term cash flow problems. Current policy permits us, under certain circumstances, to offer distressed N.A. communities terms that allow them to continue to purchase N.A. literature while they get back on their feet.
- 4) Literature sales discount policy, both for N.A. and non-fellowship customers. The highest discount rate for our largest non-fellowship customers is 40%; for the largest regional offices, 35%. Large reductions in these discount rates might increase our revenues, but would result in higher consumer prices for those who purchase from non-fellowship distributors, and would have a significant negative impact on regional offices who pay their operating costs from their literature markup. Additionally, substantial reductions in discount rates might result in lower-volume unit sales to these customers.
- 5) WSO Fellowship Services Division, conference support. Departments in this division provide clerical, research, and coordinating support for the World Service Board of Trustees and for the WSC Administrative, Public Information, Hospitals and Institutions, Literature, and Policy Committees.
- 6) WSO Fellowship Services Division, Special Projects Department provides development, composition, and editorial services for both halves of *It Works: How and Why, A Guide to Service in Narcotics Anonymous*, the N.A. daily meditation book, the *Newsline*, and the *Fellowship Report*. If this year's Motion 2 passes, this department will also provide services for the *Conference Digest*.
- 7) WSO Fellowship Services Division, general services. Such services include the N.A. Loner Group and its *Meeting by Mail* newsletter, *The N.A. Way Magazine*, group registration, distribution of free group starter kits, information for local service committees, and N.A. literature translation.
- 8) WSO Support Services Division provides administrative, accounting, personnel, database, customer order entry, production, warehousing, and shipping and receiving services.

In the final analysis, the World Service Office could cut facilities, equipment, and personnel back to the point where we only print, stock, and fill orders for existing N.A. literature. This would require one building and a manager, a bookkeeping/order entry clerk, and shipping and receiving personnel.

However, as you are well aware, this would be a very different kind of World Service Office than the one developed under the fellowship's guidance since 1982. We'll leave you to judge for yourselves what impact such a reduction in WSO services might have on the fellowship.

IMPACT OF LOW-COST TEXT SALES ON AREA, REGIONAL OFFICE INCOME AND OPERATIONS

So far, we have only discussed the impact on the WSO. However, there is a fairly certain impact that would occur in the general fellowship as well. Right now, area and regional service offices primarily exist on the margin between their discounted Basic Text purchase price and the amount they sell the book to their customers for. It is reasonable to presume that most would have to close if their revenue from text sales dramatically decreased. This would force areas and groups to purchase literature directly from the World Service Office, with increased order turnaround time and likely at an increased price. Those local offices that remained open would probably have to operate from smaller facilities, using exclusively volunteer staff, resulting in a likely reduction in the quality and timeliness of local literature distribution services.

A PROGRAM TO MITIGATE THE IMPACT OF LOW-COST TEXT SALES

In principle, we support the proposal to publish a low-cost version of our fellowship's Basic Text. We recognize the low-cost text's potential to increase our fellowship's ability to carry the message to more addicts. However, at the same time we discuss publishing such an item, we also have to seek ways to mitigate any negative impact such an action might have on other fellowship services. The following are six measures that should be taken in concert with the release of a low-cost text.

Measure One. The first measure has to do with the terms of sale for the low-cost text itself. We should sell Book One of the Basic Text, published with the same quality paper, binding, and cover you would find in a mass market paperback book, at a retail price of \$3.00. We should offer a maximum discount of 10% for large purchases of, say, more than 500 copies. Finally, we should sell the low-cost text only to fellowship buyers-NA members, groups, ASCs, RSCs, and local N.A. offices.

In order to be able to restrict sales of such a book to fellowship buyers only, we would have to negotiate with our largest non-fellowship customers. The U.S. Fair Trade Act requires that if a manufacturer offers one version of a product to all its customers, it must offer all versions of that product to all its customers. We would have to negotiate an agreement with our two big catalogue-house customers in order to be able to offer one version of the Basic Text only to the fellowship. We have a fair degree of confidence in the goodwill of both our major non-fellowship customers, and believe such negotiations would very likely prove successful.

Measure Two. We should reduce the production standards and costs for the current hardcover Basic Text, while continuing to sell the book at a retail price of \$8.00. When we began publishing the Basic Text, production standards were set at a very, very high level, giving our customers a book designed to last a lifetime. Some reductions in the production standards for the hardcover text could be affected without noticeably effecting the appearance of the text, and would significantly increase available revenues from each unit sale.

Measure Three. We should reduce the production standards and costs on the softbound Basic Text (Books One and Two) even further, publishing it in the mass market paperback format, and we should sell it at a retail price of \$6.50. Currently, we sell the paperback text for the same \$8.00 retail price as the hardcover book. Consequently, in 1990, we sold only 10,745 softbound texts--only 3.69% of total Basic Text unit sales. By offering the softbound Basic Text at a significantly lower price than the hardcover book, we would almost certainly increase paperback unit sales. However, even given an increase in sales volume, we would still have to substantially reduce the paperback publishing standards and costs in order to come out ahead. But since production standards for the softbound book we currently publish are exceedingly high for the paperback market, we believe we can do so successfully.

Measure Four. We should reduce the discount rate we offer our top non-fellowship customers from 40% to 25%, while simultaneously lifting their resale price ceiling. We believe that, by allowing these customers to set their own resale price for the Basic Text, they could eliminate the impact of such a reduction in their purchase discount rate. Such a reduction in the discount rate offered our largest customer last year would have brought in close to \$148,861.20 in additional income, reducing our 1990 net loss by nearly 58%.

Measure Five. We should reduce the discount rate we offer our top fellowship customers from 35% to 30%. In 1990, while the World Service Office posted its first annual net loss, most of these customers showed income surpluses. We do not believe a 5% reduction in their discount rate would drastically affect their ability to continue serving their regions and areas.

Measure Six. We should publish a compilation of already-approved N.A. literary items in a pocket-sized *Introductory Guide to Narcotics Anonymous*, offering the book to all our customers at the same price and under the same terms as the low-cost text. Such a book would be designed particularly with the needs of newer N.A. members in mind. We would naturally seek the assistance of the WSC Literature Committee in the selection of material for inclusion in such a volume.

Sales and printing costs would be about the same as for the low-cost text. However, because this introductory guide would be a new product, we could sell it under its own discount schedule. We would prefer not to offer any discount greater than 10% on this product. Income available from each book would be between \$1.25 and \$1.65.

Because, we believe, this product would not reduce Basic Text sales, the introductory guide would have no negative impact either on World Service Office income or local service center sales. In fact, a new item of this sort, aimed especially at newcomers, would probably generate additional sales income.

CONCLUSION

As we said before, we recognize the potential of a low-cost text to increase our fellowship's ability to carry the message to more addicts; therefore, at least in principle, we support the low-cost text. However, we must tell you that if the World Service Conference mandates production of a low-cost text without also supporting measures to mitigate the impact of low-cost text sales on WSO and RSO income, the conference will, in effect, be closing both down.

If the WSO's general financial position were better than it actually is, we might be more willing to take a drastic risk, knowing we had the resources in reserve to accommodate any dramatic shortfall in income. Unfortunately, that is not the case. Given the potentially grave impact, we have struggled to find a way to publish the low-cost text without placing the office at undue fiscal risk. We believe the six measures described at the end of this report move the risk involved in publishing a low-cost text from the "undue" to "acceptable" category of risk.

There are no certainties when examining this question, only the best opinions that we can muster based upon the facts at hand and our experience. We are confident that the participants of the World Service Conference understand that the issues surrounding a decision about the Basic Text may have a profound effect on our ability to provide service to the fellowship. We also have confidence that the fellowship can understand the issues and make reasonable decisions as a result. We sincerely believe that we have a responsibility to address the needs of the fellowship, and will implement whatever decision the World Service Conference makes. We only request that participants come to the conference with some flexibility as it relates to this very important decision.