

### Liabilities of \$7 Million Force Pacific Press to Sell Its Plant

by George Colvin

In an attempt to prevent the possible bankruptcy of Pacific Press Publishing Association, its board recently approved a plan to move the press to a new location. A new site has not been selected yet. Sale of the present 20-acre Mountain View site, independently valued at \$7 million, will help the press as it struggles to pay off its multi-million dollar debt.

The decision to move the 108-year-old institution came January 20, 1983, after the board heard the somber report prepared by a special committee appointed by the General Conference: Martin Kemmerer, former undertreasurer of the General Conference; Tom Miller, chief West Coast auditor for the General Conference; and Otho Eusey, an Adventist layman and owner of Eusey Press in Leominster, Massachusetts—a printing firm similar in size to Pacific Press.

This committee of three told the board, “Pacific Press has reached a point in its history where its indebtedness has become a crushing burden. As of November 20, 1982, the long-term liabilities plus the current portion of notes payable amounted to more than \$7.6 million, with the prospect of an increased indebtedness of \$1 million by June 30, 1983 . . . the press, which in the past only rarely made commercially viable operating gains, has since 1977 entered a period of marginal profitability and in some years actually made a net loss.”

A staggering list of expenses and problems support this somber message:

- Approximately \$2 million is outstanding in accounts receivable from the Inter-American Division, which is responsible for about 35 percent of the press’ revenue in recent years. However, the Inter-American Division has been badly affected in the recent decline in value of the Mexican peso. Other related financial problems for the press in its international publications include the start-up costs for the Spanish edition of the *SDA Bible Commentary*. The first two volumes alone cost Pacific Press about \$300,000 above the contributions to the project made by the South American Division, the Inter-American Division, the North American Division, and the General Conference. The press also recently spent over \$1 million to establish a branch printing facility in Montemorelos, Mexico. The future of this new press remains uncertain.

- Over \$1 million has accrued in costs for the settlement and attorneys’ fees in the 10 years of litigation between the press and the Equal Employment Opportunity Commission over what is commonly called the Tobler-Silver cases. The General Conference has decided to stop the costly appeals process and pay the litigants, thus ending the expensive 20-percent rate which was accumulating on the amount that the court originally awarded to the plaintiffs in 1979.

- Chapel Records, now the church’s only record-producer, incurred operating losses of \$300,000 in 1981–1982.

Heavy losses were sustained by some periodicals, especially limited-circulation foreign language periodicals and the health-oriented journal *Listen* (which alone lost \$673,455 between 1977 and 1982).

- Poor use of plant facilities and uneconomically high inventory have also con-

tributed to the press' current economic status. The press usually runs its two large web presses only one shift per day, four days a week. The standard printing practice is to operate web presses three shifts a day, seven days a week. Total press inventories rose from \$7 million in 1977 to \$12 million in 1982, including a stock of paper four to eight times as large as that of standard industry practice.

### *Genesis of Crisis*

L. L. Bock, chairman of the Pacific Press board and a General Conference vice-president, says the crisis at Pacific Press resulted from the lack of a business attitude that developed in the early 1970s when the press was financially secure. The strict business practices required in the highly competitive publishing industry were not carefully followed. For example, there was no tight budget, and realistic estimates for most jobs were missing. Books were producing losses which some former editors suggest were brought on by management's uncritical approach to the books' potential saleability. Pacific Press also lost some of its business, especially the Adventist academic books market, to the Review and Herald Publishing Association.

By late 1982, these events and practices had brought Pacific Press to the point of borrowing on a short-term basis to meet operating expenses, including payroll. The staff had been reduced by about one-fourth from 1980 to 1982, but the total debt still amounted to almost half of the gross annual income. Restricted cash flow soon made the press dependent on the General Conference for survival. In response the General Conference appointed an ad hoc committee to deal with the crises.

In January 1983, the committee set as objectives: (1) the paying off of the \$8 million capital and operating debt in five to seven years; and (2) the rebuilding of operating funds.

The committee presented five options to the board, ranging from continuation of the status quo (summarily rejected as financially

impossible) to complete liquidation and merger with the Review and Herald Publishing Association. Merger was considered perhaps the best solution from a purely financial viewpoint, but was rejected due to fears about overcentralization of North American Adventist publishing into one publishing house.

In the end, the board voted that Pacific Press would continue without a merger, but at another location less costly to maintain. This choice delighted the press' employees: it preserved the largest number of jobs and avoided merger with the Review and Herald plant with which Pacific Press employees felt a keen sense of competition. Guidelines for the move will be drawn from the church's recent experience with the Review and Herald Publishing Association's move to Hagerstown, Maryland. In preparation for the move, Pacific Press will hire a new financial officer.

Other changes at the press will include shifts toward a more business-like approach to publishing. The organization will be much less likely in the future to accept uneconomical assignments. Instead, bids will be secured from commercial printing firms on selected projects. If these bids are competitive, the work will be done "outside" on a contract basis. Use of contract printers represents a departure from the tradition of printing most Adventist literature on Adventist presses out of fear of using "secular presses."

The board's size will be greatly reduced, probably shrinking from 40 members to 13. New members will include a higher proportion of lay Adventists with business and printing expertise. The board will be charged with primary concern for the press' viability rather than for its customers' pocketbooks.

Foreign-language publications will be closely examined for efficiency, size and cost-effectiveness; unproductive operations will be eliminated. Most likely, the only exception will be the Spanish *SDA* and *Commentary* and *Listen*, though the press will not be expected to bear the losses on these operations.

One loss to the Pacific Press in the reorganization will be its publishing work for the Inter-American and South American divisions, which have been officially severed from Pacific Press' territory by an action of the General Conference executive committee. The \$2 million of debts owed to Pacific Press by various church organizations in the Inter-American Division will be covered partly by a payment of about \$850,000 from the General Conference and partly by direct collections for Pacific Press by the Inter-American Division. The General Conference payment will be charged as a loan to Inter-American Division. The Inter-American Division will become fully responsible for all church debts in the region owed to Pacific Press. The publishing association's operations at Montemorelos, Mexico, will either be transferred to the Inter-American Division or sold. Though Pacific Press will continue some printing work and most editorial duties for the two divisions, the loss of these customers may produce still further reductions in Pacific Press' workforce.

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## Indian Laypersons Run Independent Schools

by Helen Whitehead

In seven areas of Central India, away from large cities, Seventh-day Adventist laymen have been providing government-recognized education since 1970. More than 1,500 students attend these schools, known as the Good Shepherd Educational and Welfare Program, in grades from nursery school to high school.

The schools have a total of 63 employees, whose salaries come from enrollment fees,

church members and charity donations. The salaries are, however, about 20 percent less than those paid to national workers in official denominational schools in India. "Our employees are mostly SDAs," says J.C. David, Jr., director of the Good Shepherd Educational and Welfare Program (Ed-Wel), "but we've baptized several Hindu staff members. Our schools, our teachings, and the miracles surrounding our existence are a real testimony for God."

His project, founded in 1967 by his family and three retired SDA ministers, received governmental accreditation in 1970 and is governed by a 13-member, self-perpetuating board. Besides Director David and two of his brothers, the board consists of Adventist laymen, and the lay activities director and the ministerial activities director of the North Andhra section of the Central India Union.

Since the schools are designed to reach as many young people as possible, the tuition fees are low. Even so, poor students must receive scholarships.

In addition to the seven existing Ed-Wel schools, David plans to establish more schools and welfare centers. Those interested in the Ed-Wel program may write to the Good Shepherd Ed-Wel Program, P.O. Box 70, Khairatabad, Hyderabad-500 004, AP, India.

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## John's Apocalypse Becomes Worship Service

by Bonnie Dwyer

"The Apocalypse of John is now," began the *San Bernadino Sun's* story about a January worship service at the La Sierra Collegiate Church. Based on the book of Revelation, it was entitled "The Apocalypse as Liturgy."