

A Future for Consumer Co-operation
in Britain? The Debate Continues

C.W.S./C.R.S. RESTRUCTURING

Points (and Counter-Points)

from

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We are grateful that Mr. Round has allowed us to quote from the detailed arguments in his address to a meeting of the Metropolitan and Southern Regions of the S.C.S. these brief excerpts which introduce considerations not so far figuring prominently in the debate in the Bulletin.

1. "The topic of CWS/CRS restructuring and the question which is posed brings to mind how an enquiring child approaches problems, and asks the simple question - "Why", and that is the question we should ask on this drastic proposal.

I now refer to the document presented at the Tripartite Conference at Manchester, Saturday, October 2nd 1982, and no doubt you are all familiar with the contents.

Nowhere in this document, or other material available can I find a comprehensible definition of the term "restructuring". Probably the best guide to the intention of the sponsors of the proposal is offered by Dennis Landau, if you refer to page 3, the caption "Some of the main objectives of restructuring CRS and CWS", the most significant phrase is:-

"To achieve a complete identity of interest between the two organisations in procurement and marketing."

or to put it another way, "To achieve a state of vertical integration".

Let us pause there for a moment in order to examine the structures and practices of our most successful competitors. For example, Marks and Spencer and Sainsbury, two organisations to whom we so often relate. Consider how far their success stems from "vertical integration" and you will know that it does not. Indeed in the world of retailing flexibility and freedom of access to alternative sources of supply is an imperative ingredient of survival, let alone success.

In my opinion vertical integration should be treated as a noxious disease."

2. "The failure of the CWS to meet the aspirations of retail societies is long established. It stems of course from their basic functional difference and consequent clash of interests. (This does not mean we could not usefully exploit the inherent advantage of federal organisations so long as they remain manageable and under the control of their retail sponsors.)

Recognition of the conflicts of interest between the wholesale and retail societies led to the Joint Reorganisation Committee Report of 1965 and the setting up of the new Board structure in 1966. The fundamental problems to be tackled by the new Board are given on page 23 (iii) of the J.R.C. Report viz:

- (i) Acceptance by the CWS that its role is one of obtaining and organising the

supply of goods to retail societies on an agreed, co-ordinated basis with the principle of service rather than of profit as its guide.

- (ii) Acceptance by retail societies of the obligation to work together in the co-ordination of merchandise ranges and to give effective undertakings of continued trading support.
- (iii) Acceptance by both the CWS and retail societies of the need for mutual disclosure of all information necessary to -
 - a) enable co-ordination of merchandising to be undertaken;
 - b) check that obligations have been carried out;
 - c) assess, in the case of the CWS the adequacy of performance
- (iv) The replacement of market price by cost plus oncost as the basis of CWS charges to retail societies.

Each of the principles set down forms an essential part of the operation and could not be adopted or rejected in isolation. For instance, it would be unreasonable to expect the CWS to adopt (i) and (iv) unless retail societies give the undertakings mentioned in (ii) and (iii). No trading organisation can be invariably ahead of its competitors and CWS departments cannot be expected to pass on the benefits of their successes if retail societies do not cover them against the consequences of their less successful operations.'

The same problems are reflected in Rules 11 and 12 of the CWS (1981 Rules p.13):-

'11 Obligations of this Society

This Society shall use its best endeavours to co-ordinate the requirements of its corporate members and branches of the goods they respectively require for carrying on their business, so as to procure or produce such requirements for them on the best possible terms.

12 Obligations of corporate members and branches

So as to enable this Society to carry out its obligations in Rule 11 each corporate member and branch shall supply to this Society such full and detailed particulars of its sales and stocks of goods as shall be requested from time to time by this Society.

Each corporate member and branch shall purchase from this Society such of its requirements of such goods as this Society is able to procure or produce for it and in respect of which the conditions of supply when considered in total are no less favourable to the corporate member or branch than those obtainable by it from other sources of supply.' "

3. "My Society have responded to the request made by the Co-operative Union on the question of restructuring thus:-

"The Directors of the Colchester and East Essex Society withhold their support of the principle of restructuring of the CWS and CRS for the following reasons:-

1. They require tangible and quantified evidence to demonstrate that such a restructuring (merger) is a viable proposition.
2. They need to know, and be convinced that the Colchester Society would not be disadvantaged in any way in its financial arrangements and procurement terms if such restructuring was implemented.
3. They need to know of the proposed structure and method of monitoring and control which would be implemented.
4. They comment on the fact that the merging of the CWS/CRS would not in their opinion improve procurement terms, principally because it has been exhibited that Society Buying Groups can procure at better terms now. Evidence which refutes this opinion would be accepted by the Directors for their consideration.
5. The Directors are still of the opinion that the best interests of the Co-operative Movement would be served by the CWS pursuing its premier role, that of procurement and distribution and applying the principles agreed in the F.R.C. Report.
6. The Directors consider that in the best interests of the Co-operative Movement the Co-operative Union should exercise the mandate given to it at 1982 Congress and apply Rule 11."