CWS/CRS Restructuring

INTEGRATION – FOR WHAT?

by

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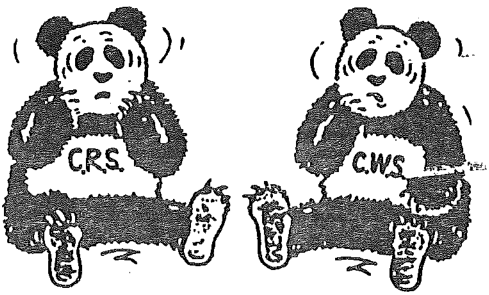
Power politics? A diversion? An irrelevance? Can restructuring really be used to solve our problems? With the detailed proposals for integration still shrouded in mystery, – as I write in January 1984, the "Bulletin" fulfills its worthy tradition by trying to bring important issues out into the open!

It is essential to be wary of the dangers of spending time discussing structure when **action** in our own backyards is so urgent. The talks have already been proceeding for over two years, with little to show for it.

Dangers of Distraction

All too often the Co-operative Movement wastes time on "structure" instead of getting on with the job in hand. In the 1977 debate on the Single National Federation – a very different cause – it was described by Mrs Gladys Bunn as "Bungling about with strcutures (which) will not bring us a pennyworth of extra trade". Arguments about a new super body with four subsidiaries (retail, wholesale, Bank and CIS) – "The New Society" is the current term in vogue to describe it – are distracting both the CWS and CRS from making themselves more efficient in a life and death situation.



**For a successful outcome,
BOTH must be in fine fettle.**

Is 8 to 35 the Right Balance?

In determining the composition of "The New Society" the size of turnover of the two Societies is not the right factor. It should be net output (i.e. value added) which measures the relative contribution of each. Much of the turnover of CWS passes through the Regional Distribution Centres (or warehouses) and even if their margins are excessive for what they do, they are still less than retail margins. Some goods are "invoiced through": a book-keeping transaction not requiring goods to pass through CWS hands at all. Retailers, on the other hand, have to hold and handle stock, and provide both shops and staff to serve individual shoppers. This is but one of the reasons why "The New Society", if it were to be launched, should not comprise 35 CWS directors and eight retail directors i.e a ratio of 4: 1 when a ratio nearer 1: 1 would reflect the contribution of the two parties.

CWS Trading

CWS management accept that their primary task is to improve the efficiency of their organisation. If instead they start seeking to protect their market by controlling their customers, this could lead to disaster. It is the productive end of CWS which produces virtually all the profits: tea blending (now providing half the total surplus) dairies, and farms: all activities with ominous clouds hanging over them.

The CWS explains the lack of profits outside production, the Bank and CIS as a policy decision to help the retail Movement – a euphemism which has been used by retail societies to support "the Co-operative difference" in their own retail accounts. But the retail Movement is less concerned about whether the RDCs are making profits, than whether the service is adequate and the costs are low enough: these costs are widely believed to be one per cent of turnover more than those of comparable retail controlled warehouses. There may be valid reasons for some of this difference, but not all. Lack of clear lines of authority (each side blaming the other for any short-comings) and managerial control leaves much to be desired.

CWS Democracy

What is wanted? What do we have? Restructuring on the democratic side within CWS is needed, because in the eight electoral districts, nominations can only come from the constituent Societies, and with past and recent mergers of retail Societies, some of the sections have become "pocket boroughs". Of the 35 seats on the Board, two are vacant. In the last three annual elections, eight candidates were elected unopposed, and 17 more were elected with virtually no opposition (e.g. six candidates for five vacancies). In 1981 no nominations were received for the Northern section vacancy. Voting, where it does occur, is national so the directors are accountable to everyone, and therefore to no-one. Because the CWS directors do not represent the Societies which nominate them "it does not follow by any means that a Society will vote in CWS meetings in accordance with the views of any nominee it may have on the CWS Board or vice-versa".

Two thirds of the CWS directors are chief officers, who have not been exposed to the rigours of re-election in their own Societies. They secure preferment both because the telephone overcomes the problem of the "no canvassing" rule, and because the nominating retail Boards recognise the value of pickings which might be available to their own Society from the contact with New Century House. Such official-dominated people, meeting twice a month, do not entitle the CWS automatically to regard itself as retail orientated. It is up to Co-operators to make it so.

The solution might be to have a smaller CWS Board, with voting within each section for its own representatives triennially by proportional representation. There might be a quota of Society officials (say one third) and meetings at the weekend to widen the field of lay members able to attend.

CWS Control of CRS

Children grow up: a mother gives birth to her babies, but once these children come of age it is no longer possible to control them. In the same way CRS is too mature an organisation to be reabsorbed into the CWS womb, which gave it birth half a century ago. Control by CWS with half the votes, and half of the seats on the Board, has become an anachronism, as has the CWS guarantee (see CRS rule 114) of all CRS loan and share capital, more than £200 million – too formidable a contingent liability for CWS to shoulder without itself going into liquidation. Cancellation of the 50 per cent voting power and the wholly unreal contingent liability should proceed forthwith: with dignity, and before each Society destroys the other.

CRS Management

For CRS management, freedom from the diversion of a merger with CWS would enable it to concentrate on finding solutions for some of the more urgent trading problems. Training of a managerial infrastructure is already wholly inadequate to deal with the problems currently existing in CRS let alone those in the queue of Societies outside seeking help. It is not without significance that it pays the government to spend millions of pounds recruiting one top chief officer for a nationalised industry. Other independent Co-operative Societies could help to provide management for their weaker brethren: good management is even more desperately needed than cash.

CRS Democracy

At the top, CRS democracy is fashioned on the CWS model as far as elections are concerned; sectional nominations by constituent regions, and national voting. Only in the case of London (and for a brief period, the South West) was there anything approaching direct elections. (It is anomalous that London Region can decide on its own representatives, and still have a say – not reciprocated – in selecting the representatives of other sections.) The lines of accountability for the retail elected directors are therefore somewhat tenuous (for the CWS appointees on the Board of CRS there is even less: they have to follow the CWS line*). It would be helpful to have direct election for each section of CRS and weekend meeting to open the Board to younger candidates. At the base level, much more needs to be done to improve the democratic process at meetings and on the regional and district committees – but that is too big a subject to start here.

What Can Be Done Now?

We have already suggested that CRS and CWS each needs to put its house in order, and their relationship modernised. Provided each party recognises that the other has a right to separate existence, they could work together as equals to deal with some of the very specific problems in the Movement.

The first of these is joint procurement. This would not be a painless exercise to either party, because there is no doubt but that staff duplicate each other's functions. A professional attempt to provide and succour new management for Societies which might thereby be enabled to maintain their independence could be matched with advice on sources for new capital.

*In Bulletin 25 Ben Parry wrote "never within my personal experience have (the CWS appointees) been mandated to adopt any particular stance on matters dealt with by the Central Executive". It would appear that this is not even true in the Central Executive today.

Note of the Author

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