BUZZ CO-OPERATIVE

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BUZZ CO-OPERATIVE

Buzz Bus Co-operative, Harlow, began trading as a 'hail and ride' public mini bus service on 1st October, 1988. The idea for a co-op took shape amongst drivers on strike against the London Country Bus company for whom they worked, on the picket line. The co-op was launched with fourteen staff - seven co-op members and seven provisional members - nine mini buses, a £250,000 lease deal and a £30,000 bank loan. Its successful start was undermined by severe competition from the bus company which almost resulted in the sale of the co-op to its competitor's parent company. Averting this crisis has led to Buzz becoming a reasonably secure and successful business venture, but failed to resolve underlying internal tensions about its management structure as a co-operative. Presently there are eighteen staff, all but two of whom are members.

This report arose out of CRU's interest in the increasing number of employee ownerships among bus companies. It is based on interviews conducted in December, 1991 and April, 1992 with members of the Buzz Co-operative. The report is organised into three sections: Business Development, Co-operative Structure and Management and Participation.
We would like to thank members of Buzz Co-operative and Harlow Co-operative Development Agency for their help and time in the production of this report.

1. Business Development

1.1 The Planning Period

After privatisation of the public bus services, London Country Bus had a monopoly on services in Harlow. It was one of the most financially unviable and badly managed bus companies and its parent company initiated severe restructuring. In this process drivers lost existing conditions of employment, which led to a ten day strike in February 1988. The idea for a co-op began as a joke on the picket line: "We could run it better than (the management) could." Keith and Jon, both being Labour and Trade Union activists, knew something about the philosophy but not the practice of co-operatives. They took the idea more seriously and contacted the local Co-operative Development Agency (CDA). Weekly meetings were set up, and from a fluid group of drivers initially interested, the seven founder members emerged.
With considerable assistance from the local CDA a business plan was drawn up for a limited mini bus service. The objective was to provide an efficient and reliable public bus service, as well as to provide good conditions of employment for the workers.

"The gloom and despondency that had settled over the (bus) industry was the very thing that Buzz stood above. It was an opportunity to make a go where others had failed."

The NatWest bank agreed a loan of £30,000 and a further £10,000 was raised by the founder members. Investigation was carried out into the best type of vehicle to use and a leasing agreement was reached for five years on a fleet of nine Mercedes buses. The lease deal for £250,000 required personal guarantees from six founder members, who used their own houses as collateral. A depot was found and other drivers from London Country were recruited. During this period, London Country found out about the plans for a rival company and three of those involved were sacked. An Industrial Tribunal ruled their dismissals were unfair because to meet outside working hours off the premises, for whatever reason, was no grounds for dismissal.
1.2 Starting Up

Buzz was launched at the Harlow Town Show and was extremely successful during the first six months of operation. The distinct yellow mini buses attracted their own publicity, and no other marketing was required once timetables were printed and distributed. For the first time the town had a flexible service operating on the estates, whereas London Country were mostly using traditional buses on the main roads.

As the established competitor, London Country were a company in decline using old buses, with poor driver morale and low customer satisfaction. They didn't really take Buzz seriously and reacted very slowly, a thing which helped Buzz get established. Buzz's friendly drivers and efficient service quickly gained 25% of the town's bus market and established customer loyalty, taking between £5-6,000 a week in custom from London Country. Drivers found work much more enjoyable now they were working for themselves. This contributed towards a "virtuous spiral" of good customer relations. Buzz soon reached its market targets and was running smoothly within its business plan. Two extra buses were leased by increasing the leasing commitment to
£330,000 and the number of routes expanded. This further increased London Country's losses.

### 1.3 Competitor Pressure

In the following spring (1989) London Country gradually began to respond to Buzz's challenge. They changed competing services to mini buses, increased the frequency of buses and copied Buzz's routes running three minutes in front of theirs and using a similar bus numbering system. Finally, in an attempt to squeeze Buzz out of the market, they introduced a jamming rota. Some buses were free to jump ahead of Buzz buses to poach passengers, while others impeded bus stops. By October 1989 Buzz's revenue was down one fifth. Now they were losing £1,000 a week instead of breaking even. The town was flooded with mini buses: from four buses an hour some routes now had fourteen! Despite this, Buzz still managed to break even in its first year of trading.

In December 1989 the chairman of London Country's holding company approached Buzz and proposed to buy the co-op. Buzz would continue to operate, but London Country and Buzz would no longer compete on the same routes. After several long General
Council meetings it was decided to sell. The reason was primarily the fear of personal liabilities if the co-op went bankrupt:

"They threw us a lifeline while we were floundering...there didn't seem to be any other alternative...Nobody wanted to sell it...it was just too big for us...they were the business people...they knew what they were doing and we didn't."

But amongst the directors, it was by no means a unanimous decision. Two directors - including a founder member - resigned. The negotiations had been kept secret from the rest of the workforce. When they were told, in mid April 1990, it was not until after the sale had been agreed, and "all hell broke loose". Non-members were angry and shocked because they hadn't been consulted; they felt let down. Three founder members, one who had left some time previously, one who had recently rejoined and a third who had resigned over the sale, contacted the CDA to find out what could be done to stop it. The CDA recognised the difficulties Buzz's directors were in and offered to help with loans and advice on a new business plan to allow the co-op to break even with less revenue. Within two weeks, on 2nd May, a meeting was arranged of all workers, and it was
agreed to overturn the original decision. (See section 3.2 for further details.)

The CDA provided a loan of £25,000 to meet the debts which had been incurred, and helped draft a new business plan. The employees' commitment to the co-op was crucial to the plan, as they agreed to work longer shifts for the same wage (although, as things turned out, there was no need for this.) The wage differential between members and non-members was also reduced. A streamlined schedule reduced the number of buses on the road from ten to seven, requiring fourteen drivers instead of nineteen. Administrative staff were reduced from two to one, and maintenance work was brought 'in house'. The reduction in staff was made possible without redundancies because several people left over the following months and were not replaced.

1.4 Under The New Business Plan

After the buy out was rejected, Buzz operated a reduced network of services that had been registered on the assumption that it was going ahead. Having thus reduced its costs and with a new cash flow, and now no longer subject to aggressive competition, debts incurred during that period have been cleared.
Since June 1990 Buzz has been operating within its budget and business has settled down to run smoothly. Currently 12 - 15,000 passengers are carried per week. Passenger loyalty remains as indicated by a low number of complaints - about one per month - and favourable feedback on drivers. Additional business is found from private hire work which now accounts for 5-10% of income per year. However this tends to fluctuate seasonally.

1.5 The Future

The period of crisis management is over and the co-op is looking forward to doing some long term planning. In two years' time vehicle leases have to be renegotiated and refinanced, and it is hoped that five years of successful operations will dissuade the bank from asking for personal guarantees again.

The co-op is looking forward to expansion. Substantial improvements and extension of the depot are soon to take place. In the medium future it could expand into holiday and excursion work. The school service provision is a lucrative untapped market for them, and an extension into this area is a possibility. In the longer term, a new estate is being built which will increase the size of the existing 'hail and ride'
market. The view that public transport will soon be back in political favour was expressed, giving rise to hopes of a brighter future for the industry generally.

2. Co-operative Structure

2.1 Staff

Buzz was launched with fourteen staff, seven members and seven provisional members. Before the financial crisis resulting from London Country’s intense competition, numbers expanded and peaked at twenty two. Presently there are eighteen staff: fourteen drivers (two on job share), one spare driver who doubles as a marketing manager, an administrator, a maintenance worker and a part time secretary. Apart from one woman driver and the secretary, all the staff are men.

Recruitment is largely done through word of mouth with all the initial staff being poached from London Country. Of those who wanted to join Buzz, only the most reliable were chosen.

Of the seven founder members, two have left and a further two left and have since returned, leaving three who have been with the co-op throughout. Of the
other seven original members of staff three have left, with another having left and returned.

At the first AGM five of the seven probationary members became members, of whom four became directors. The probationary period for non-members was one year at first. After restructuring this was reduced to three months.

2.2 Initial Structure

Buzz began with a two tier co-operative structure. There were fortnightly general council meetings attended only by the seven founder members, and separate monthly staff meetings for everyone. Members dealt with strategic and financial aspects without involving the rest of the workforce. Wage differentials operated between members and non-members. In order to recognise the extra responsibility and tasks undertaken by members they decided to pay themselves an extra £30 a week. Members also worked a six day week, whereas non-members worked a five day week. This meant members' wages were £250 per week and non-members £175. The latter was between £5-10 a week more than what London Country were currently paying.
The Co-op has an elected chairperson, treasurer and secretary; and officers or other members are delegated powers or specific tasks as deemed necessary. This remains the case after restructuring.

At the start, the co-op employed an administrator who was previously in middle management with London Country. He was not with the co-op long, and when he left the chairman and secretary alternated shifts as drivers and administrator before one of them took on the post full time.

A discipline sub committee was set up to deal with complaints about and by workers. It would also hear appeals if someone was to be sacked. Before restructuring such a decision would be taken by the general council, but now it would be by all the staff.

2.3 Revised Structure

After the buy-out dispute, the co-operative was restructured. Separate general council meetings were abandoned altogether, leaving the staff meetings as the only decision making forum. All staff are now party to all deliberations about the co-op and are free
to participate in discussions, but only members may vote. Wage differentials have also been scrapped.

Most decisions are made by consensus - at least with major business decisions. Most disagreements relate to work practice in the traditional areas of conflict between management and employees, such as job demarcation.

With the probationary period for membership reduced to three months, there is now very little formal hierarchy in the co-op. Being a director requires no particular function and bestows no favours (apart from the title). Nevertheless the directors tend to be those who take most responsibility for (and pride in) the co-op.

But, despite restructuring, informally Buzz is still in effect run hierarchically. It is generally recognised that the most influence is exerted (and greatest responsibility taken) by the three depot based workers (the maintenance worker, administrator and spare driver; the latter two also being respectively the co-op's secretary and chairman.) They are, by and large, running the company, generally with the support of others, but incurring a noticeable level of resentment amongst some (see below).
3. Management and Participation

The first six months of trading was a honeymoon period for the co-op. A sense of unity prevailed in the common cause to make a go of things and to thumb their noses at London Country. But the two tier structure of members and non-members soon began to show as a source of tension. The sell out crisis brought this out into the open, and the restructuring that followed the directors' U-turn enabled some of the differences to be reformed. But this has not put an end to the tension. Now it appears that a 'them and us' undercurrent ensues from the issue of whether people have their personal finances tied up in the co-op. Those that do have more invested in the success of the business. Those who don't are more interested in their rights as workers. The guarantors charge the others with not acting responsibly towards the business, and are in turn accused of acting like bosses.

3.1 The Start-up Period

In the start-up period there was a marked distinction between members and non-members. Six of the members had contributed capital, but more significantly they had personally guaranteed the
leasing commitment. The personal risk they had taken meant they were especially motivated and committed to the co-op's business success. All the additional work that needed doing to keep the company going was done by the members. They tended to think the non members saw it only as a job, with no personal investment in the company's success. The power rested therefore with them and they did not consult the non members over the business side of the co-op.

It appears, however, that non-members - or at least some of them - did feel they had an investment in, and commitment to, the business's success. After all, they had left secure jobs and it was also in their interest that Buzz should survive and flourish. Five of them were at least interested enough to become members at the end of the first year. Amongst the new members, some were getting fed up with "token co-operativism". It is clear that they had thought they were already more involved than they actually were, and that once they were full members and
3.2 The 'Sell-Out' Crisis

The resentments which non founder members were harbouring over the two-tier structure turned into outright hostility when the decision to sell the co-op was announced. All directors - including those who had been recently appointed - had been sworn to secrecy over the negotiations. Some were very unhappy about this. Harry, a founder member wanted to maintain the co-op idea on principle, because..

"..they (the directors) were going to sell out to the company who had sacked some of us for just thinking about Buzz, and who were presently trying to force us off the road."

Harry found he had the support of many drivers to fight the decision, many of whom felt it reflected the directors' personal interests rather than the co-op's. But the other directors felt affronted by this interference. The responsibility for the co-op was theirs, as was the liability for the debts, and they felt they'd done the best they could in the circumstances.

Alan, a founder member, noting that there had already been problems between directors and drivers
about "the right to govern", felt "slighted, because I'd made a executive decision." The sale was going to get him out of "stook". He was financially liable for something that looked like it was going bankrupt. He didn't like being told what to do by those carrying no financial burden if the co-op failed. He felt "emasculated; everyone was making a decision that was affecting my personal future."

For a few weeks the co-op was split into two camps with neither side wanting to face the other over the issue. Finally, the CDA managed to get everyone to a meeting at which the rescue plan to avoid selling was agreed.

Jon and Keith, who had initiated Buzz, reacted differently to the outcome. Keith felt that the reversed decision had compromised his position as Chairman, and he resigned and left the co-op. Jon was surprised that the drivers had had enough interest in the co-op to challenge the decision, but admitted
op out; and ultimately because to sell would have been to admit defeat."

Surviving the buy-out restored the co-op's common cause, said Nick: "It brought us back together". Alan too is now glad that the sale did not go ahead. He feels the co-operative now operates more professionally, and he gets a great deal of self esteem from his business role. He feels financially secure, but still feels the lack of equal financial commitment is the major cause of disagreement in the co-op. Harry says several other directors were angered by his actions to stop the sale. He feels his decision to do so has now been justified. When Harry resigned after the sale was first agreed, he had to find work elsewhere. He has only just rejoined the co-op.

3.3 'Us And Them'?

The sell-out decision brought an undercurrent of discontent to the surface, leading to a break down in communication and acrimony. The process of reversing that decision, and the introduction of the new business plan, were responsible for reuniting the co-op and providing a new common purpose. Those changes have not however eradicated the fundamental problems that arise when some
members are personally liable for the financial success or failure of the enterprise and others are not.

One issue which this problem underlies is the tension over demarcation between jobs in the co-op. When Buzz's administration was done by someone already proven as a manager, the drivers respected his managerial decisions. When Keith and Jon took this role on between them, the other drivers didn't see them as credible managers. Resentment towards the two non-driver roles - the administrator and maintenance worker - continues. Driving is generally repetitive and constant; there is no variation on the routes and it becomes monotonous. Jobs in the depot are diverse, irregular and interesting. On the road, drivers feel less involved. Much informal discussion goes on in the depot; those there permanently are at the heart of things. It reinforces the feeling expressed by some drivers that those in the depot are "the bosses".

Both Jon and Alan (the administrator and maintenance worker, respectively) admit that they prefer their jobs now and would find it difficult to go back to being just drivers. Nick (the spare driver-cum-marketing director) relishes the variety in his work and the opportunity to develop his business and
management skills, but feels it is important to keep in touch with the 'bread and butter' of the co-op by retaining his driving responsibilities too. All three are aware of how much the co-op has given them in terms of opportunities to improve themselves and develop new skills. Jon also recognises that these opportunities are not available to the other workers:

"We try to overcome this by dividing the other co-op functions between members."

But he is the present secretary and Nick the chairman. He notes that these tasks are often regarded as too much responsibility, and that it is difficult to train people for them.

It is clear that, in effect, Jon, Nick and Alan run Buzz, a situation which they recognise. A majority of workers are happy with this situation, but a not insignificant minority are dissatisfied and resentful.

3.4 Attitudes To and Involvement In the Co-op

This kind of tension reflects attitudes and levels of involvement in the co-op. When there is a crisis, says Nick, everyone pulls together. But when things are okay, the underlying tensions surface as niggles
in staff meetings. One gets the sense of "us and them". Nick said that he wished he had more freedom to make managerial decisions; that not being completely free to make them was detrimental to the co-op as a whole. He wants others to take more responsibility for the success of the business, which he argues is for everyone's benefit. He thinks some drivers are too concerned about their welfare as 'workers'. Nick would like Buzz to return to separate directors' meetings, but not the sort that are secretive and divisive. At staff meetings, things are discussed without anyone taking direct responsibility for solving or sorting things out. He thinks there needs to be a level of managerial decision making that is done by the directors.

But it isn't just the management side that is dissatisfied with the staff meetings. Paul, a driver-member told of his frustration that issues are never satisfactorily resolved. He says many 'rank-and file' members are coming to meetings less often, as a result. He believes that ineffectual meetings means "they" (the management team) get on and make decisions anyway; that the idea of 'participation' is a sham. He would rather Buzz became an ordinary company, because:
"at least then we (the workers) would know where we stood (with the bosses)."

He feels that Buzz already has its bosses and that their interests and the workers' interests are not necessarily the same. If Buzz was a conventional business then they could stand up for their own interests without being fobbed off with the notion that the business was as much "ours" as "theirs".

Harry acknowledges that it is difficult for newer workers to see Buzz as their company; they see it as "belonging" to the founder members.

Jon summarised the present level of participation in Buzz. He says the workforce can be divided roughly in half between those that are committed to the co-op and those who see it as just a job. About 60% regularly attend monthly meetings, Nick estimates. On greater participation, Jon feels a lot depends on people's willingness to embrace the chance to take control of their lives.

"Not all are willing to do so", he says; "most people have had very little responsibility in their lives and are reluctant or wary of taking it. We need to bring them on gently."
Part of the problem appears to stem from the different levels of personal reward which different job roles in the co-op provide. Nick described his level of job satisfaction as "better than a bunk up"! For Paul, the work is fairly unrewarding and the co-op has simply raised expectations which it hasn't fulfilled.

3.5 The Future

If Buzz is to survive as a co-op, then this problem will need to be addressed. (As a business, it appears to have a prosperous future having made between £25,000 - 30,000 profit last year.) One solution may be seriously to consider job rotation in both the work and business areas. This would require commitment to training by both the co-op and the workers alike. Secondly some means of spreading the financial burden and enabling an equal commitment from all members, might be sought. (This problem could be overcome if profits are used to pay back personal loans and the bank no longer requires personal guarantees when the vehicle leases are renegotiated.)

The management side say they would like drivers to get more involved in the responsibilities of the co-op. But are they prepared to risk some possible loss in
efficiency whilst others learn the managerial side of the business? Are they also willing to rotate the more rewarding jobs, and to share power effectively - rather than just nominally? Conversely, are the drivers willing to take more responsibility by giving up their 'free' time, investing some of their own money in the co-op, and risking taking more challenging roles? With the view expressed by both 'management' and 'work force' that Buzz might revert to becoming a conventional company, perhaps Buzz requires further outside assistance to help both sides weigh up the possibilities for its future management structure, specifically on how it might achieve a more effective co-operative structure while enhancing rather than losing its business efficiency.