

INTRODUCTION.

The Newcastle and Suburban Co-operative Society which this year, 1948, celebrates the 50th Anniversary of its foundations stands as a remarkable monument to the genius and courage of its founders and the efforts and faithfulness of its members and employees.

The enterprise began on June 8th, 1898 with but £33/3/3 in hand with which to start operations. In 1948, its subscribed capital amounted to £527,137, its shareholders number 25,564 and its turnover amounts to £1,361,338 yearly.

The success story, while remarkable enough would be merely another history of commercial success over a period when commercial success was by no means uncommon, were it not for one salient fact which differentiates the Society from any of a dozen private competitors.

The fact is this. The Store, as it is affectionately known through the Newcastle area, is not merely a monument to the clever and judicious expansion of a capital investment, the prudent management of mercantile affairs, or the unerring eye for opportunities of trade. Such capabilities are expected of the veriest capitalist, and the lack of them, the badge of disgrace in private enterprise.

But the Society is a monument and the justification of an Idea -- the Idea that the philosophy holding happiness for mankind is not self-interest and uncurbed individualism but rather community-interest and community consciousness; the Idea that, in the midst of a world plunged headlong in a cruel race for gain, individuals by voluntary combination, can erect an edifice for mutual protection that will maintain and advance the ideals of a just and Christian economic system against the immoral economic principles of the age.

It is this Idea - practical yet visionary- which has built the Store, as it has built countless other such Stores in England, in Europe, in the U.S.A. in Australia and elsewhere.

It was an Idea founded in reaction against the cruel economic system of the last century and designed originally to rescue the working class from their poverty. But though arising out of reaction, its seeds were not merely in reaction but in the ideal of human brotherhood and the Christian principle of the dignity of man and his labour.

And, because of its source, the co-operative movement must be distinguished from other present day economic philosophies whose main strength is derived from reaction against capitalism and whose appeal is based on class hatred.

The co-operative movement has grown as a living organism, aloof, as it were, both from the confusion and decay of unrestrained capitalism and the movements which would supplant that capitalism.

It stands, mature though young, full of promise of a better economic order when, above present day confusion, the practice of co-operation becomes accepted as the best means of obtaining material happiness and contentment for men. It aims at a more equitable distribution of the world's wealth and, that, without injustice to anyone.

The celebration of the 50th anniversary of The Store is, above all, a celebration of a period in the sure and organic movement towards this happy consummation.

BACKGROUND.

Without a background of the history of the co-operative movement, "The Store" of the present day or that first meeting on April 23, 1898 called by Mr. A. W. Markham in the Post Office Hotel, Hunter Street, Newcastle which began the history of The Store, cannot be seen in perspective.

That first meeting, read the minutes, "was

called by Mr. Markham for the purpose of" considering the adviseability of forming a Co-operative Society to trade in Newcastle and the suburbs and for the same to become affiliated with the Co-operative Wholesale Society of Manchester."

"The meeting was of a private nature, only some 12 persons being invited ... After explaining the objects of the meeting, Mr. Markham read a paper on Co-operation and mentioned having brought with him a draft of the rules he proposed to offer to a Committee for discussion and adoption.

"Mr. J. Maclean read a pamphlet expressing the opinions of eminent men in the United Kingdom in the cuase of co-operation and also some letters from several Newcastle Ministers who had been asked for an expression of opinion on the principle of Copperation being offered to the people. Among the most hearty supporters were the Revs. D. Fraser, Canon W. Swindlehurst and Very Rev. Dean Selwyn.

"After those present had expressed their opinion and it was shown that all were desirous of uniting and forming the nucleus of a Society, it was moved by Mr. Butterworth that the meeting adjourn till the following Tuesday evening at the residence of Mr. W. J. Channon in Hamilton."

Forty years before this historic meeting in the Post Office Hotel, the man who had pioneered the philosophy of co-operation (though the practice of present day co-operation differs markedly from his humanitarian ambitions), had died in London. He was the pioneer of socialism, indeed he invented the words "socialism" and "Co-operative Movement." By him was implanted the germinal idea which resulted in the establishment of the Store in Newcastle, and countless other such Stores.

He was Robert Owen, a Welshman, born in 1771, the son of a Newtown saddler and ironmonger. At the age of 19 he became manager of a Manchester cotton mill which employed 500 operatives.

It was at this time that Britain and France were feeling the impact of the industrial and mechanical revolutions but the new techniques, instead of ministering the needs of the people as a whole, were placed by an immoral economic philosophy at the behest of naked self-interest.

The rich grew richer and the poor grew poorer, and their poverty was the signal for ever increasing onslaughts on their standard of living. The industrialists armoured their tender consciences with the principles of Laissez-faire, confident, in the midst of plenty, that the poverty of the workers was the ordained law of nature; they enthroned the law of Supply and Demand in the place of God.

It was a convenient idolatry and though the enormous mass of workers groaned - men, women and tender children - beneath a tyrannical system, bereft of ordinary happiness and even of hope, it was pleasant to think (if one were a rich man) that there was nothing one could or should do about it.

Into this world Robert Owen stepped as a new sort of capitalist. After his marriage he owned a new factory at New Lanark which employed 2,000 operatives, 500 of whom were children, mostly brought at the age of five or six years, from the poorhouses and charities of Edinburgh and Glasgow.

Appalled at the prevailing conditions of the workers, he set himself to improve their lot in his own works. His humanitarian measures displeased his partners but, for all that and for all the money spent on amenities, the mills prospered.

In 1813, the year in which he formed a new firm with Jeremy Bentham and William Allen as partners, he wrote a series of essays in which the principles of his system of philanthropy were explained. New Lanark became famous and was a routine show-place for reformers from England and Europe. However, it was not until 1817 when the depression

following the end of the Napoleonic Wars hit the country, producing prodigious misery among the workers, that Owen set out his socialist views in a report to the House of Commons on the Poor Law.

His co-operatives were based on the idea of self-supporting settlements of workers on the land and dealt but indirectly with the ideas of the co-operative movement now extant. At the time, Owen's schemes were met with the greatest of acclaim but he foolishly ruined his hopes by going out of way at a large London meeting to proclaim his hostility to religion.

While Owen was not the inventor of the idea of co-operation (for that had grown as a body of opinion to which he gave tangible and forceful expression), nevertheless he was a true pioneer and by his efforts gave encouragement to the movement.

Co-operative buying and selling of food by combinations of workers existed in the 18th century and there were scattered and largely unsuccessful societies started in the early 19th century.

But it is to the society of 28 working men in Rochdale in 1844 that the success of the modern co-operative retail societies directly springs.

These 28 working men (led it is believed by Charles Howarth) established a co-operative consumers' society with a capital of £28 raised by weekly subscriptions of 3d.

The basis of all the co-operative movements was the voluntary combination of individuals into an association for producing, buying and selling goods for mutual aid and for the education of children.

But the success of the Rochdale society - to which the Newcastle and Suburban Co-operative Society is directly related - lay in the device (attributed to Howard) that the surplus between the cost of goods and the selling price

should be distributed to members as a dividend on purchases - a plan which eliminated profit and harmonised consumers co-operation with socialism.

They opened a shop in which flour, butter, sugar and oatmeal were sold to members; members at the cost of 1/- entrance fee were permitted to withdraw accrued profits down to £1; they laid down a policy of cash sales, liberal depreciation and limited interest on capital to 5 per cent and made an educational grant from profits of 2½ per cent.

Their programme included the building of houses, the acquirement of land to provide employment for members and the establishment of a self-supporting home colony.

Before the death of Owens, the Revs. F.D. Maurice, Charles Kindsley and Mr. Ludlow, the economist, initiated the Christian Socialist movement which maintained that socialism was Christianity applied to social reform.

The movement proved a great power for good and to some extent coalesced with the movement initiated by the Rochdale pioneers.

However, the ambitions of the Rochdale men became confused by the Christian Socialists and it was due to J.T.W. Mitchell, a new-comer to the Rochdale Society, that the principles of consumer-co-operation were at length clearly defined and its severely practical course set. He was chairman of the Co-operative Wholesale Society for 21 years - the wholesale society being to the store what the store is to the individual - and the success of his ideas proved their worth.

Retail co-operative societies in Great Britain now have a membership of over 9,000,000, and there are over 1,100 societies. Total sales in 1935 were £218,918,000.

The movement spread in France, Belgium, Czechoslovakia and other parts of Europe as well as to Australia and New Zealand.

The Belgian co-operatives exist on a nation-wide scale while the French co-operatives, before the war, were vigorous organisations.

It is this world-wide movement of which the Store, the Newcastle and Suburban Co-operative Store, is part.

Its 50 successful years, 50 expansive years, give fair promise for the ultimate ambition - a natural and vigorous growth, undisturbed by current confusion, towards the co-operative republic and the co-operative commonwealth.

THE FOUNDATION.

The background to the story of the foundation of The Store in 1898, is the story of a town which had celebrated its 100th anniversary but one year previously. In 1897, Newcastle held its centenary pageant, turned out its bands, its fire brigades and mingled in its rejoicings, the celebrations of the reign of the great Queen Victoria, far away in London but somehow part of it all.

Actually, though Newcastle celebrated its 100th anniversary in 1897, it was something of a formal date. It is true that Lieut-Shortland had discovered the Hunter River 100 years earlier but the town's history as a success went back a mere 50 or 60 years.

It had began as a convict establishment and this taint had ~~remained~~^{remained} with it through the years while newer towns such as Maitland, Morpeth and the river towns, forged ahead. But Newcastle, though it made a late start, soon outstripped its competitors. It had the fortune -- not perhaps necessarily the good fortune -- to have abundant coal deposits near to a good port.

The A.A. Company had started mining in Newcastle in 1831 and had obtained a monopoly over the coalfields. But as soon as this monopoly was overthrown, principally through the efforts of James and Alexander Brown, the coal trade developed at a prodigious rate.

By the time that the ~~citizens~~ of Newcastle proper, the towns of Wickham, Hamilton, and so on, were celebrating their common birthday, Newcastle harbour was a forest of masts, the coal trade from Newcastle penetrated every point of the compass and the town was a cosmopolitan hotch-potch of men and manners, on the one side colourful and violent, on the other side prim and staid. It was a town that was deeply religious in part, and a town in part, that evinced a nauseating decadence of morals.

It was a town in which extremes flourished.

It was a town in which they were wealth and great poverty. The town lived by coal - as indeed it largely does now because of the needs of heavy industries.

The suburbs had sprung up as mining settlements and, though the coal trade advanced at an extraordinary rate, the conditions of the workers were often extremely bad.

In 1861, the first general strike occurred which resulted in the formation of the miners' union under Mr. James Fletcher. It was out of this incident that what was probably the first co-operative to start in the Newcastle district was formed. During the strike, miners went out prospecting for coal and discovering a seam at Wallsend. They formed the miners' co-operative coal mine which was to be worked on co-operative principles and composed of working miners.

This organisation flourished for many years until low prices and lack of capital forced it to sell out.

At the time when the Newcastle and Suburban Co-operative began, there were five such societies in Newcastle proper. These were at Stockton, Hamilton South, Charlestown, Lambton and Merewether. The closing of the Stockton coal mine, so constricted trade that the Stockton society was forced to close down not, however, ^{without} ~~with~~ the satisfaction of meeting all creditors and shareholders' claims and, after this, paying a further 6/- in the £ on all capital invested.

The Lambton and Charlestown stores failed because of managerial difficulties while the Merewether society amalgamated with the Newcastle and Suburban Co-operative.

The difficulties confronting the establishment of the Store proceeded from the undeveloped nature of the town and, to a large extent, the comparative poverty of the greater part of the population.

There was the germ of a Labour movement which was beginning to cope with the problems of low wages and long hours but this was still in its elementary stages.

Moreover, the capacity of the town to support its population was relatively limited. There were no big industries in those days and the population, centred in the City and Cook's Hill, in Wickham, and the lower end of Carrington and Stockton, lived, for the most part, from the coal industry and the shipping of the port. From where the Store now stands out to what is now Gordon Avenue was then but open paddocks; the large area of Hamilton South was a swamp later to be filled in and converted into valuable residential land.

It is difficult to grasp in the imagination that then, the area from Parry Street to Junction was an open space and that Bar Beach was but a waste of sand - a waste that continually threatened to invade the residential areas adjoining it.

Mayfield and its environs, now so thickly populated was a forest of ti-tree scrub. Generally, the town was a small centre cut off from the existing suburbs by waste land and scrub. As a place, it was neither pleasant nor decorative.

In this situation, with the example of many co-operative efforts in the district to spur them on, it is not remarkable that there should have been a desire among many men to form a co-operative retail society which would serve the needs of the city. Apart from the devotion to the ideals of co-operation which impelled the early founders of the Store, there was the very practical consideration that it was by no means convenient for a person living at Cook's Hill, the east end of Hamilton, Carrington, Wickham, Islington or Tighe's Hill, to join any of the existing retail societies.

Foremost among those responsible for the foundation of The Store was William John Channon.

Channon was a railway employee and a member of the Amalgamated Society of Engineers and was in charge of

equipment at Honeysuckle Workshops, just where the Civic Station now stands.

He was the son of an English schoolmaster. He was born on April 4, 1864 in Stafford, England and died on September 24, 1918.

He served his apprenticeship to the engineering trade in England and migrated to Australia in 1885. He subsequently joined the service of the New South Wales Railways as a fitter and turner.

Apart from the latter few years of his life he was attached to the locomotive repair shop at Honeysuckle Paint workshops, adjacent to what is now the Civic railway station.

He married into the family of William Swindells who had learnt his trade as a silk weaver in Rochdale and who knew the Rochdale co-operative movement from its inception. Swindells was always a keen advocate of the advantages to be gained from co-operative trading methods which had been such a boon to his friends in Lancashire.

From Swindells, Mr. Channon gained his affection and interest for the co-operative movement and the desire to start such a movement on the Rochdale lines in Newcastle. Financial hardship and bad-luck were factors which, unknown to Mr. Channon, contributed largely to the establishment of the Newcastle Co-operative Store.

A few years after his marriage, Mr. Channon (never very robust) was smitten with pleurisy and pneumonia and for some weeks his life was despaired of. It is only a few years since pneumonia was regarded as one of the most dangerous ills that afflict man, the discovery of new drugs having largely laid terrors of the disease.

But in Mr. Channon's time, recovery was ~~also~~ ^{slow}.

On top of this, the Railway Department had, shortly before his illness, introduced a short time working week. This regular depletion of the family resources ^{plus} ~~plus~~ the loss of

income and the consequent expenses caused ^{by} his ~~long~~ long illness, placed the Channon household in financial jeopardy.

Mr. Channon lost his home which he was paying off and was in a desperate situation.

He attacked the problem with a courage and spirit which the Newcastle Co-operative Store should remember with admiration for it was this same courage and spirit which sustained the new Society throughout its initial difficulties.

Mr. Channon decided upon an endeavour to improve the economic situation of himself and his workmates. He decided to try and organise the Newcastle Co-operative retail Society on the lines of the Rochdale Society in England, so often described by his father-in-law. Of course, other co-operatives were in existence at the same time in Newcastle.

He was always a staunch unionist and marshalled some of his Amalgamated Society of Engineers friends to lend him their support.

Naturally, he was a close associate of Frank Butler who had blazed the trail by organising the "crane boys" - the Newcastle ^{Crane} workers co-operative society.

Most of these men and their friends, lived on the Hamilton block of land bounded by Lawson, James, Elcho and Tudor streets. Eventually they met regularly in the home and under the chairmanship of Mr. Channon. His house is now known as 64 Tudor Street, Hamilton.

The initial capital of £33 was subscribed round the meeting table in Mr. Channon's home. It was made up of gold coin and Mr. Channon always desired and was granted the privilege of subscribing the first golden sovereign towards the capital of the new venture.

He, ~~was~~ with a well-known draper of the time, A. W. Markham - known because of the eccentric advertising he used, as "mad" Markham - were caught by the idea of co-operation, discussing the matter on many a bicycle trip - one of the

most popular sports of the day. At the same time, Mr. Frank Butler, who had formed the Carrington Co-operative Coal Shipment Co. was pressing for the establishment of a co-operative store and, in the Engineer's union itself, there was a coterie of adherents^s to the cause of co-operation.

Mr. Butler and Mr. Markham ~~were~~^{were} colourful figures of the time. Mr. Butler, as has been mentioned, had given practical expression to his ideas by forming the co-operative coal shipping company, the members of which were called "the crane boys."

At the inaugural meeting of the Society, to which reference has already been made, Mr. Channon was elected chairman "pro-tem" but, at the second meeting of the society which was held in Mr. Channon's house in Tudor Street, Hamilton, on April 4, 1898, the first formal step towards the society was made.

At this meeting - an adjourned meeting from the Post Office Hotel meeting - Mr. Channon asked for a motion that those present form themselves into a committee with power to add to their number, for the purpose of starting a co-operative society.

Mr. Frank Butler proposed the motion which was seconded by Mr. W. H. Milton and carried. Mr. Frank Butler was then elected to the chair, Mr MacLean being made Secretary.

At the first meeting at the Post Office Hotel when it was decided to form the nucleus of a society, much of the time was given over the reading of papers on co-operation and the views of eminent men and local clergymen on it.

These papers ^{that} have been preserved and that written by Mr. Butler (though he was not present to read it), give a glimpse, with not inconsiderable power, of the spirit that impelled these men to found the Store.

In his paper, Butler said. -

"Fellow Workers, -- With the utmost confidence in your loyalty to the cause of co³operation, we launch our frail craft upon the troubled waters of a competitive ocean to battle the storm of interested opposition and help its owners and crew o'er the Hill o'Life victorious. Who are the owners? You, every one of you, as much as I.

"This concern is not branded Private Proverty with a capital P. This is the property of the people, as many as they chose are welcome to become part of the movement, to participate in the benefits derived from it, to help themselves and their fellows at one and the same time with very little effort or self-sacrifice.

"The time has arrived when we must help ourselves.

Too long have we relied upon others whose interests are opposed to ours to help us. Ne need for delay, we want the necessaries of life, we must have them and for them we are willing to give that which is the basis of all wealth - our labour.

"Why hesitate to join hands then and work for and with each other, and thus provide for ourselves and our families, independant of the unreliable reed that has failed to support us?

"How are we to do it? Where are we to begin?"

"We have already started the Newcastle Co-operative Company. It is an accomplished fact ~~that~~ with good men and true behind it, men who have realised the benefits of co-operation, who will willingly sacrifice their time and personal interests in this great cause All we want is to be put some sanity and grimness into our resolves and, above all, let us be determined and united, letting no minor or petty differences stand between us and the main issue, and we will raise a monument of Co-operative Industry that will reflect credit on ourselves and confer incalculable blessings on

posterity ... Never have I felt so sanguine of success as now ... This is a movement that can grow and spread, carrying blessings in its wake to all that embrace it, blessings to all, now a privileged few, not a class, but the whole of the people..."

In the same pamphlet, Mr. Markham published his appeal, a rather more practical approach than that of Mr. Butler, saying that with the possibilities brought by Co-operation "within our grasp, it behoves everyone to use this power of Co-operation whose aims objects and principles embrace such noble works as the redemption of labour, the establishment of industries for the employment of our sons and daughters, a more equal distribution of wealth, education and the keeping of us up to our duties to one another, making us better men and women".

~~It is amusing to note that~~ The first meeting minutes' referred to expressions of opinions by local clergymen saying that among the most hearty supporters was Dean Selwyn.

The "hearty support" of Dean Selwyn was expressed in this letter.

The Deanery, Newcastle.

March 25, 1898

Mr. A. W. Markham

HAMILTON.

Dear Sir, In reply to yours of the 23rd instant, I feel myself unable to give you an opinion that is worth anything on a subject so very large as "Co-operation." It will only observe that broadly "Co-operation" must always be good and desirable whenever the work itself is a good and useful work. In such cases it cannot be too highly praised or too earnestly sought after. But great wisdom and prudence is required in order to determine whether any particular work is wholly of this character,

Not believed but perhaps untruthful

I am, yours very truly

Arthur E. Selwyn.

A letter from Rev Theo Parr, of Islington, dated April 23 1898, took a more courageous view of the question. Endorsing the principle of co-operation which he had seen at work in England, Mr. Parr said "Without venturing to express an opinion why several attempts at Co-operation in this District have failed, one may freely express a decided opinion that the conditions of success are not far to seek.

They are:-

1st - A cash basis of all transactions without exception.

2nd - Absolute confidence in the management and an immunity from undue interference. Committees are useful and necessary but committees cannot work details of business.

3rd - A frank recognition of the fact that a manager may work hard and fully earn his money even if his hands are not always dirty and his coat not always off.

In short mutual trust in each others and common sense in management, are the necessary elements in success."

It was at the meeting at Mr. Channon's home on April 26 that the Rules of the Society were first proposed.

Mr. Markham read the draft which he had adapted from those of the most successful co-operative societies.

As registered on June 8, 1898. under the Friendly Societies Act of 1878, these stated that the Society would be called "The Newcastle and Suburban Co-operative Society, Limited and included these items:-

The objects of the Society shall be to import or purchase wholesale articles of general consumption and utility and to retail them at the lowest possible prices consistent with a proper regard to the protection of the interests of the Society.

"The UNALTERABLE PRINCIPLE of the Society shall be that

ALL SALES whatsoever SHALL BE FOR CASH."

Before the Society reached the stage where its rules were registered and the business began on August ¹³ ~~15~~, 1898, some five months of strenuous works had to be completed. Weekly meetings were held at the home of Mr. Channon in which time the provisional directorate - Messrs. F. Butler (President), R. Johnson, W. Channon, S. Butterworth, W. H. Milton, A. Eldred and Morris - was considerably augmented by helpers.

At the meeting of May 13, Mr. Milton moved the election of Mr. Markham as manager and it was decided to issue a prospectus to the public and it is from this prospectus, containing the certificate of registration under the Friendly Societies Act on June 8, 1898 that the opinions quoted have been taken.

The prospectus ended with an important Note.

"In the event" it said "of the Society not commencing operations within four calendar months from the date of registration, all share capital shall be returned less expenses, the same being limited to 10 per cent on each share."

This melancholy precaution proved unnecessary.

The shareholder's meeting held on Oct 25, 1898 was an historic meeting. The store had been trading for $6\frac{1}{2}$ weeks and, having started with an available capital of £33-3-3, it had made about £29-13-10 net, equivalent to a fraction under $\frac{3}{6}$ in the £ on all purchases. Between the opening of the shop in Charlton-st, on Saturday Aug 13, 1898, and the early meetings, the directors and manager were faced with a good deal of work.

The choice of a site was one of their first problems.

Their task was not made any easier by mischief-makers who tried to ruin the good name of the Society with trades-people.

At the meeting of August 1 held at Mr. Channon's home, the manager, Mr. Markham, reported that he was in possession of

the shop - a weather-board structure and in a very dirty state. The agent, ~~Mr. Shedy~~, would not do anything to put the premises into order but allowed two weeks rent at 15/- a week, he reported. This first shop as on the corner section of the property now occupied by Steads re-treading and tyre service station at No 65 Hunter - St. Wickham.

The first meeting at the store - that is the weatherboard fore-runner of to-days' great building - was held on Aug 12, 1898 and Mr. Channon was chairman in the absence of Mr. Frank Butler. The shop was to open on the following day and Mr. Markham and Mr. Butterworth compacted to go together to buy stock to the value of £25. The manager said that he hoped to get the loan of a horse and cart (a horse was later donated by Frank Butler) and the Society's first sign was put in hand.

After other business, including the reception with regret of the resignation of Mr MacLean as secretary, Mr. Channon "invited the directors over the way to drink Success to the Society."

Shedy's name deleted but is implication libellous

BEGINNINGS.

The directors at this historic first shareholders meeting held on Oct 25, 1898 were President; Mr. Frank Butler. Directors; Messrs. W. J. Channon, R. Johnson. S. Butterworth, W. H. Milton, A. J. Miller and G. P. Morris.

"The public were in high glee (over the formation of the Society) "their report told the shareholders "and seemed to enter into the movement in real earnest that bade fair for the future and it was estimated that fully £1000 would be subscribed.

"Owing to some unknown influence, the operations were hampered to such an extent that only £59-7-6 was subscribed to the beginning of August and, of this amount, £16-4-3 had been expended in connection with registration, Rule books and canvas. This left a sum of £43-3-3 only with which to start operations.

"However, your directors stood true to their colours and decided to open in a humble way, having in view as an example, the new famous colossal Rochdale Society.

"They put their shoulders to the wheel, bought the timber for the fixtures and, by their united efforts, had the fixtures up the same evening that the timber was delivered to the Store

".... A rumour has been circulated that the operations of the Society were being hampered by heavy expenditure. But when it is considered that the directors have done all the work or nearly all and that the Society's business has been conducted at an expenditure of £3-8-0 a week (Rent 15/-, horse feed 8/- Mr. Eldred, who attended the shop £1 and the manager 25/-) it must be evident to all that a most genuine effort is being put forth to establish the Society on a sound basis."

The report commended the women for their efforts to help the Store, sounded the first note of dissatisfact-

ion with the position of the Store as it then was, and appealed for new shareholders.

Thus began the first difficult five years of the life of the Store. The margin between success and failure was often extremely slim and, had it not been for the enthusiasm and service of the early shareholders and directors, the Store might not have been here to-day.

The first horse owned by the Society is worth an affectionate mention amongst its presidents, directors and shareholders.

This horse was an old grey known as "Brockley", a beast which had been turned out on to the Hexham swamps to die. Covered with leeches he was taken from the Swamp evidently much benefited by his sojourn there and proved of great value to the infant Society for about three years. The first set of harness which was to grace Brockley was collected from various donors. Great difficulty was found in getting a collar which would suit Brockley's peculiar neck and Carrington, Smedmore and Wickham were explored before a decent fit could be found. This was given to the Society by Messrs. Dick Bros. who had a foundry in Elcho St. Hamilton.

The first half-yearly meeting of the new society was held on Jan 21, 1899 in the Cambrian Hall, Newcastle West. Mr. W. J. Channon was in the chair as acting president and the meeting comprised about 75 shareholders, 100 friends and representatives of the West Wallsend, Charlestown, Hamilton, Lambton and Stock co-operative societies.

In presenting the balance sheet, Mr. Channon pointed out that the amount of funds available when the Society started on August 15 in the previous year was £33-3-3.

"Notwithstanding the small capital available and the extreme opposition with which we had to contend, we are in a position to show a credit balance of £7-5-10" said

Mr. Channon" after providing for the initial expenses of the society and allowing for depreciation of stock."

Under the veil of this somewhat unemotional financial statement, the spirit that made the infant society is discernable. Although the credit balance was small enough, it was a victory over adverse circumstances and what would ordinarily have been regarded as a desperate financial position. And it was just the victory which the infant society needed.

This first half-yearly meeting elected Mr. W. H. Milton as president. The Directors were now Messrs G.F. Morris, R. Johnson, W. Stevens, W.J. Channon, W. Rigby and A.J. Miller.

The report of Mr. Markham, as manager, said that despite the difficulties before the Society, there was the utmost good feeling between the Board and the management. "All parties have worked with a single minded devotion, their object being the establishment of a genuine business on sound co-operative principles"

The minutes, signed by the new president, Mr. Milton, add that "The business portion of the meeting being over, all present joined in a happy chat and a cup of tea. After which, a genial social was indulged in, the meeting terminating at 12 midnight and all left happy and well-pleased with the outing."

These old files have an intimate ring about them which is missing from modern business jargon.

The remaining half of the year was not to finish without further troubles but it contained also the seeds of operations which are now large departments of the Store. For example, in February, it was decided to buy members bread wholesale from one baker. This was the start of the store's extensive baking department.

However, this was but one aspect of a very troublesome period. One can look with considerable sympathy on the board, harrassed by so many difficulties, when one reads in the minutes such items as these.

"Mr. Morris stated that Mr. Sheen, a shareholder, had informed him that Mr. Hardyman stated that his father-in-law had five shares in the Store and he would like to have his money out as he did not expect to get anything out of the Store."

or again:- "Mr. Johnson stated that a shareholder named Mr. Stephenson stated to him that a shareholder at Carrington stated that the manager had said he was leaving the store and it was going bung."

These were not the sort of statements, however complicated, that were likely to encourage directors. But unfortunately, they had stout hearts and the Store did not go bung.

As it happened, Mr. Markham did resign, his resignation being accepted in March of 1899 and on April 4, 1899, Mr. Eldred, who had previously been storeman and helper, was made manager.

The directors' effort to "secure the services of a strong youth as assistant in the store at 15/- a week had an amusing sequel.

Ten applicants were examined and were given a test in addition. The correct answer to the sum was £5-13-8½ but the directors regretted to state that not one applicant added the sum correctly. Only two of the lads got the same answer but L. Carroll, who got the answer nearest to the correct one (£5-13-7½) got the job.

The change in managers brought about a change in financial methods. Instead of the manager paying cash for goods, the directors adopted the system of passing and paying all accounts by cheque through the bank. This meant

that instead of waiting for a quarterly statement, they now had a monthly statement from the secretary and accountant. A special audit had been made on the change of managers, so that the Society was able to make a fresh start.

The affairs of the Society prospered after this to such an extent that the third half-yearly balance sheet, delivered on Jan 31, 1900, showed that firm to have cash in hand and at the bank totalling £99-19-7. This was a vast improvement on the £7 odd which was the result of the first half-year's trading.

Mr. Milton was re-elected president at this meeting, the directors then being Messrs. R. Johnson, W. Channon, W. Ridgy, W. Sheridan, J. Welford, J. Johnson.

When Mr. W.H. Milton died, he was one of the oldest residents in the Newcastle district. He was born at Clarencetown on the Williams River on Jan 26, 1841 and came to Newcastle in 1847. He started work at the age of six years in Dr. Scott Mitchell's Stockton tweed mills, Dr Mitchell later founding the Mitchell Library, Sydney.

He received his education after he was married, attending a night school under Mr. Matthew Willis, headmaster of Hamilton Public School. He lived in Queensland for a few years. He later worked in the Borehole Colliery at Hamilton where he remained until about 1890. He was then appointed to the Hamilton Council, a position which he occupied for some 20 years. Milton Street, Hamilton is called after him. Mr. Milton was also responsible for the old lay-out of Gregson Park which many old residents will remember.

Mr. Milton knew the founders of the Co-operative Store well. The ideas of co-operation which were stirring in the community found in him a champion, Mr. Channon, who was a prime mover in the foundation of the Society, was choirmaster at St. Peter's Church of England, Hamilton, where Mr. Milton had been a churchwarden for 44 years. On the opening of the first new brick building ~~th~~ of the Store,

Mr. Milton was presented with a medallion and gold key, He was the first to open the door of the new Store.

A number of complaints from shareholders were received during the year until finally, the Board decided to dismiss Mr. Eldred and Carroll and appointed Mr. D. J. Porter as manager.

One of Mr. Eldred's last acts as manager was to report the fact that "Brockely", the old horse who had been rescued from the Hexham swamps, had gone lame. He had trotted many miles around Newcastle since the day the directors had welcomed him, with swamps leeches clinging to his flanks, into the fold of the Society.

Mr. Porter soon brought about a better aspect of management of the store and, despite adverse propaganda resulting in a number of members withdrawing their capital, the Store progressed.

Not the least important factor in this was the propaganda continually given by the directors in the cause of co-operation. In August, 1900, it was decided that the manager's salary be progressive from £2- a week to £3-10-0 maximum with a further increase of 5/- a week on every £150 increase in sales. When Porter first took over, the only person available who knew the address of Store customers was the son of Mr. Channon. This lad enjoyed a wonderful fortnight's holiday from school piloting the new manager and his assistant Blanch around the district.

The early struggles of the society cannot be too strongly drawn and it was only a dauntless spirit and devotion to the ideals of co-operation that made the Store permanent.

The tradespeople held the store in contempt and ridiculed the efforts of the directors and all who were members.

The banks and warehouses were naturally ^{ious}cautious and the directors lived in a sea of difficulty, meeting current wages and expenses out of the slender resources of the organisation.

But the enthusiasm of the members - - a large number were railway men - - was not to be withstood. These men spent their spare time canvassing for the store, working for it and ~~and~~^{doing} all they could to set it on its feet.

The shareholders were all more or less on the breadline and many could barely spare the 2/6 required to enter the society. Stories are told of reasonably well-off shareholders frequently putting in the 2/6 for a would-be shareholder and many a shareholder started off his life in the society, a debtor for the very 2/6 which bought him a share.

The directors, themselves empowered with the love of the ideal of co-operation, refused to accept any remuneration. Indeed it was not so much as mentioned. It was not until six years of labour had passed that a motion was put to the shareholders that the directors receive 2/6 a sitting and even then the Board objected strenuously. But the motion was carried unanimously.

The next important incident in the life of the store occurred on April 11, 1901 when Mr Channon moved that a more suitable place of business be secured. By the middle of 1902, the affairs of the Society had prospered to such an extent under the capable and loyal management of Mr. Porter that this project was very near realisation.

The eighth half-yearly balance sheet for June 30, 1902, showed that the total sales for the year were £1977, an increase of £969 as against the half-year ending June 30, 1901. The total number of members was now 145.

During 1902, the directors had approached that A.J.S. bank which gave them a £900 option on a piece of land with a frontage of 60 feet to Charlton St. and a ~~depth of~~ depth of 280 feet to Brewery Lane. On this was a small weatherboard shop, a slab stable and a hay-loft and three small weatherboard cottages facing the railway line.

Rent of these was 7/- a week.

Since the capital of the Society was but £156, the proposal was not good enough. Finally the bank offered to loan the Society £600 on the understanding that members must contribute £300 to the purchase price.

It is a measure of the extent to which the Society had progressed and also of the devotion of its members (none of whom were rich men) that this amount of £300 was almost raised - £214 of it actually.

On Oct 11, 1902, it was decided to close with the offer of the A.J.S. Bank and to canvass the shareholders for the £300 loan required.

On Oct 31, 1902 the contract of sale for the purpose of the new premises was signed, the Society entering into its new premises early in 1903.

At this important stage in the Society's **affaires**, it is useful to examine the progress of the organisation through its half-yearly figures.

At the end of the third half year

<u>Half-Year</u>	<u>Sales</u>	<u>Membership</u>	<u>Profit.</u>
Dec. 1899	£ 802	95	£ 41
June 1900	£ 874	--	£ 45
June 1902	£1977	1 45	£ 148
Dec. 1903	£4592	260	£ 477

This progress was the result of untiring work and devotion to an ideal. Not the least important man in the story of progress that the figures tell was John Welford, under-manager of Hetton Colliery.

EXPANSION.

John Welford had come out from England a co-operative enthusiast and threw his energy into the directorate of the Store as early as 1899.

Stories are told, illustrating his continual propaganda on behalf of the store among the Geordie miners at the old Hetton-Carrington colliery. If a fight started among a pair of miners, Welford would plead with them not to fight it out. "Y' can't fight there lads, He's in Store. You can't fight man in Store."

And the miners, having discovered that they were shareholders of the same Store, would make it up.

The buying of the new store made a great impression on the district and this evidence of the permanence of the Store together with a scheme for the guaranteeing of the fortnightly accounts of new members who were in debt to private traders, gave the movement a great impetus.

In 1905, sales had increased to £8,000 a year.

In the previous year, the Society had further expanded its activities by absorbing the Merewether Co-operative Society, residents of Merewether being informed in November that the Newcastle and Suburban Store had taken over the Merewether Federal Co-operative Society.

Mr. Porter, the manager appointed in the early days when things had been exceptionally difficult, appealed for a rise in salary. The Directors offered him ~~£7-15~~ £3-15-0 a week which he declined. This was raised to £4 a week and accepted.

Mr. Porter's raise in salary was not undeserved. The times were getting better. At the half-yearly meeting in Wickham School of Arts in Jan, 1905, the president (Mr. Channon) said that the previous year had seen a large increase in membership, sales and share capital

"Besides" he said "The transfer of the Merewether Store has strengthened our ranks by 30 good co-operators and additional share capital of £133. We should feel proud that the Merewether members recognised that it was better to have a large convenient store than branch stores in the various suburbs."

Mr. Welford, the old stalwart from Hetton Colliery, added that "a rumour had got abroad that the Merewether Society had been in a state of insolvency when it had approached the Newcastle Store with a view to amalgamation but to this he gave an emphatic denial.

"The Merewether Society" he added "Has always conducted its store upon intelligent and straight forward business lines throughout. They were always in a position to pay 20/- in the £ and did so." He went on to say that at the time of the transfer, the Merewether Society had a substantial balance and the Newcastle Store was delighted to have its members enrolled with The Store.

The movement of this old established store at Merewether, itself in a very good position, was a good measure of the esteem which the Newcastle and Suburban Society had gained in the community.

In 1905, Mr. Channon first raised the matter of necessary extensions to the Society's premises, both new building and new premises being contemplated.

In April, 1905, Mr. Channon told a meeting of shareholders that the increased business had taxed their premises to its "utmost capacity".

"The time has arrived" he said "to make way for more accommodation.. "Upon ~~re~~ a resolution passed at a general meeting the directors purchased the adjoining block of land making a total frontage of 120 feet to Charlson Street by a depth of 278 feet to Beresford Street."

Plans were submitted for adoption to build the first section of a "splendid building which would ultimately absorb the whole of the frontage."

A detailed plan of the proposed new building was shown to the shareholders and, says an old report, "the presentable aspect of the frontal view, and the inner appointments commended themselves greatly to the shareholders. The plans were drawn by Mr. E. G. Yeomans, Architect, and the buildings when fully completed will occupy a frontage of 120 feet. They will undoubtedly be an ornament to the extreme western end of the city.

"The proposed structure will be two-storeyed with cavity walls and a cement floor. front. The Society, however, intend building one section for early occupation so that they can transfer their business to it without delay. The first section will take up a floor space of 60 x 30 feet with a 14 feet height of ceiling and a storeroom of 30 x 28 feet to be erected at the rear.

The new building will be fitted with modern improvements and appliances."

This brick building was erected at a cost of £1529.

On the ground floor was located the grocery department, on the first floor the Boot Department and also a ready made clothing section and the offices.

It is interesting to note that at this time the Store also kept a Powder Magazine where miners could procure their blasing powder. Mr. Welford, admittedly an expert in such things, is often quoted in the minutes on some statement on the Powder Magazine.

Mr. Lyne was appointed secretary to the store about 1908 and held this position for three months being then made manager. He held this position for nine years and nine months.

He began with five or six employees and was associated with the

great development which took place in the business of the store in the years to 1916.

His association with the Store was always a happy one and the founding of most of the departments of the Store was done in his time as manager.

The dividend paid in his time as manager was the highest ever paid, viz 2/10 in the £ and was never less than 2/3.

His contribution to the growth of the Store was great.

Mr. Lyne tendered his resignation in April, 1916, and his resignation was accepted with regret. A minute stands to the effect that "The Board places on record its appreciation of the faithful, energetic and diligent services rendered in the interests of the Society by Mr. Lyne and that we communicate our high appreciation of his services by letter with the hope that his future success may be as satisfactory as that in which he has largely been instrumental in obtaining for the Society."

He was succeeded as manager by Mr. T. Green, then manager of the Woollongong Co-operative Society. Mr. Green had been in the co-operative movement for 20 years and was recommended by two directors of The Store - Messrs. T. Curley, and Robert Wells.

*Green joined later
does this reflect on Curley & Wells?*

STEADY PROGRESS.

The period from 1905 to 1915 was a ten years of steady progress for the Society. The trials of the initial stages were over by 1905 (although there were enough difficulties ahead to overawe the stoutest heart could they have been foreseen) and this period is marked by great building activity and the development of departments in the store which by now are taken for granted.

X
We have already mentioned the movement of the first shop to the new site fronting Hunter street for 60 feet, and flanked by Brewery Lane. When this land finally boasted a new building erected at a cost of £1529, the original building was used as a boot repairing section.

This new department was to become one of the Society's important departments and it was with satisfaction that the directors saw the boot repairing business become one of their own departments instead of being run on the commission basis formerly used.

It was with still greater satisfaction that they saw the Society's first bakehouse built in 1908 with Mr. Charlie Watson as the first baker. Mr. Watson retired after 41 years with the Co-operative Society. The system whereby outside bakers delivered bread to members of the society on a commission basis never had been satisfactory and the directors had long intended to bake the society's own bread.

This business has grown till now the society runs the biggest single bakery in the district.

Originally the bakehouse had been rented from W. H. Gray pastrycook at 25/- a week but it was purchased for £325 and the building rebuilt in brick by W. Coe at a cost of £530. New troughs and fittings cost £83. The output of the bakehouse, which cost in all some £938, was then about 4,000 loaves a week. In 1910, the first section of the Drapery Department was built by A. E. Young.

To start the department, Mr. Richards, draper for the West Wallsend Co-operative Store took the Newcastle Society's draper,

Mr. Campbell, to Sydney with him to purchase stock for the new department.

They made the Arcadia Hotel their headquarters in Sydney and visited such houses as Sargood Bros. Henry Bull and Paterson Laing and Bruce. After careful buying, the pair returned to Newcastle to report and receive the thanks of the directors. It was decided to hold an official opening of the new department, as soon as the builders were finished with the building and, after installing some £84 worth of stock, the department was opened on July 7, 1910, the general^{al} manager (Mr. Lyne) reporting that "The place was besieged by shareholders inspecting the premises, prices and the glass of goods on show. Mr. Campbell had the shop looking well, neatly arranged, and from appearances, he thought the Store had secured the right man."

An indication of how the Store was progressing is given in the following figures showing wages paid weekly in each department of the store in 1911.

Staff	£ 20. 7. 6
Grocery Department.	£ 31. 0. 0
Bakery	£ 11.16. 6
Bread Carter	£ 8. 0. 0
Drapery	£ 8.10. 6
Green Grocer	£ 7. 5. 0
Boot Department	£ 4. 5. 0
Ironmongery and Crockery.	£ 1.10. 0

A total of £92-14-6 weekly in wages. The Stores total wages bill each week in 1948 was £4,100.

Such was the progress of the Store, that in 1910 a move was made by the Stockton Extended Co-operative Store to seek amalgamation with the Newcastle Store.

Negotiations dragged on for some months but the shareholders finally vetoed the idea.

The Store's influence was being felt now in the outer suburbs

as well as around Newcastle.

Two incidents show this. One of these incidents was a request by the Charlestown Co-operative Society not to serve members who lived in that area on the ground of unfair competition with the local society. The Newcastle Store board, after a long discussion, finally decided that the Store could not accede to the request of the Charlestown Society. The other incident occurred at Dudley about 1910 when local bakers threatened to stop serving people in that district who were also members of the Store.

It appeared that ~~the biggest~~ ^{one} baker there was also the local grocer and he resented the Store's competition.

The effect of these and similar incidents was not to make the Society limit its boundaries but rather to spur it to seek new members further and further out.

The departure of the store cart for parts near Dudley and Charlestown in these pre-war days was always something of a dramatic moment. The roads were not very good, the destination was far away and once the horse and cart left Newcastle, no more was heard of it till its return.

On Oct 13, 1910, the familiar Store green-grocers cart (now a truck) went out for the first time. In December of that year, a move was made to start the tailoring department and Mr. Harrison was engaged in Jan 1911 as cutter and tailor at a salary of £4 a week.

The crockery and ironmongery department also started in 1910.

Meanwhile the grocery department, the department which had been in fact, the original store, was developing soundly.

Throughout the ten years from 1905 to 1915, despite new ^a departures, the grocery department had/solid background of development.

The year was a particularly successful one in view of the industrial trouble which began the year the famous

Peter Bowling strike.

The President Mr. R. S. Blakey told the general meeting that there had been a decrease in trade of about £2000 but when it was considered that The Store, true to its traditions of co-operation, had carried a considerable number of customers who were barely able to provide for themselves the necessaries of life, he thought the business of the year satisfactory.

The bakehouse was enlarged in 1911, land fronting Hall and Cooper Streets being bought from Mr. W. J. Edwards at a cost of £400. Two more ovens were built as well as a cart loading dock and a flour store. In 1913, the Store purchased five allotments of land having a frontage of 165 feet to Beresford Street and a depth of 90 feet to Beresford Lane for £36. New stables for the Society's horses were built on this land.

Figures over the period are a guide to the progress of the Society.

In June 1904, sales were £4603 for the half year, an increase of £851 on the previous June period. Members totalled 306. In June 1905, sales rose to £8075 with 474 members. A dividend of $\frac{2}{3}$ in the £ was declared. In June 1906, sales totalled £9747 and members, 568. A dividend of 2/- in the £ was declared.

June 1907 sales totalled £14,590 with members at 786.

A dividend of $\frac{2}{6}$ in the £ was declared.

In May 1908, sales totalled £15,501 and members 866.

In this half-year the wages of the staff were brought into line with the trade union movement awards and a fire in the bakehouse caused a moderate expense. It proved the solidarity of the co-operative movement for the Stockton Society gave assistance.

In the same year, a new bakehouse was built at a cost of £1000.

GROWING PAINS.

At the annual meeting for 1908, the acting chairman Mr. A. S. Blakey said that the only difficulty before the Society was the question of expansion. If the shareholders would leave their money with the Society they would soon build a bakehouse, he told them. This appeal to shareholders to leave their money in the Society for the good of the Society, was to go forth to shareholders on many occasions in the coming years.

The wages system adopted gave great satisfaction to the shareholders, all of whom were working men.

Mr. E. J. Brent said that the Society had been the first to adopt the union scale of wages for the bakers. When the Arbitration court wages came into operation, there was but one shop assistant in the society's employ who was not already getting the court's award wages. This man had been in the employ of the Society but three weeks.

An incident during the year resulted in the resignation of three directors at the annual meeting, held at Wickham School of Arts in Jan. 1908.

A man had been dismissed by the directors and the manager, Mr. Lyne on the score of a breach of discipline and, at the annual meeting of shareholders, he was allowed to state a case. Mr. Lyne and Mr. Goad moved that the action of the directors and manager be endorsed after the man's defence had been heard but an amendment by Mr. R. Wells and G. Boland, censured the directors and manager for dismissing him and directed that the man be re-instated. ~~Amazingly enough,~~
This amendment was carried.

Messrs. A. S. Blakey, J. Welford, E.J. Brent, all directors, promptly resigned.

On the following Saturday, the argument was taken up again with Mr. W.J. Channon in the chair.

Mr. Channon said that he had the assurance of the directors who

had resigned that they would withdraw their resignations if the censure motion was rescinded.

The question, they said, involved the issue whether the directors or the employees should rule.

The chairman pointed out that under the rules of the Society, the board and not the shareholders, had the power to deal with disputes between the manager and the employees. The amendment censuring the board was therefore out of order and, it was directed that it be struck out of the minutes.

A motion was then read that the directors Welford, Blakey and Brent withdraw their resignations and this was carried. The affair laid down an interesting precedent covering the relations and authority of the board the employees and the shareholders.

At the same meeting the ex-president Mr. W.H. Milton did not seek re-election to the Board.

He had been one of the founders of the society and a great friend in need during the early struggles of the Store. He had helped the directors financially when times were bad and his advice had always been sought in times of perplexity.

He retired because of failing health and the shareholders in a spontaneous tribute to a man who had contributed a great deal to the success of the Society gave him three hearty cheers.

The following year, an important change was made in the society's book-keeping system.

On the advice of the auditors and the secretary, the Society installed the double-entry system and because of book changes which were balanced out in the following year, the dividend fell to 1/9 in the £.

In November 1909, sales reached £20,897

and there were 1109 members. The dividend for that half year was 2/- in the £.

Throughout the preceding years, a vigorous campaign for new members had been made with the result that by 1910, the Society's membership was exceedingly large. The growth of the Stores' business had been largely helped by this and, of course, also by the fact that it had been launched at the beginning of an era which was particularly favourable to the development of business. But it was the devotion to the ideal of Co-operation of the members of the Society which was the main factor in the success of the Store.

The early balance sheets contained this statement of the ideals of the store, expressed in a manner which must have appealed strongly to the people of the time.

"All are welcome to become members and profit-sharers of the Society, Most readers no doubt say 'Oh, yes. I know I can become a member. Anyone can become a member who wishes to join,' — and so leave it at that, as if that was not a privilege. Yet it is a privilege which is peculiar to a Co-operative Store. If you wish to join a successful joint stock company, you are informed that the early shareholders ran all the risks and, now that it is prosperous, you must pay a premium of sometimes 100 per cent more than the original shareholders paid.

"By becoming a member of this Society, everyone shares alike."

In 1905, the Northern Districts Co-operative Association was formed the president being W. Channon. But in 1909, the first move was made towards the establishment of a Co-operative Wholesale Society.

A conference was convened by the Newcastle and Suburban Society in the old Trades Hall in Hunter - Street.

Representatives from 16 societies were present.

The representatives of the Newcastle and Suburban Society were Messrs W. J. Channon and E. J. Brent, the latter a former president and still a director of the Society.

The other societies represented at this important meeting were Kurrik Kurri (Messrs Jas Thomson and T.L. Johnson), Wallsend and Plattsburg (W. Harris and J. Bower), West Wallsend (J. Stenhouse and S.J. Timmins), Eastern Suburbs (W.E. Bell and A. Hughson), Balmain (J. Campbell and M. Fitzpatrick), Woonona (W. Lindsay and A. Tulman), Helensburg and Lilyvale (J. Logan and W.P. Mitchell), Goulburn (R. Rea), Wyong (T. Gascoign and H. Baker), Lithgow (W.J. Thomas and W.T. Phillpots), Lithgow (Millthorpe (J. Chilvers and R.T. Hawke), Stockton (W.R. Errington and C. Hudson), Cessnock and Aberdare (J. Hill and W. Wilson) Charlestown (J. Summer) and West Maitland (Messrs Wall and Moase). An apology was received from the Nepean Society.

Letters were received from the Junee, Bathurst, Western Suburbs and Barrier Co-operative Societies, stating that, for various reasons they were unable to be present but that they were in accord with the movement to establish a Wholesale Co-operative Society.

The conference was thus fully representative.

Mr. W. J. Channon was elected chairman of the conference and Mr. John Bower, secretary.

Mr. E. J. Brent, seconded by Mr. Campbell moved the resolution from the Newcastle and Suburban Co-operative Society:-

"That in the opinion of this conference of representatives of retail co-operative societies, the time has arrived for the formation of a Co-operative Wholesale Society, thereby saving, for the united benefit of the retail co-operative societies, the gains of the wholesale trade."

Mr. Brent, in support of the motion, gave a great deal of

information culled from reports of 17 out of 24 co-operative societies established in the state. This information included the following interesting figures. Numbers of members for 17 societies were, 11,031; share capital, £66,486; reserve fund, £6102; cash paid for goods for the 12 months, £411,863; sales for 12 months, £519,437; Assets £114,367; Liabilities £93, 254. Average dividend paid was $1/8\frac{1}{2}$ in the £. This motion was carried unanimously, and the conference resulted in the establishment of the C.W.S. now a flourishing concern in Newcastle.

The move towards the establishment of the C.W.S., the general forward drive in business and membership and conditions generally, filled the directors with optimism such that at the end of 1909, they were able to express the hope that the Store would shortly become a "Universal providing establishment."

By 1910, the Society was on a firm foundation and its history up to 1916, is a history of rapid and successful expansion.

The close of 1910 was marked by a sale to celebrate the close of the society's first half-year in the drapery business. Another venture of the directors was the formation of purchasers' clubs. Each club consisted of 20 members and was drawn each week. The successful member could use the winnings for purchases in the Store.

Although the period had not begun well - an industrial upheaval disturbed trade for three months in the beginning of 1910, - by the end of 1912, shareholders sales amounted to £50,157, non-shareholders sales to £437, showing a total increase for the half year over the corresponding 1911 period.

The bakery department showed a considerable increase in business with a gross profit of £1,016, Grocery Department gross profit, £4,105, Drapery, £1,503, Boot and Shoes, £548,

Crockery and Ironmongery £228, Green Grocery £1,013,
Tailoring £359.

At the general meeting in July 1911, Mr. E. J. Brent was able to report to a general meeting that there had been an increase in trading and profit in all departments and that the Bakery Department had shown a great increase in profit.

"If it had not been for the Co-operative Store" he told shareholders, "I believe that the price of bread would have been more than 3d. a loaf."

Again, at the shareholders meeting in 1912, the old question of how much the directors should get for their services to the Society, came up. The directors were not in favour of payment to themselves but the shareholders were adamant. It was decided, after a lengthy discussion, that the President should get 7/6 a sitting and each director 5/6 a sitting.

A notice of motion came before the January meeting of 1912 which foreshadowed later developments which culminated in the Brierly and Brierly report.

This notice of motion asked that a chartered accountant be engaged to audit the society's affairs for the previous two years. It was lost. In July of the same year, Mr. Brent told shareholders that the directors had accepted a tender for £1143 for premises for the bakery and the erection of two new ovens, the extension of the flour store and enlargement of the bulk store £280.

An important ballot was held during 1912, the members deciding that the Society should join the new Wholesale Co-operative Store.

THE SOCIETY GROWS.

The dividend declared in 1912 was 2/1 in the £. In 1913, the directors accepted the recommendation of a special meeting of shareholders and commenced operations to build the third section of the Society's premises. Following purchase of land in Beresford Street, new stables were being proceeded with and tenders for the work were called early in 1913.

Earlier in the same year, a large bulk store had been erected on the site formerly occupied by the Society's three small cottages (which had been sold for £40). The two old baker's ovens which had done good service from the inception of the Bakery Department, were demolished and one more large brick oven and patent steel oven erected in their stead. An electric hoist was also installed.

The third section of the society's premises was completed in the latter part of 1914. The Great War had broken out and its immediate affect on the business was felt in the absence of many members of the staff in military training. The Necessary Commodities Commission of the State Government also limited the profit on many lines carried by the Store so that it was not possible to work on the Gross profit allowed - 10 per cent - and hand back to the shareholders dividends as large as those of the past.

However, on the progress side, the Boot ~~the~~, Crockery and Ironmongery Departments were rearranged on the ground floor of the eastern section of the premises so as to give better display and housing of the goods. A 5-ton refrigerating plant was installed as an adjunct to the Grocery Department and the erection of a separate bakehouse for the Pastry Department was almost completed.

Expanding trade made this last a necessity.

An interesting question came up for discussion and decision in 1915. The Society had, for a number of years, been tentatively examining the question of whether the Store should acquire a consumer's agency for the sale of wine in bulk. With vineyards within 30 miles of Newcastle and the wine of the Hunter Valley, particularly the light table wine, being considered the best in Australia, the Board had often considered this question.

They decided to put this question to the shareholders and the wisdom of this procedure immediately became apparent for while there was a considerable body of opinion in favour of the Society selling wine, there was also a considerable body of temperance opinion passionately opposed to it.

Mr. K. A. Mathieson led the ^{opposition}~~temperance opinion~~ and urged shareholders to enter a protest against the introduction of wine into the Store and after a somewhat stormy meeting, it was decided to settle the question by ballot.

The result was:- In favour of the wine license, 582; Against, 819, Informal 54. There was therefore a majority of 237 against the Store obtaining a wine license.

Messrs. Curley and Wells, delegates to the C.W.S., reported progress to the store during the year. From the start, they said, no difficulty had been met in handling produce, the manager of the C.W.S. having an interstate connection. The difficulty was met in handling butter flour and canned goods. Sales by the C.W.S. to Newcastle, Wallsend, West Wallsend and Cessnock Societies totalled £11,967 for the half-year.

Mr. J. Welford, the popular mine manager who had been with the Society since its inception now, after 14½ years of continuous service on the board, retired. Many tributes were paid to his zealous service.

In Jan 1914, Mr. Brent announced that the contract price for the third section of the store was £6700. The store, from humble beginnings, had grown to such

a magnitude that this new space was badly needed he said. The average purchases per week of each member were 18/6 a member but this figure ascended in particular cases to £4 a week. In those times, these figures were considerable.

"I believe" he told the shareholders "that this additional structure will meet the needs of the store for the next few years but I also believe that we have but touched the fringe of the possibilities of the co-operative movement in this district. I hope "he added " that the day is not far away when we will be able to manufacture our own articles."

By October, the new section of the Store was completed and in Jan 1915, Mr. Brent said that he could congratulate the shareholders on the position of the Society. All payments in connection with the new building had been met without disturbing the fixed assets of the Society. The bakehouse still needed two or three more large ovens to keep up with current business, he added. Altogether, the position was very satisfactory.

During the year 1915, the minutes of the Society show growing awareness among the Directors that the whole of the Society's organisation needed overhauling and this dissatisfaction, spurred by particular incidents showing inaccuracy in the Society's accounts, culminated in February 1916 in a motion moved by Mr. Harland and seconded by Mr. Norman that "an independent firm of Chartered Accounts be engaged to make a special audit of the Society's books to see what state our business is in and also to put in a system of showing nett profit on our departmental trading accounts". This was carried.

At the following meeting of the Board, the President (Mr. E. J. Stuart) submitted a report which said that since his election to the position of President, he had given very careful attention to the present financial position of the Society. He had arrived at the conclusion that the interests of the shareholders could be served by having a special investigation of the Society's affairs made by some reliable firm of Public Accountants who would command the respect of the shareholders and be entirely free from local influences.

With this object in view, he proposed to send for Mr. Brierly of the well-known firm of Brierly and Brierly, Public Chartered Accounts and Auditors of Sydney so that he might discuss matters with him and arrange for him to attend a special meeting of the Board to advise as to the scope of the investigations required and the probable cost. Actually, the President got no further at this meeting with his plan, but in the long run, he had his way and Brierly and Brierly conducted a special investigation into the Society's affairs.

Such was the beginning of the Brierly and Brierly report. It cost some £750.

45.
Brierley Report.

The Brierly and Brierly report, which was delivered on October 26th, 1916 was a complete investigation into the affairs of the Society.

The following is a summary of this report by this Sydney firm of Public Accountants.

~~"We found your system of account-keeping of the most absurd character" - began the report.~~

The investigators had pointed out that the Society should try to stop the large withdrawals of Share Capital which were then taking place owing to the limitation of interest payable to shareholders of the Society.

The investigators were inclined to the view that the rules should be amended to permit the capital being fixed, i.e. not subject to withdrawal unless the shareholder left the district. Unless this was done, they said, smaller dividends would have to be paid and larger reserves created.

In accordance with their recommendations, the various departments of the Store were placed under the control of their respective heads, subject to the general supervision of the General Manager.

The investigators recommended that the Society should secure a man as General Manager who would be such in fact as well as name.

"In Mr. Lyne's time" the report said "the General Manager devoted a large amount of attention to the Grocery Department even taking part in calling over the parcels to the carters. The result was that the interests of the better paying Departments were neglected or ignored. Mr. Green, however, had the advantage of the existence of departmentalisation (?) with responsible heads to each department. He could have reached our ideal of General Management because the Board gave him every possible latitude and assistance. Yet a great deal of his time was occupied with inquiry into trifling

errors in docketts or sales slips which, in our opinion, might have been profitably delegated to a clerk."

The report went on to make some pungent criticisms of individuals, ~~which make good reading in these days of unacquainted commercial English.~~

Prior to the investigations, the report went on, the various departments, other than the Grocery Department, were struggling with an occasional clipping by the Manager, of their endeavour to grow. The Grocery Department was magnificently housed, attention was paid to the development of everything which would assist to display and handle grocery lines while the more profitable departments were not only neglected but, it seems, were almost discouraged.

If at the time of the erection of the store premises the General Manager had not primarily been a grocer, he would have devoted the best of the show space to such departments as Drapery, Boots, Hardware etc. and would have stowed the Grocery Department away in the least prominent part of the building.

(it must be remembered that this report was written in 1916 when fashions in display were certainly different than they are to-day. Modern streamlined grocery departments have a sales attraction to-day which has been developed only during the past ten to fifteen years.)

The report goes on to say that the result of this rearrangement would have been that the shareholders would have been encouraged to deal with the store in the more profitable lines and the dividends would have been much greater in consequence.

The investigators gave the following table showing the relation of the departmental sales to each other for the five years ending November 1915.

	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>
Grocery	£ 39318	£54817	£67655	£89093	£113829
Drapery	9659	11766	12780	15379	16411
Bakery	5982	7438	9517	12087	17037
Boots	4500	5077	5803	6889	7383
Hardware	1898	3012	3819	4620	5385
Green Groc.	3875	6398	8531	11074	13751
Tailoring.	1610	2306	2208	2285	2984
Pastry			670	3507	5502

The percentage of each department's sales to the grand totals for the years 1911 to 1915 were:-

	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>
Grocery	58.82	60.36	60.95	61.46	62.44
Drapery	14.45	12.95	11.51	10.62	9.03
Bakery	8.95	8.19	8.56	8.34	9.34
Boots	6.74	5.59	5.23	4.76	4.05
Hardware	2.84	3.33	3.44	3.19	2.95
Green Groc.	5.79	7.05	7.68	7.64	7.54
Tailoring.	2.41	2.53	1.99	1.57	1.63
Pastry			.64	2.42	3.02

The investigators said that the endeavour of each department should have been to secure an increasing share of the total.

The investigator s installed a system of stock records for each department to keep the departmental heads better acquainted with the various lines handled, to prevent invoice errors and to assist stocktakers.

"In the past" the investigators went on "The arrival and departure of employees and their general conduct had been of the most free and easy character. There had never been any means of ascertaining the fact that many

employees were punctual in their attendance and conscientious in their unflinching continuance at their posts while others were neglectful of nearly every fair demand upon their service. In order, then, that uniformity of conduct should prevail throughout the establishment and that the worthless employee should not be permitted to prey upon those who are worthy, we recommend that the Board adopt a code of conduct and time-keeping system.

The investigators recommended the establishment of branches because of the enormous cost of distribution, the fact that shareholders were demanding improved service and the prospect of an ever widening field of operations.

"Concerning our work generally" the report said "we desire to say that we met with a good deal of cheerful assistance on the part of some of the employees who evinced a desire to study the interests of the business. On the other hand, there were a few employees who appeared to resent our 'interference' as they chose to regard it. For these latter, we have no time either to pity or condemn. One general warning we would add without bitterness or personal feeling, and that is that any employees who is 'up against' systems of check, needs watching and any shareholder or customer who aids and abets such employee to prevent installation of systems of check, or to circumvent them when installed, needs special attention.

The investigators congratulated Mr. George Bateman, head ledger-keeper, on his ability, application and conscientiousness. He had been of material assistance in the introduction of many drastic changes made in the system. He was undoubtedly a very valuable officer, said the investigators.

They also commended Mr. Walter Perkins, Cashier. The old mode of keeping the cash book was very loose and, in view of this, they considered that Mr. Perkins deserved the greatest confidence of the Society.

"The opportunities which the careless system of totalling the Cash Book presented to the cashier were well known to him, said the report, and the investigators desired to place on record their confidence in his integrity. He was a faithful and valuable officer.

The Report dealt with the general question of General Managers and said that a man who was truly a General Manager was worth paying well and that General Management of the cheap order was bound to prove unprofitable in the long run.

"Had you in the past a competent General Manager whose time had not been taken up by attending to the details of any one department, his attention could have been turned to the looseness of methods, the existence of which must have cost the Society a considerable sum of money. Throughout the establishment, there has been a total absence of checking of goods received, and we have no hesitation in asserting our conviction that goods have been paid for in the past which have not been received. In the matter of returned empties, there has been absolutely no check upon these.

"The control of the secretarial work and account keeping was in a deplorable state" continued the investigators.

"The method of book-keeping generally, is the most slipshod and antiquated that has ever come under our notice in a concern of any magnitude.

"The Ledgers are kept in a manner which renders it impossible, without the most minute examination of details, to say whether customers' accounts have been paid off or merely written off.

"The cashier's work, while very well done as far as the cashier is concerned, has never had any check upon it...."

Minor errors discovered amounted to 91 in three months, the fact that they were minor being a tribute to the accuracy of the cashier rather than the system.

"Upon examining the methods of arriving at your half-yearly balances we were rather startled to find that the balance of both

the last half-yearly periods at least were faked by the writing off to grocery sales of £165 for the half-year ended May 31, 1915 and £333 for the half-year ended, Nov. 22 1915.

This made a total of £498 for the year.

"This difference might, of course, be explained by the discovery of clerical errors but, in view of that fact that no attempt was made to find the difference, it might also be explained by fraud on the part of the staff.

"We are installing a system which will provide a check for the future" added the report.

The investigators found a similarly unsatisfactory state of affairs in the ledger-keeping and initiated the proposal of working the ledgers on a shareholders' registered number rather than by names.

They suggested that the departmental analysis should be made upon an adding machine and the statements made upon a statement machine. The chief advantage of their alterations was claimed to be the reduction of the ledger staff by one-half and absolute accuracy of work.

The report suggested better accommodation for the typists, the typing then being done in the office of the greengrocery department.

The investigators also raised the following "serious" matter.

"We understand that the General Manager has had cause to complain of what appeared to him to be frivolity on the part of the typistes. We think this would have largely arisen from the fact that certain juniors of the Grocery Department make a practice of addressing their remarks on general matters to the typistes, thus distracting the attention of the latter from their work."

Brierly and Brierly were serious men.

The reports recommended a weighing machine for the Bulk Store and closer control of the stable.

The Grocery Department had carried the heaviest wages roll over the years but the profits of this department had not contributed much to the dividend.

Over $3\frac{1}{2}$ years, the total gross profit was £47,277 and the grocery department had contributed but 15.72 per cent of sales. In November 1916, the accountants Brierly and Brierly, who were then accountants to the Society, issued their report on trading for the half-year, an important one since it would show the effect of the alterations which they had introduced and whether their systems had been carried out.

They had previously recommended that the rules be amended to permit larger sums being placed to Reserve Fund each year, and this recommendation had been acted upon.

However, as far as members' outstanding accounts were concerned the accountants regretted that their system had not been worked.

As a result there was a difference in the statement of balances and the total of balances abstracted from the ledger of £362, later reduced to £82. There was evidence of ledger errors of the "most dangerous kind" and they urged that proper checks on the Ledgers should be carried out.

The Grocery department, however, provided the remarkable evidence of the value of systems of check introduced.

Although the total sales for the half-year ending Nov. 20 1916 were £52,071 as against £57,629 for the same period of 1915, yet the Gross profit was £8,256 against £7,429 in 1915. The rate of gross profit was 15.85 per cent against 12.89 per cent in spite of higher costs and the war-time restrictions. The Bakery, Boot and Shoes and Crockery and Ironmongery departments showed the extraordinary position of decrease in sales, yet an increase in gross profits.

After a detailed analysis, which showed some very unsatisfactory conditions of account keeping, the accountants

emphasised the need for the appointment of a competent double-entry book-keeper for the charge of the office.

INTERNAL TROUBLES.

At the quarterly meeting of the Society held at the Wickham School of Arts in the latter end of 1916, the reaction of the shareholders to the Brierly and Brierly report was displayed.

Mr. R. T. Harland, who had initiated the investigation contended that if the proper forms of accountancy had been adopted years ago, the business would not have got into the state it had. He would not say anything derogatory of the staff for the staff had not been sufficient for the work to have been done properly.

It was ~~name~~ an immense organisation doing over £200,000 worth of business annually with 150 employees under nine awards. They required a highly capable manager who understood organisation, who would be capable of drilling the staff and also advertise the stores judiciously.

He should also have a knowledge of accountancy and finance, and be able to tell whether any department was paying as it should. The business had become a departmental store and departmental managers should be given power to do their own buying. If, in six months, they were not doing the business they ought, they should get out and make room for someone who could. Mr. T. Curley said that some panic statements had been made outside. Their trading had, however, been between £2000 and £3000 better for the quarter. He contended that co-operative societies had methods especially adapted to their own needs and these had been found suitable.

Mr. Brierly, however, said that referring to systems and methods he would take the system of credit note as an example. If a credit note was lost, the society got nothing. This was one ~~traditional~~ method which needed reorganisation.

Mr. Curley replied that he agreed with Mr. Brierly that the

Society needed reorganisation but the constitution needed revising to effect this.

It was decided to appoint a firm of chartered accountants to audit the Society and, speaking highly of the work of Messrs Boa and Gibson, Mr. Brierly said that there were things which it was physically impossible for men to do. One such thing was for men to audit the affairs of a vast concern such as the Society, in their spare time.

Had he been one of the auditors, he went on, he would have thrown up the job and would have told them that he had not the time to do the job properly. The auditors had done their best for the time for which they had been paid.

Mr. J. Boa stated that with regard to the difference in balances (referred to in the Brierly report earlier), these had occurred since the system was instituted by reputed accountants and, acting on the advice of the gentlemen who had installed the system, they had been written off. The debit balances were not money lost but they had occurred through errors. They had drawn attention to these matters in the auditors' reports. He hoped that the books would be audited by incorporated accountants. The resignations of Messrs Boa and Gibson were then tendered and were accepted with regret. Messrs Brierly and Brierly were then appointed auditors to the Society.

A member then moved that "with the exception of the three new directors, the directors be asked to resign." This was seconded. Mr. T. Miller said that he had been a member for four years and a director for two years.

He did not know that he had done anything for which he should be ashamed or for which he should apologise. He believed that he had studied the shareholders' interests to which was associated his own, just as diligently and just as faithfully as the "Red Ragger" with more talk than brains. He had been informed that some 12 years previously, the Society had altered its system of accountancy. They had employed a firm

of repute which would place their books on a satisfactory basis. The firm laid down the system for their clerical work and this was a satisfactory one but the business had so increased that it had far outgrown the system. There was no one who could blame the directors for that

The Directors had given much thought and time to the affairs of the Society but they could not give all their time.

(Mr. Brierly here interjected: "For 5/- a week. It is absurd.")

The mere fact of getting 5/- or 55/- did not concern the directors. They had the common interests of the society at heart. He doubted if much would be gained by making a clean sweep of the directors. He asked whether the shareholders' interests would receive more attention from the new directors than from the old directors.

(There were several cries of "No".)

Mr. Brierly said that the reflections were upon the system in operation and not on any person.

The chairman later ruled the motion out of order on the grounds that the shareholders had the power at this meeting to move a vote of censure but not to call for resignations.

A special general meeting would have to be called for such a purpose.

Eventually, after much discussion, the report of Brierly and Brierly and the recommendations which they suggested, put into effect.

The period was not a happy one for the Co-operative Store and fears were expressed that the good name of the Store would suffer considerably because of the findings of the accountants.

But, in point of fact, the good name of the Store was enhanced in the long run because of its submission to stringent investigation.

However, the Store was not yet out of the wood. At about the same time, there was trouble brewing at the Co-operative Wholesale Society in which the Newcastle and Suburban Society

was a large holder.

A very largely attended special general meeting of the shareholders of the society was held in the Masonic Hall, Hamilton, on Saturday night, May 20, 1916, to consider the dismissal of the secretary and accountant of the Co-operative Wholesale Society and the Newcastle and Suburban's position as an affiliated member of the Wholesale Society.

Mr. E. J. Stuart, chairman of the Newcastle and Suburban Society presided. The hall was packed and, at times, the meeting was uproarious, the factions becoming so recriminative and assertive that ^{there was} difficulty ~~was had~~ in maintaining order.

Mr. Stuart, in reply to questions at the outset of the meeting, said that a letter had been received from the wholesale society, saying that the committee of the Store, appointed at the quarterly meeting, could inspect the books in the presence of Mr. Thompson, the auditor.

The chairman also read a letter from Mr. W.J. Lauer in which it was said that Mr. Lauer with Mr. O'Hagen, as members of the committee, had attended the wholesale society's office but Mr. Campbell, the manager, had refused to allow them access to the books. Mr. Lauer added that he understood that two other members of the committee had attended on the same day and had likewise been refused.

Therefore, in view of the obstacles placed in their way, he recommended that some other tribunal be used.

Mr. Lauer said that, when he attended the Co-operative Wholesale Society with Mr. O'Hagen, Mr. Campbell informed him that his instructions from Mr. Faulkner, chairman of the board, were that the committee were not to be allowed to peruse the books. There was no doubt that the board were trying to postpone the enquiry.

The board appointed another secretary and said that there could be an investigation without witnesses. It was absurd that the enquiry should proceed on these lines and that the innocent and the guilty should be absent.

It was utterly impossible to investigate the charges unless they had the documents. He suggested another tribunal. Mr. R. Wells said that the board of the Wholesale Society had not, as Mr. Lauer said, deliberately prevented the investigation. The chairman said that he had gone into the charges of Mr. Miller against Mr. Wells and of Mr. Wells against Mr. Miller and for the life of him he could not come to a decision. He would sooner see the charges referred to the Registrar and he would decide. This suggestion of the bewildered president was eventually adopted. In the meantime, Mr. Curley spoke:- "The position of the Wholesale Co-op. is most unsatisfactory. The president was relieved of his position on April 11 and another president appointed for a term of three months. Mr. S. Timmins was also appointed vice-president though the rules of the society do not provide for this. The secretary and accountant were dismissed on April 25 and a written protest was entered by the secretary against the action of the board responsible. Following this, the board passed a resolution authorising me to sign cheques in lieu of the secretary, while another director was appointed acting-secretary. On May 8th, the manager fell ill and has since been unable to carry out his duties. The board unanimously appointed Mr. Grierson, Manager of the West Wallsend Co-op. as acting manager. Mr. W.J.S. Thompson, the Society's auditor, has been for some days engaged as accountant. The Newcastle Store and Cessnock Co-op. tendered written objections to the dismissal of the accountant and secretary and Kurrk Kurri Society had demanded a special meeting of members. Curley thought the situation impossible and resigned as cheque signer. He had brought the resolutions carried at the quarterly meeting of shareholders before the meeting on May 9th. In order that the reinstatement of the secretary as outlined in a motion defeated might be properly tested, he moved for the rescission

of the motion dismissing the secretary.

Cessnock seconded the motion which was defeated.

Actually Mr. Miller said Mr. Curley had found the whole of the book-keeping system out of order and the board accepted a model system which Mr. Miller introduced and the auditor endorsed it. Everything went right until Mr. Miller presented a report to keep himself right with the auditors and then complications arose between Mr. Miller and Mr. Wells. Things had come to such a state that any man having regard for his health and welfare could no longer remain identified with it, added Mr. Curley.

Mr. Wells said they could not afford to have internal trouble in the C.W.S. This trouble had been brought into the C.W.S. by Mr. Miller himself. The C.W.S. was a fine thing to be in - - it had returned the Newcastle and Suburban Co-operative Store 14 $\frac{1}{2}$ per cent for each of the three years it had been affiliated. There was money in it.

A voice asked "For Whom?"

Wells said he had never been guilty of any underground engineering in any organisation he had been in and never would be. He had been accused of buying from the Wholesale Society but he was not the only one who had done so. Curley and the other directors had also done so. He had invoices and receipts for all that he had bought.

Mr. Stuart moved that the whole matter be referred to the Registrar to decide who was right and who was wrong.

After discussion, amidst a good deal of interjecting, Mr. Lauer moved that "this meeting of the Newcastle and Suburban Co-operative Society and all other persons interested demands that a full and impartial inquiry be made by the Registrar of Friendly Societies and that he be asked to make a searching investigation into the whole of the affairs of the C.W.S." The motion was seconded by Mr. Hogan and carried unanimously.

Mr. R. T Harland gave notice of motion that the Store withdraw from the C.W.S. He said it was evident that the Store must act for the protection of its capital. Instead of making $14\frac{1}{2}$ per cent they were losing 7 per cent, by remaining in the Wholesale Society and he was satisfied they could do a lot better by buying from outside sources.

However, the Registrar would not interfere and the matter was allowed to die down.

The year 1916, brought another trouble.

A destructive fire occurred on the night of March 5, 1916 and had it not been for the efforts of the Fire Brigades, considerable damage would have been done.

Mr. Gilbert, of Wickham, sent the alarm and 6.20 p.m.

Mr. Hillier the district officer, turned out with a strong force and by 6.50 p.m., 60 fireman had arrived on the scene. The outbreak occurred in the grocery section - building being 200 feet long 22 wide, two floors and a 60 ft basement.

It was heavily stocked with goods. When the first of the firefighters arrived the whole of the building was in flames. A hose was taken from the main in Charlton Street over the colonnade and through the front windows of the first floor. Another hose was taken from a hydrant in Beresford Street. The firemen soon had the flames under control and saved the other departments. Among the stock which had been blazing was large number of cases of matches. The damage was extensive. The whole of the rear part of the ceiling and roof were burned through windows and fittings on the first floor were damaged. All the goods on the ground floor were damaged by fire and water. Salvage operations were carried out and salvage sheets were used to cover the stock. The premises were insured with the Mercantile Mutual.

Next day, business as usual was carried on despite the fire.

A statement of claim of £2112 over building and fixtures was

lodged by the Society with the Mercantile Mutual Insurance Company and a cheque for that amount was paid to the Society on April 15, one day after the claim had been received.

A full payment was made to put the Grocery Department into first class order with new materials.

Considerable delay took place regarding the claim on destroyed stock but this was eventually lodged at £5089. The total losses due to the fire of March 5 amounted to £7201.

Altogether, 1916 was a very crowded year for the Newcastle and Suburban Co-operative Store and it was a good thing when it was over.

BUSINESS ADVANCES.

From 1916 until 1924, the Newcastle Co-operative Society shows the curious phenomena of rapidly rising profits, advancing business yet an almost static membership.

Many times had presidents of the Store had occasion to express their bewilderment that, in a working class district, a working class store (which was also a sound business) did not attract the membership that it should.

A comparison of figures over the eight years shows:-

36th half year, 1916: Total sales £92,609, membership 3800, nett profit £6772.

37th half year, 1916: Total sales £87,052, membership 3706, nett profit £4511.

39th half year 1917: Total sales £52,883, membership 3187, nett profit £3134.

40th half year 1918: Total sales £66,319, nett profit £5233, membership 3046.

43rd half year 1919: Total sales £78,948, membership 2866, nett profit £7225.

45th half year: Total sales £100,437, membership, 2937, profit £10,537.

48th half year: 1921: Total sales £115,570, membership 3362, profit £12,184.

54th half year 1924: Total sales £138,924, membership 3892, nett profit £19,027.

In comparison with the second half year of 1916, the nett profit in 1924 (54th half year) had increased by more than four times. Yet the membership had increased by only 186 members in a district where population had increased tremendously.

The investigations of the 1916 period, though perhaps responsible to some extent for the static membership, had nevertheless put both the Store and the C.W.S. on a sound

accountancy basis and the success of later years would not have been possible without the investigations.

To combat the membership problem, there was a growth in efficiency of the organisation.

Reading through the minutes, it is noticeable that in the early days the economic peccadillos of members of the staff were dealt with with considerable lenience compared to the times after 1916.

In July 1917, for example, the manager reported that he had found a bread carter drunk on his cart at Wickham and that he was forced to send another man to finish the run. Because the Society was short of men, he said he could not suspend him.

The Board made no bones about that and instructed the manager to suspend any employee immediately such employee was found drunk during business hours.

This, of course, was only an incident but it was part of the searching inquiry which the Board was directing into all parts of the organisation, seeking to improve the efficiency of the Store.

In the same half year, the auditors referred to the loss in the Greengrocery department and stated that the department showed a deplorable state of affairs which had produced a loss of £16 per week or 2/2 in the £.

At a subsequent meeting of the Board, the manager of the Greengrocery department was asked for an explanation.

The president (Mr. Miller) explained to him that with the exception of the Victoria Cafe and the Greengrocery Department, all other departments of the Store had showed a profit for the half year.

The Green Grocery manager was asked:

Could he explain why there was such a falling off in sales?
How was it that the gross profit was not sufficient to pay the wages?

What could be done to put the department in a better condition?

The Greengrocery manager replied that he thought the loss was due to the falling off in Store membership and the high prices ruling in the greengrocery trade. Most firms dealing solely with greengroceries were showing a loss he said.

The manager was told to try and improve his department. He made one point however and that was that by being forced to buy potatoes from the C.W.S. he was losing profit, being able to buy cheaper elsewhere. There was a difference of 25/- a ton in the price, he added. Certain it is, that the minutes of the Society about this time, show a disheartening list of withdrawals of share capital.

Whether these were due to dissatisfaction with the Store or were due to the rigours of the Railway strike, then existing, was not clear. The managers reports of the period show how business was restricted by the strike and a resolution passed by the Board allowed shareholders, during the currency of the strike, to trade up to seven-eighths of their share capital.

The years after 1916 up to the beginning of the third decade of the century were difficult. Mention has been made of the effect upon shareholders of the somewhat tumultuous 1916. The withdrawals of capital reached very alarming proportions and the lack of faith in the co-operative movement was made greater by unfavourable publicity.

The Store must be thankful for the guiding hand of Mr. H. T. Miller through those difficult years.

Mr. Miller's good business sense and unblemished ~~per~~ probity were of invaluable assistance to The Store

He carried the concern through to better times in face of what amounted to bitter opposition. The Newcastle as a business city was not favourable to the co-operative movement; the working class themselves were chary of

giving full support either through real fears of instability, through simple lack of interest or through the rigours of the 1917 railway strike. An example of the malicious propaganda against the store is that of a famous ham which was supposed to have been delivered to a shareholder in a bag of chaff. This report was circulated throughout Newcastle and gained such currency that it became a fit subject for the directors to consider, No ham, bag or chaff or protesting customer was ever found.

On top of normal business difficulties, the reports of instability in the Store reached business houses trading with the store and some of these made immediate demands for cash. In one case, at least, the short-sightedness of this faithless policy has been shown by the years.

The Store then bought from a certain firm some 8 tons of butter a week.

This firm, apprehensive of its money, demanded immediate cash payment.

Mr. Miller spoke to the directors on this subject and emphasized that, whatever, the directors might think of the action of this firm, they nevertheless had an obligation to pay when asked for the money.

The Society therefore quietly paid its obligations and just as quietly set about obtaining other supplies of butter.

At one time, the Society's butter carts were a common sight in the district. Now they are seen no more. This change over of butter suppliers provides the reason for the new suppliers wrapped their own butter and butter carts were unnecessary.

The Society, having ensured butter supplies from other sources, then cancelled its order from the original supplier. This was something unexpected and the wholesale firm pleaded with the Society to reconsider its decision.

But it was vain for from that day to this, the Society has

bought not a single ounce of butter from that firm and now its weekly consumption is well in excess of 10 tons.

On the other side of the ledger, the Society still remembers how Messrs. David Cohen & Co. Ltd., stood by the Society when times were difficult during the 1916-1920 period.

This old established firm raised no question. They simply continued to supply the Store until the difficult times were over.

The following figures show the growth of the Society over the ten year 1917-27.

<u>Half Year</u>	<u>Members</u>	<u>Sales per Term</u>	<u>Sales per Week</u>	<u>Share Capital</u>	<u>General Reserves</u>	<u>Surplus Distrib.</u>
Oct'17	3187	£52,883	£2,783	£33,982	£4,238	£3134
Apr'18	3046	64,098	2,456	30,389	4,274	5233
Aug'18	3010	47,185	2,510	30,329	4,684	4946
Feb'19	2964	70,848	2,724	31,258	5,056	6181
Aug'19	2866	78,948	3,037	31,008	5,534	7225
Feb'20	2875	84,789	3,261	31,220	6,088	6269
Aug'20	2937	100,437	3,863	31,985	6,596	10537
Feb'21	3106	115,129	4,427	35,688	7,365	12,025
Aug'21	3285	117,152	4,505	40,470	8,251	9,885
Feb'22	3362	115,570	4,445	42,706	9,040	12,184
Aug'22	3481	110,160	4,237	44,677	10,412	12,176
Feb'23	3501	105,106	4,130	47,407	11,351	12,814
Aug'23	3630	114,300	4,396	49,847	12,345	14,466
Feb'24	3680	122,634	4,716	51,408	13,443	15,318
Aug'24	3762	125,281	4,818	56,065	14,608	16,812
Feb'25	3892	136,924	5,266	59,438	15,916	19,027
Aug'25	4107	152,099	5,850	63,380	17,354	20,896
Feb'26	4403	184,875	7,106	70,240	18,366	24,968
Aug'26	4900	203,569	7,829	77,951	19,600	27,354
Feb'27	5340	243,684	9,372	87,410	20,961	33,784
Aug'27	6115	260,094	10,004	100,538	22,626	36,752

THE BAKERY.

In the difficult times through which the Store was passing, everything which hampered the progress of the business was of vital importance.

One of the greatest problems before the directors at this time was the poor quality of bread being sold to shareholders. The store then sold over 15,000 loaves daily and complaints over the poor quality of the bread supplied were widespread.

In December 1918, the foreman baker was told by the Board that the Society had lost a large number of shareholders because of bad bread and unless there was a great improvement in quality, the Board would have to replace him.

In Jan. 1919, the Board took decisive action and fired the foreman baker and advertised for another man. In February of the same year, the secretary reported to the Board that some 30 customers had been lost since the last Board Meeting, the reason principally being that the ~~last-Board~~ bread supplied by the Store was of poor quality. In the meantime, a carter had absconded with the proceeds of 46½ dozen loaves and the General Manager reported that in 40 weeks, 1569 loaves had been wasted for one cause or another.

By arrangement with the Operative Bakers Union, the original foreman baker was given another trial.

On March 3, 1919 he appeared before the Board again.

He reported further difficulties in the making of the bread but hoped for better quality.

This question of the quality of the Society's bread extended over some ten years. It was a very serious question for the Society's Baking Department was and still is, one of its most important departments and a daily customer-store contact. The Society's bread must be good.

The trouble about the bread continued over a number of years. In 1923, for example, an inquiry

was held into the quality of the bread and the decrease in sales. The president (Mr. T. Miller) called the foreman baker and doughman before the Board and asked them to suggest anything which might overcome the inferior quality and diminishing sales. The problem was examined minutely and experiments conducted to try to make a good process which would produce a uniform loaf. In July 1923, Mr. J. W. Archer was made Bakery Department Manager. In welcoming him, the President said that Mr. Archer had come with favourable credentials from the Lithgow Society. For some time, the Board had been dissatisfied with the bakery department and the expenses of running it. They felt that if only they could obtain the services of an expert tradesman and one who had the capacity to manage, the Department would prosper.

In August of that year, alterations and additions to the bakehouse were commenced. The proposals included the addition of one story to the north east wing of the existing building and the extension of the building on two floors from the railway boundary to Hall Street. The architect had tested the foundations of the building and was pleased to find them stout and true and well up to carrying the extra storey and the heavy weight of flour it would contain.

At this time, horses still did the greater part of the Society's deliveries. The question of delivering bread to Dudley was raised but because it still took eight hours to get there by horse and deliver bread, the proposal was left in obedience.

It is worth mention that the refrigeration service was near installation by this time, the machinery being delivered and workmen on the job.

To show how important this branch of the Society's business was becoming, in 1923 the Society's requirements for eggs for the next season was estimated at 15,000 dozen.

To return to bread, the arrival of the new manager did not solve all problems. In December 1923, Messrs. Cairns, Mathieson, Wilson and the President complained of the quality of Saturday bread. Quality returned smartly, for the Board were on the qui vive on this question of ~~bread quality~~ and would not overlook any departure from standard. This vigilance did not solve the problem however. In the following year there were complaints about stale bread, uneven quality of bread and explanations by the Bakery Department. At this time the Society was baking some 20,000 loaves weekly. The drapery department, along with other departments, was expanding and provision was made in 1923 to extend its floor space.

The year 1924 saw the commencement of the Society's milk deliveries, two carts being bought for the purpose. An agreement between Bowthorne Butter Company and the Society was made and milk was bought at 1/- a gallon. Boolaroo and West Wallsend Societies agreed to take their milk through the Newcastle Society.

In 1925, the bread problems were again before the Board and a change of managership took place, Mr. Cox succeeding to the position. At this time, the number of loaves sold weekly had risen to 24,500.

The Society's tea rooms had commenced in the same year and Miss E. McNair was appointed in charge.

The entire business of the Society, in fact, was expanding so quickly that questions of space and equipment occupied the thoughts of the Board to a very great extent.

Over this period, when further acquisition of land was being discussed, much thought was given to the problem of extending the business either through the establishment of branches or the extension of the present building.

CO-OPERATIVE CONGRESS.

The first N.S.W. Congress of the Consumers' Co-operative Societies was held on April 5, 1924 in Hamilton.

The attendance numbered about 70, delegates from industrial and kindred societies being present. Mr. G. Booth, president of the C.W.S. presided.

The C.W.S., said Mr. Booth in his opening address, had made rapid progress and, apart from being the trading medium of the co-operative societies, had carried on the propaganda of the movement and had been in the vanguard of every effort to protect co-operative interests.

Starting in 1913, in a humble little shed in Tighe-Street, Wickham, the C.W.S. in spite of fierce opposition, had forced its way into the stronghold of commercialism.

Its first year could only bring forth four retail societies to see the benefits of wholesale co-operation. Its staff was a man and two boys, its share capital £861 and its sales £12,217.

The first balance sheet disclosed a profit of £141, but this had increased in each succeeding year. Every device that competitors could employ had been set against the C.W.S. from time to time but the spirit of the Rochdale pioneers and their splendid example had inspired the C.W.S. They had grown to be a big factor in the commercial life of the country.

The C.W.S. (in 1924) consisted of 23 affiliated societies with a retail membership of 32,500. Its share capital was £40,000 and its turnover half a million pounds.

It had factories in Newcastle and Sydney and employed large staffs who worked under ideal conditions.

The building which had then just been completed, cost £14,500 and contained space for manufacturing brooms, clothing and groceries of every description.

The movement, added Mr. Booth, was growing apace from every point of view. In order to fall into line with the trend of international co-operation, arrangements he said were then almost complete for the affiliation with the English Society.

Having commenced indenting on a large scale, they wanted their trade to flow through co-operative channels. They expected soon to place on the market tea imported direct from the Society's plantations in Java and Ceylon and manchester ^{direct} goods/from England.

They hoped that the time was not far off when it would be possible to arrange a complete chain of international co-operation, production, exchange and distribution.

Greeting from this first state congress of co-operative societies had been received from all parts of the world, added Mr. Booth.

Mr. Booth said his final message to the workers of the State was: "Join a movement that has proved its worth to the workers in their struggles. Join the movement that can and will be of lasting benefit to you. Join a movement that gives practical expression to your ideals.

Workers - - you clamour that control of industry is necessary to give you complete amancipation. The machinery of the co-operative movement can give you control Why don't you take control"

Mr. Rowley James, of Kurri Kurri Society moved the first resolution at the Congress.

This was "That in order to cement and harmonise the relationship between the co-operative and trade union movements, three representatives from congress shall be elected. Their duty will be to form a joint committee with representatives of the trade union movement. Such representatives will be elected annually at the State Congress.

Mr. James said that he had often considered why it was the Co-operative movement did not catch the ears of the workërs.

The motion, he hoped would do much to consolidate the interests of the two movements.

He thought the movement stagnated somewhat in Australia.

He believed that the average Australian looked to the immediate penny rather than the ultimate shilling which the co-operative movement gave.

The ultimate aim of the co-operative movement was the emancipation of the workers, said Mr. James. Other speakers emphasised that the difficulty was to harmonise with the trade union movement. They looked forward to the day when the Government would be based on the principles of co-operation. No government could be righteous unless it were based on the slogan "Each for all and all for each."

Mr. Mason of Cessnock moved that the Congress, recognising the vital importance of quickly increasing the Co-operative advance into the field of manufacture, urges every Society to adopt the C.W.S.'s 1/- per member Manufacturing Fund Scheme be allocating the amount from the trading surplus at each half-year.

Mr. Mason pointed out that a similar appeal was made some four years previously and that only 4000 to 5000 shareholders responded.

After carrying a resolution that the Congress be held annually, the meeting adjourned.

Later in the day, Mr. G. Booth, president of the C.W.S. officially opened that new factory which consisted of two additional floors on the factory plus a storehouse at a cost of £6500. The delegates inspected the new factory.

Mr. Eugene O'Neill, of Cessnock Society, seconded by Mr. J. Baddeley, M.L.A., moved that, in order to give practical expression to the mutual friendship which exists between the trade union movement and the co-operative movement and to insure the benefit which comes of united effort, the Congress urges every trade union to invest its surplus

funds in the New South Wales Co-operative Wholesale Society. Such funds were to be in the form of credits for the necessaries of life when needed by the unions.

Mr. O'Neill said that in 17 years, his society (the C.W.S.) had given back to the purchasers and retail societies a quarter of a million pounds.

And this after competing successfully with private enterprise. If this achievement had been foretold 100 years ago, he added, it would never have been believed.

He believed that the history of co-operation 100 years from then would have scores of such accomplishments to unfold. They stood ultimately for the Co-operative commonwealth.

Messrs Teece and Aubin (Miners Federation), Benson (Moulders Union), Keogh (Tramways) and Davies (Miners Federation), with other delegates, supported the motion.

Mr. Brown, of Granville Guild, favoured the motion but deprecated the views of speakers that the co-operative movement was simply a means whereby unions could provide for future strikes.

A committee representing the co-operative and trade union movement was set up to further urge the motion upon trade unions.

FURTHER BUILDING.

In February, 1926, the General Manager made a report covering the whole problem of additional space. The sales of the Society in 1918, he pointed out, were £2450 a week or £127,400 a year. In 1926, the weekly sales were £7,100 a week or £369,000 a year, this showing an increase of 289 per cent over the 1918 figures. During 1925 the growth of the Society was extraordinary, the lean years of 1918 to 1923 and their problems having been successfully surmounted and confidence of the public restored. The work of Mr. T. Miller, the President during this long period, cannot be too highly valued by the Society, now the inheritors of the accurate thought and care of that period.

The Board has discussed traffic problems and the Store's limited accommodation, congestion in the Mercery Department, the inability to have the whole of the office staff in the main office, congestion in the Cashier's Office, congestion in the butchering department and the boot repairing department. Forward moves had been held back because of the inability to give the space necessary to solve each situation. The General Manager did not favour branches. In a small area like Newcastle, the problem was quite different to other areas where customers lived over a wide area. The Society, he said, was 50 per cent grocery business; the other 50 per cent comprised departments which built the dividend. Depots or branches built a grocery department but starved the other departments. It was in this way that Balmain Society built a 75 per cent grocery business with the result that dividends dwindled.

The expenses in building a chain of stores in Newcastle would be heavy, he added and each would detract from the central store.

At this time, the Society had under offer the property of

Messrs. Griffiths and Smith nearby. Although the price was high for those days, the General Manager thought the position worth the price.

He emphasised that supervision was not as good where distance divided. He had in mind a building of three shops of two stories, the first shop to be for the establishment of a butchering department, the second for a greengrocery department and the third for a tailoring showroom.

Parts of the top floor, he said, would be used for a tailoring work room and the balance a suite of offices. The tailoring and greengrocery departments were then housed in quarters too small for them owing to the growth of business and their removal would allow for the extension of the Mercery departments.

Office space at the time was an acute problem. Staffs were divided and supervision difficult.

In the light of this report it is interesting to survey the building programme over the years up to the present day building.

The first shop, ^{as} has been already noted, was a small wooden shop at the corner of Charlton Street and Beresford Lane. It was bought in 1902 and for four years the Society made its business there.

In 1906 the shop was moved to the adjoining site and a new building erected at a cost of £1529. The original building was used as the boot repairing section. In 1908, the Society's first bakehouse was built on a site at the rear of the new shop. In 1910, the drapery section was added to the Society's business by an extension to the building.

In 1914, a further extension was built at a cost of £5,750 -- a worthy building. / The war and difficulties in business related prevented further extensions until 1923

when the building was extended at a cost of £2,618, while in 1924, the drapery department was housed more adequately by an extension which cost £4355.

The blacksmiths shop was built in Beresford Street in 1925 and Brewery Lane and Hall Street purchased to permit the extension down Beresford Street of the Society's buildings. It is interesting to note that the acquisition of this property caused the removal of the railway foot bridge from the end of Brewery Lane to the end of Cooper Street. The Society had to pay for this, of course, but the effect of these alterations was to make Hall Street available to the Society and it was acquired. In 1927, building to house the garage and coachbuilding sections were erected in Beresford Street at a cost of £5175 while the bakery building was erected at the rear of the present Grocery department by J.C. Davies and Son at a cost of £2,789.

The same contractors in 1928 tendered £31,056 for the biggest single building project on which the Society had ever embarked. This resulted in the erection of the major part of the present building. This was for a steel fabricated building which is now used to locate the grocery and furniture departments. Fittings installed cost £4,376 in addition to the cost of the building.

In 1935, a branch shop was erected at Belmont, land buildings, and plant and residence costing £3152. In the next year, the Society further extended its Hunter street property by building a two storey building in which is now located the Garage, service station, tailoring and tea-rooms and the Illoura Hall. The cost of this was £12,176.

The Society, in 1937, purchased from the A.G.E. their property at Clyde Street, Hamilton North at a cost of £15,000. In 1940, extensions were made to the furniture department and alterations to the top floor of the old bakery department.

These extensions and alterations cost £3689. In 1941, extensions to the Grocery Department packing section and basement cost £2788 while in 1942, the Society purchased a property and shop at Charlestown at a cost of £990,. The result of all this foresight and building was a total fixed assets -- land, buildings plant and fixtures etc, -- in 1944 of £161,545. The membership from the gallant 75 who launched the project in 1898 had risen then to 19,588 shareholders.

THE STORE IS ESTABLISHED.

The years 1917-1930 saw the Store progress with extraordinary rapidity. Those firms who in 1918-20 had so doubted the potential of the Store as to withdraw credit and give little business sympathy, had begun, by 1927 and 28 to rather wish they had acted with a little more foresight.

In 1917, there were 3187 members. By 1930 there were 9149 members. Sales in 1917 amounted to £52,883 for the half year; in 1930, they reached £338,311 for the half year. Sales per week rose from £2783 to ~~£14,~~ £13,012. The surplus for distribution rose from £3134 to £45,200.

These were years of progress indeed. The Store rose to a pre-eminent position in the life of the community. There was a baneficent fate guiding the destinies of the store for, in these years of steady growth, preparation was made for the storm that was to come in the Depression.

The story of the years from 1929 to 1932-33 is one of the Store's fight against a variety of adverse conditions, but a successful fight and one from which the Society emerged stronger than ever.

In 1929, while the Depression was but a half-heard threatening across the world, the first blow fell on the Society when, owing to loss of the share capital books, the Society was faced with the prospect of paying out to claimants many thousands of pounds without, at the beginning, any possibility of check as to whether the claims were justified or not.

However, the Society's auditor, Mr. W.J.S. Thompson, stepped into the breach.

Over many months of work, he and his staff investigated the position, collected documents and investigated claimants.

Mr. Thompson tells a story of one claimant who aggressively demanded credit for capital invested in the Society with all the certainty of one whose share book has been destroyed. "Very well" said Mr. Thompson at last, apparently giving up all argument on the matter "Will you sign this letter to the Board requesting payment," Still aggressive, the claimant did so whereupon Mr. Thompson produced other documents which conclusively showed that the claim was somewhat unjustified. The signatures on the documents and on the letter tallied and the claimant left his office with feathers drooping.

There was a large number of other claimants waiting in ante-chamber as she passed through on her way out and she was heard telling them in a loud voice that it was no use going in to see Mr. Thompson unless they were "fair dinkum". He had too many tricks up his sleeve, she said. And a number of other claimants who had come to try their luck followed the lady out without bothering to press their claims further.

The work of Mr. Thompson and his staff reduced the discrepancy in the share capital finally to £1102, an amount greatly below that for which the Store originally seemed likely to have to pay.

The books and papers missing from records in 1930 and whose loss Mr. Thompson investigated were the:- Deposit receipt books, deposit books, withdrawal slips, repayment of share capital book, cheque butts affecting share capital, share capital cards, dividend and rebate book and dividend and rebate withdrawn sheets.

It was a good test of the strength of the Store that it should have to meet trials such as that related on the verge of a great business depression.

The depression was a severe test of the strength of the store but, as the annual balance sheet and report

of 1931 pointed out to combat the Depression, the management had adopted a policy of cheaper prices and better service. Modern business methods were then being studied and would be incorporated in the Store organisation when they did not conflict with co-operative principles.

"To declare a dividend of 6 per cent on capital, to give 1/- in the £ rebate on purchases, to make due provision for reserves while meeting the competition of depression prices, was no mean feat, the report proudly said.

However, the position of liquid money was so difficult that the unprecedented step was taken of freezing rebates. In view of the difficult financial situation, the directors reported that it had been decided to retain the accumulated half-year's profits in the business. The allotment of rebates proceeded as usual but, these, instead of being paid to the members in cash, were credited to the members capital accounts.

This step, of course, caused some thing of an upheaval amongst shareholders but it was preferable to retain fluid money in the business when it so badly needed it. Accounts had to be paid. The directors pointed out the sad truth that the Society's position reflected the financial position of the individual members.

"If each member could meet accounts promptly" said the directors

"The liquid cash position of the Society would be flush and payments could be made as promptly as usual. To-day, in this depression, the people in constant employment are few, are being taxed as well as meeting reductions in wages or income. Those dependent on investments are receiving little or no dividends from shares, rents from houses or properties; and savings bank deposits are only negotiable on warrants.

"The employed are dependent on relief orders from the Government, orders which take a considerable time to be cashed- and the liquid cash position of the Society is simply a reflex of all these factors."

"The Balance Sheet of the Society discloses a very sound condition. We can only advise members of the Society to be steadfast, trading and paying to their utmost."

This sketch by the directors of the basic conditions of the depression might well be set as a classic description in financial terms of depression in a business community.

The directors report for August 1931 emphasised that the financial results for the year were beyond expectations in view of the morass through which trade was struggling. "It would have been a fitting climax to a relatively good year to have offered the surplus for the year in a cash rebate to members of a community who were desperately in need of cash and who had been living on their savings for the past two years. But the directors had decided to recommend a commonsense policy in the disposal of the surplus and one in keeping with the times" said the directors report.

The financial stability of the Society was the first consideration, said the directors. But the liquid cash position of the store was bound up with members' circumstances.

"In allowing surplus allotments to be transferred to members' accounts, the Board feelsthat this step will help members to reduce balances and thus relieve them of part of their present worries with a minimum drain upon the store resources.

The Board appeals to those members who do not require immediate relief, ~~fer-s~~ to show their confidence and support by allowing the allotments to accumulate as capital and thus to express their confidence in the management to ability to restore the position to normal in the near future." added the report.

"In the past, your Board has pursued a policy consistent with the times of restoring confidence by assisting members with credit in accordance with their capital holdings. The members may now feel confident that the Society is able to withstand any ordinary trade crisis and will shortly reach prosperous conditions with the co-operation of members.

"Among the many decisions made by the Board during the year was

the one to adopt a more vigorous policy in trade features, more display in advertising, better service and keener prices.

"We do not say" added the report "that the depression is over but the board has every confidence that by courage and co-operation the members will go on building up an organisation that will enable them to avoid much of the depression's hardships."

The rebate of members purchases at 1/- in the £ amounted to £8299.

The year 1932 saw the world "turning the corner". It was with relief yet some distrust that the Society saw trade improving for optimists had been "turning the corner" for so long that it was a standard joke that the "corner" was round.

The directors saw a brighter outlook in 1932. "The Co-operative Movement was born out of dire necessity and nurtured in adversity. "The report for October 1932 said. "Its record is such that the Co-operative Movement need not have any fears that it will fail to come through this crisis. Its pioneers designed it as a means towards a peaceful economic revolution, none the less sound or drastic because of its peaceful methods and application. Its rapid development throughout the world in a comparatively short time is a tribute to the inherent virtues of the plan. From the little band of 28 Yorkshire weavers has grown a mighty force of co-operators, exceeding 70 million families."

The directors, flushed with the victory of co-operation over the world's greatest depression, felt that the attention of world politicians could be drawn to the co-operative system.

"The principles and theories which the economists and politicians of the world are mouthing to-day as being so necessary to the re-construction and well-being of the world, are in active operation to-day among the co-operative societies of the world" said the directors. Co-operators in International Conference, Banking, Insurance, Co-operative Wholesale trading

have all got beyond the talking stage. While other reformers have been content to talk, co-operators have planned and worked and their labours are bearing fruit."

The directors gave one direct and local illustration of this international co-operation. "Through the agencies of the English and New South Wales Co-operative Wholesale, the Hunter River Farmers are in active contact with the English industrialists and the exchange of goods is proceeding apace." The directors ~~are~~ looking forward, expressed the hope that a co-operative chain was being welded which would eventually bind the world in a co-operative commonwealth.

Despite the domestic tangles of 1931-32, the Society was emerging from the depression with little effect upon its resources. The value of its reserves and assets increased considerably and considerable modernisation had been made in stock, plant and service.

The directors were able to make the following proud statement. "In following the old Rochdale plan of current market prices, the previous high mark of rebates has not been realised. This is not a mark of failure but an indication of the intense stresses arising out of the depression.

"While to-day that commercial sea is strewn with the wrecks of private enterprise and the daily market reports full of wails about losses, passing of dividends or reducing investment marks to a nominal value, your Society is in the proud position of being able to pay 5 per cent interest on capital invested and a 1/- in the £ rebate on purchases and has improved the liquid cash position by £8000.

The Board did not feel that it was in a position to repay capital previously frozen but felt sufficiently assured of better times to continue the payment of rebate and dividend.

Those ~~are~~ depression days seems far off now divided from our consciousness by a mighty war. But the

Board's final note to the members was one to give new hope to a community who for years had hardly dared to hope again. "There is a growing feeling throughout the community" said the Board "that brighter times are ahead."

"Everything points that way. All are agreed that confidence is the factory necessary to restore prosperity in the economic world. Carlyle puts it this way: "If each cares for all, then all the world would be cared for."

Let us commence the good work of restoring confidence. Let each member express his or her confidence by purchases during the years. Actions are the things that count. Trading loyally and paying promptly are the initial steps towards recovery and nothing can more clearly express in action these words: -- Courage, Confidence and co-operation."

THE DEPRESSION.

Such was the overall picture but back in 1930 no such cheerful picture was to be seen.

"Without wishing to be regarded as a pessimist, we cannot shut our eyes to the gravity of the economic position" said the general manager in November 1930.

"The national income of the state is, measured by the amount returned from the sales of wool, wheat and other primary products. The future for Australia is black indeed. What applies to Australia as a whole is reflected in our own locality so that we can readily visualise black times without being a prophet.

"Work is going slacker. More and more of our members are getting down to the bread-line or relief orders and trade is moving in ever narrowing circles. What the causes are do not much concern us. Rather are we concerned with keeping our business moving. No matter how bad things get there will always be a nominal amount of trade. It behoves us to capture all that is going. A peculiarly fortunate psychology operates in our favour as yet. All day long our ~~earri~~ carters and collectors are calling on members. If each member presents a happy and cheery front radiating confidence in the Society and exhibiting a desire in serving people, we can hold ground and perhaps make headway.

"Departmental heads are expected to be loyal to all departments and to work towards securing the trade for the whole of the employees. If we close one department through lack of trade, the influence of this retrograde step reacts through the whole business. The progress of the business has, up to date, been complicated by the need to restrict credit. Credit is always a dangerous item to handle, the more so under the condition of to-day. You must have faith in yourselves and the store if you are to convert others. If you have not faith in the future of the store, don't take money under false pretences.

This was the strong attitude that met the depression and won a victory over it. But there were many tribulations to come.

One of the great problems of Mr. Grierson and Mr. Sanders was the continued drain on capital.

"We have given the matter of closing the Store register considerable thought and have arrived at the conclusion that the run on capital is not due to panic but purely to economic stress.

"No useful purpose would be served by withholding payment of investment capital at the present juncture but would rather tend to develop a scarce.

"Some modification of the present system is desirable" said Mr. Grierson "The drain on capital may be steadied by confining withdrawals to those with surplus capital. Total withdrawals must be prohibited."

This of course produced many complaints from members.

"Complaints are now showing abatement" said Mr. Grierson in 1931

"But a pleasing feature of these discussions is that less heat is being exhibited. In fact, "he added" quite a few members were beginning to express sympathy. indicating that members are beginning to realise that the problem confronting the board is not merely re-adjustment of staff but one of sheering the co-operative ship through a series of national commercial crises.

At the beginning of their term, Mr. Grierson and Mr. Sanders found considerable trouble in the office system and in office dissatisfaction. Rationing of work was inevitable however unpleasant a task for the Board to impose.

"Where to commence and how far to continue doth make anyone pause" wrote Mr. Emerson in February, 1931.

"It is easy to discuss the need for the other man to economise but more difficult to apply this treatment to oneself.

"In the words of our friend Burns:-

"The food aye knows best where the tooth of the harrow hurts."

"In the application of business management principles the first aspects which strike us are:-

1. Growing Expense rate.
 2. Falling sales.
 3. Increasing burden of stocks.
 4. Decreasing financial resources.
 5. Increasing debts.
 6. Increasing risk in debt.
 7. Increased wage percentage.
1. Whatever virtue was in the policy of the past management in intending to cope with trade that could not be regarded as permanent, has been sunk in the depression. We have to carry this burden for no relief may be arranged.
 2. The falling sales is a feature which can be steadied if not remedied by wise application upon the part of our assistants. Increased efficiency and service must operate to our advantage if such is available.
 3. Any burden due to increase of stocks is mostly unnecessary and can be remedied. As a matter of necessity, it must be remedied at the earliest opportunity.

" In the past, the financial resources of the Society were such that little concern was needed for minor expenses. With altered circumstances, these have now become major expenses to be watched and pruned. Money was freely poured into the coffers of the Society as an investment; now to-day much of the surplus money has been withdrawn. Moreover, the burden of credit to the small holder has increased to such an extent that we are now operating on our credit and reserves in the continuance of trade. New money is difficult to get; those with money are hoarding it.

"Any future purchases of stock must be financial^{ed} from the

existing stock.

"Debts are increasing because more and more people are being forced on to the bread line. And as this position develops, the moral risk gets worse and worse so that few people can bear up under an exhaustive best. Desperate people shed principles like scales.

"If the staff is reduced commensurate with loss of business, the expense rate is automatically adjusted. To-day the risk of future re-employment is such that desperate efforts are being made to retain even a nominal appointment. This fear is based on a solid foundation, particularly regarding the older hands.

"A new generation is coming, one which is born of adversity, keen, alert and a little hard. Wary of those born and reared under more prosperous conditions, will lose in the competition."

In an address to Departmental Managers on February 12, 1931, Mr. Grierson said that never was the Co-operative Movement under such intense fire as then.

"Business" he said "was a matter of Faith and Goodwill. In the Co-operative Movement, we have the advantage over the propriety firm because of the mutual interest. In private enterprise, the question of Goodwill is ever present.

"Now, what does our Goodwill stand for in this business. We have about 500 employees, with all the customers on our books quite a large ~~selec~~ section co-operators to the backbone." With all these friends and their friends' friends, the Goodwill of the Society was immense he added.

In a report, Mr. Grierson, in February 1931 said that in stressing the need for economy, he confessed to having overdone the subject so much so as to have created a feeling of panic.

"But" he went on "we will require stout hearts and determined efforts to win through these times. Less pay for increased

work and responsibilities (which must ensure ensue under present conditions) is not the way to inspire men to greater efforts.

"The real issue is keeping down surplus staff. As the principle of rationing has been decided upon, it remains but to put it into effect.

We have given them all to understand that the wages percentages must be observed. At the same time, we must bear in mind, that the standards were created upon rising figures and so were much more easily maintained.

"But, nevertheless, any Departmental Manager not worth his present salary, is not worth keeping. In any case we cannot, at this juncture, create too much discord."

Mr. Grierson touched on many other and lesser matters in his reviews of the situation and, from his statements and reports, one gathers an idea of why the Store came through its greatest trial so triumphantly.

~~There~~ The breathes through the written word not merely the spirit of an efficient business man but a generalship, a leisurely and cool appraisal of the obstacles to be overcome and a clear and often subtle plan for overcoming them.

In the same month, he outlined in a masterly manner for the benefit of Departmental Managers, the decided policy of the Board.

"A falling turnover and increasing expenses are the symptoms of Australia as a whole" he told them "But do not let us neglect that fact that these things are showing themselves in the management of the Store.

We must seek a way out. The means must be found whereby we can regain the lost turnover and, at the same time, re-adjust expenses to meet altered conditions.

"These means must, above all, be economical.

"The directors, in re-organisation, have considered these aspects:-

1. Capital Expenditure;
2. Debtors;
3. Assets not required

for business; 4. Financial position.

"In only one of these points is there need for any concern and that is the pressing weight of debtors. Temporarily the financial position has been relieved by leaping upon our creditors, but with consequent loss of discount. Relief, therefore, can only be found amongst departmental operations.

"Immediate and drastic pruning of expenditure, together with cutting down of buying operations, is vitally necessary.

Falling trade means merely a delay in the need for replacement when buying has been good. Each manager must overhaul expenses and cut out any item not absolutely necessary.

"Falling sales " he went on "is a feature that can be remedied on the part of easily on the part of assistants. Increased efficiency and service must result in increased sales.

"Every day we get complaints from customers of being missed in deliveries; of inattention on the part of assistants; of an attitude of no-interest in the conduct of sales.

"There is apparently little or no good-will amongst members of the staff, i.e. there is no personal business.

"Goodwill is created as a result of intense enthusiasm on the part of the salesman.

"This is the worst weakness of our organisation "Esprit de corps among our employees is virtually non-existent. Staff welfare work is important and necessary; staff talks must be instituted at an early date for better morale is vital to this Store.

"If we give efficient service, the old figures can easily be re-passed.

"The burden of stocks is one which can be lightened easily if our buyers are efficient, Ample stocks are available to carry on trade at the usual rate. Whether stocks have been badly bought in the past is a matter which time and analysis will test.

"Instructions are that from now on stocks and turnovers must be better than the usual trade practice because of the special advantages offered by co-operative trading.

The decreasing financial resources of the Society were due to the fact that many members were finding it difficult to make ends meet, he went on.

Fewer new members were entering the Society. In the past, money was poured into the Society for investment. To-day, this money was being used to meet the living requirements of members.

Debts were increasing, more and more people were being forced on to the bread line.

"The falling off in sales" he went on " means less goods to handle and must create superfluous hands. "The wages percentages ceiling for departments was based on the figures for the 64 th term. There were:-

<u>Grocery</u>	<u>Iron</u>	<u>Drapery</u>	<u>Boots</u>	<u>Tailoring.</u>
6.02 %	4.46	5.44	4.21	34.59
<u>Millinery</u>	<u>Green Groc.</u>	<u>Pastry</u>	<u>Bakery</u>	<u>Milk</u>
5.41%	8.86	13.55 Mf.	11.24mf.	16.92
		13.09 Del.	13.34dl.	
<u>Refreshment Room</u>	<u>Garage.</u>			
28 29.29	7.05			

The Board had decided that

1. The principle of rationing work be accepted.
2. That the 64th term figures be standard wage percentages.
3. That all employees be dismissed and re-engaged from week to week.
4. That all privileges and extra above awards be reviewed with view to suspension till trade revived.
5. That work be divided and shared equitably amongst employees as far as possible.

Mr. Grierson, apart from outstanding capacity for generalship also had a sly sense of humour.

Parallel with the profoundly serious investigations on Society policy in difficult times, there was the case of the "missing butter" which Mr. Grierson summed up as follows:-

"Dealing with the question of the butter surplus, or the re-appearance of lost butter, the matter gives rise to some queer complications.

1. Butter movement is mysterious.
2. Its location, when found, is full of suspicion.
3. The atmosphere of the evidence reflects conspiracy and silence.
4. A quantity of irrelevant issues are introduced.
5. There is an amount of damaging innuendo levelled at parties not directly interested.
6. The loose unsatisfactory way that the milk, ice and butter, business has been carried on in the past.
7. The need for drastic treatment and remedies of these weaknesses.

The matter was cleared up satisfactorily.

Mr. Grierson's analysis of balance sheets and stock positions in these depression times are particularly valuable.

On March 23, 1931, he analysed the balance sheet for the board.

"Sales are falling, costs rising, gross profits are smaller" He said. "First, we must say that new standards must be set. "The stimulation of sales is hampered by the need to restrict credit with a shrinkage of the purchasing power of members. Gross profits are further cut because of increased competition; sales require forcing for the public is buying to price. This is again complicated by falling prices and the marketing of bankrupt stocks.

BACK TO NORMAL.

Working expenses are rising because of falling sales, further complicated by falling values.

A Co-operative Society by reason of its construction and government, is most difficult to handle when the question of staff adjustments arise. However, now that the balance sheet is completed, this task becomes more simple. Departmental staffs may now be trimmed with less resistance" he said.

The financial position, he went on, was the most difficult of all to handle. A panic can easily be met by vigorous action. The rate of withdrawal is not heavier than in past years yet ~~ever~~ our capital is wasting. This is due to the almost complete stoppage of new money. One has only to review the average among his neighbours to find that even amongst the few people handling employment, increased expenses and extra donation is absorbing all past margins and therefore savings have become a matter of the past.

(Vide - 1949?)

The average weekly deposit last period was £329, this period £61.

THE DEPRESSION (CONTD.)

Towards the end of 1931, Mr. Grierson submitted a report of the cash and carry system which it had been suggested, might be used by the Store.

The report, like all Mr. Grierson's reports was a model one and is interesting because of its insight into ~~at~~ a phase of business activity which was to become popular.

"The method of trading adopted in the past was to accept the normal trading policy of similar service store, giving wide credit, extended service, making for turnover, adopting usual price standards but aiming at increased prices sufficient to make a nett return of 2/6.

In the operation, the lines followed were those of least resistance, charging on extra margins whenever necessary to make up any leeway lost by inefficiency or leakage. In reaching out for turnover, little regard was paid to economy of operation or safety in credit. Speaking in cold-blooded terms, the sentiment of this Co-operative Society, along with many others, has been prostituted to dividends.

The Co-operative Movement was not alone in this respect. It was a general degeneration throughout business circles, a reflex of wartime extravagance and prosperity. Credit was the slogan of those days, mutual trading coupons, extended credit, time payment, lay-b~~o~~y, any avenue whereby people could be coaxed to commit themselves to purchases and thus expand sales.

Even the Co-operative Societies flourished but members clamoured for more credit and the relaxation of co-operative caution. On all sides rose a demand to adopt a more progressive policy. The general trade searching for relief from the time payment and credit development, accepted the cash order system and then came an era of subsidiary financing

~~financing~~ institutions.

At present, there is a wave of self-serves, cafeterias, cash price, one price stores and bargain stunting going on, apparently with success.

The next feature will be the chain store. In the meantime, the old family stores had grown into emporiums and service has become ornate and costly and further encrusted with barnacles and frozen assets, making them easy prey for the new cash specialists.

While private enterprise does show more initiative and readiness to absorb new blood and ideas, these people, like doctors, bury their mistakes whereas the co-operative societies must always hold ~~fast-at~~ post mortems, hence the need for caution.

After examining all these phases and new ideas carefully, we have ~~arranged~~ arrived at the opinion that no great alteration in policy is necessary.

"There is no organic trouble present; it is only a functional trouble, simply a matter of business tonic required to tone up the system.

"We aim at perfecting Co-operative policy rather than slavishly following every new fad or fancy that arises."

Again Mr. Grierson summed up a situation in his efficient manner and an important even a crucial decision was made - that in the face of fierce competition and hard times, the store would adhere to its co-operative policy and not join the general and undignified chase for quick profit.

Under Mr. Grierson's impetus, - the Store spread its energies in new directions. Advertising was one of these avenues, Mr. Gibson being put in charge of this department. In January 1932 Mr. Grierson said that the display and advertising section was improving.

"One of the most pleasing features is the criticism engendered " he said "quite a few people take the trouble to voice their disapproval of details. You can readily

realise the difficulty of hitting off ideas that will please everyone of 10,000 people. All admit we are moving with the times."

Times were getting better and the firm attitude adopted with members was having results. A large number of members had agreed to pay small amounts off old balances.

"We realise" Mr. Grierson said "that the people that clamour for price cuts at the end of the year, expect the same old rate of rebate."

Sales were getting better, and, more important still "there was every reason to think that domestic troubles of the past have faded. A healthier and cleaner atmosphere exists throughout the Store and membership."

In March 1932, Mr. Grierson discussed an old problem of the co-operative movement - staff selection. "The usual method of staff selection in the co-operative movement" he said "is designed to give the employee the utmost justice and security, a very fine ideal which presupposes that all employees are honest, sincere and diligent.

"In practice, it generally works out that the Foreman or Manager must have a very definite criminal charge with the utmost proof before he can suspend an employee. As a result, the creation of "esprit de corps" becomes a problem.

I have long ^{realised} ~~released~~ this point which contains the problems of the size of staffs, the ramifications of conspiracy through it and existing ferments.

The reduction of staff is very complicated because the selection is governed by this principle that all employees are perfect until proved otherwise.

I realise that in a democratic institution, a Store Chamber policy of hire or fire without any consideration or appeal, would leave the Board in an invidious position.

At the same time, confidence must be

the measure in ~~guaging~~^{an} the General Manager and Departmental Manager and their recommendations must be adopted unless sufficient evidence is produced that **they are** unfit for this work. Their removal is then the Board's remedy.

"In short," added Mr. Grierson "the staff aspect requires a little special consideration which may involve the termination of one or two assistants' employment without any reasons, these assistants being fairly popular amongst many of our members.

In passing, it ~~is~~ worth noting that, in 1932, the question of branching into the undertaking business was discussed.

The present staff, with the addition of a Funeral Director, could manage the business, it was thought, and the plant needed - hearse and coaches - would cost about £2000 with a stock of coffins about £500.

It was felt, however, that the major consideration was the goodwill among members and the repugnance to profiting from the burial of relatives. Generally - the directors did not think the time opportune.

~~And~~ And, again in passing, in the same year, the Store conducted a mystery hike as a publicity stunt. We mentioned earlier that the Society had decided to advertise and run after business to a greater extent.

"The mystery hike" held in June 1932, was organised by Mr. Gibson and, as might have been expected, met with a certain amount of eye-brow raising from some of the older members.

However the hike was a "phenomenal success" and, as far as advertising was concerned, was a great ad.

TRADE REVIVES.

By 1933, the Store was climbing out of the Depression. The key-note of that year may be understood best through the words of Mr. Grierson when he addressed his departmental managers in April 1933.

"Now that last half-years figures have been closely analysed, we are in a position to lay down a plan for the current half years' operations.

"you are to be congratulated upon having pulled through a very strenuous time without making a loss. In the words of the poet "that your heads, though bloody, still are not bowed" (Earlier, Mr. Grierson, who loved quotations and aptly described defened the "difficult" members in any co-operative society on the score that "a dog must have acertain amount of fleas else he is apt to brood").

Whilst we are prepared to make due allowances for the economic and domestic crises of the past two years, these allowances cannot be continued indefinitely nor accepted as a base for new standards. It is admitted that some new standards must be created but that sooner we adapt ourselves to altered conditions, the quicker will be our recovery.

In passing, we might add that only those business and departmental managers possessing the fault of quick adaptation and adjustments to changing circumstances, will survive the stress of to-day's conditions. The general position with regard to existing circumstances is good. But we have not yet made the headway necessary to restore past prosperity. One shilling rebate and 5 per cent interest may be a satisfactory standard for to-day and should satisfy members' demands but on the other hand, comparatively small provision has been made for reserves.

"Reserves being the only real capital of the Co-operative Society, any real improvement is only manifest by the expansion of reserve funds. Moreover the trading position, whilst being of great moment to the Departmental Manager is of much less consequence to the management than the financial position.

In a nicely balanced business, the trading and financial position should move in close relation.

It is admitted in the past that it has been a case of stemming a retreat from becoming a rout? It has now reached apparently, the stage when a retreat has been stopped. Now the opportunity arises for a forward attack. To this end conference and policy is designed. Boiled down, we must improve the position in every direction.

"The management is mainly concerned with overhead but whilst the direct trading or Departmental expenses cannot be ignored by them, these are rather the immediate concern of the Departmental Manager"

These points were made for the departmental managers.

Every departmental manager was directly concerned in the following phases and, if these aspects could be improved together with a general reduction of overhead, a reserve could be created which would be employed to:-

Relieve the liquid cash position.

Enable a resumption of repayments of capital to those people who wished to withdraw capital.

The creation of reserve capital which would make the Society independent of members vagaries and panic action. The directions in which progress was desired were:-

An increase in the rate of gross profit.

An increase in sales.

A reduction in wage rates.

Mr. Grierson analysed the possibility of an increase in gross profit and recommended better and keener buying, a close review and ~~make-up~~ mark-up in prices where possible, elimination of waste, reduction of working costs, reduction in leakage, losses by theft, pilfering etc. reduction in freights, discount in buying.

Increases in sales would be covered by increase in members trading, new trade features, canvassing for new members, improved service, better displays, watching other people's advertisements specials etc.

The reduction in wages costs was a more difficult problem but Mr. Grierson suggested meeting this as a last resource and by cutting out superfluous or unnecessary work.

On costs the General Manager noted the increase of office costs that had occurred with the growth of the business and with the times.

Office work was increasing and current affairs demanded more detail. There was a great lag in the collection of accounts, looking up disputes, answering and combating all the little subterfuges, complaints and excuses of debtors. Business was picking up but Mr. Grierson was a hard taskmaster and a loyal employee of the Store. He wanted the best business for the Society. A clue to the capital development of the store is contained in a re-arrangement of insurance made in 1933.

The old policy valued the main shop at £32,838, the stables at £1000, the bakery at £4,800, the refrigerator room at £1000, the pastry department £1,500, the blacksmiths and garage at £2000 and two cottages (rental 17/6 a week) at £1000.

The new policies taken out reduced these covers allowing some of the risk to be taken by the Society.

The main shop was covered for £25,000, the bakery for £4,000, pastry, refrigeration and stables for £500 each, the blacksmiths for £1000 and the cottages for £650.

Plant and fixtures were similarly reduced in cover from £12,145 to £9,700.

Valuations carried out in 1933 gave the following figures

	<u>Unimproved</u>	<u>Improved</u>
Lot A18 No 7 Beresford Street, brick cottage	£ 222	£ 675
Lots A 16 x 17, two storey wood house with one block then in use as a parking yard 66 x 98	£ 445	£ 900
Lots A 4/14 - Stables Parking yard and garage with frontage to Beresford Street 132 x 98	£2444	£ 7000
Lots 1-3, 6-7, 9 Main Building 103-115 Hunter Street.	£9891	£57,500

This was a far cry from that little wooden shop in which the Society had commenced operations.

However, the depression was now yet over and business still required the spending of brain and nerve to bring it up to satisfactory proportions.

Advertising was proving successful, sales, stunt lines and other eye-catching, trade chasing methods were being used in full vigour.

A light aside from Mr. Grierson's long statements on trade, sales, insurance etc, is this note.

"Last week" he says in a report "during the sale, I determined to do a little shop walking myself. In the course of Friday night's operations, I noted a case which looked very suspicious. I had a hunch as the Yankees say and played it. I took the risk and landed an old offender, well-known to the police with half-a-dozen flannels under his arm.

A week later however there is another report on shoplifting.

"Mr. Lancey captured another shoplifter on Friday night but, when she swooned on the pavement, he decided to waive the question of arrest. Unfortunately, I was out at the time and was not there to accept the responsibility of arrest. The goods were recovered." Mr. Grierson's heart, soft enough on occasion, was steeled against swooning shop-lifters.

The sales were still unsatisfactory despite all efforts.

"The more we analyse some of our sundry debtors" said Mr. Grierson
"the more convinced are we that much of the old business was
operated under conditions which would only be profitable in
good times."

BACK TO NORMAL.

The trading report for March 1934 is a good review of the Society's climb out of the Depression.

Mr. Grierson and Mr. Sanders both considered the Society to be in a much improved position and that it would not be long before the Society was in a position to repay capital.

The Society was actually in a better financial position than ever before, despite capital repayments for in the past, repayment of old capital was only possible whilst new capital was coming into the Store. Sales were going up although gross profit was still unsatisfactory.

The amount available for distribution was £11,822 which would have allowed a rebate of 1/1 in the £. However, Mr. Grierson recommended a rebate of 1/- thus allowing £1067 to be credited to the reserve.

Through the period, advertising had played a big part in pushing sales and this department, in the nature of an innovation under Mr. Grierson, was producing results.

Taking the departments one by one for the purposes of review, the following analysis was made.

TAILORING: Sales were improving and the position of the Department sound.

GROCERY: Sales were increasing but outside competition hit this department very hard and more efficiency was required.

PASTRY: Sales were improving and there was a steady all-round improvement.

BAKERY: There had been considerable trouble in this department on the manufacturing side and in internal administration. However, most of these troubles had been ironed out and, under Mr. Perkins, sales were again increasing, complaints about bread were decreasing. Renovations were badly needed and Mr. Grierson thought that Departments would be able to carry a great deal of these.

DRAPERY: Again an improvement was noted in sales and tighter

control was being exercised over small lines.

MILLINERY: Mr. Grierson had a word of congratulation to Miss Must who was in charge. The department needed more room and consideration was being given to this.

GREEN GROCERY: Sales had fallen in this department. Mr. Grierson thought ~~it~~ that it was "a difficult department and a case of leaving well alone."

HARDWARE: There had been a good improvement in this department in sales, in service and in appearance.

FOOTWEAR: This department had shown a loss but sales had increased.

"We are getting out of this department much better than anticipated" said Mr. Grierson. This half-year should see us clear and on the way to commence the up-grade. It is difficult enough task in ordinary times to bury current mistakes, when you have an accumulation of many years to bury, it is quite a problem."

Coachbuilding and Milk Departments were showing a good return and signs of satisfactory business in the future.

The Garage and Tea Rooms were not as satisfactory as could be wished. The Garage sales were not up to the previous period although useful extensions and internal work had been done.

The Tea Rooms sales had increased but the department still showed a loss.

Behind all this improvement, quite part from the waning economic stress, was a great deal of organisation and spirit. Perhaps the spirit was the really important factor.

It showed itself in a lively approach to all methods of obtaining new business, of increasing sales and of cutting down costs.

Advertising was being used in a clever manner. One suggestion was that the generous illumination of the Store at night would be a most striking method of advertising.

Mr. Grierson's intention was to enlarge the store's advertising as soon as the store could stand it.

However, he thought there was a good deal of the "egg and chicken argument" in advertising. Advertising was necessary to increase business and did increase trade. But increased business enabled one to spend more money on advertising.

A special committee was in existence to carry on publicity and propaganda for co-operation and canvassing for new customers was increased in intensity and efficiency.

A ~~feet~~ facet of this urge to create new business and improve efficiency was a suggestion that an Organiser should be appointed. His job would be to sell the Co-operative idea, to improve efficiency to generally improve the Society.

Mr. Grierson's comments on this suggestion are of value to any Co-operative Society anywhere.

He pointed out that such an organiser must be a man who knew the co-operative principle through and through. Where was such a man, he asked?

"Now your Movement is based upon a mutual principle of self help and help-my-neighbour with a consumer control of a democratic suffrage." he said.

"Let us examine the structure step by step and, perhaps if the man can be found, we will know where to locate him. The members appoint a board of management from amongst themselves to see that the Society's aims and objects are achieved within the constitution adopted by the members. In turn, the Board has appointed a staff of over 300 employees. Hence it can be said that we have 300 odd potential organisers of greater or less capacity on the job now. The Store being a mutual organisation, we may also add to this number 10,000 members.

Mr. Grierson went on to point out that all these people, if imbued with some missionary zeal in propagating the co-operative ideal were organising for the Society. Moreover, the officers and Board of the Society were in fact the official organisers. Mr. Grierson added that he considered that the Society was only

25 per cent organised. This did not mean to say that the business was less efficient than outside enterprises but only that the Society had set a very high standard as its ideal.

He went on to say that if a co-operative consciousness were created amongst the members and staff, this would be improved.

The Education Committee and the Women's Guild were making effective progress in this very work. Assistants had been addressed and circularised, Departmental Managers continually addressed and advised on this special work of organising a co-operative society with the view to --- co-operation.

One of the more interesting departures made in this period was the establishment of the Truby King Centre in the Store. This centre was known to thousands of mothers for many years and became an established part of the Store service.

The opening of the centre was made at the time of the visit of the Duke of Gloucester to Newcastle so, although, it made its debut on a borrowed fanfare, the opening was very satisfactory.

Inter-departmental telephones was another departure made in the interests of efficiency.

Typical of the better outlook and better psychology in the Society was the developmental plan, first put forth in embryo in February 1935.

"Now that our recovery from our recent domestic upheaval and the depression is assured, it is not wise to rest on our oars" said Mr. Grierson.

"There are those who say that the Society is overguilt, others who say it is overcentralised, that its recovery will not be complete until capital is recoverable at short notice.

"It is my opinion that the Society's premises are not too large but, in the layout of departments, full advantage has not been taken of the room available. We are short of room in many directions and, in other places, the room available is not used to the best advantage.

"The planning has wasted the front and

cluttered the back preventing the use of the back for bulk storage.

"It can also be freely admitted" he went on "that the Society centralisation has been overdeveloped in some ways and that the Society's location is half-way between two centres. It is neither Hamilton nor Newcastle. Viewing these and other things and the necessity for reconstruction, the first item is to find capital resources to meet this reconstruction.

"Previous development was carried out on the assumption that new money would replace old money withdrawn. Now whilst you have a Society built on the psychology that capital is withdrawable at a moment's notice, it is fatal to stop the repayment and expect new money to be forthcoming."

He recommended that the Board consider

1. The preparation of a scheme of development deposits, these to be redeemable at the end of 10 years or if necessary 15 years. The interest, he suggested, should be made attractive and a sinking fund established. The capital raised under this scheme could be used on reconstruction of modern lines of the whole of the departments; reconstruction of the garage section on up-to-date lines; introduction of branches; rebuilding of the bakery section. All that was wanted, said Mr. Grierson, was confidence in the co-operative movement.

However, in the meantime, reconstruction of various departments we embarked upon, a branch was opened at Belmont and the purchase of new land (Frogley's block) gave rise to discussion as to the best use to put the land to. The Belmont branch opened for business on Wednesday, Jan 25, 1936. The Frogley land was eventually used as the site of a new building, the lower section to be used as a Benzine service and the top floor to be used as a Refreshment Room - in fact the present set-up and situation.

Cost of the new building was £11,052 and the refreshment rooms opened on Nov. 13, 1936 although bookings had been accepted

(and fulfilled) from Nov 7th. The new building also provided a new wing which provide badly needed space for departments. By this time sales had increased to ^{great} ~~such~~ an extent, ~~that a new~~ ~~was required.~~

The depression was over at last.

THE TURNING POINT.

1935 was probably the turning point of the Society's affairs. The Chairman of the Board, Mr. H.A.G. Oates, told shareholders at the annual meeting of that year that he could say with confidence that the restoration of the Society was complete in every detail.

"Indeed" he went on "it can be said with every confidence that the Store's selling methods and internal organisation is such that, coupled with the accumulation of reserves over the past four years, its position is now impregnable from any ordinary attack and capable of surviving any of the internal disruptions unfortunately of such common occurrence in our Movement."

At the end of the year membership in the Society was 9283. The reserves amounted to £52,602 but there were undisclosed reserves in depreciation and increments in land values. Some £95,000 had been written off the cost of assets since the inception of the Society and, apart from this, there was an increment in land values. The Society owned 297 feet fronting Hunter Street, 260 feet to Cooper Street and 462 feet to Beresford Street. Bearing in mind that some of these frontages have been purchased at £3/5/- a foot, the increment in land values can be imagined.

So good were the prospects that Mr. Oates was able to forecast a established rate of 2/- in the £ rebate. This was done in the following term (the 77th term). The final test of the recovery of the Society was the complete restoration of capital which was frozen during the Depression. The period of complete suspension of repayment of capital was comparatively short, the capital being repaid by easy stages. Mr. Grierson, Mr. Sanders and Mr. Thompson, who in the early ~~the~~ days of the depression had met many members who had various good reasons why their capital should be repaid then and there, must have found something ironic in the fact that, in 1936, when

efforts were being made to clean up this outstanding capital, it was actually necessary to widely advertise members to come and make arrangements to collect their capital.

Even then, many did not come forward until much later.

Summing up the position in 1937, Mr. Oates said that the financial position was sounder, the trading organisation stronger and the members' confidence being expressed more deeply than ever before in the history of the Society.

But now is the time to consider expansion. The value of plant and buildings was growing and the Directors felt concern about development. Nevertheless, they held the view that the plant must be as modern and possible and that the service should be as efficient as possible.

Much work had already been done in modernising departments, transferring sections and creating room for development. The problem of carrying on this work and still efficiently to carry out an expanding trade had been difficult.

In 1937, business was more than brisk. It was astounding. New membership was such as to be most heartening to a Board and Management which had passed through times when new capital was hard to get.

The Store was busy with plans of expansion and probably one of the biggest and best ideals made by the Society during this period was the buying of the $8\frac{3}{4}$ acre property at Clyde Street in 1937. This was bought at auction for £15,000. The Valuer General's Valuation was £31,860, improved value.

Eventually, it was decided to house the Society's now extensive bakery business in this building. Bread manufactured weekly now amounted to 52,736 loaves in a typical week, using 509 tons of flour.

The Society was making definite moves in exploiting the Lake Macquarie (Belmont, Charlestown) trade. The establishment of a branch at Belmont has already been

mentioned and steps were being taken to buy land at Charlestown so as to be prepared for further expansion.

The shifting of the bakery to Clyde Street was a major task for 1937 and much planning was given to the new site and equipment.

The existing dough making plant was rather antiquated and the question of scrapping this and other equipment was discussed by the Board.

Generally, the discussion narrowed down to the necessity of modernising the bakery plant concurrently with the transfer to Clyde Street. This could be done by using portion of the old plant and adding a new dough mixer, a mono-rail conveyor system, a final proving room an automatic oven and a bread conveyor.

With all this and general rises in trade and membership, 1937 was a phenomenal year. The sales turnover of ¹⁹³⁸1948 was well over the million mark. In 1937, the idea would have seemed a pipe dream. But in 1938, it was well within achievement. This, indeed, was the slogan expressed by the General Manager at the final meeting for the year: "A millian sales turnover for 1938."

The Clyde Street project was a major work for 1938 and 1939. In March 1938, the General Manager called on the principal suppliers of machinery in Sydney and also inspected existing installations. The intention began to form of making the Clyde Street Bakery a "show place" and in this, the Society was completely successful.

The problems of deciding upon plant was complicated by the fact that the proposed installation was to be larger probably than any existing plant in the Metropolitan area. There was therefore no guide.

The other complication was the fact that a large bread factory had to be transferred some miles while in operation - for store customers were not to go without their bread for one single day.

The Society was fortunate to have the advice of Mr. C. A. White of Gartrell, White and Co. Sydney who had recently made a world tour on inspection of bakery equipment.

Mr. Grierson and Mr. White arranged an interview and the Society's plans were laid out. After a close examination, Mr. White said he thought the plan was ideal.

By the end of March, the planners agreed that the ground plan was satisfactory and that attention should be turned to new equipment.

Plant items in detail for the Clyde Street installation included:-

- | | | |
|---------------------------------------|---|---------|
| 1. A travelling oven with accessories | - | £8,000. |
| 2. Moulder, table and prover | - | £1,602. |
| 3. Bread Conveyor | - | £ 585. |

Dough mixer, flour elevator, sifter, water temperature tank and salt bath	-	£1,687.
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Mono-rail system	-	£ 585.
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Dough racks	-	£ 288.
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New floor	-	£3,700.
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Other works to be included in the general plan were:-

Steam boiler, coke hopper, oil fuel system, refrigeration, air compressor, flour hoist, electric installations, office accommodation and staff conveniences, stables and minor matters.

The first batch of loaves went through the new system in December 1938, although the complete transfer of equipment had not yet been completed. Clyde Street probably appeared to members of the Board as being a little ahead of the then requirements but this faint hesitation has vanished before the present day factory's record.

On Saturday, December 26th, Mr. Grierson watched the first full oven through the new plant. This was the first time that the plant was working up to reasonable capacity.

"Whilst everything appeared to be working

smoothly, there was a element of thinness about the whole place which gave one the feeling that everything was overdone. Not till we called at the old bakehouse and reviewed the position was the real significance apparant.

"At Clyde Street " he said "everything worked so smoothly that the bread disappeared into racks as fast as it came from the ovens and the dough slipped away to the ovens without any congestion. The whole continuance chain from the dough room to the racks went on without apparent effort.

"Whereas, at Wickham, the Bakehouse was chaos with bread piled everywhere, trucks winding about in all directions, men dodging each other in their work and the observer feeling that here was confusion worse confounded.

"It created such a revulsion of feeling that we can say now without any misgiving that the only thing we regretted was the delay in getting the plant finished.

"In the bakery at Clyde Street on Saturday morning, only two loaves were broken or misshapen. At Wickham, the quantity was so great that we have asked the manager to report on it, though he assures us that it was quite normal to the system in operation."

The Clyde Street bakery was officially opened by the Mayor of Greater Newcastle (Ald. Jenner) on the 17th May, 1939 and members could consider with pride that the system and plant was unequalled throughout Australia.

In the following January, the installation of a new battery of three double ovens practically assured that production should be adequate to meet any emergency.

THE MILK PROBLEM.

A problem which came to a head in 1938 was the ~~constant refusal of the Milk Board to recognise~~ ^{constant effort of the Society to gain} ~~the Society~~ ^{recognition} as a powerful organisation of consumers and not as an ordinary vendor of milk. The attitude of the Milk Board forced the Society to publicly ventilate its views in this matter.

The Society pointed out to the Milk Board that not merely was it a powerful force of consumers but a powerful spring of public opinion. The Milk Board had ruled that the milk price would be raised by 2½ a gallon, a rise which was opposed by the Society which also took objection to the fact that supplies to the Society, hitherto chosen according to the will of members, would now be strictly controlled by the Milk Board.

This question dragged on till 1939 when the Society was still seeking a milk agency and considerable publicity was given to the Society's case.

The Society had applied for a milk agency but the Milk Board had proved very slow in answering this. Discussion around protecting the milk trade of the Society revolved around three alternatives.

These were: A motion of the Legislative Assembly, if ^{carried} ~~arrived~~, would probably have the effect of making the Milk Board grant the agency. An amended Milk Act was being drafted and it was proposed to defer action till this became law and then approach the Minister for Health. It was suggested that consideration be given to buying supplies of milk from another state or from farms rented by the Society.

It was urged that the strong point in the application of the Society for an agency was the co-operative principle.

Negotiations continued and, at least, resulted in a visit by a Milk Board representative who, after an inspection of the proposed Milk Department at Clyde Street, said that,

in his opinion, the Milk Board would not approve of the Milk Department being put there because of nearness to stables, and other disadvantages. In the meantime, arrangements were being pushed forward for Mr. Arthur, M.L.A. to raise the question of granting the Society an agency in the Parliament. The Society interviewed the Milk Board in July 1939 and the Milk Board considered the granting of an agency to be quite out of the question. In their view, it was uneconomical to have two plants operating in Newcastle, one treating milk for 5000 families and the other (The Dairy Farmers Milk Company) treating milk for 15,000 families.

Such duplication of plant, said the Milk Board, was unnecessary as the Dairy Farmers was capable of operating the full requirements. However, the Board said it realised that the Society could not compete with the Dairy Farmers Company in tenders for wholesale contracts and that it was faced with unfair competition by the Board's agent operating in the retail trade, its own delivery carts.

The Board suggested that the Society make application at the prices inquiry in Newcastle for a special buying price to be declared for the Society. The Board implied that such an application would be favourably considered by them.

The Board thought the milk premises unsuitable and it was considered by Mr. Sanders that the Society could not expect to be allowed to operate in these premises indefinitely. However, in September 1939, the General Manager reported that the efforts of the Society over 18 months to secure a Milk Agency seemed unproductive of success.

"It is difficult" he said "to secure any privilege which the Government, the Milk Board and vested interests appear determined not to concede."

The suggested motion before the Parliament conceding a milk agency to the Society seemed to have been buried in a volume of other business.

Nor had the Society any assurance that this motion, even if carried, would be implemented by the Milk Board whose solid refusal persisted.

The main reason why the Society wanted an agency was to secure a better price in buying milk. If the agency was secured, then a depot costing some £13,800 would have to be erected. This, even then, with the war but newly broken out, was considered to be a low estimate and with materials and other costs mounting plus an almost certain insistence by the Milk Board on the very highest type of equipments plant and building, this figure would probably have been exceeded. In fact, the Board had already said that it would take some £25,000 to instal a milk department up to their specifications.

The tying up of this vast amount of capital in a Milk Department in the face of a war that had just started did not commend itself to the Board and it was decided to leave the question of getting an agency in obedience "until such time as future circumstances justify its revival."

Sales generally were still rising.

The figures for the two weeks to 1939 surpassed all previous records and reduced average costs (despite a heavy rise in costs in the period 1938-39) to a marked degree.

Expense rates, in keeping with the general tendency of trade throughout the country, were causing a great deal of concern and it seemed that the position would become more and more difficult.

A few of the factors, now very familiar, which were pushing expense rates upwards were: High wages, less hours, elimination of female labour, closing of gaps in the wage rate graduations, reduction of age in seniority, raising of junior commencement wages, increase in sickness, increase in holidays, higher rates for repairs and maintenance, tendency towards lower efficiency and slowing down, a shrinking purchasing power of the customers and government controls through licenses etc.

Of course, in the wider field, Mr. Chamberlain had returned

from Munich in 1938 with his ~~hollow~~ hollow promise of "Peace in our time" and the effect of the coming war was felt throughout the country.

However, 1939 was a time for comparison for it was the end of an era, for the Store as well as for the rest of the world.

The financial position of 1930 compared with the financial position of 1939 stood as follows:- Outside liabilities in August 1930 were £24064. Outside ~~li~~ liabilities in Feb 1939 were nil. After paying all liabilities in that year balance was £23723 making a financial improvement on the figures of £47,787. This was something like an achievement.

Finances were strengthened by increased deposits (£46421), increased reserves (£36988), increased capital (£ 15329) and increased surplus (£6855). Finances were weakened by increased assets (£38246), increased C.W.S. investments (£3117), increased stocks (£3101), and increased debtors (£13341).

In 1930, the Society was a workers' Society. And in 1939, despite its tremendous growth, it was still a workers' Society. Figures for that year show that 90 per cent of its members had less than £25 each invested in the Society.

There were in 1939 only 264 members with more than £100 invested - a combined holding of £42,656. There were 170 members with more than £150 invested (£31998 combined) and 134 members with £200 each invested £26200 combined.

In August 1930, the capital of the Society was £164040 but, as a result of reconstruction, this was reduced to £112328 in 1937. Since then, the capital had increased mainly as result of rebate allocations and stood in 1939 at £179369 - the highest amount then held for members in the Society's history.

In this capital, there were 800 members holding up to £500 and 16 depositors holding from £5500 to £1000.

All building extensions in the five or six years previous to 1940 were effected from reserves and, in no way, had the interests of shareholders been jeopardised by such extensions. The Society was, in 1940, some £10,000 a year better off than in the half year prior to the Depression when extreme difficulty was found in meeting obligations.

But, in January 1940, the Store was meeting the question of much needed expansion.

"If we are to proceed with additional construction work, this would cost in the vicinity of £40,000" said Mr. Sanders who had taken the post of General Manager after the death of Mr. Grierson. Mr. L. Gibbs was Secretary.

This could not be done without freedom from anxiety for in all business undertakings there remains an element of risk. Nevertheless, the need for expansions was greater than the risk attending it, for to defer the expansion, in the opinion of Mr. Sanders, would have undesirable repercussions on the Store's ability to provide good service for its members.

At that time the congestion ⁱⁿ of the store during busy periods was such as to give good grounds for anxiety. Congestion in some departments was such that members had little opportunity to examine the stock. This applied particularly to the dress, menswear and furniture departments.

People, at peak hours, were often crowded two-deep along the smallgoods counter. In fact, the existing floor space was not sufficient to meet the demands of the a vastly increased trade. Many of the plans discussed, of course were hindered by the war. But in 1940, the British Government itself forecast a three years war so the Board of the Society could hardly be blamed for taking a less optimistic view. The building extensions planned were thought of as taking one of two forms.

One idea was to add two new stories to the main building and the other to increase the ground area by roofing over the yard.

The commencement of a great war was not the most propitious moment for embarking on a large scale expansion but it had to be faced.

"If the additions are to be made" said Mr. Sanders "it is best that an early start be made. Building materials and wages are bound to rise and, if we delay the commencement so as to be assured that the present buoyancy in trade is lasting, then it is certain that contract prices will also be higher."

Events have shown this forecast to be only too true.

However, the problem of the capital required was one of the greatest problems to be met.

To those that felt that it was best to be wary, to wait and see, this dilemma was presented. To do nothing about expansion of floor space was tantamount to closing the roll of members. To do something about floor space was ^{to} give the Society a financial hurdle to overcome which, in times which none could forecast, might prove difficult.

On the question of building two new storeys on the main building, the view was put forward that such a proposition would sink the Society's fund in what would amount to an unsaleable asset should the Society ever face liquidation.

This, however, was a gloomy view.

The more cheerful view took the aphorism of Henry Ford - "Put all your eggs in one basket. It saves baskets" - and agreed upon the two storey plan, the matter being put into the architect's hands.

The board agreed with the view that one centralised store with an efficient delivery system, saved the cost involved in maintaining several buildings and in the duplication and overlapping of stocks involved.

The question of many branch stores had been raised many years before and, now too, it was felt that the benefit derived from branch stores was out of all proportion to the capital cost and the expense involved.

The cry "look after the old members first. Never mind about getting new members". But with the co-operative ideal to follow, the progress of the store and the service it would give to prosperity as well as to present members, had to be considered. Else the Store could not be true to its co-operative ideal.

The proposition before the board was for the building of two additional storeys to the main building which would gain 28,000 sq-feet at a cost of about £18,600.

The second floor of 14,000 sq feet would be used for the furniture department and the third floor of similar dimensions for Hardware, Electrical Goods, Stationery, Fancy goods, Glassware and Kitchenware.

This plan meant the transfer of the entire hardware department together with the extension of the menswear, clothing and juvenile and mercery departments, a special mens section would be created.

"This would be an advantage in view of the diffidence usually experienced by males in examining and purchasing their sartorial requirements whilst exposed to the public gaze" said Mr. Sanders.

Other transfers were also suggested but the main idea of additional building was held in obedience due to the war.

Actually through the years 1938-39, internal expansion of departments had been much deeper than was apparent. Although for many years past, a limited furniture and furnishing section had been in operation, this had been developed into one of the largest and best sections of the Store.

This same widening operation had been carried on throughout the departments so that the Store was taking the rank of one of the leading emporiums in the State.

The man who had borne a great deal of the brunt of the work which had brought the Store to this position of

eminence which it enjoyed in 1939 and ever since, died in harness on May, 1939. This was Mr. R.J. Grierson who, with Mr. G. Sanders, had come over from the C.W.S. in the dark days of 1930. He was 58 when he died.

For nine years, with great acumen, with philosophy and with clear and accurate, yet humorous thinking on every aspect of the Society's life, he had worked to make the Society something vital, in the life of the State.

Mr. Sanders became manager and Mr. L. Gibbs, continuing the tradition, came from the C.W.S. to fill the position of Secretary.

In the following months, the expected war broke out.

THE WORLD WAR.

On Sept 11 1939, the Second World War broke out, and three days later, the General Manager called together his Departmental Managers and addressed them on the future policy of the Society.

"The latest declarations" he said " indicated that Great Britain is at war with Germany and that Australia likewise is at war.

"This disastrous turn of events will mean that a number of our staff who are on the reserve list and others who are volunteers in the Militia forces will in all probability be called up for home service with a consequent depletion of the personnel of the staff."

He ordered a check of the staff so that the precise number of men so affected would be known.

"As regards merchandising" he went on "one of the main results of hostilities will be that goods will become dearer. Many lines will become scarce and some will be unprocurable. The inevitable result will be that production costs will increase and the basic wage and rates of pay generally will go up - all of which will have the effect of creating an all-round increase in the cost of commodities which the Society has for sale.

"All our stocks to-day are good stocks and we wish it to be understood that it is not the policy of the Society to reduce the mark-up price for the purpose of making stock clearances unless prior sanction is given by the General Manager.

"It is only to be anticipated that along with the increased cost of production, the replacement cost of stocks will increase and that, as time goes on, the cost will be progressively greater. Consequently, as stocks are moving out, a survey must be initiated and constantly maintained as to the cost of replacement and the selling price shall be established on this base only.

"In considering our economic position in the period that lies ahead, we recall the Biblical story of Pharoah's dream as interpreted by Joseph in which a series of lean years swallowed up the accumulated wealth of the good years. Henceforth it will be incumbent upon the Society and each Departmental Manager to prepare for times of adversity which inevitably throughout history, have followed the spending boom and spurious prosperity which accompanies war-time activities.

"We must use every opportunity during the months or maybe years that lie ahead to provide for the accumulation of adequate reserves so that we may withstand any sudden rush on capital such as was experienced in the difficult days of the past depression and the resultant reconstruction.

"Let us give an illustration. An article costs £5 and is sold for £5/10/-, of which sum 10/- profit is returned to the purchaser in the form of divvy and the remaining £5 paid into the bank where it is available for the purchase of fresh stock. If, however, in the meantime - and this is the lesson taught by the last war - commodity prices rapidly advance so that it costs £6 to replace the article sold, then the Society begins to live upon its creditors in order to re-stock and the road to Bankruptcy is open.

"It is the plan of the Co-operative Movement to sell at current market prices and every effort must be made to ascertain the replacement cost of goods sold and the mark-up regulated in relation to this cost.

"No departmental manager will be permitted to presume to acquire a reputation for himself as a keen business man or a skilful buyer and seller at the expense of the financial stability of the Society.

"He must not attempt to beat all prices. If so, it will be regarded as a dereliction of duty.

"Where he does not use to the full the money generously provided from capital to provide profits during the anticipated period of increasing prices with which

we are now confronted and thereby provide for the ultimate end - the economic and financial stability of the Society - it will be regarded as a dereliction of duty.

"So far as the general policy of the Society is concerned, it must be admitted that the outbreak of hostilities will have many repercussions, direct and indirect, upon our trading. Whilst the Prime Minister has appealed to the people of Australia to remain calm and continue quietly in the normal vocations, yet we are faced with an unpredictable future.

"Greater capital will be needed to for the purchase of stocks than at present is necessary and it is obvious that it is necessary to construct greater facilities for our present trade. On a conservative ~~estai~~ estimate, £30,000 is required.

"In difficult and confused times" he concluded "it is wisdom to hasten slowly and until we have time to explore the total ramifications involved in the declaration of war and the prospects for trade during the war, we prefer to suspend formulation of any definite recommendation."

The President (Mr. Oates) told the shareholders at the half-yearly meeting in August that the Board had formulated a policy which was designed to overcome any difficulties which might arise in merchandising during the difficult times that lay ahead.

"It seems inevitable" he said "that prices will rise and that considerably greater capital will be needed to maintain stocks at full range.

"We are resolute" he said "to carry forward the banner of Co-operative in this city in the effort to give wider and better service to the people.

"Members will realise that the strongest shield against profiteering and price exploitation is the co-operative system of trading.

"Your directors assure you that there is

every ground for confidence in the future stability and progress of the Society and come what may, our course remains the same - "Full speed ahead."

The difficult times forecast came very quickly - hard on the heels of a big coal strike in 1940 which intensified the effect of the war on trade by throwing large numbers of people out of employment.

The strike, which lasted for many weeks, caused widespread distress in Newcastle and reached such proportions and had such an effect on the war effort that the Prime Minister himself (Mr. Menzies) made a special visit to the Coalfields to examine personally the complaints of the miners.

At the outbreak of war, the departmental managers of the Society were invited to take advantage of the Society's good liquid asset position by increasing stocks as a safeguard against an inevitable rise in prices and to enable members to have available a complete range of goods for as long as possible.

In May, 1940, the Store was carrying stocks to the value of about £50,000 beyond normal pre-war levels.

However, after reviewing the Society's financial position, Mr. Sanders considered that this must be the peak figure because of the danger of straining resources because of members' incapacity to purchase stocks.

The coal strike was responsible for debtors increasing by about £20,000.

"The Society's financial resources are now strained to their limit" said Mr. Sanders "but such a position can only be expected in such unusual and critical times as we are now experiencing."

However, the passing of the coal strike found the Society still in a strong position financially.

"Our conviction" said Mr. Sanders in June

1940 "is that there is a great need to conserve our present capital resources and to refrain from any additional capital expenditure which may weaken in any way our present fairly satisfactory position."

Members purchases had been well maintained and did not seriously reflect the coal strike which had mean a loss of at least £1,000,000 in wages to £23,000 mine workers without reckoning employees in independent industries.

Of course, this stoppage had by no means ~~hi~~ helped the Society and the savings of many members had been depleted as a result. Price movements were on the increase and more capital was needed to finance the existing turnover.

The Society, in common with other businesses, was faced with the limited purchasing power of the people and with the necessity of finding more capital to finance stocks.

These facts argued a cautious approach to questions of extra outlay in buildings, fittings, plant reconstruction etc..

"It is clear that, as time proceeds, the whole financial and commercial structure of the nations will be substantially altered in favour of industries and trades engaged on defence works" said Mr. Sanders "Luxury and non-essential industries will be adversely affected.

"The Society has so far been immune from legislation directed against the capital and profits of companies, but we should remember that the Government has announced its intention to raise £50,000,000 taxes by borrowing within a short time. It proposes to pass legislation through parliament giving it complete control over employees, employers and the wealth of the community. Just how far such emergency legislation will affect the Society it is difficult to foresee but, in such a national crisis, we may be considered fortunate if our capital resources are untouched.

"We may have to finance a war and a depression at the same time" he added.

"The problem of expansion which involves outlay of capital must be approached with hesitancy if we desire to maintain our present equilibrium and to safeguard the future stability of the Society during most difficult times.

"The need is to consolidate our existing achievement and resources to meet adverse trading circumstances rather than to venture forward without fully appreciating the risks involved," he concluded.

However, within these limits of caution, there was a way of sound expansion which the Board considered. Newcastle was becoming a great industrial centre of the war and the increase in population which this argued, gave confidence to wise expansion and the prospect of new trade.

With the end of 1940 in sight, sales were still extraordinarily good. For the 16 weeks of the final term sales were £25,066 in excess of the previous term. Christmas trade was phenomenal and a large casual staff was employed. During the year, the Society had continued immune from taxation directed against capital and profits of companies. Exemption had been granted from the operation of the National Security Regulations limiting capital holding for 1940 but the fear remained that co-operative societies would not continue to enjoy this good fortune.

The sales during the year reached £1,040,547 and membership, 17846 - an all-time record for the Society. Co-incident with the increased turnover, there was a marked uplift in capital holdings. The capital in December 1939 was £210,177. In December 1940 it was £348,685.

It was the end of the war's second calendar year, so far, so good.

WAR FINANCES.

Sales in 1941 continued to increase. Indeed, throughout the war membership, sales, simply went up and up.

"Not only is the general prosperity of members reflected in the trading results of the period" said Mr. E.J. Brent, president of the Board at the close of 1941" but financially, the affairs of the Society have shown remarkable improvement which augurs wells for the future. But it will be well to remember in times of prosperity the need to provide for the days ahead and it has been and will continue to be, the policy of the Board to ensure that the finances of the Society are so guarded that in any lean period which might come, we need have no fears for the welfare of our organisation.

"In pursuit of this policy, the Board has curtailed capital expenditure and resolved to keep the funds of the Society in as liquid form as possible."

During the ~~year~~ half year of the end of 1941, Mr. H. Oates, who had filled the chairmanship since 1932 and had been a director of the Society since 1930, died. Mr. Brent filled his place as chairman and Mr. H. Channon, son of the founder of the Society, was elected to the Board.

The Liquid asset position was improved during the year by the investment of £10,000 in Commonwealth War Loan. Capital had reached a new level of £261,677 but, as feared in the previous year, the National Security Regulations had been altered to compel the Board to review capital holdings and introduce measures to restrict capital increases. It was proposed, in pursuance of this, to limit capital held from £200 to £100.

The regulations also demanded that interest on share capital be reduced to $3\frac{1}{2}$ p.a..

Despite restrictions on capital and the

necessary caution used in capital expenditure, a formidable list of building and extensions occupied 1941.

The Greengrocery Department had been transferred to Clyde Street, basement extensions had been made for the Grocery department, the extension of the mono-rail system to the Hopwood ovens at the bakery was put in hand, stable and greengrocery extensions were made at Clyde Street, a plan of beautification for Clyde Street was considered and a variety of war-time work, such as air raid shelters etc. was put in hand.

The wisdom of buying the Clyde Street property had been amply demonstrated over the years 1939-41. Constant control of the Bakery was necessary, for the plant had now become perhaps the largest in Australia. It baked something like 62,800 loaves of bread a week, used about 600 ton of flour a week.

The wisdom and foresight of the board and of the old Manager, Mr. Grierson, and the devotion to duty of the Bakery Manager, Mr. D. Perkins, had been amply justified.

In passing, a tribute must be paid to Mr. Perkins who was one of the Society's most faithful and most efficient servants. He died on Nov 12, 1942. He started with the Society in October 1922 and as a groom and was placed in charge of the Stables. From there he became manager of the Milk Department. Mr. Grierson, always a keen judge of men, saw in him qualities worthy of higher rank in the Society. As controller of the milk department, Mr. Perkin's zeal and honesty soon distinguished him. When a re-organisation of the Bakery Department became necessary, he was given the job of manager and occupied the post for ten years.

"The only dispute I ever had with him" said Mr. Sanders "was about the very long hours that he worked. But despite this friendly remonstrance, he continued to work to within an hour and a half of his death."

Sales at the end of 1941 were again a record for the Society, most departments contributing to the

improved turnover. The margin of gross profit was falling, however, because of the high replacement cost of goods.

Difficulties, however, were beginning.

The staff was a problem for the General Manager because of enlistments and other causes. Whether it was in sales departments, engineering or coachbuilding, the same scarcity of manpower prevailed.

Service naturally was difficult to maintain and manufacturers were not attempting to cater for the requirements of the civil population. The problem of stock replacements was a most difficult one. In the boot industry, all factories were engaged in supplying a war order for 8,000,000 pairs of military boots.

The plant of woollen mills and clothing factories was virtually commandeered by the Government for war supplies. Tailor merchants limited the purchase from their range of suit lengths to 3 pieces. Footwear travellers did not call. Blankets were unprocurable.

Had the Society not had the direction of Mr. Sanders at the beginning of the war to buy stock and to seize every opportunity to replace stock sold, the position of the Store would have been one of immense difficulty and the sales figures for the year could never have been recorded.

The surplus for distribution to shareholders for the half year, August 1941, was £63,190. The confidence of members in the store was indicated by the fact that, to November, members had requested a transfer to the trading account of only £32,500. Since shareholders who had not transferred their money to trading accounts were now deemed to have applied for additional shares, this raised a problem under the National Security Regulations.

For the Capital Issue Regulations restricted the issue of capital to £30,254 per annum.

From the surplus of capital, some £31,000 was partly available for large investments in war loans.

In 1942, the era of rationing began.

On Monday, March 29, a broadcast notified the public that tea was to be rationed on the basis of 2 oz per fortnight to every person 9 years of age and over.

The greatest confusion on this question reigned in business. Mr. Sanders applied to the authorities immediately for the necessary information and forms to inaugurate a complete scheme to cover the enormous business of the Store.

He was given one tissue copy of the form to be filled in by householders.

This was not very helpful though no doubt the officials meant well. So - he immediately wired the Tea Board in Canberra who replied that the matter had been referred to Sydney. In due course Sydney advised the Society to get in touch with the same authority which had given Mr. Sanders the tissue form for householders. The management had now to face the problem of registering many thousands of householders and making some control of the tea sale system. Householders' forms were printed as were ration cards on the Government scale. In the meantime, Press, printers and public produced their own ideas of registration forms and these tended to vary considerably.

There was no option but to insist that claimants fill-in forms as prepared by the Society and though occasional friction arose, 7452 householders were registered on consumers' forms.

To assist members, a large notice was inserted in the Newcastle press on April 2 but subsequent attempts to broadcast information over the air was blocked by the censors - no doubt to keep the enemy unaware that, should they require tea from the Co-operative Store, they would have to have ration cards.

A special staff was required to deal with the organisation of tea rationing, the C.W.S. making their top-floor section available for this work.

The authorities expressed complete satisfaction with the Society's system which required that ration cards should be presented at the counter.

In the meantime, many thousands of customers had received their first ration of Government scale tea.

It was a colossal job - well done.

The next headache for the Board and management was the rationing of deliveries in accordance with the Government's policy of conserving manpower and fuel.

The effect of the restriction on deliveries was to prohibit entirely the Store's delivery of goods from Belmont to Swansea Pelican, Blacksmiths, Marks Point, and Belmont South as these areas were within a mile of a butcher's shop.

The Society sought exemption from the zoning scheme of milk deliveries but this was refused. The Society had no alternative but to join the scheme and accept the allotted zones.

A further difficulty was this. Under these zoning schemes (shortly it was feared to affect bread deliveries too) the Society would be trading with a number of non-members. Sales in this field had to be limited to 10 per cent of turnover otherwise the Society could be placed in the category of an ordinary company liable to tax payments not paid as a co-operative. To sum up: Meat delivery was restricted; milk was zoned; bread was zoned; butter could not be delivered; grocery delivery was limited to one call per week and the parcel delivered had to be at least 3 feet long and 4 lb weight.

The effect of the restrictions was to diminish the goodwill of members. The Society was designed to operate through a large and efficient delivery service. This was now largely impossible and to meet the position the establishment of, at least, temporary branch shops was considered.

"If we do not open branches, we will lose trade to the private shopkeeper" said Mr. Sanders "We will sacrifice goodwill which has been built up over the years and be regarded as a fair weather organisation not flexible enough to cope with the situation created by war time conditions.

"On the other hand, if we select suitable shops in the suburbs, we will keep our contacts and being be in a position to give the same service as the local shops. Branches mean costs but, despite this, we feel that the time has arrived when we must re-construct operations to retain the confidence of members.

An examination of gross rates for the period in some typical lines demonstrates forcibly the serious decline in margins which had taken place and the effect of price fixing on results.

Grocery percentages were down on all lines as indicated by the following.

	<u>1939.</u>	<u>1942.</u>
Carbonate Soda.	55.10%	50.00%
Bushells Tea.	18.75%	16.60%
Butter. 8	15.18%	12.32%
Anchovette.	23.45%	22.80%
Sago.	70.45%	28.50%
Tapioca.	87.16%	33.30%,
Safety Matches	27.95%	12.19%.

Grocery sales represented 42% of the Society's turnover and, in the past, the profit rates in the Department had been sufficient to return only 1/- to 1/2 in the £. The Society had been called upon to find at least 10d. in the £ from other sources to meet the rebate liability of Grocery turnover.

With all its faults, the Brierly and Brierly report had stressed this aspect of the Grocery Department way back in 1916 and recommended development of more profitable departments.

This advice had, of course, long since been taken.

The important fact emerging in 1942 was that a further decline in the gross margin on grocery lines would considerably aggravate the position and would ultimately affect the rate of rebate.

In the Drapery section, the shrinkage in gross profit was more

marked than in the Grocery department and rates of profit were dropping at an alarming rate.

	<u>1939</u>	<u>1942.</u>
Mens Shirts.	57.31%	40.06%
Boys do	51.06%	40.67%
Mens Pyjamas.	56.57%	45.52%
Boys do	61.63%	42.39%
Mens singlets.	50.00%	42.85%
Boys do	50.00%	43.75%
Mens dungarees	49.54%	44.24%

In 1939, Mr. Sanders had said that, as the war progressed, it would become increasingly difficult to maintain mark-up and that the Society would need to conserve every halfpenny to continue pre-war standards. It had now become impossible to think in terms of pre-war standards and daily the pressure of falling gross and rising expenses was taking its toll of returns.

From April 15, prices had been pegged and the position under the new regulations was even gloomier than before. The 1939 mark-up rate in fixing prices was not permitted.

The effect of this regulation on gross rates was disastrous and made serious inroads into margins.

The Society was faced with reducing mark-up rates and increasing expenses. The trend of events was not encouraging but the Store had faced such crises before and faced this one calmly.

The butter delivery service was discontinued under Government regulations, on May 11, 1942 and would in future be delivered only in weekly groceries. The elimination of the butter service meant considerable loss to the Society as many members availed themselves of the twice weekly call by the Society's butter carts.

The most disturbing feature of the cessation of calls was the further loss in contact with members.

The turnover of butter sales naturally diminished.

To overcome the delivery position, inquiries were made throughout the district in May, 1942, for empty lock-up premises as near as possible to the main centres of population but away from the main avenues of traffic.

Such properties were exceptionally scarce. Four lock-up shops were inspected in Ingall Street, Mayfield and Sunderland Street in Sketchley Parade, Lambton and Royal Street, Lambton. One or two other premises were secured but the difficulty of getting such shops was very great indeed.

Difficulties piled on in this year, not the least of them being the expense and work required to keep Government records in connection with price fixing.

The irony of the situation was that the regulations pegged profits and increased expenses, thus reducing the nett available surplus.

In June 1942, the balance sheet for the half year exhibited a bank balance of £4,139 in the Society's favour and investments in the interest bearing deposits and commonwealth loans, totalling £145,000.

Since February of that year, withdrawals from the Share Capital and Loan Deposit accounts totalled £18,000. These repayments coupled with the need to finance increased debtors due to heavy purchasing by members and the cost of maintaining stocks, resulted in the current account being overdrawn to the extent of £30,000.

One of the departments to obviously suffer under wartime controls was the Garage Department which was hit by petrol rationing.

However, the Garage department was not just another service station dispensing petrol and oil. Its functions extended to the sale of motor accessories to members, responsibility for servicing and maintaining

the Society's fleet of 54 motor vehicles (£15,000), responsibility for servicing and maintaining^{ing} the Society's plant and equipment (which had a book value of £55,000) and the undertaking of all mechanical installations required by the Society.

In August 1939, petrol sales amounted to 124,319 gallons for six months. In the term ended February 1942, petrol sales were 50,007 gallons. But the maintenance work on assets valued at £60,000 made the work of the Garage Department immensely valuable despite loss of sales turnover.

In all departments the story of falling turnover and rising costs was the same.

A review of the major departments for the 21 weeks to July 13, 1942 showed how increased wage percentages were operating.

<u>GROCERY.</u>	<u>TERM 87</u>	<u>TERM 88</u>	<u>TERM 89.</u>
Sales	180,658	188,483	171,588
Wages	11,245	12,715	14,035
Wages %:	6.58	6.74	8.17

Sales had fallen off on account of the butter deliveries being cut out - this averaging about 7,500 lb of butter weekly. Other shortages produced the same result.

Expenses soared because of the loss of experienced hands and the substitution of women who were not experienced.

Extra staff was required for tea rationing, extra holiday payments, two basic wage increases, had their effect on expenses.

<u>HARDWARE.</u>	<u>TERM 87</u>	<u>TERM 88</u>	<u>TERM 89</u>
Sales	19,553	25,912	14,432
Wages	1,350	1,574	1,458
Wages %	6.9	6.07	10.1

Sales showed a steep decline due to scarcity of stock, building being curtailed, withdrawal of men from their normal walks of life (thus cutting out their spare time jobs) and lack of experienced salesmen.

All articles were difficult to obtain from tools to electrical goods and kitchenware.

BAKERY:

	<u>TERM 87</u>	<u>TERM 88</u>	<u>TERM 89.</u>
Sales	33,579	34,518	33,621
Wages	9,771	10,229	11,184
Wages %	29.09	29.63	33.26

FURNITURE:

Sales	26,192	29,297	19,194
Wages	2,019	2,462	1,742
Wages %	7.7	8.4	9.07

Sales had fallen in this department too chiefly because of the ~~the~~ threat of invasion and the likelihood of damage to homes. Newly married couples were no longer interested in home furnishing. The problem of short supplies increased as time went on and with it, the difficulty of apportioning equitably the meagre supplies between members. Friction was constant in this difficult task of giving everyone their share.

"All our ~~schemes~~ for the handling of scarce commodities have defects" admitted Mr. Sanders sadly to the Board. "It is agreed that the nearest thing to equity can only be achieved by individual registrations with due regard to priorities. But this spread over the many items of merchandise, would entail a vast amount of labour with service delays which would suggest that the remedy is worse than the disease. It is indeed difficult to satisfy everybody and we are fast being won to the wisdom of the quotation - "To thine own self be true.."

Towards the end of 1942, with the war situation daily growing more desperate, with the Japanese pressing onwards into New Guinea, the military authorities looked for every available man who could hold a gun.

In the early part of the year, ~~the~~ first

air raid on Darwin had almost levelled that city and, despite Government denials, the death roll was exceptionally heavy.

In these circumstances, in-roads on the Society's staff were heavy and a proposal was put forward that the Government be approached to have the Co-operative Society declared an essential service.

"It is obvious" said Mr. Sanders "that the industrial population must be fed and clothed and as a new call-up programme involves calling up more and more men, also single women and married women without children, there will be little opportunity for workers' wives to journey to the Store and do their shopping in person.

"Our present female staff is trained and from past experience, we know that each successive call-up lowers efficiency.

When senior males were taken away, we transferred female assistants in their stead and now, when encroachments are made on the female staff, we shall have to rely much more on raw recruits.

SUPPLY SHORTAGES.

"Apart from compulsory enlistment, the W.A.A.F. campaign and other auxiliaries has had the effect of causing a restlessness in the minds of our girls that they should be directly engaged in some war service" said Mr. Sanders.

"While we recognise that the gravity of the present situation warrants the official action of calling all available persons to some form of useful employment and that duplication of functions do occur when many retail stores are operating within close proximity, still we hold that the present time is our opportunity to impress upon the Government that co-operative effort can do something for the country that private enterprise cannot, both during the war period and in the post war reconstruction."

SUPPLY SHORTAGES.

The trading review for the end of 1942 showed a decline in sales compared with the previous period. Sales from Grocery, Hardware, Furniture, Millinery, Menswear, Garage and Dress sections showed a total falling off of almost £6000 per week. Rationing, of course, made it certain that sales in the clothing sections would continue to diminish. By far the largest slump was in the Grocery Department. The loss of butter sales amounted by the end of August to some 10,000 lbs a week while the elimination of various stocks accounted for the greater part of the reduced turnover.

Whilst in normal times, the Society got the reputation for carrying the largest range of high quality goods in the district, the wartime circumstances reduced the Store in this regard to the level of a corner grocery shop. Trading difficulties centred around the stock supply and expenses problems centred around the labour supply.

Men in the Milk Department were working 7 days

a week to serve the Store's customers involving a further wage expense.

This regression in business came at a time, ironically enough, when the population of Newcastle had never been so high nor had so many persons been employed in continuous employment.

The Store membership was still increasing at a satisfactory rate showing that loyalty of members and the influence of the Society generally was as high as ever.

The rapidly decreasing sales and the increasing expense rate made the payment of standard dividends a problem while the Board and Manager had to look forward to still more increases in taxation. Prices and wages too were on the rise.

1942 was in fact the most difficult period for ten years past. Nevertheless, the standard rate of 2/- in the £ rebate was never departed from through all the years of the war.

In giving his report for 1942, the President Mr. E. J. Brent said that the result for the year - a decrease of £22,585 in turnover below that of the previous year - was not disappointing in view of wartime conditions. The financial position was quite sound, he said, and strong liquid assets in the form of loan investments, reserves and fixed deposits were sufficient to free entirely the minds of shareholders from any fear of a business debacle.

In the furniture section, coupon shopping did not apply but regulation and supply difficulties continued to swell considerably during the term. On top of normal difficulties, fewer people were making homes and what money they had, they were putting into clothing which bade fair to become more scarce.

Tailoring and millinery showed a better return despite limited stocks.

Along with all the other worries borne by the management in these years, the effort to get a just bread

zone occupied a considerable amount of time and thought.

In June Messrs. Brent, Cameron and Mr. Sanders interviewed the Minister for War Organisation (Mr. Dedman) on the matter.

The Society urged to him that the fact that it had been short zoned had been repeatedly been brought under the notice of his department and that the Society's claims had been admitted by officers of the Department. While repeated requests for consideration had been ignored, the deputation said that they could only anticipate the Minister's whole hearted support in view of the findings by officers of his department.

The interview, of course, was not as smooth as the deputation had expected, Mr. Dedman being an old campaigner. Mr. Dedman was eventually forced to agree that officers of his department would be detailed to visit Newcastle and that, if they were able to verify all the claims of the Society, the bread quota required by the Society would be given and that steps would be taken to re-imburse the Society for accumulated losses since zoning commenced.

Shortly afterwards, two officers of the department visited Newcastle and made exhaustive inquiries into zoning generally and the Society's claims. They concerned themselves particularly with the service being given by master bakers in the zoned areas and, in particular, the service being given by the Society.

Their approach to the problem was that, although there was and had been revealed injustices in zoning from time to time, there had also been revision which had given the Society additional trade. Much of this trade had, however, disappeared in a very short while. The Society had finished up in the year with a figure of some 61,000 loaves a week making a shortage of output of some 4000 sales a week.

The investigators spent a great deal of time checking the Society's service to the public and they reported getting numerous complaints that the Society's staff was not

giving service.

They alleged that individuals in the staff were guilty of rudeness and that, as far as householders were concerned, they did not meet any emergency position that might arise requiring some limited credit.

The Society's service to shops, according to the report, held the criticism that deliveries were not being made at any uniform time.

The comments of the visiting officers gave the Board considerable concern.

The reports alleged that loss of bread trade was due to gross neglect on the part of the Society's carters involving missing whole streets of ~~share~~ householders, impudence to inoffensive people and non-consideration of shop requirements.

This report, it may be supposed, went back to Mr. Deaman and Mr. Ifould. However, the Society was not prepared to take these allegations without some effort at redress and a questionnaire was sent to householders.

The results of this inquiry was that 89 shops declared the Society's bread was satisfactory, good, or excellent, 13 declared it was fair or unsatisfactory. As to variety of bread produced, 100 shops found it adequate two inadequate.

In the matter of time of delivery, 93 shops said they were satisfied with the time of delivery and nine found the deliveries unsatisfactory. One hundred shops found service to be satisfactory, two being dissatisfied.

Trade movements indicated by the census^s were 13 shops showed decreased trade, 64 no movement and 25 increased., the decrease being invariably tied up with an unsuitable delivery hour.

The Society again met Mr. Ifould, deputy Director of the Department of War Organisation of Industry who opened proceedings by recounting the initial steps to give the

Society territory and then an outline of adjustments which allegedly gave the Society its full quota.

He took the stand that the Society had been unable to hold trade which it had been given. This trade, he said, had fallen away because of poor service and he read extracts from his officers' reports to this effect.

He paid virtually no attention to the excellent results of the Society's questionnaire, ~~writing these reports off as being supplied with an ulterior motive. Where the reports of storekeepers to his officers differed from the reports of the same storekeepers to the Society, he called, in effect, the storekeepers liars.~~

MANAGEMENT DIFFICULTIES.

The war dragged on, a war of attrition in the business world no less than in the theatres of battle. 1943 was a year of far, far away hope that it would all end some day. The optimism of 1941 had long since evaporated and all were not settled down to the grim business of keeping going.

An example of the continual difficulties which the management faced is given from March 1943. With staff out to bed-rock by war service, call-ups etc. a rigorous re-construction of the remaining staff had been carried out to obtain the maximum efficiency with the remaining personnel. This had been accomplished as far as was possible.

Then in March, the Civil Construction Corps authority swooped on the Newcastle area and it was found that 19 of the Store's senior male staff had been called up for the CCC. Some of these were exempted but it is an example of the worries which the management had to face through the middle war years.

In the previous year, a Co-operative Consumers' Council had been erected with the prime object of gathering together the reactions and difficulties of all co-operative societies arising out of war regulations and, generally, to facilitate the work of the co-operatives in a difficult situation.

The Council aimed to be the mouthpiece of the movement in any approaches to Federal Ministers. However, the manufacturers, already at their wits end to meet orders, refused to recognise any other existing buying organisation and to a large extent nullified the objects of the co-operative council.

Bread zoning proved another factor which operated to the detriment of the Society. The Society suffered a serious loss even allowing for seasonal fluctuations and while the Department of War Organisation of Industry

admitted the loss to the Society, little satisfaction was forthcoming.

Generally, the whole position of the Society's trading had deteriorated in the 12 months ending March 1943. Short supply was one department's trouble; inability to sell due to rationing restrictions was the worry of another section. The dead hand of restrictions and regulations lay coldly over all business and officialdom exulted in its ascendancy over every aspect of life in the community.

It would take some time even after the war, to prize these cold fingers from the business of the community.

Taking the departments separately, the Hardware section had suffered considerably, shortages being probably the greatest single factor. For all departments, the departmental managers set out on their buying expeditions purely in a spirit of adventure. No one ever knew what was likely to turn up. For example, one departmental manager, chiefly interested in glass and china stocks, called at a Sydney warehouse to find that the firm had just secured the release of import papers covering a fine lot of American tools shipped under lease-lend. Good personal relations and being on the spot resulted in an unexpected allotment of much wanted articles.

Hardware sales for six weeks were £3752 - a falling off. The footwear section found business governed primarily by coupon restriction. For six weeks, this factor alone accounted for a falling off in sales compared to the previous years of some £1000.

The Drapery section also was governed by coupon restrictions but sales had been well maintained. The Society had no opportunity to read the evidence supplied by the officers nor any time to investigate its accuracy.

The Society, despite this unencouraging

attitude, would not accept defeat and replied in a letter that it would not be satisfied with anything but the restoration of its base quota, namely 65,108 loaves weekly, and recompense for all losses.

Eventually, in October, 1943 the claims of the Society were, to a great extent, recognised and the Department allocated extra territory to bring recorded sales of 63211 loaves a week up to the base figure demanded of 65108 loaves a week.

Typical of the red tape of the period was the simple desire by the Society to open a cheque account at ~~the~~ Commonwealth Bank Post office branches at Belmont and Charlestown. It was reasonably felt that the necessity of an officer of the Society carrying upwards of £500 from those centres to the city for banking should be avoided.

Through Mr. R. James, M.H.R. the Society received advice from no less a person than the Prime Minister of Australia (Mr. Ben Chifley) that the desire of the Society to open such a cheque account had been brought under the notice of the Governor of the Commonwealth Bank and that the Society was to await further advice.

MEAT RATIONING.

In 1944^{and} the following years, a further worry was to descend upon the business community in the form of meat rationing.

Some private shops received one type of worry, others another type of worry, but the Store, because of its wide coverage of consumer needs, seemed to feel the impact of every regulation. Again the Society found that with lessened sales, expenses rose because of the additional book-keeping required to meet the demands of the regulations.

The Society was meeting increasing difficulty in supplying the wants of its vast clientele. The Society could not, it was found, supply goods in the same quantity or variety as its competitors during 1944 mainly because of the phenomenal growth of the years 1940, 41 and 42. The rate of turnover eclipsed all preceding years but, with this increasing turnover, came the effect of war shortages and regulations.

The problem was not one merely of rationed goods being less than the general demand. Despite the war, new members were coming daily into the store, old accounts being resurrected, some homes having two or more active accounts. The question was being faced, because of pressure upon the Store's stocks, of refusing service to all but established members.

Despite this, despite war curbing of trade, despite all the red tape and regulations, the Society continued to progress. In March 1944, the management was able to assert that never before had the Society enjoyed such a good financial position. The Society had £220,000 invested in gilt edged securities and the capital of the Society, less debtors was much the same sum.

Sales in 1944 showed a drop but not an alarming one. This was due almost directly to shortages in stock.

However, the accounts for the 93rd term

ending on Aug 5, 1944 showed the Society still to be in a position to pay a dividend at the rate of 2/- in the £ together with the payments of $3\frac{1}{2}$ per cent interest on capital and the placing of £2000 to the reserve.

A feature on this occasion was the fact that all departments contributed to the surplus, clothing and outfitting proving the main stay. Expenses were high. Sales showed an increase of £22,000 on the previous term but the management was concerned with the high percentage of trade being done with non-members.

The balance sheet for the 94th term also showed a very healthy situation.

The Society, despite the burdens of the war, had done very well. To the general phases of war difficulties that had been present, the Society had burdens peculiar to itself.

The balance sheet to the 30th September, 1945, was the last balance sheet to be prepared by Mr. Sanders. During the absence of the Secretary, Mr. Gibbs at the war, Mr. Sanders had carried on the dual task of Secretary and General Manager, a duty which had the most injurious effect upon his health. During the war, the Grocery department had, for long periods, been deprived of the services of its manager. On his return, the department lost its deputy manager, and, on occasions, both officers were sick at the same time.

The Grocery department had always contributed the greatest amount to the turnover and yet it had been most severely hit because of inability to secure various goods, the curtailment of butter supplies, heavy cuts in bacon supplies, the seizure of preserved fruits for the forces plus the pegging of tobacco supplies.

During the war, the Society lost three of its most loyal servants by death when it could spare them least. These men were the manager of the Bakery Department, Mr. D. Perkins,

the manager of the tailoring department, Mr. Burkhardt, and the manager of the furniture department, Mr. Reid. Other departments suffered through dismissals and sickness. The Tea Rooms suffered particularly through coming under four separate managements before stability was reached.

Onto these problems was superimposed a vast ~~an~~ number of rank and file staff changes. Moreover, the loss of the Society's best youngsters to the war meant that it was impossible to build and train staff ~~at~~ for the best part of five years.

An ~~an~~ analysis of staff at the end of 1945 showed that out of 68 members, 64 were females and not less than 59 were below 20 years of age. Turnover had decreased to some small degree it is true but this had not lessened worry. Rather, it had increased it.

Business throughout the war years had been a colossal task ably carried out and discharged by the Board and the Management and staff available.

Nevertheless despite colossal difficulties, the Society in 1945 had never been in as strong a financial position. The Management could claim that while there had been complaints about service in the war years, what else could be expected and this ranged against the solid achievement by the Society could not loom important.

The report of the chairman (Mr. W.H. Channon) for 1945 rounded off in a most satisfactory manner the emergence by the Society from yet another period of trouble, an emergence stronger than before.

"Membership continues to expand" said Mr. Channon "These have reached the record number of 20,997"

"The Board of Directors is most anxious to restore essential services to members and will move towards the abolition of zoning as soon as labour is available.

"Special attention is also being given to

problems of postwar reconstruction particularly in regard to building requirements and alterations to existing structures, the re-allocation of departmental sites and the renewal of existing equipment. The Board is approaching these problems with the widest possible vision and with intent to render maximum service. Fortunately " he added "the financial position of the Society is such as to allow us to make decisions without undue financial concern."

He announced that the Government had granted special permission to erect a Milk Depot which would provide additional storage space, modern washing equipment and more generous staff conveniences. The building was finished towards the end of 1945. Sales amounted to £432,519.

Mr. Channon took the opportunity of thanking the officers and staff of the Store for their magnificent effort during the war.

"We Feel that special mention should be made of the very heavy strain placed on Mr. Sanders who has been acting as General Manager and Secretary under conditions which have been most severe on his mental and physical faculties for a period far in excess of that which, even under wartime conditions, could be regarded as reasonable. We now publicly pay tribute and record our sincerest thanks to Mr. Sanders for his deep loyalty, for the personal sacrifices which he has at all times been prepared to make in order that the interests of the Society would be protected."

With the war over, many of the Societies employees were able to come back to the Store but some had paid with their lives for the defence of their country.

It will be remembered that, under Mr. Grierson, the question of establishing branch shops came up for review and that Mr. Grierson had dealt with the matter in his usual logical almost mathematical manner.

He was against the establishment of branch shops.

The same question naturally came up again when the whole matter of new development was being discussed.

With the purchase of the Clyde Street property, the Society's policy had been to centralise most of its outside departments at this location and thereby free space for operation at the main premises. Apart from this transfer of activities to Hamilton North, the only other branches opened had been at Belmont and Charlestown. But neither of these shops had been opened as part of any pre-concieved plan to open branches throughout the district.

The Belmont Branch was opened in 1934 when the Society served 319 members in Belmont, Mark's Point, Swansea, Pelican and Warners Bay. In 1946, this branch served 600 members.

Shop sales in the first week of the branch's life amounted to £44. In 1946, the total weekly sales had grown to £600 of which £380 was "over the counter". In ten years, the trade had doubled itself and a noticeable feature was the fact that 63 per cent of the branch trade was done without incurring any delivery expense at all.

By way of contrast, the sales of the Grocery Department at the main premises revealed a weekly turnover of £5730 of which £4522 was by delivery and only £1208 over the counter. At Charlestown, the weekly sales over the counter were £200 and a similar position existed except that delivery orders from Charlestown were delivered from Wickham.

The advantages of branch stores listed by the General Manager were:- Improved service, reduced delivery costs, increased trade, The establishment throughout the district of the Society's identity allows suburban and headquarters development, retains customer good-will.

One of the main factors favouring the establishment of Branch shops was the fact that the Society lost a great deal of trade to the corner shop because of the service which these shops could give. Branch shops, because of their smallness, safeguarded goodwill. The large concern tended to lose the personal touch. However, with all these considerations in mind and with an especially prepared survey of the position of the Store, the decision was made not to establish branches as a special policy for the moment. However, the Board decided to consider special demands to open branches where a branch was deemed necessary to make mark the Society's entity.

The Board was fully aware of the post-war opportunity for expansion and the fact that new members were joining the Society in increasing numbers. However, the Board felt that to embark on a branch shop policy which would bring discredit on the Society due to the supply position, would be folly.

The priority work was obviously the rehabilitation of the main premises, to give extra space to existing departments and to introduce new services.

The Board, in fact, decided on a policy of remodelling and reorganising the main premises. The completion of the new milk department at Clyde Street early in 1946 was part of the general movement towards improvement in organisation and deliveries.

The word "deliveries" was a key word early in 1946 when interested parties in Newcastle wished to retain the war-time system of zoning because they found it profitable irrespective of the desires or service of the people.

In 1945, a review had been made of the business situation having in mind the necessity of post-war reconstruction of the Society's business.

In the beginning of 1946, this problem of expansion exercised the mind of the Board and management to no inconsiderable degree.

A survey revealed that the Society had approximately 9000 trading members and the present trade was equivalent to the purchases of about 5070 householders or about one-fifth of Newcastle's 26,000 householders.

This revealed an enormous field for expansion, a potential increase of turnover of 400 per cent with a sales target of £4,000,000 per annum.

The sky was the limit.

New members were joining the Society in increasing numbers and the only realistic policy, despite a cry of "look after the old members first", was to make provision for all members, present and future by a policy of expansion.

The view was expressed that, if another depression occurred, the result of having a large amount of capital sunk in buildings would be disastrous. But the General Manager made the point that there was an element of risk in all business and it was not to be supposed that any trading depression that might happen within the oncoming years would be anything like as serious as the ~~1940~~ 1930 Depression.

The Society was unfortunate in that period to find the Depression co-incident with domestic unrest and this was not likely to happen again.

The Industrial and financial outlook of the State was good and permitted the highest confidence in the future.

The General Manager urged that with economic conditions good, the Society, to reap the benefits of them, should make every effort to extend its activities.

First, he urged, a building programme was inevitable for the main store premises which were inadeq-

uate to give service to the customers. Secondly, active organisation and sales drives in each department were a proven business asset. And thirdly, there were definite advantages to be gained by establishing a system of branch stores.

In considering a programme for new buildings, the Board took into consideration the cost of establishing branches, the cost of a new milk department, the cost of additions to the main building, the cost of repairs to existing buildings, fixtures, stock and the retention of sufficient reserves.

At the this time the Grocery Department was very congested in the packing and delivery sections and during busy periods, counter space was inadequate.

Throughout the war years, the department because of the difficulties of business, caused a drain of £130,000 on the Society's finances to maintain the dividend rate of 2/- in the £ on members' purchases of groceries. But nevertheless, the development of the department was not to be hindered even though such a policy was thought desirable. Then the sales figures was £320,000 per annum and the management could look forward to a sales figure of £620,000 within the near future.

Even though branches were established, development in the grocery trade was certain and adequate accommodation was essential. The furniture department was another example of a department requiring organisation and adequate room to meet a high potential in trade. It was ~~estaim~~ estimated that potential trade could bring an increase of something like £80,000 on the turnover.

The tailoring department, too, was full of promise, a potential turnover of almost five times the 1946 figure beckoning the management to further efforts. The Hardware Department needed extra space and the drapery department, particularly, required re-organisation and adequate space.

THE END OF ZONING.

In February, the Society received word that as far as the Government was concerned, milk and bread zoning was over. However, there were interested people in the trade who wished to prevent this consummation, devoutly to be wished as far as householders were concerned.

The unions, the Master Bakers and the Milk Vendors were fighting against the Government and the public in this matter but, as far as Newcastle was concerned, it was the great fight made by the Store for its members and their interests which finally gave victory to the people.

This passage of arms was a splendid example of the Co-operative principle fighting for the rights not only of co-operators within its fold but for the people generally.

The master bakers had a proposal that districts be voluntarily zoned and that bakers agree to serve only in zoned areas with the Newcastle and Suburban Co-operative Society allowed to serve in all zones.

In view of the signs and sadness which arose on the introduction of zoning in the war years, this passion to perpetuate zoning might be considered rather ironic by some.

When zoning was introduced, the Society was not invited to any meeting (though it was now invited to attend a special meeting called by the Union and Master Bakers). Now, the Society was quite clear ^{about} ~~and~~ what it wanted to do - give the best of service to its members. And it proposed to do so.

The Society asked the public to seek service from it and in eight days to March 11, received over 2000 applications for bread service.

In the meantime, the milk vendors were just as passionately devoted to the retention of zoning.

At the end of March, the Society went beyond its war-time bread delivery zone and the fight was on.

The Bakery Operatives Union in Newcastle called a meeting of its members and ceased production of bread. This action was supported by the breadcarters employed by Master Bakers (who were also opposed to the ending of zoning) but the Society's operative bakers (except one) and breadcarters (except six) defied the Union decision and stood with the Society in its determination to protect its right to serve members throughout the district.

The Board was highly appreciative of the loyalty of the staff. Despite statements to the contrary, the strike issue was "the breaking of the zones" and the Store was fighting for the most important principles which had to be protected. Under no circumstances of peace, could the Society accept any delivery systems which curbed or restricted its right to serve members with their requirements.

The public gave the Store its unqualified support and expressed its support in no uncertain manner.

Countless messages of congratulation came to the Store on the stand it had taken.

Early in the dispute, a compulsory conference was held in Newcastle by direction of the Conciliation Commissioner (Mr. E. Baker, by an odd co-incidence). This was unable to effect a settlement because the Society would not listen to the entreaties of the Master Bakers and Union secretaries to get back into zoned areas.

The Newcastle Trades and Labour Council called in breadcarters from their runs on the third day but the Society kept its operatives engaged and sold bread from the bakery, Belmont and Charlestown Branches and the main premises.

The public surged to obtain Society bread and the Society met this difficult situation well.

On the fifth day, Mr. Justice Kinsella summoned the Society to attend the Industrial Court where he

heard the Society's case.

After negotiations in which the Society resolutely refused to go back to its zone, Mr. Justice Kinsella asked if the parties would allow him to decide the dispute.

This was agreed and he settled the dispute by ordering operative bakers in the employ of Master Bakers back to work and ordering the Society to observe its war-time zone until April 27, 1946.

This was a resounding victory for the Society. A specific date had been fixed when zoning ended and, in the interval, the Society enjoyed a breathing space to organise its runs throughout every suburb.

It was a victory for the whole Society and a proof of the loyalty of single purpose of all the staff. Milk zoning was more easily settled although earlier in the year concerted efforts had been made by vendors to retain it. In April, the Milk Board arranged a Milk Conference in Newcastle. Mr. Watson, ~~chairman~~ chairman of the Milk Board and co-members met representatives of the vendors and stated that the purpose of the conference was to acquaint vendors with the Government's decision to cease zoning.

He stressed, however, that the Milk Board favoured a form of zoning and would submit to the Government a recommendation expressing the Board's policy together with a statement of the views of vendors.

To this, the Society had its reply.

In a letter dated May 5, the Society told Mr. Watson that it welcomed the Government's instruction that zoning should cease.

"In view of the fact that such instruction has been given by the Government, we conclude that vendors can automatically revert to the areas served prior to the war-time introduction of blocked deliveries" said the letter.

The letter requested that the Board give the Society registrations to allow it to implement the Government's policy.

"From the beginning the Society has been steadfast and consistent in its opposition to the present system of delivery and has never refrained from expressing its attitude as, in our opinion, blocked runs, strike at the very foundations of freedom and co-operative enterprise" the letter went on.

"It was not our wish to exchange "member-customers" for "non members" trade and our aim is to protect the right of a co-operative society to trade with its own shareholders.

Under no circumstances can we support retention of any delivery system which deprives us of the right to serve people who elect to join our Society in order to purchase co-operatively their buying requirements."

Before zoning, the Society employed 22 carters but, in 1946, only 12 carters were employed. With the ceasing of zoning, at least 10 ex-servicemen were re-employed.

"It has been suggested" said the letter "that owing to the necessity of rationing milk supplies, it would be unwise to revert to the old areas of delivery as vendors would ration supplies in the interests of large buyers and small buyers would be cut down unfairly. We cannot answer for private vendors but can say on our own behalf that we ration equitably at all times and breaking of blocked runs will have no bearing on our policy in this matter."

The letter pointed out that the reception given by the public of the Society's attitude in the bread dispute was evidence of popular desires in this matter.

It was a very good letter and a strong one in that it points ha had a wealth of evidence to support them. Moreover the Government was on the side of the Society.

In June, the Society went back on to its pre-zoning system

The work of organisation involved in the cessation of zoning was no mean task.

The changeover in the Bakery Department had involved organisation to deal with runs which had doubled in five weeks and production increased from 67,000 loaves a week to 90,000 loaves a week.

Simply to secure horses and harness had been a major problem. The milk run jumped from 12 runs daily to 22. A report compiled by Mr. Wilkie on the Bakery Department and its capacity to deal with increased trade is of considerable interest in view of the vast business which the bakery was doing.

The current factory production at the end of hostilities averaged 11,068 per day with 500 dozen small rolls.

This quantity of bread required ~~115~~ 114 bags of flour and the time required to mix the dough at the rate of 15 minutes per ~~1~~ bowl was $4\frac{3}{4}$ hours. The 2 pocket and 4 pocket Divider machines together would deliver 8,400 lb of dough per hour, doing 23,282 lbs in $2\frac{3}{4}$ hours. The 4 pocket machine alone completed this amount in 4 hours 50 minutes; the 2 pocket machine alone, 6 hours 25 minutes.

Mr. Wilkie thought there was ample capacity in the bakehouse machines.

During the year the Society also investigated, at the instance of Mr. Channon, the possibility of refrigerating bread. The advantage was that bread might be stored for longer periods if this were done. However, the cost was found to be prohibitive and, advice was that it would be better to spend the money on better and more ingredients thus producing better keeping qualities in bread.

In June 1946, it was decided to install a new oven to cope with the Society's rapidly expanding bread trade which was approaching the 100,000 loaves per week mark. The cost of the new oven was £6800 apart from

necessary building at Clyde Street. The new oven had a capacity of 2000 - 2 lb loaves an hour.

Another development in the Society's activities in 1946 was the acquisition of its own printing plant. Difficulty was met in obtaining printing of balance sheets and other items and the Board decided that it would be better, in a business of this size, to possess its own printing plant. The printing plant of the Waratah ~~Sell~~ printery was bought for £2500.

In his report, as chairman of directors, to the meeting at the end of the 98th period ended Feb 15, 1947, Mr. W. H. Channon announced that the total membership was 23,046.

"The continued increase in membership is indicative of public confidence" he said "and augurs well for the Society's trading prospects when supplies become more free."

Sales for the term reached the total of £548,331. It was not practicable, said Mr. Channon, for the Board to embark upon post war plans to remodel and re-organise the Society's premises due to building restrictions and the terrific cost of improvements under the conditions holding. But, progress would be made as soon as conditions permitted. By this time, of course, the new gas oven at Clyde Street had been in operation for some weeks.

Beyond the expenditure involved on the Clyde Street alterations and the additional plant, there had been no capital expenditure on fixed assets and the Board had followed the policy of retaining funds in liquid form.

The victory of the battle of the bread zones has been mentioned and this victory was carried on into the milk delivery field from Jan 1, 1947.

In another field, the Board decided to open a branch at Swansea. The Board saw that the lake area ~~had~~ had shown a remarkable development and had long been conscious of the need to give better service to members in outlying areas

there. Closer to home, it was decided to open a branch at Stockton as soon as possible.

One of the most important steps taken in 1947 was the elimination of non-member trade from the Society. While the feeling that this step should be taken had been in the minds of members and the Board for some time, the zoning of the war years had largely prevented this step. However, scarcity and an increasing membership made it impossible to serve members and non-members too and without fuss, an amendment to the Society's rules was passed at a general meeting, which amendment established the principle that the Society trade only with members.

Throughout the year, difficulties brought about by the scarcity of commodities continued. The Society's stocks showed a considerable increase in value but much of this was attributable to increase in prices rather than in quantity held.

Sales increased to £552,173 for the term and membership rose to 24,013. The continuance of building restrictions made it impossible for the Society to embark on its plans for reconstruction or even to open a shop at Stockton.

Labour shortages made it impossible to fully take advantage of the cessation of milk zoning and the Society could operate only 16 hours runs instead of the 22 aimed at.

Indeed by April 1948, only 18 runs were operating, the ultimate figure not yet having been reached. The Board's policy was always to extend milk services but conditions were not favourable.

FIGHT FOR JUSTICE.

1947 opened with trouble in the butchery business, Master Butchers having closed their ~~shepas~~ shops as a means of obtaining satisfaction of their claims.

The Society did not take a prominent part in the dispute but the management kept a cautious eye on all developments. In the Milk Department, poor seasons resulted in milk rationing. In this matter, the Society was obliged to take action to protect its interests in this matter.

The Milk Board had directed that rationing would take place on the base of the gallonage used in the week ending Dec 12, 1946 but supplies were delivered to the Society on the gallonage of the week ending Jan 25, 1947, a much lower gallonage. The situation was further complicated by the fact that the Society had canvassed further trade in extension of its area. However, the Society soon set this position to rights by direct application to the Milk Board who directed that the Society be given its just quantity of milk.

This passage of arms aroused again the dormant intention of the Society to arrange its own milk purchases whenever that opportunity came.

Early in 1947, the Society made a change in its butter supplier. This was a matter for regret since the Bowthorne Butter Factory had supplied the Society for many, many years and a happy association had been preserved. However, due to new conditions the butter factory was not able to continue its supply and, almost by mutual agreement, the Society changed its supplier.

As a finale to this fine and harmonious association, a letter was received from the manager of the Butter Factory (Mr. J. B. Timbs) who said:-

"I desire to place on record our very sincere appreciation of your company's service during the long number of years that this Society supplied your product. You personally have always given me every assistance and been only too pleased to co-operate. This also applies to the various members of your staff with whom we came in contact from time to time and I wish to convey to you the sincere thanks of my directors.

"The breaking of long and honorable associations has always been hard.

"However, the march of time has placed this factory and many others in the position of now being wholly milk to the exclusion of butter and therefore that means that our association must cease.

"I would like to convey our appreciation to your directors and express every good wish to them for the future."

The chairman of directors (Mr. G. Watson) told shareholders at the annual meeting in April 1948 that members had continued their support to such an extent that sales for the half year were £609878 - an increase of £57705 on the 99th term. The sales for the term had been exceeded only once in the Society's history. Membership had expanded from 24013 to 24618. A feature of the half-year was the fact that the alteration in rules prohibiting trade with non-members had caused membership to rise and the continued growth could be taken as evidence of public confidence in the Society.

The high promise of the period immediately following the end of the war had not been fully realised for conditions of business grew daily more difficult.

"Only by careful supervision of expense and increasing turnover is it possible to maintain the 2/- in the £ rebate that had been maintained for such a long period"

said Mr. Watson. "The supply position was most uncertain and unreliable.

"Due to unrest as the result of various causes, production was not overtaking demand to any appreciable extent and the search for supplies is a major problem" said Mr. Watson. "We have increased stocks to the extent of £35,000 but this is largely a value increase rather than a quantity increase. Indications are that shortages will continue for some time."

During the term, the Society's main premises had undergone a much needed and long-delayed face-lifting. It had been repainted.

Operations in expansion during the year centred around the opening of the Swansea Branch, the search or rather negotiations to purchase land at Stockton for a similar branch, the removal of the Manchester and Soft Furnishing Department to its pre-war position on the first floor and the building of the Fine China Department in the forward section of the Hardware Department. This proved to be the most up-to-date department in Newcastle and in every way, a credit to the Store and its designers.

The Milk Department, it will be remembered, expanded slowly after the lifting of zoning but while the Society had now 18 milk runs operating and could have expanded this to about 22, the shortage of labour prevented this. In the meantime, application had been made to the Milk Board for appointment as a Milk Board agent in the Newcastle district. This was another shot in an old struggle. So the Society entered its 50 year. Celebrations were planned for this event but perhaps the greatest celebration the Society enjoyed was the knowledge of its permanence and success in the business of Newcastle, the loyalty of its staff and members and the rosey future which no storm clouds could completely dim.

THE 50th YEAR.

The 50th year was like other years in that the management had many problems to solve - perhaps more problems than other years.

The long struggle for recognition of the Society's claims in the milk field was renewed. The Auditor's report showed that the Milk Department returned a trading loss of $2\frac{3}{4}$ d. in the £ and, in the previous period, could return only a profit of 1d. in the £. Cost of rebate on milk sales was in the vicinity of £7000 a year and this adverse trading was a considerable drain on the Society's resources. Surveys showed that on the distributive margins operative, it was impossible for the employer of labour, observing strict award conditions, to make a profit.

Estimates had been submitted for the cost of installation of equipment capable of treating milk if the Society succeeded in its application, noted before, for appointment as direct agent of the New South Wales Milk Board. Estimates ranging from £23,000 to ~~£320~~ £30,000 were submitted. And both estimates excluded expenditure on land and buildings. The complete installation would probably require about £50,000.

Legal? / Over the years, the Society had fought against monopoly control of milk distribution. The Society had always maintained that it should be granted a full agency and receive milk direct from neighbouring factories, securing for the Society the agency allowance of 2/9 a gallon at present enjoyed solely by the Dairy Farmers Co.. The Society had strong reasons on its side. It was, for one thing, the biggest single retail vendor in the district.

Distributive costs illustrated that the Society could not continue to operate merely as a vendor and make returns sufficient to pay 2/- in the £ rebate to members.

Running costs were high and the distributive margin of $9\frac{1}{2}$ d.

a gallon was sufficient only to cover the actual cost of delivery.

The application to the Milk Board contained the information that the Society proposed, should the application be granted, to instal~~l~~ a plant capable of handling 2000 gallons of milk daily with the trade rising to 5000 gallons a day.

The Society's own trade, it was surmised, would not rise to this amount and it was suggested that trade would be directed to the Society's agency by the Milk Board.

This when added to normal gallonage, would allow use of the suggested plant to the best advantage.

The history of the Society's milk operations and its struggle for justice in this trade was outlined to the Board by the General Manager (Mr. Sanders) on May 31, 1948.

"Since the advent of the Milk Board" said Mr. Sanders "this Society's position in the milk trade has deteriorated.

Despite strong and organised protests against regulations and policies which gradually deprived the Society of its favourable trading arrangements, we have not succeeded in gaining recognition beyond that of private vendor. The loss of concessions in the trade has reduced our milk department to a liability.

"Our fight has been of no~~o~~ avail.

"Prior to the establishment of the Milk Board, the Society had a contract for the purchase of pasteurised milk from the Farmers' and Dairyman's Factory at Dungog. For years the contract operated to the advantage of both parties.

We bought rich quality milk at 10³/₄d. a gallon and retailed it to members at 2/- a gallon. The distributing margin was 1/₄d a gallon and, on this basis, the Milk Department returned a profit.

"The milk came from Dungog in vats, the Society received it into a cold room, agitated the quantity and distributed from the cold room to carts. All milk received was tested

and the Board of Health through the Municipal authorities supervised the hygienic distribution to the community.

"Whilst this arrangement with Dungog was functioning, the Dairy Farmers Company was operating as a receiving depot in like manner to the Society and eventually they made a proposition suggesting that all milk go to their depot where it would be held and agitated and distributed to our carts. This, they urged, would save duplication of plant, result in economy of labour for washing utensils and be mutually advantageous. For all this service by Dairy Farmers, we paid half of one-man's wages per week and save $2\frac{1}{2}$ men's wages. Subsequent events showed that this was a fatal mistake because, in effect, we sold our birthright," said Mr. Sanders. "No longer could we claim to be a depot or an agent treating milk received from a factory and, when the Milk Board came into being in 1931, we were, to all intents and purposes, merely a vendor drawing supplies from the Dairy Farmers Company."

"Much of our thunder has been stolen because, before the Board came, we had voluntarily accepted a state of trading which was unaltered by the Milk Board. The Milk Board was established in 1931 and it has almost unlimited powers in relation to milk and all trading licences and registrations are issued by it.

"Briefly, all milk is vested in the Board and the Board's purpose is to market milk of an approved standard to the consumer at a reasonable price and at the same time ensure a proper return to the producer. Since the Board commenced operations, the sale of milk has increased tremendously and this is attributed by the Board's officers to the marketing policy they have sponsored" he added.

The Board exercised its powers under the Act to create zones from which it would draw supplies, wholesale distributing agents were appointed and prices and margins fixed from the producer to the consumer.

In Newcastle, two wholesale agents were appointed - Dairy Farmers and the Newcastle Bowthorne Company. The Society tried desperately to obtain appointment on the ground that it was the biggest retail vendor and, being a co-operative society, were entitled to agency status because its trading structure in effect reduced the price of milk to the consumer by rebate distribution. Eventually the Bowthorne company sold its agency to the Dairy Farmers Company which gave them a wholesale distributing monopoly.

This served to increase the intensity of the Society's fight for agency appointment and, when the Royal Commission under Mr. Swift was conducted, ^{it} again lodged application.

Mr. Swift found against the Society in allegations it made at the inquiry and the Society continued, under protest, as a vendor. The Society had no option other than to buy at the fixed buying prices and sell at the retail scale. Margins had been continuously shorn away and the trade was becoming less and less profitable.

In 1940, the Government appointed Mr. Justice de Baun to conduct a Royal Commission to inquire into the industry and, on this occasion, the Society made application not for an agency but for the right to draw supplies direct from the factories and eliminate the Dairy Farmers agency.

"We submitted evidence in support of our contention that, if given the right to transport milk from Hexham or Morpeth, and distribute such milk daily, we would do so for 9d. a gallon. This proposal was a return to the depot status which existed under our contract with Dungog prior to the establishment of the Milk Board," said Mr. Sanders.

"Mr. Justice de Baun was impressed with our evidence and, in his report, said that he regarded the

Society's submissions as reliable and was satisfied of substance in our contentions. He recommended that the Society be given opportunity to make good its claim. The opportunity was never given although we endeavoured to force the issue."

With the war in its early years and in consequence of inability to get plant even if the Milk Board would sanction a depot, the Society ^{was} compelled to forego the matter and enter into zoned deliveries as a war-time economy. "However, we did ascertain beyond doubt that even though the De Baun report recommended our application for a depot, the Milk Board would not under any circumstances agree thereto and the Dairy Farmers Company was to continue as the sole agent in this area."

"In 1947" continued Mr. Sanders, "we had reason to believe that the Milk Board would reconsider its former opposition to an application by the Society for an agency and we accordingly acted."

The Society decided to consider the cost of any agency and that it be assessed whether an agency would be profitable. The Society still had the same ground for pursuing an agency and, despite its size, the Store was not enjoying any concession or privilege in buying milk. The Society wanted to buy its milk at the source of supply.

In the six years August 1942 to February 1948 the net profit return from the Milk Department was £12682 but rebate payment on milk sales cost £37110. For this period, £24428 had to be taken from other sources to meet the liability, thus weakening the Society's financial position.

When zones were eliminated in Jan 1947, net profit fell from over £2200 per half year to £150. Zoning was economical though in opposition to the Society's principles, but under the system, the Society delivered 11835 gallons a week from 13 carts at a weekly cost of £279,

equal to 5.67 pence a gallon. In 1948, it was costing £330 a week to deliver 10490 gallons from 18 runs, equal to a cost of 7.4d. a gallon. The retail distribution of milk was costing the Society in rebate deficit £6500 a year.

After making exhaustive inquiries into this difficult problem, the Board finally sent a letter to the Milk Board which stated, after giving details of the treatment plant which it was proposed to put in, that from the Society's viewpoint two very pertinent matters arose out of the proposal. One was the cost and size of the suggested scheme and the other, the question of gallonage of milk to be treated in the event of an agency being approved.

The Society wanted to know whether the design, layout and equipment acceptable from the Milk Board's standpoint. Was the proposal too ambitious and costly bearing in mind the Society's own gallonage was only 10 to 11,000 gallons a week? This raised the question of whether the Milk Board would consider appointing the Society as a full scale agent to treat its own milk requirements solely or expect the Society, as an agent, to handle gallonage additional to its own needs.

The Milk Board, in a reply dated Sept 10, 1948, evaded the issues raised by the Society and spent itself on a detailed ~~but not constructive~~ criticism of the plans of the Society.

The letter read.

Dear Sir,

I am directed by the Board to refer to your communication of August 3 last addressed to the chairman, on the subject of agency application.

The draft plan prepared on your behalf by the Anderson equipment company and furnished by you have been considered and I am directed to inform you that these plans are not, in the Board's opinion, suitable for the following reasons:-

Layout Plan.

Engine Room. A steam boiler is shown in this room, one door of which opens directly into the bottle filling and capping room. No coal bunker is shown on plan. If coal is used, boiler dust would be a nuisance.

Dirty Bottle receiving, bottle and crate washing section. It is apparently open to the West.

Bottle filling and capping room. Location raises the question as to the efficiency of natural lighting and ventilation.

W.C's ventilating into bottle milk section.

Loading Platform: extends to the front of boiler and engine room. No extended awning to protect vehicles while loading.

First floor: Milk storage and pasteurising room. Apparently flat roof. Ventilation questioned. No vents shown.

Location of storage vats and pasteurising plant could be improved. Type of storage tanks shown, square tanks not favoured.

General.

No elevation details or cross section shown.

Perspective drawing incomplete. No condenser room shown.

Office section for small depot appears to be out of proportion in view of existing offices of the Society.

The suggested layout is not acceptable as a whole. More complete and detailed information is required.

No facilities are shown for cream separation, treatment and bottling; handling milk in bulk, transport cans; can washing and storage.

It appears also that the submission of plans for a building designed to accommodate plant capable of treating 45,200 gallons of milk weekly, (over four times the present quantity handled by your Society) - to use your own expression - too ambitious and costly.

Yours faithfully,

Signed. E. Anderson,

However, the Board communicated later its decision^s that, "in the event of the Society being appointed an agent", this agency would extend to the collection of sufficient milk supplies to permit of the Society satisfying the requirements of its own runs. Extension of this would require other consideration, said the Board.

~~Heavy political pressure was being used at the time in the matter of additional agencies and~~
It seemed unlikely that an agency would be given the Society without raising great opposition from interested parties. On top of this, it seemed unlikely that the Board intended to grant the Society a agency in any case. The plain fact was that the Society could not run an agency profitably or economically if the trade was on the basis of the Society's own gallonage.

The Society decided ~~to~~ press no further at the moment but made it very clear that this decision was taken because, and only because, the Milk Board, ~~in direct reversal of its original attitude,~~ insisted, if the Society became an agent at all, it must become an agent limited by its own trade.

It was a fitting thing that, in the Society's 50 th year, the sales should exceed those of any other period in the Society's history. For the half year to August 14, sales totalled £680,669 with the weekly turnover averaging £26,180. Membership had increased from 24,618 to 25,564. Another feature for congratulation was the fact that the amount available for distribution - £76,657 was the highest amount ever distributed to shareholders.

In many ways the 50th year was an excellent year. The celebrations were an outstanding success. The store had its window displays and was festooned in a manner appropriate to the occasion. A ball was held at the Palais at which the Lord Mayor (Ald. H.D. Quinlan) and the Lady

Mayoress (Mrs. Quinlan) received the debutantes. A fashion parade was held at the City Hall on Thursday, August 12 and, on the same evening, a first class concert was held at the City Hall. Altogether the celebrations were an outstanding success.

The Swansea branch had been opened and business was brisk there and the Store entered a new phase of business in opening the Fine China and Jewellery section.

The problems of short supply still gave worry to the Board and representations were made to the Prime Minister, Mr. Chifley for a greater share of goods to the co-operative movement. But these were without success.

At the end of 1948, the membership had expanded from 25564 in August to 26324 in December. The financial strength of the Society was indicated by the fact, ironic though it might be that though the rebate after many years of stability at 2/- in the £ was dropped to 1/9 in the £, this rebate returned to members the huge sum of £ 74,000, including dividend. In 1948, the Society had returned to members over £150,000.

The Society began, 50 years previously, with £33 in hand.

What had started as an idea, now was triumphantly alive with all the force of vitality and power.

THE EDUCATION AND WOMEN'S GUILDS.

To further the cause of Co-operation an Education Committee was formed on Nov 20, 1931. Its first officers were:- President; Mr. K. A. Mathieson; Secretary, Mr. L. C. Standen; Treasurer, Mr. J. Mitchell. The purpose of the Committee was to disseminate and prepare propaganda in the cause of Co-operation.

The Committee rapidly got into action and contact was made with Co-operative Societies in the district, programmes of lectures made out and the decision to establish a library made. Through the Education Committee, the well-known Women's Guilds of the Co-operative store were formed. In March, 1932, Mrs. Kirkwood, was invited to form a Women's Guild in Newcastle, she being made provisionally president. Mrs. Kirkwood attended a Women's Conference held on April 2, 1932 and it was decided to call a propaganda meeting in St. Mark's Hall, Islington, on Apl, 20, 1932, at which women would be invited to form a Women's Guild. By the first half of 1933, five women's guilds were in operation, Newcastle at Wickham, Mayfield, Tighes Hill, Hamilton and Merewether.

The work of the Education Committee, its continuous provision of lectures and lecturers, dissemination of propaganda through leaflets and other means, its binding of shareholders through social functions, must account in no small way for the growth of the Society. The Women's Guild, also, through its direct propaganda to the Housewives and its social contacts, provided an important means of bringing people into the fold of Co-operation.

The work of the Educational Committee was divided into four main spearheads - Education, Propaganda, Guild Education, and Social Welfare. Through a CWS sub-committee, contact was made with the Co-operative Union of England and educational leaflets were received from this source and distributed in Newcastle.

The establishment of the Mothercraft Clinic, which has been touched upon in these pages and which for years was a well-known facility of the Store, interested the Women's Guilds and the Education Committee to a great extent.

The General Manager (Mr. R. J. Grierson) who had been largely instrumental in the idea of the Education Committee being mooted and who had been a keen supporter of its activities died in the early part of 1939 and the Committee, not forgetting his services, initiated the idea of setting up a memorial for him, a framed photograph being exhibited in the Store and a garden plot dedicated to his memory at Clyde Street.

Not the least important of Education Committee and Women's Guild activities was the education in co-operative ideas of the members themselves. Indeed, at the formation of the Committee, this ^{idea} ~~idea~~ had been expressed that the first meeting of the Committee was for its own education. This became, in many ways, ~~the~~ through debates and study, one of its first principles.

The syllabus for 1939 of the Women's Guild gives a precis of the motivating principles of the Guilds.

The Guilds exist to:-

assist distressed members; to increase the membership of the Society; to create harmony and goodwill through combined social functions; to promote a drive amongst Guildswomen for new members; to render all possible assistance to the Australian Mothercraft Society and to foster and encourage the Mothercraft branch established at the Store; to foster the interests of the Society by purchasing all needs at the Store; to assist the officers and Board of Management to carry out the rules of the Society and to support at all times the Rochdale system of Co-operation.

In 1944, the centenary of Rochdale was celebrated by a function at the City Hall at which the

Mayor of Goulburn (Dr. Burgmann) Madame Fabian Chow and Mr. A. E. Davern (formerly a member of the Education Committee) delivered addresses. The Education Committees work and that of the Women's Guilds in making this function a success was of tremendous benefit to the cause of co-operation as a whole. In the 50th year, the Committee and the Women's Guilds took a crucial part in the celebrations of the Society's jubilee.