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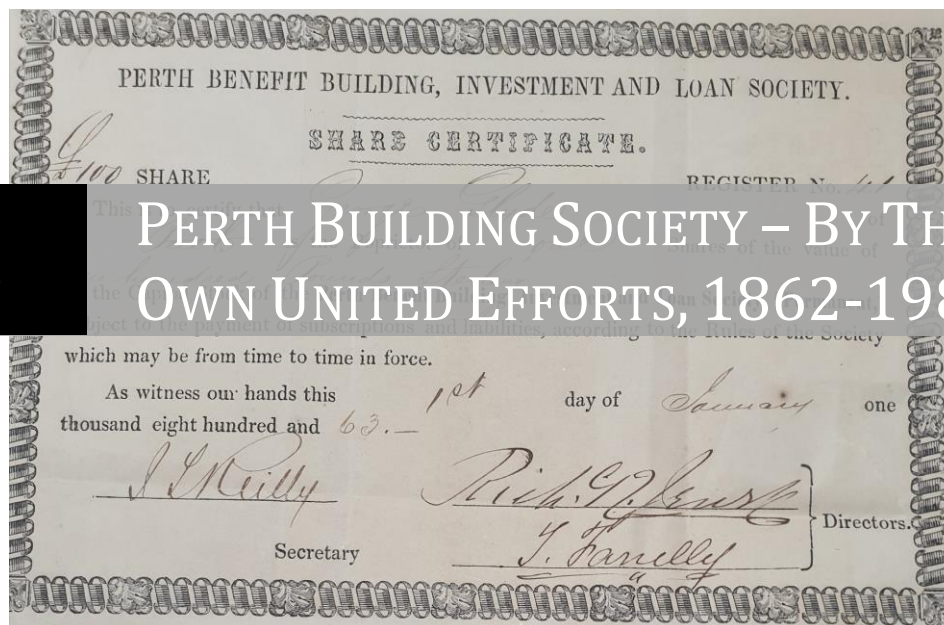
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Australian Government
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CASE STUDY

PERTH BUILDING SOCIETY – BY THEIR OWN UNITED EFFORTS, 1862-1987



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INTRODUCTION

Founded in 1862, the Perth Benefit Building, Investment and Loan Society, later known as the Perth Building Society (PBS), was the first building society established in Western Australia (WA). The PBS was initially based on the British model of a building society, but subsequently evolved and adapted its operations to suit the local environment. A successful business, PBS operated for the next 124 years until, in 1987, it demutualised into an investor-owned firm (IOF), Challenge Bank.



PBS logo, 25 Barrack Street façade, Perth, 1985
Courtesy SLWA b5715166_2

For many years the PBS was the only building society operating in WA. However, from the 1890s many similar organisations were established requiring the PBS to meet the challenges posed by these new competitors and retain its dominant position in the residential home loans market. The Society was founded on specifically philanthropic principles to support the working classes of Perth in building and owning their own homes. 'By their own united efforts' was a founding motto advanced by George Frederick Stone in 1863 (Stone 1863). In many ways this was the ethos that pervaded the PBS until changing financial and economic environment in the 1980s transformed the conditions in which the Society operated, and which resulted in its demutualisation.

The decision to demutualise the PBS in 1986 was made unanimously at a brief meeting of the Board held at a hotel in Vienna where the board members were attending the World Congress of the International Union of Building Societies and Savings Associations (IUBSSA) (Moore, 1987: 147). As this critical decision was taken, PBS Managing Director Harry Sorensen was installed as the president of IUBSSA. Ironically, this final twist in the story of the PBS still manifested that founding motto, 'by their own united efforts'.

ACKNOWLEDGEMENTS

PBS has been the subject of historical research and analysis by two key individuals. The first, is Professor Roy Lourens, who was a member of the Economics Department at the University of Western Australia (UWA). He researched the PBS in great detail for his PhD thesis, which he completed in 1973. The second, is Bryce Moore, a consultant and social historian who condensed and summarised Lourens' work and took the PBS story on to its demise in 1987. Together these two authors added considerably to the body of business history produced in Western Australia.

This study is both a concise summary and review of these two works along with additional research. It includes illustration using materials either not available to earlier writers or which have only become available in the public domain since 1987. The present study aims to complement, not replace, these earlier studies, and we remain greatly indebted to both Lourens

and Moore for their work. Any inaccuracies or ambiguities in this work are entirely the responsibility of the authors.

CONTEXT AND FOUNDATION OF THE BUILDING SOCIETY

As a mutual enterprise, the origins of the PBS can be traced back to the friendly societies and financial mutuals that emerged in Britain and Europe in the late sixteenth and early seventeenth centuries (Patmore & Balnave, 2018). These provided financial assistance to their members and their families in the case of illness, unemployment, or death. They expanded across Britain and Europe during the nineteenth century, and were brought to Australia along with European settlement, with the first friendly society established in Sydney in 1828 (Exley, 1935).

The first insurance mutuals emerged in the Netherlands in 1663, and in Britain in 1706 (Grijpstra et al., 2011). Credit societies were established in Germany during the mid-nineteenth century with the foundation of the first credit union in 1850 by Herman Schulze-Delitzsch, primarily to support communities living within the urban areas (Aschhoff, 1982). This was followed in 1864 by the foundation of the first rural credit co-operative by Friedrich Wilhelm Raiffeisen (McKillop, 2005). The aim of these financial mutuals was to address the severe shortage of affordable credit for farmers, small business owners, and general householders, who had experienced serious economic hardship during the 1840s when famines, social unrest, and political upheaval had impacted European society (Patmore & Balnave, 2018).

FORMATION OF BUILDING SOCIETIES

The first building societies emerged in the United Kingdom (UK) around 1781 (Bab, 1938). Although the origins of the building societies remain obscure, there is evidence of about 200 having been in operation between 1775 and 1825 (Butzbach, 2018). Their focus was on their members pooling their savings and using this collective financial cooperation to obtain loans to buy land and build their homes at interest rates deemed reasonable (Barnes, 2014). Legal recognition of the building societies was established within the UK by the passage of the *Building Society Act, 1836*. This legislation defined the purpose of these organisations and laid out the regulations under which they would be governed.

There were two types of building societies. The first of these were *terminating societies* that were formed by their members, closed to new members once sufficient funds were raised, and then terminated once all members had built their new homes and repaid their loans. Although these building societies were successful, they suffered from a lack of access to capital and were obliged to seek third-party debt financing from banks to cover all the funds distributed to their members. These terminating societies continued to operate throughout the nineteenth and early twentieth centuries. However, during the 1920s and 1930s their numbers began to decline and the last one was wound up in 1980 (Butzbach, 2018).

The second type were the *permanent building societies*. Established in 1846, these societies emerged from their terminating cousins, which were usually forced to create successor institutions as they came close to the end of their operating life. Loans were provided by the parent society to its offspring to assist their establishment. However, it was a cumbersome and complex system that was resolved by the creation of the permanent societies, which allowed new

members to join and in doing so, continuously refreshed the capital base of the organisation. This enabled the building societies within the UK to grow strongly throughout the second half of the nineteenth century (Bab, 1938; Clarke, 2015).

EARLY SETTLEMENT

European settlement of Western Australia commenced in 1826 with the establishment of a small penal settlement administered from New South Wales (NSW), at King George's Sound, on the south west coastline where the town of Albany is now located. That early settlement was led by Major Edmund Lockyer who arrived in the Brig Amity along with a small contingent of soldiers and convicts. The settlement was officially celebrated on 27 January 1827.

This early settlement was followed in 1829 by a large-scale occupation of the Swan, Avon and Canning River basins, Murray and Harvey River, Peel Estuary, port of Fremantle and offshore Garden and Rottnest Islands. Led by Governor of the Swan River Colony, Sir James Stirling, the settlement involved immigrants from England, Scotland, Ireland, and Wales, plus a further twelve countries numbering over 1,100 in 1832 (Mazzarol, 1978).

The arrival of a large number of immigrant settlers seeking to establish farming and pastoral activities had a significant impact on the traditional owners of the land, the Noongar people who comprise 14 distinct cultural groups: Amangu, Ballardong, Yued, Kaneang, Koreng, Mineng, Njakinjaki, Njunga, Pibelmen, Pindjarup, Wadandi, Whadjuk, Wiilman, and Wudjari. Of these, the Whadjuk, Pindjarup, Ballardong, and Minang groups, located around the Swan, Canning, Murray River and Peel Estuary, and King George's Sound bore the brunt of the first European settlement.

Land was allocated to the settlers based on the amount of "capital" they brought with them. This included equipment, seeds, animals, and indentured servants. The poor soils and challenges posed by the Noongar, who resisted the European settlers occupation of their lands, created both violence and hardship for the colony during its early years (Martens, 2022).

Throughout the 1830s and 1840s the colony languished, with numerous disputes between land owners and their indentured servants who complained about breaches of contract. The indentured servants were contracted for a period of up to seven years, had to be registered with the Colonial Secretary, could not own land, or work for another employer "master" without the consent of their original employer, and could not leave the colony without the permission of the Colonial Secretary based in Perth (Mazzarol, 1978).

The Noongar, resisted the British settlers who cleared and fenced their traditional tribal lands, hunted their native food stocks without compensation, and demonstrated an ignorance or intolerance of their traditions and culture. The settlers responded to the theft by the Noongar of their livestock, or crops from their gardens with both direct violence, and the imposition of harsh British justice. It became a pattern of violence and mistrust between the two communities throughout the early years of British colonisation (Martens, 2022).

In 1832 the King George's Sound area was transferred from NSW jurisdiction to the control of the newly formed Swan River Colony. That year the township of Albany was formally named by Governor Stirling, who visited the settlement and even considered relocating the capital there

due to the large, sheltered deep water harbour offered by King George's Sound. From that time all of the Australian continent west of the 29th parallel came under the expanding legal jurisdiction of Western Australian authorities based in the seat of government in Perth.

BUILDING HOUSES AND FORMING A COLONY

During the 1830s transactions within the colony were mainly undertaken in forms of credit, chiefly provided by storekeepers. Building houses and other structures involved the use of materials such as jarrah, banksia, jam tree and other local timbers (structural timbers, shingles and boards, furniture), stone, clay (bricks), and rush and grasstree thatching, and similar materials taken directly from the forests and river flats adjacent to building sites. They were worked by carpenters, masons and other tradespeople, who transformed these materials into building products.

The various trades and labourers had to be paid, although, as noted earlier, most of them landed as indentured servants to affluent settlers for whom they worked in return for lodging, food and clothing rather than money. Parcels of land were allocated to the wealthier settlers according to a formula that accounted for the value of the goods they bought to the colony with them, including their indentured servants nominally valued at £15 per head.

For example, the solicitor Alfred Hawes Stone, landed with an estate in goods valued at £399, and so was eligible to receive grants of land totalling 2,163.8 hectares (5,347 acres) (Criddle, 2002). Included in the £399 valuation was £30 for his two indentured servants. Between 1829 and 1831 he received four separate grants of Noongar land on the Canning River ('Speldhurst'), Claisebrook (also called 'Speldhurst'), Rottneest and the Avon Valley. Stone sent his two servants to the first 'Speldhurst', one to begin clearing and planting food crops, the other the build a house. These servants were not paid in cash but in kind, according to their indentures.

In 1830 a master and servant regulation were drawn up that required indentured servants to be 'paid' a daily ration of 500g grams of beef, 340 grams of pork, flour or bread and 60 ml of rum, for 8-9 hours work per day for six days per week. No cash was paid. Stone procured a job for himself as Clerk of Justices and Sherriff on £300 year. He had access to some cash as well as imported building materials that he could purchase with that cash, such as window glass, roof lead and iron wares such as hinges, bolts, etc (for some examples of this trade, see *Perth Gazette* 2 April 1836, 10 March 1838, 2 November 1844). Nevertheless, some labour was compensated in cash, especially once the initial indentures expired and servants were released to sell their labour as they could.

Of Stone's two servants, one drowned in 1830, while the other, the builder William Crittal, remained in his employ until his indenture expired in the mid-1830s. In 1834 he was working as a carpenter at Bassendean on 8-10 shillings per day, and the next year he signed a petition against a tax on timber taken from Crown land. At this time, local Jarrah boards were selling for 10 shillings per 100 feet (33 metres) and bricks for £2 per 1,000, which gives a sense of the relative value of a skilled builder's wages and limited capacity for saving (*Perth Gazette*, 5 December 1835).

While this indicates some cash was becoming available, Crittal or Criddle would never acquire a capacity to buy land and pay for a home to be built. In the late 1830s he moved to the Avon Valley, working for the family of 'Squire' Phillips at 'Culham' as a shepherd and builder, then to the Greenough Flats in the 1850s with the pastoral firm of Phillips, Edward Hamersley and Lockier Burges.

There he was finally given, in recognition of his many years of loyal service, a small parcel of land in 1858 excised from a pastoral lease on which he built a succession of mud brick and stone houses. He died in 1875, leaving a widow and 15 children (the oldest being adults by then and able to support their mother and younger siblings). Criddle's story is not unique, but neither is it a model followed by many. Few working-class settlers would be able to acquire and own a home in the colony in this semi-feudal manner, no matter how sober and thrifty in their habits.

THE WESTERN AUSTRALIAN JOINT-STOCK BANK, 1841

The lack of cash in the colony inhibited its economic development well into the late-1840s. Several leading merchants established the Bank of Western Australia in 1837, and then a branch of the Bank of Australasia opened in 1841 and purchased the local bank (Spillman 2009). A number of dissatisfied shareholders of the old bank then opened the Western Australian Bank in 1841, and in 1845 the Australasian Bank closed its doors, leaving the new local bank to enjoy its monopoly (and purchase the Australasian's premises). The Western Australian Bank was established after a provisional committee was set up by George Stone, brother of Alfred, motivated by opposition to the Australasian and the loss of their own local bank.

Lourens (1974) notes that this series of events produced one of the earliest outbursts of Western Australian nationalism. The prospectus for the bank, issued in May 1841, stated that it would be formed, "upon principles as liberal as prudence and the safety of the Association will admit", and "intended, as far as possible, to make this Company an Association of the Public for the good of the public" (*Perth Gazette*, 8 May 1841). A bare majority of shareholders of the earlier Bank of Western Australia had,

"... commit[ed] an act of unnecessary and gratuitous suicide" in selling out to the Australasian, but the new bank would "increase the facilities for carrying on the Agricultural and Commercial operations of the Colony", and "The Proprietors and Directors of this Bank being local, will have an independent power of acting on all occasions; - their profits, as well as their principal, circulating within the colony, will both tend to increase its prosperity (Perth Gazette, 8 May, 1841, p. 2). "

Two notable objectives were,

"... to establish in this colony, the Scotch system of cash credits - a system most admirably suited to the circumstances of the majority of the settlers, who have an abundance of property, or money's-worth, but often unable to dispose of it, in the present state of the colony, for its fair value," and

In order to encourage a saving of money, by the working classes especially, interest at the rate of 5 percent, per annum will be allowed on all fixed deposits for six months certain, from £5 to £500; beyond the latter sum, a special agreement must be made. The depositors will be

allowed at any time to withdraw their deposits, should they be induced to do so by any sudden prospect of advantage, or compelled by any pressing emergency, within the time fixed - but in such else no interest will be allowed for a less period than six months (Perth Gazette, 8 May 1841)."

The provisional committee consisted of well-known gentry settlers, William Tanner, Esq. (of 'Baskerville' in the Swan Valley and Avon Valley pastoralist), Richard Hinds, Esq. (surgeon of 'Caversham'), John Septimus Roe, Esq. (Surveyor-General), Samuel Moore, Esq. (Middle Swan and Leschenault pastoralist, shareholder in the WA Mining Co), Edward Hamersley BA, Esq. (of 'Pyrton' near Guildford and an Avon Valley pastoralist), Thomas Walters, Esq. (East India Co. stockholder and Avon Valley pastoralist), and William J. Lawrence, Esq. (Crown Solicitor), with George Stone Esq the secretary and key mover in forming the bank.

The committee was 'sound' and a roll call of the colonial elite. The key words in the prospectus – liberal, prudence, public good, local, independent, increase prosperity – are telling, as are the provisions for overdrafts (e.g., the Scotch system – Gilbert 1919), and the encouragement of working-class savings, of the liberal self-help values in England at the time.

The key role of George Stone is critical to the story of the bank, and the PBS. However, despite the ostensible encouragement of working-class saving and prudence, the actual income of working-class people, as exemplified by William Crittal at this time, would have made building and maintaining a deposit greater than £5 difficult. That was a sum at least equal to twice Crittal's weekly income, assuming he was being regularly paid, and paid in cash. This was a problem to which George Stone would later turn his attention.

THE COLONIAL CHEST SMALL SAVINGS BANK, 1855-1856

Fifteen years after the founding of the Western Australian Bank, the colonial government during the final months of the term of Governor Charles Fitzgerald (who served from 1848 to 1855), legislated to establish a bank for small savings. The need for such a bank had arisen with the commencement of the transportation of convicts from Britain and elsewhere in the Empire to Western Australia in 1850. The decision to accept convicts by WA was a reflection of the harsh economic conditions experienced during the previous two decades and went against the trend elsewhere in colonial Australia where the convict system was being ended (Roe, 1974).

Many of the early convicts were skilled tradesmen, or 'mechanics', and received their ticket-of-leave (a form of parole that allowed them to live in the community and work for an employer or themselves) upon landing in Fremantle (Gregory & Marshall, 2020). Transportation was financed by the Imperial government in London, and the rapid increase in both available cash and tradesmen, mechanics and labourers being paid in cash transformed the colonial economy.

It is worth noting that during the period 1850 to 1868, when the convict transportation system operated in WA, a total of 12,821 people were brought into the colony. This cohort consisted mostly of male convicts, but included a sizable number of military guards, and single emigrant women (SRO, 2021). Over the period 1851 to 1860, the colony's population grew from 7,186 people (not including the Aboriginal population) to 15,346 (Cotter, 1967).

The *Inquirer* newspaper outlined the advantages of such a bank (*Inquirer*, 1855). First, the Western Australian Bank would not accept deposits of less than £10, so the working man was forced to spend any savings because there was no secure place to store the cash. Second, the “hundreds of pounds” wasted on drinking and gambling would be diverted to accumulation to benefit a man and his family in sickness or old age.

Third, this would benefit the individual and the community at large. Deposits could be received at the local convict depots to encourage saving, with withdrawals limited to the Commissariat Office in Perth to deter hasty spending. There was no mention of saving for house building, but it was envisaged that agricultural labourers would be able to save enough to buy a farm, increase grain production and absorb more convict labour while reducing dependence on imported foodstuffs.

The *Savings Bank Ordinance 1855* was duly passed and came into effect on 21 July 1855. It allowed for small deposits (minimum £1) to be made into the Colonial Chest (or Treasury) up to a total of £100, earning an annual 5 percent compound interest paid quarterly. Deposits could be made by persons under the age of 21, aliens, and women, although deposits by a married woman could only be withdrawn by their husband after he gave written notice in advance (*Government Gazette*, 1855).

However, within months it was being criticised in the press for failing to attract deposits. This was ascribed to an unwillingness by working men to trust the government with their money (*Perth Gazette*, 1855, p. 2). However, another explanation may be found in the initial proposal to establish the bank as a stand-alone corporate entity not being followed through (*Inquirer*, 1855).

The salience of this issue may be found in the first budget bought down by the new Governor, Edward Kennedy, in August 1855. Kennedy sought to reduce colonial expenditure, partly by cuts, partly by moving some items to the imperial convict budget. He abolished the position of Savings Bank Clerk in the colonial treasury, saving £80, but leaving no one to specifically manage the bank’s affairs, and also struck out the £750 set aside for interest on savings bank deposits (*Perth Gazette*, 1855). Kennedy was supported in this matter by Marshall Clifton and his ally, leading Fremantle merchant Lionel Sampson, both of whom usually opposed the Governor (Staples, 1969).

Prompted by Clifton, Kennedy stated the bank was a “dead letter” in 1855 (*Inquirer*, 1855), and at the end of 1855 only 12 shillings 6 pence were paid in interest on deposits (*Perth Gazette*, 1856). Nevertheless, in the half-year ending 30 June 1856 the bank paid £304 in interest to depositors, a fivefold increase in six months, suggesting small deposits were in fact being made and the bank was on its way to viability (*Perth Gazette*, 1856).

Nevertheless, the bank’s political fate had already been sealed, and a bill, *Small Savings Amendment Ordinance, 1856*, to repeal the Savings Bank Ordinance was passed in May 1856, coming into effect on 9 June 1856. This presumably helped the storekeepers and publicans retain their lucrative informal lending practices and store credit with the very class intended to benefit from the savings bank.

There is no small irony that within five years Marshall Clifton's nephew, William Camault Clifton, the P&O Agent responsible for the P&O coaling station at Albany, attempted to establish a bank at Albany in 1861 to receive small deposits from coalers working for the P&O Company to promote thrift and reduce spending on alcohol (Baskerville, Mazzarol & van Aurich, 2022). That bank also appears to have come to naught, although records are sketchy. However, given the documented opposition from Albany storekeepers to W. C. Clifton's subsequent establishment of the Albany Co-operative Society Limited in 1867, it is likely that a similar dynamic was in operation that led to the demise of the Colonial Chest Small Savings Bank.

THE SONS OF AUSTRALIA FRIENDLY SOCIETY AND THE POST OFFICE SAVINGS BANK

The Post Office Savings Bank opened its doors in 1863, a year after the PBS, but both share a genealogy back through the Colonial Chest Small Savings Bank and the Western Australian Bank, possibly with a lateral branch to Clifton's coaler's bank (see Figure 1).

Figure 1: Network of financial institutions in Western Australia, 1829-1889

Co-operatives	Friendly Societies	Building Societies	State Banks	Private Banks			
	Sons of Australia FS 1837			Bank of Western Australia 1837	Bank of Australasia 1841		
				Bank of Australasia 1841-1845		Western Australian Bank 1841-1927	
	Ladies FS 1851		Colonial Chest Savings Bank 1855-1856				
	St John's Lodge of Freemasons 1851-						
	Perth Oddfellows Manchester Unity FS 1858-						
Albany Co-operative Society 1867-1882	Pensioners' Benevolent Society [1862]-1873	Perth Building Society 1862-1987	Post Office Savings Bank 1863-1906	National Bank of A/Asia 1866			Albany Coaler's Bank 1861
Perth Co-operative Society 1869-1879	Police Benefit Fund 1866-						
Northam Co-operative Flour Mill Co Ltd 1873-1875	Independent Order of Rechabites FS 1872-	Church Building Society (UK) 1870s	Fremantle Building Society 1875-1980				
				Union Bank of Australia 1880			
				Bank of New South Wales			

The connections between these institutions are demonstrated in three bills considered by the Legislative Council in 1863, one to establish the savings bank, another to regulate friendly societies, and a third to regulate benefit building societies. Lourens (1974) suggests that Governor Kennedy brought with him knowledge of the Post Office Savings Bank established in England in 1861 but had to wait until a copy of the legislation arrived in the colony in 1862 before he could establish a similar institution.

The colony's only friendly society, the Sons of Australia, was a relatively venerable colonial institution, having been founded 26 years earlier in January 1837 (*Swan River Guardian*, 1837). The Sons of Australia was 'enrolled' before the chairman of the Court of Quarter Sessions (i.e., its

rules were registered with the court in Perth) under the imperial *Friendly Societies Act 1819*, which set out such a procedure.

The trustees of the society were William Nairn, a silversmith in Perth, William Rogers Snr, storekeeper in Perth, and John Thompson, baker and storekeeper of Perth, with Charles Foulkes, storekeeper of Perth, as secretary. Nairn, Rogers and Foulkes were members of the Perth Town Trust (forerunner to the city council), they were all either Anglicans or Methodists, and were illustrative of the new artisan/small business class developing in the colony. Tickets to the he first anniversary dinner of the Sons of Australia, held at the United Services Tavern in Perth, were 7 shillings, not an amount that most tradesmen could easily afford (*Swan River Guardian*, 1837).

The purpose of the imperial legislation referred to reducing the demands on local parish welfare and improving the habits of the people where the “habitual reliance of poor Persons upon Parochial Relief, rather than their own Industry, tends to the Moral Deterioration of the People.” It also refers to protecting members from “Frauds and Abuses ... or Miscalculations”. The objectives of the Sons of Australia were less moralising and more philanthropic:

“The object of the Society is to provide by contribution for the maintenance or assistance of the Members thereof in sickness, old age and other infirmities.”

The new colonial *Friendly Societies Ordinance, 1863* had purposes more aligned to the Sons of Australia than the imperial legislation, of “affording relief and maintenance to the members of [friendly societies] in sickness, old age or infirmity and for other purposes of a provident and benevolent nature,” but maintaining the prevention of “fraud and misapplication” of members’ funds. The ordinance replaced the Imperial Act, and several other imperial acts relating to friendly societies, in the colony and specifically excluded building societies from its jurisdiction.

Whereas the friendly societies encouraged saving for the specific purpose of providing financial support during illness or unemployment, or when death occurred, the new savings bank was to facilitate saving for more general purposes, with a government guarantee of security and the payment of interest.

In many ways the *Post Office Savings Bank Ordinance, 1863* retained many of the features of the old Colonial Chest Small Savings Bank, but with a more specific guarantee of security for depositors, whose names were to remain confidential. Interest was payable, the minimum deposit was one shilling, banking would operate through the General Post Office and its network of local post offices (not the convict depots), and could be withdrawn at any time, and the Colonial Treasurer could invest the bank’s funds and lend money on mortgages of up to £1,000 upon the security of freehold property.

The regulations issued under the Ordinance added some further detail (*Inquirer*, 1863). Deposits were restricted to a maximum of £30 in any one year, up to a total balance of £200, after which interest was no longer payable. Deposits would be accepted from trustees, minors under 21, and married women (although, again, only her husband could withdraw funds with written notice in advance), and passbooks would be issued to all depositors to record all transactions. The new bank was well planned, and quickly became popular with working people, but there still remained

a need that some members of the community believed could only be met by a mutual type of institution such as a building society.

FOUNDING THE SOCIETY AND THE BENEFIT BUILDING SOCIETIES ORDINANCE 1863

The *Benefit Building Societies Ordinance, 1863* was the third in the trio of financial legislation made that year by the Legislative Council, and the first building society legislation in the colony. As noted earlier, this replaced the operation of all Imperial legislation in the colony relating to building societies. The Ordinance established a WA-specific framework for regulating building societies (of which the newly-formed PBS was the only one at the time). Its key features were:

- Any number of persons could form a building society.
- Shares were not to exceed £200 each, and subscriptions not to exceed 40 shillings per month.
- Funds could be loaned to members to erect or purchase a 'dwelling-house' or land, secured by a mortgage until the amount of share value had been fully repaid with interest.
- The Society could make, enforce, amend and repeal its own rules and regulations.
- A member was not entitled to receive interest or dividends until the value of their share had been repaid.
- Savings could be received from members, and interest paid on them.
- Provisions of the Friendly Societies Ordinance would apply to building societies in circumstances that were not covered by this Ordinance (basically about the method for registration and altering their rules).
- The PBS was recognised as already existing and would become subject to the Ordinance once its rules had been confirmed in the manner described in the Friendly Societies Ordinance (i.e., approved by the Governor on the recommendation of the Attorney-General, which replaced the earlier method of registering with the Court of Quarter Sessions).

It is notable that the Ordinance only provided for permanent building societies, and not the older and alternate form of terminating building societies that were still widely used at the time in Britain. This stance is attributable to Stone, who the new legislation also made responsible for advising the Governor that the rules conformed to the relevant laws.

The key purpose of the Society was to receive deposits and loan money for housing, and for this it was given fairly wide autonomy to manage its own affairs. In this last regard, building societies (and friendly societies) stood in strong contrast to the new Post Office Savings Bank (POSB) that was closely controlled by the state through the Governor acting on the advice of the Post Master General.

Lourens (1974) makes the point that the WA Bank, PBS and POSB competed for the surplus funds of households, which suggests that the penurious pre-convict era had well and truly passed after a decade of convict transportation and increasing export income, especially from wool, minerals and timber. The colony's population was increasing, as were imports of all consumer goods, and people had money to spare, although Appleyard (1981, pp. 215, 235) argues that an abundance of convict ticket-of-leave labour depressed wages and deterred immigration. Even so, colonial households clearly had sufficient surplus income by the early 1860s to support three new financial institutions through their savings.

KEY FOUNDER: GEORGE FREDERICK STONE

George Frederick (G. F.) Stone (1812-1875) is usually credited with founding the Perth Building Society, and although not a solo accomplishment, he was instrumental in its establishment. In 1862, Stone was the Attorney General for WA, a director of the WA Bank, and an office holder in the Swan River Mechanics Institute, among other official, business and civic roles.

George Stone operated a legal firm in partnership with his older brother, Alfred Hawes Stone, although he never received formal legal qualifications. He married Charlotte Whitfield, daughter of Captain Whitfield of 'Knockdominie' near Toodyay, who was also the Resident Magistrate at Toodyay. One of their sons Edward, later became a knight and Chief Justice of Western Australia. Stone was well-connected in the colonial establishment, and one of his daughters Fanny, later married George Hampton, the only son of Governor John S Hampton.

Importantly for the PBS story, Stone was also well connected through another brother, William Stone, with developments in the field of co-operative and mutual enterprises then taking place in England (Lourens, 1974, p. 5). According to Lourens (1974), in relation to this connection that,

"... the link between the PBS and the building society movement in Britain was a very real and direct personal relationship (Lourens, 1974, p. 5)."

Others have been credited with a founding role, but George Stone was acknowledged by his contemporaries as the founder, and this is borne out by the historical record.

William Stone an early advocate of building societies in England, had published *Stone's Benefit Building Societies* in 1851 advocating the transition from terminating to permanent models. Lourens (1974) suggests that unlike England, innovative new institutions in the colony were imposed on the lower classes by the established upper middle classes rather than developed from below. This was because these models were already known to the wealthier colonists via links to Britain.

They gathered in the Mechanics Institute, and from here the PBS developed. The Post Office Savings Bank in England was seen primarily as a social measure, and Governor Hampton wanted to see some socially stabilising institutions in the colony. George Stone was aware of building societies in other colonies, but the small local population made those models likely to be of marginal value.

George Stone looked directly to England and his brother William, and his preference for permanent rather than terminating societies. Formation and planning of the Society through

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discussion at the Mechanics Institute. England was regarded as the 'natural model' for the colony, and Stone persuaded the other founders to form a permanent society, bypassing the earlier form of terminating societies that closed when all the members had obtained a house (Lourens, 1974, p. 17). Instead, as a permanent society it would continue to accept new members and deposits and so have an enduring existence, and so was often compared with and referred to as a 'savings bank'.

Figure 2: George Stone's family in the garden of his residence, "Rose Hill", Adelaide Terrace, Perth 1862



Source: SLWA, AH Stone's Album, 6923B p40

As Figure 2 illustrates, George Stone was the epitome of the respectable philanthropic colonial classes of the era. Stone and his three young daughters (centre of picture) were all original PBS shareholders.

George Stone was fortunate that Governor John Stephen Hampton had succeeded Governor Kennedy in 1861. Hampton came from the vice-regal office in Hobart where he had encouraged the formation of building societies, and in early 1863 Hampton provided Stone with a written report on the operations of the Tasmanian Permanent Building Society which clearly favoured permanent societies and just as clearly drew directly upon English practices (Lourens, 1974, Appendix B).

Hampton also brought a more disciplined regime to convict administration, and although the historiography of his rule remains mixed on his achievements, he is generally credited with stabilising the colonial economy through, among other things, a substantial public works program that eventually won him favour among the settlers. He was also, clearly, the right viceroy to help Stone achieve his goal and graciously consented to be the Patron of the Society.

George Stone had two main objectives in forming the society derived from his philanthropic beliefs. The first of these was the virtue of self-help, enabling the working classes to achieve financial security through thrift and home ownership. The second, was his ambition to stabilise the economic and social conditions of the colony. Members, he reflected, would have a stake in their own personal and familial security through ownership of a house and land, and as a consequence would value and support the importance of public order and stable government, or as Stone termed it,

".. the perpetual stability of universal order and good government (Lourens, 1974, p. 19)."

The provision of finance specifically for housing marked the building society apart from the more general promotion of thrift for the new savings bank or provision of medical benefits by the Sons of Australia.

George Stone and all the founding directors were well aware of the failure of the Colonial Chest Savings Bank in 1856 to encourage small savings, although as noted earlier, given time and an absence of antagonism in the new Kennedy administration the outcome may have been different. However, by 1862 the 'failure' narrative was well-accepted as a fact and has not been contested by later historians.

This time, the new institution had the clear public support of senior officials and the merchant and professional classes who operated the Mechanics Institute. The PBS did not arise as a social movement among the colonial working classes, but as what Lourens (1974, p. 20) describes as,

"... a co-operative socio-financial savings and housing institution for their benefit"

Furthermore, it was an institution that had been conceived and developed by the respectable leaders of society.

SETTING ITS OWN PATTERN, 1866-1888

With the political and social support required, and the maturing of the colonial society in WA, the future of the PBS was assured. Building societies in the UK were growing strongly in the second half of the nineteenth century, and this pattern was emulated in Australia over the same period. Building societies were becoming an important part of the nation's financial services industry alongside the Starr-Bowkett societies (not-for-profit mutual funds offering members interest-free loans) (Darnell, 2006; Jain, Keneley & Thomson, 2015).

PBS AND THE IMPORTANCE OF STABILITY IN A COLONIAL SOCIETY

The Perth Benefit, Building, Investment and Loan Society (PBS) formally came into being at a public meeting on 17 October 1862 held in the Mechanic's Institute in Perth. Table 1 lists the foundation board of directors, plus the trustees, company secretary, and the Patron, who was Governor J. S. Hampton.

Table 1: Founders of the Perth Benefit, Building, Investment and Loan Society 1862

Directors	Trustees and Other Officers
Hon George Frederick Stone, President (Director and President).	Julian Carr, Merchant (Trustee).
Richard Jewell, Architect, ex-Convict Establishment (Director).	Robert Scholl, Pastoralist (Trustee).
George Glyde, Merchant and importer (Director).	G. F. Stone, Convict Establishment (Trustee).
Terence Farrelly, Merchant, ex-Convict Establishment (Director).	Bernard Smith, Convict Establishment Commissariat (Trustee).
Joseph Farmaner, Storekeeper (Director).	Joseph Reilly, Bookkeeper and printer (Secretary).
H. B. A. Middleton, Commissary General, Convict Establishment (Director).	Governor John Stephen Hampton (Patron).
Michael Smith, Storekeeper (Director).	
Edmund Birch, Pharmacist (Director).	
Benjamin Mason, Timber Merchant (Director).	
William Ryan, Accountant, Convict Establishment (Director).	

The founders had a direct interest in promoting social and political stability in the colony, and membership was open to minors and married women. Ticket-of-leave convicts were excluded by the rules, but not in practice (*Inquirer*, 1862). This might seem a counter-productive exclusion, given the need for their successful rehabilitation into colonial society as 'worthy' settlers. However, Lourens (1974) suggests that this arose from a fear that ex-convict members would swamp the membership, take control of the society and misuse its resources.

Any fear that might deter investment had to be taken seriously, and this is reflected in the aim of the Friendly Societies and Savings Bank ordinances that were designed to prevent fraud and misapplication of funds. While this fear may have been real, the example of the Albany Co-operative Society founded in 1867 with a significant number of ex-convict workers among its membership suggests the fear was rhetorical rather than rational.

All members had a stake in the success of the Albany institution, and the directory remained firmly under the hand of P&O and convict establishment officials and the singular leadership of William Carmalt Clifton, who may have had a firmer understanding of the ex-convict desire for inclusion within colonial society rather than its overthrow than did some of the founding PBS directors, many of whom were officials in the Convict Establishment.

The earliest list of shareholders is revealing of some distinctions between aims and practices (PBS Share Register 1862-1877). On 25 October 1862 the names of 130 people were entered in the share register, holding shares to the value of £3,600 (varying between £25 and £150). Seventeen of the shareholders were women, forming 13 percent of the shareholders, who held between them £925 worth of shares, or 25 percent of the share value.

The women were mostly married, some buying shares at the same time as their husbands, but not all. For instance, shareholders numbered 1 and 2 were Thomas Allmond (a director, and former clerk to the Commandant and Mechanics Institute committee member) and his wife Emma Allmond, each with a £50 share, while shareholder number 4 was Mrs Atkinson holding a £100 share (possibly Ann Atkinson, wife of John Atkinson of the Pensioner Guards).

One of the women, Mary Hoban with a £50 share, had arrived in the colony just two years earlier as a servant girl. Five of the initial shareholders were minors, two boys (one of whom held three £50 shares) and three girls (all G. F. Stone's younger daughters), holding between them £300 in shares.

One female shareholder of note is Mrs Parmenter with a £50 share, possibly the wife of convict William Parmenter who by October 1862 was a bricklayer in Bunbury. Martha Parmenter did not actually land in the colony to join her husband until 1865, so the shareholding indicates the potential for avoiding the convict disqualification on membership by registering the share in a spouse's name.

One of the minor shareholders, Samuel Uriah Stotter (with £150 worth of shares), was the son of a convict boat owner, and these two examples give an insight into both a method by which convicts could indirectly obtain shares, and also the entrée to desired respectability that a shareholding could endow.

Presumably the servant girl Mary Hoban also sought such an entrée through shareholding. These were the sober, thrifty working-class people the society was intending to help acquire property, and settling the ex-convict population was not out of bounds.

How shares were acquired, and how the society would operate, was explained to the public through the press (*Inquirer*, 1862). New shareholders could be admitted between 8pm and 10pm each Saturday evening in the Mechanics Institute Hall, where they were personally interviewed and enrolled by the directors. Given four of the ten directors and one of the four trustees were drawn from the Convict Establishment, the convict affiliations of some applicants cannot have gone un-noticed.

Shares were purchased on a payment system, shown below in Table 2, spread across eight years, making the high value of the share affordable. Table 3 shows the repayments schedule for each £100 advanced to a shareholder over a 10-year period.

Table 2: Share Values and Subscription rates in 1863

Share value	Weekly subscription over 8 years	Entrance fee
£150	6 shillings	3 shillings
£100	4 shillings	2 shillings 6 pence
£50	2 shillings	2 shillings
£25	1 shilling	1 shilling

Table 3: Repayment Schedules in 1863

2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
21s 4d	14s 9d	11s 5d	9s 6d	8s 2d	7s 4d	6s 7d	5s 0d	5s 7d

George Stone gave an example of how the system worked at the first general meeting of the Society in December 1863:

Suppose A enters the Society and is in the occupation of a cottage worth £100, which he wishes to purchase, his rent being £12 a-year, or £1 per month; by taking one Share he can obtain of the Society £100. His payments to the Society on one Share, at 5s. 7d. per week, in 10 years, will amount to £145 3s. 4d. In the same period, he would have paid his landlord, at £12 per year, £120 — in fact purchasing his cottage for £25 3s. 4d.; whereas, if he had not belonged to the Society, he would in ten years, have paid £120 for rent, without being the owner of the cottage (Inquirer, 16 December 1863, p. 3).

In this example the 5s 7d weekly instalment (loan repayment) to the Society would compare with about 5 shillings weekly rent, or in other words, the seven pence extra paid weekly by the thrifty PBS member would be equivalent to a pound of pork, or a gallon of West India rum, or a dozen quart bottles of English ale, or four pounds of colonial or Irish butter (*Inquirer*, 1863, p. 4).

The extra weekly cost was ‘trifling’, but within a decade they would own their cottage rather than face a lifetime of paying rent. A mechanic’s daily wage at the time of around 7 shillings was not much different to William Crittle’s time, but it was fivefold more than a weekly instalment, making a PBS loan quite affordable with outright ownership possible within a decade. As a result, the ‘industrious classes’ of Perth, including those rising from the convict ranks and single servant girls, were introduced to the idea of a building society and how it could directly benefit them.

CRITICAL EVENT: DEMISE AVERTED, 1866

New subscribers soon swelled the Society's membership, and loans for new housing began flowing out the door. A little too swiftly, as it turned out, and soon the PBS was facing its first critical event.

The main borrowers were successful working men, and occasionally builders. A thirty to forty percent equity was usually required so the borrower had to demonstrate they had a history of thrift or otherwise access to some capital. Applications, however, surpassed the availability of funds to loan. One method to restrict demand was to refuse applications from outside the Perth metropolitan boundaries, which also had the effect of supporting the PBS directors' desire to improve the look of the town itself, a bonus for those who were also town trustees or later city councillors.

Most of the loans were for brick houses, which was a characteristic Perth building material with brick pits and kilns at East Perth (now Queen's Gardens), compared to limestone in Fremantle and timber in the south-west. Brick houses were also encouraged by a high loan-to-valuation margin and longer loan repayment terms. In 1861 brick houses numbered 375 in Perth, by 1870 there were 636 (just over 18 percent of all housing stock in the colony), and the PBS outstanding loans had risen from 19 in 1863 to 42 in 1871 (Lourens, 1974, Tables 1 and 61).

Figure 3 shows the loading of clay bricks from the East Perth brickyards on to a barge, looking westwards with Mt Eliza in the background. The red bricks, calm waters and a sublime skyline reflect the civic vision of Perth that the PBS sought to foster.

However, after the initial optimism of the Society's early years, a crisis of confidence emerged throughout the colony when the British Government announced that convict transportation would cease in 1868, along with the much-needed imperial expenditure on the Convict Establishment. At the same time three speculative business ventures seeking to exploit the putative pastoral lands in the Kimberley all collapsed, leaving some of the PBS directors with significant financial losses.

However, Lourens (1974) identifies a management problem within the PBS, with housing loans continuing to be approved when insufficient liquid funds were held by the Society. This was partly solved by accepting a £340 deposit from the Pensioners' Benevolent Fund at the behest of Colonel Bruce, a new director of the PBS, and the officer in charge of the Enrolled Pensioner Force (the Convict Establishment guards) and the Colonial Militia. Shortly after, the PBS directors also pledged in their personal capacities to guarantee the Society's debts.

The PBS directors realised they had been too free in making loans, and unexpectedly replaced George Stone as the Society's President with Colonel Bruce, apparently on the grounds this would inspire public confidence. However, Bruce's first action was to require the immediate repayment of the Pensioners' Benevolent Fund deposit, which the PBS could not meet, and a run of withdrawals followed.

Figure 3: Loading bricks from the East Perth brickyards onto a barge



Source: SLWA, Reproductions of WA artworks in the AGWA collections, original date unknown, reproduced 1962, 2115B/3

At this moment, the attractions of the Post Office Savings Bank became clear to depositors. Although it paid less interest on deposits, it was guaranteed by the government. It also had a convenient network of branches through the post offices across the colony, and withdrawals could be made anywhere at any time. The directors seemed unsure of what to do, and Colonel Bruce showed himself to be ill-suited to managing a mutual business enterprise by military command and control measures. In October 1866 the directors voted to wind up the PBS and transfer its remaining assets to the Post Office Savings Bank.

The resolution went before Governor Hampton who sought advice from his Attorney-General, the erstwhile former PBS President George Stone, as required in the 1863 legislation. Stone had largely withdrawn from the Society during Bruce's presidency but remained a board member and was therefore well aware of its affairs. Convinced of the Society's underlying soundness despite a temporary liquidity problem, he advised the Governor to reject the winding-up proposal and persuaded the Colonial Treasurer and wealthy pastoralist Anthony O'Grady Lefroy to offer to buy out the shares of discontented shareholders, with Colonel Bruce the first to accept the offer.

Lefroy's action instilled a renewed sense of confidence, and few others took the offer. However, Colonel Bruce felt humiliated, maybe more so because Lefroy was his son-in-law, and resigned as President. The directors learnt from this near brush with death, and Lourens (1974) argues that Stone's personal qualities and leadership saved the day.

This first critical event in the PBS history also demonstrated the need for commercial experience and a better operational structure if its philanthropic aims were to continue. Lourens (1974) suggests that the 54-year-old George Stone was beginning to display symptoms of senility, and in the wake of Colonel Bruce's resignation the PBS board elected Julian Carr, Chairman of Perth City Council, businessman and rising colonial politician, to the PBS presidency. It was also at this time that well-regarded O'Grady Lefroy joined the board.

NEW LEADERSHIP

The PBS had almost fallen to the Post Office Savings Bank and Carr would bring his consensus style of chairmanship to ensuring this would not happen again. Carr's objectives were to stem withdrawals, attract investors, refrain from new loan commitments, bring about economies and unite the board. His policy was to stand firm and wait until the inflow of cash from loan repayments was adequate to pay out withdrawals. Even so, the Society continued to attract more loan applications than it could approve. Carr followed Stone's advocacy of 'wait and see', and this together with Lefroy's display of public confidence allowed the liquidity crisis to be overcome.

The other challenge that Carr had to address was the need for a more professional approach to management of the Society's affairs. The secretaryship went through several changes, with men coming and going, until disastrously it came into the hands of William Ryan, the former Accountant for the Convict Establishment, who resigned his directorship to take on the paid secretary's role.

Unfortunately, Ryan's apparent indifference to his duties was found in early 1868 to be hiding a practice of accepting payments, outside of the advertised office hours, and pocketing them. Threats of criminal charges of misappropriation were considered, but ultimately the PBS board was able to assure depositors their funds were safe, and the threat of a further run was averted.

This crisis led to a change within the PBS to a more business-like system of managing the Society, and a subtle move away from emphasising social objectives to ensuring the financial balance of the PBS was sustainable and able to achieve its objectives without endangering its existence. Lourens (1974) makes the observation that,

"... the lesson had been learned that financial strength was the prerequisite to achievement of social goals (Lourens, 1974, p. 61)."

From this time Carr and later presidents of the PBS recognised that the bulk of savings came from the middle and upper classes, no matter how thrifty the working classes were. Savings deposits were increasingly emphasised, and as savings increased the withdrawal ratio fell, leading to the Society accumulating substantial assets. At the same time competition for savings was increasing from the Post Office Savings Bank and a newly-opened branch of the National Bank of Australasia,

while at the same time economic activity was slowing down with the gradual withdrawal of the Convict Establishment.

However, one of the Society's advantages over the banks was allowing repayments in instalments, rather than a lump sum, which attracted small borrowers and also facilitated the development of a contract building industry and a move away from owner-building. Lourens (1974) also notes that the personal connections between the directors and other members of the merchant and gentry pastoralist classes encouraged them to make substantial deposits with the Society, helping them to maintain their philanthropic and civic endeavours. Further, the PBS also rejected loan applications from property speculators out of hand in favour of owner-builders, which strongly contrasted with building societies in the eastern colonies.

By the mid-1870s the PBS was operating on a sound financial footing, and the post-transportation colonial economy was improving. However, the Society was not best-placed to benefit from the turn-around. Carr stood down in 1873 and was replaced by the Pharmacist Edmund Birch, who lacked Carr's chairing skills and the board became fractious. The Society became caught up in a political battle over the introduction of the Torrens Title system for property conveyancing in place of the old common law system.

The Society favoured the new system for reducing legal costs to its borrowers and itself, but property lawyers opposed it for the same reason. The Torrens Title system of land registration and transfer involves a formal, centralised, state managed, register of land holdings. It provides a transparent and up-to-date record keeping system that ensures the person(s) identified in the register are the legitimate owners of the land title. It replaces the older system of using deeds that must trace ownership back to the original title holders. It was introduced in South Australia under the *Real Property Act, 1858* that Sir Robert Richard Torrens designed and promoted via a private member's bill in the colonial parliament (Kwan, 1987).

This episode made clear the Society's lack of political lobbying skills as the colony was gradually moving towards self-government, especially as many of the directors were also involved with and advocates of the self-government movement. Internal governance issues again surfaced with a dispute over whether the PBS auditor should be independent.

Another building society caught the colonial attention in the mid-1870s when the Anglican Dean of Perth, the Reverend Joseph Gegg, who was also vice-president of the Perth Working Men's Association, began to agitate for the building of a new cathedral (*Western Australian Times*, 1875). In England the Church Building Society had promoted and funded parishes in building new and renovating old church buildings since 1818, and its advice was sought on the question of an appropriate design for the new cathedral.

Fundraising was undertaken locally, but the eminence of the Society was such that its approval for the proposed Gothic style of the new cathedral was considered advantageous by the dean, especially in light of friction within the congregation between the more evangelical and High Church elements. This might have been of passing interest to the broader community, but the PBS board members were also mostly Anglican and served on the higher church councils, notably Stone, O'Grady Lefroy and Jewell. The Church Building Society may have had different objectives

to the PBS, but it carried a certain social status that appealed to and supported the board members in their social and philanthropic endeavours (*The Standard*, 1882).

Despite some internal differences the PBS began to prosper. Between 1874 and 1888 its assets increased sixfold to service three times the number of outstanding loans, and by 1888 the Society was financing seven percent of all brick house building in Perth and up to half of all instalment purchase housing. The PBS moved from holding deposits equal to twenty percent of the Post Office Savings Bank to matching them, and then to exceeding them by half again in 1888.

However, Birch's short tenure ended in tragedy when he died in 1874, killed in an industrial fire, and was replaced during this period by George Glyde. A founder director of the PBS, Glyde the merchant and importer, was a civic leader that led by example, with one of his notable achievements being to personally plant many of the street trees in Perth. He was a man in the same mould as George Stone. He was assisted by Bernard Smith, one of the original trustees of the Society, and a former official of the Convict Establishment Commissariat. He was one of the first Roman Catholics to settle in the colony and was heavily involved in charitable institutions. Three of the founding directors of the PBS were Catholics, and Moore (1987) suggests that colonial Perth,

"... was not a society where religion formed a deep social cleavage. Class, not denomination, was the social divider (Moore, 1987, p. 10)."

As noted, Bernard Smith was one of the founders of the PBS serving as a trustee and director. However, he resigned to take on the role of company secretary in 1868, a position which he held for 24 years. From 1876, at Smith's instigation, PBS began to actively seek deposits and compete with the Post Office Savings Bank for savings. In 1880, for the first time, deposits exceeded loan applications, and the PBS and its only competitor, the Fremantle Building Society, successfully petitioned Governor Robinson to amend the land conveyancing legislation to extend mortgages for Torrens Title to building societies.

Business was sufficiently prosperous for the PBS to move from a small office behind the Perth Town Hall that it had rented since 1873 into a large office in the Town Hall undercroft in 1886. This new office was equipped with gas lighting, and acquired that paradigm of bureaucratic efficiency, a desk with drawers and pigeon holes. It was now assuming the trappings of an established financial company. However, towards the end of the decade falling wool prices and the failure of the Kimberley goldfields, which boomed in 1885 with the discovery of gold at Halls Creek, but subsequently petered out due to limited yields, lack of water, and harsh environment (Tyler et al., 2012). All this saw unemployment rising within the colony and an economic depression in the city of Perth.

Glyde and Smith had reinstated traditional philanthropic values at the core of the PBS ethos, along with an idea that the Society needed to be flexible enough to respond to changing circumstances, often against economic trends in Perth. However, with increasing wealth and status the PBS also attracted new investors who were not motivated by philanthropy, civic pride or a sense of community, rather they were attracted to the 9 to 10 percent interest rates being paid on savings, compared to the 3¾ percent paid by the Post Office Savings Bank.

Competing building societies also began to form, beginning with Fremantle Building Society in 1875. This was followed by the Bunbury Building Society in 1882, and the Metropolitan Building Society in 1885. Fremantle and Bunbury adopted company rules based on those of the PBS, and were registered under the *Benefit Building Societies Ordinance, 1863*. However, the Metropolitan Building Society avoided some of that legislation's requirements by registering under the *Friendly Societies Ordinance, 1863*, which did not prohibit dealing in land. It modelled itself on the Melbourne-based building societies that were engaging in land speculation in the 1880s (Buxton, 1974).

As a result of this new competition, the share of the building society market controlled by the PBS declined from 100 percent in 1875 to 52 percent in 1888. The competition was mainly, like Perth, regionally-centred, and its key threat was the Metropolitan, which captured 23 percent of the market within three years.

CRITICAL EVENT: PHILANTHROPY VERSUS SELF-INTEREST, 1888

Internally, the PBS board was also a source of concern. John Chipper, innkeeper and investor, had been elected to the board in 1878, and became a 'leader of the opposition' to President George Glyde. Chipper had little time for philanthropic aims, and in 1881 he was granted a £2,000 loan to pay off the mortgage on his John Bull Hotel, thus breaking three long-standing practices. These were the issuing of loans to directors, the issuing of particularly large loans, and the financing of hotels, which were generally regarded as socially undesirable enterprises for the PBS to foster.

Two years later in 1883, Chipper again sought a £2,000 loan to build a hotel in Hay Street, Perth. Then, the next year he requested an additional £1,000 loan, but this time the PBS directors such as Mr Loton pushed back, making the point that the funds were for housing loans not business ventures. Nevertheless, in 1888 Chipper took out a £6,000 loan to pay off the mortgage on his Criterion Hotel. In response, Loton forced a vote of directors, which made it clear that Chipper had, at that moment, majority support from the board. Loton resigned soon after, concerned that the director's self-interests were prevailing over the Society's traditional values. Moore (1987) succinctly states that,

"... other directors took exception to what they saw as a corruption of its original philanthropic aims (Moore, 1987, p. 12),"

However, whether they followed Chipper's commercialism or traditional philanthropy, neither path was providing a significant number of houses for working people. This was a critical point in the history of the PBS.

The Society was being challenged internally by Chipper and his associates, and externally by the Metropolitan and its support of a Melbourne-style property speculation. In the event, Loton's principled resignation turned the scales. Chipper sought no more loans, and his case remains the only instance where the Society's resources were explicitly used for the private gain of a director.

Within the PBS, its purpose was again emphasised as being of equal importance with growth, and within a few years the company's directors were relieved to know that their example saved the PBS from the fatal path followed by the Metropolitan Building Society, which collapsed in 1893

with the loss of several thousand pounds in shareholder funds, along with many of its Melburnian and English exemplars. These spectacular crashes were extensively reported in the local WA press and would reverberate for many years.

MAKE HASTE SLOWLY, THE RIP VAN WINKEL YEARS 1888-1918

After several false starts the discovery of alluvial gold at Coolgardie in 1892 triggered an avalanche in migration to the colony, and with that a surging demand for housing. However, this did not initially impact Perth, as most of the miners were heading east across the desert toward Kalgoorlie and Coolgardie.

Lourens (1974) notes what he calls the ‘perverse’ circumstance where the PBS assets grew at a compound rate of 3.21 percent during the thirty-year period of 1888 to 1918, a period usually backgrounded with the gold boom and the Federation of the Australian colonies into the Commonwealth of Australia. Although the PBS grew at a rate of 12.9 percent between 1867 and 1888, it was a period generally cast as a time of recession, self-doubt and slow adjustments.

CHANGEOVER AT THE BOARD

The changeover from the founding to the *fin de siècle* years was marked by a complete change of board membership within the PBS. This process saw the ‘old colonists’ succeeded by the rising generation who took their place. Notably these included the wealthy doyens of the establishment such as Alexander Forrest CMG, pastoralist, explorer, financier and brother of the Premier, Sir John Forrest GCMG. There was also Sir George Shenton, a merchant and pastoralist, and a director of the Western Australian Bank, plus Major Richard Sholl, the Post Master General and chief executive of the Post Office Savings Bank, which was reorganised and renamed the Government Savings Bank in 1906.

Bernard Smith was succeeded in the role of company secretary by Harry Brown, a law clerk, who held the office for 26 years, setting a pattern of long-term executives. This passing of control from the older to the newer generation paralleled a similar inter-generational transfer around the British Empire with the commencement of self-government in various colonies.

This came to Western Australia in 1889, in between Queensland in 1859, and the Cape Colony in 1872. It was followed by Natal in 1893, British India in 1909, and Ceylon in 1910. The same new generation that assumed political power in Perth under self-government then had to concede, or at least share, much of that power with the representatives of the massive influx of new ‘goldrush migrants’. The population quadrupled between 1888 and 1900, most intensely between 1894 and 1897 when it doubled. This might have been a time of massive growth for the PBS, but instead the Society found itself in something of a backwater while turbulent currents swept by.

With directors such as Forrest and Shenton on the board the PBS had access to all the latest banking intelligence and was aware of the concerns about the Victorian building societies engaging in property speculation, especially when it led to several spectacular crashes (Buxton, 1974). This had only become possible in 1874 when the Victoria colonial government’s legislation removed the prohibition on building societies dealing in land.

Despite the fortunes apparently being made, the PBS and the other local building societies stuck with the British model reflected in the 1863 Ordinance and made no moves to loosen the legislative controls. Although only a minority of the Victorian building societies were involved, they were well-known and the odium from their collapses was enough to discredit the entire sector. The building societies claims to be philanthropic institutions acting for the working classes became viewed with deep suspicion and mistrust, and especially in WA, with the influx of Victorian miners and their tales of being swindled and cheated out of their savings by duplicitous building societies.

A CONSERVATIVE BUT HONOURABLE SURVIVOR

The PBS board's response was to batten down on their conservative management approaches. A 'survival of the fittest' mindset prevailed and reinforced these attitudes, while the PBS management was directed at reducing uncertainty by reserving profits, building up the bank balance and diverting resources into fixed deposits. They increased their liquidity ratio from zero in 1888 to nine percent by 1892, emphasising safety and conservatism over bold growth. As the senior and largest building society in Western Australia the PBS assumed the mantle of leadership in the colony and even across the continent.

As the eastern colonies sunk into a severe depression in the early 1890s, the lure of gold in the west brought waves of migrants, especially from Victoria and South Australia. A building boom began in Perth in 1891 to house these newcomers, mostly at first in transit on their way inland to the goldfields. However, the PBS benefitted little from this. It was due to neither a lack of demand for loans nor a shortage of funds. Instead, the problem lay in the great difficulties in obtaining building materials.

The local building and manufacturing industries had little capacity for the rapid expansion thrust upon them, and also had difficulty retaining their workforce, who instead wanted to seek their fortunes on the goldfields. Building delays of a year or more were common. The lending policy of the PBS became increasingly focused on acquiring and extending existing homes. A rapid decline in building standards and materials saw the board refusing to finance poor-quality homes, and it effectively acted as the only real quality control mechanism in the city of Perth at this time.

A further shock came in September 1892 when the Liberator Building Society in England spectacularly collapsed. This was no land speculating Victorian outfit, but a venerable society of 24 years. Unfortunately, its philanthropic, temperance advocating, preacher founder was also condemned as being, "a liar and swindler on an unsurpassed scale" (Lourens, 1974, p. 133). Liberator investors lost a colossal £8,000,000 (A\$1.5 billion in 2023).

The nervous directors of the PBS could only watch from the sidelines as a banking crisis then broke out in mid-1893, with runs on the Commercial Bank and the National Bank, again in Melbourne. A few small investors withdrew savings from the PBS, and notably the by now nervous Chipper withdrew £1,000, but the large 'old colonist' investors retained their stakes in the PBS, and with its close association with the stable Western Australian Bank, a significant run was averted.

The conservative policies of the PBS and the old money support it enjoyed in a booming 'island' economy surrounded by an ocean of economic doom meant it was one of the few building societies to neither suspend nor delay payments. It survived the 1890s with its honour intact.

If survival was the first requisite for growth, others were not so easily discerned at the time. The banks followed the miners, opening branches at every new mining camp that sprang up, but not the PBS. Its regional base in Perth, the transitory nature of mining towns, the board member's political antagonism towards *t'othersiders*, a derogatory term used to describe the migrants from the eastern colonies.

These people represented around 40 percent of the WA population and generated a significant amount of the colony's wealth. Despite this, the goldfields lacked a reliable water supply or other infrastructure. They began to demand a broader franchise or for the goldfields separatism pushing against the equivocation being shown by the Premier John Forrest towards joining the Commonwealth (Bolton, 2008).

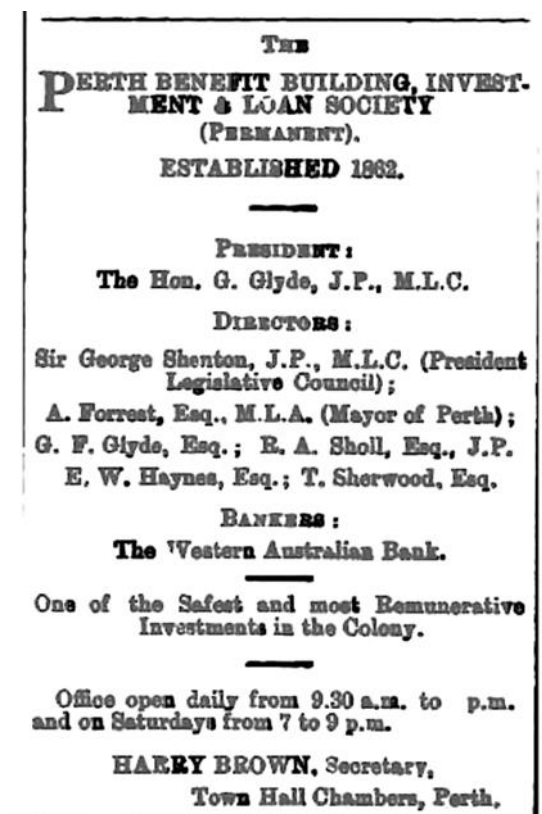
The fear of expansion after the building society and banking calamities, all probably counted against a desire for growth by the PBS. The Board's policy of not basing growth on a potentially volatile higher proportion of deposits underpinned the Society's stability. However, it also meant they ceded business to the more commercially nimble banks. Deposits declined, and in 1894 the Society ran its first advertisements in the press (see Figure 4), but they did little to attract new investors.

A new competitor arose in 1892 with the founding of the Western Starr-Bowkett Society (WSBS), offering interest-free loans and criticising the PBS for their 'exorbitant' rates. However, the crisis of 1893 panicked the Western SBS's members who were unable to withdraw funds. Then in 1895 the first Starr-Bowkett was liquidated. As discussed earlier, the Starr-Bowkett Societies were a significant form of financial mutual within the nineteenth and early twentieth centuries. They have been described as a specific form of terminating building society that could be found across Australia in significant numbers until the 1930s (Darnell, 2006).

With the departure of the Western SBS, a new threat was perceived in the guise of Edgar Owen, the first registrar of building societies. The office had been created in the new *Friendly Societies Act, 1894* to oversight both friendly and building societies, although it was supposedly only to be a 'nominal' type of supervision. However, Owen tested his limits with a challenge to the building societies for making personal loans, which he concluded were contrary to the Building Societies Ordinance.

The PBS board regarded this bureaucratic intervention as somewhat impertinent and ignored Owen. Yet Owen was a patient man, and the board also came to realise they could gain from a lifting of industry standards. Public confidence had been shaken, and the board saw that by supporting Owen they could increase the pressure on the smaller institutions and competitors to conform to the better standards of behaviour that the PBS believed it upheld. The PBS no longer had to rely on its seniority to lead the industry, and Owen was able to validate the authority of his office despite its limited powers. The relationship between the PBS and the Registrar would be a win-win for both.

Figure 4: The first advertisement of the PBS, emphasising stability, safety, and wealth



Source: *West Australian*, 21 May 1894, p. 4.

FEDERATION SLUMBER

By the late 1890s conditions were changing. Migration had peaked in 1896 and by 1897 alluvial gold mining was declining in favour of deeper reef mining. By 1899 emigration was exceeding immigration. Business expectations were revised downwards in 1897, brick production and property values were declining and there were an estimated 700 empty houses in Perth. These changes identified by Lourens (1974) are of historiographical significance because they highlight the need for a more nuanced understanding of this period and challenge a long-accepted periodisation of the 1890s as an unrelenting period of gold boom prosperity and housing shortages (see for example, Spillman 2009b and Fletcher 2009).

PBS placed a loan limit of £800 on new loans. During the period 1897-1899 Perth experienced an economic depression and fears of a Melbourne-style crisis. The effects on the PBS were marked by the first three-year decline in its asset values, and then a change in its presidency with Lieutenant-Colonel E (Paddy) Haynes elected in 1899.

Haynes was an Anglican traditionalist but not a businessman, and he relied on the ambitious secretary Brown for business acumen. Assets doubled in value between 1895 and 1918, which Lourens (1974) rather acidly describes as, “enough to satisfy the objectives of modest men (p.

156)." Loans showed little increase in number across this period, and the market share of the PBS declined from 53 percent in 1895 to 31 percent in 1918, while the whole industry continued to lose ground to the banks and by 1918 accounted for only three percent of interest-bearing deposits. Metropolitan brick housing financed by the PBS slid from seven percent of the market in 1891 to just one percent in 1921.

Lourens (1974) attributes this complacency, ultimately, to the PBS board's lack of commitment and a reliance on a loosely-supervised executive. While retaining its moral values, its energy and direction were dissipated. At the PBS jubilee celebrations in 1912 the 'state socialist' Sir Walter James KC tactfully attributed a lack of progress to a need 'to make haste slowly'. James had supported agricultural expansion to absorb the ex-mining population and to provide opportunities for third generation 'old colonists'.

In 1894 the WA colonial government established the Agricultural Bank to fund rural development through long-term loans with funding from the new State Government Savings Bank. The Bank was the former Post Office Savings Bank, re-formed in 1906 after the takeover of the State post offices by the Commonwealth and the consequent loss of its de-facto branch network. The Agricultural Bank gave the expanding farming sector a vested interest in the new bank's success, an interest not necessarily compatible with the interests of the building societies.

Developing a successful rural sector in WA was critical as gold production declined and local manufacturing virtually collapsed with the removal of interstate tariffs after Federation in 1901. This allowed eastern states manufacturers to flood the local WA market with their wares. Consolidating the gains from the gold boom and adjusting to federation were a struggle for both the state government and the WA business community. Regional variations on this theme lead to the collapse of building societies in the towns of Northam, Albany, and Geraldton. As well as the Geraldton District and Fremantle-based Commonwealth building societies. It also triggered an unsustained upsurge in short-lived Starr-Bowkett societies and small co-operative building societies.

In this sea of complacency another threat emerged when the State Government of Premier John Scaddan (1911-1916), the State's third Labor government, established the Workers' Homes Board in 1912. One third of all housing in the State was occupied by tenants, and Scaddan was particularly concerned that they were being exploited by 'rack-renting landlords'. This term 'rack renting' is used here as a derogatory label to describe a method of charging an exorbitant yearly rent that equals the full rental value of the property.

The Workers' Homes Board's housing scheme, which came into operation in 1913, did not really affect the PBS as its high deposit requirements, high interest charges and short loan terms were generally beyond the reach of working-class renters. This was a market segment hardly touched by the PBS, which instead focused on middle-class lending despite its stated objectives.

At first shortages of building materials and availability of skilled building trades labour affected the State Government's scheme. Then demand fell in 1914 with the commencement of the First World War. Premier Scaddan also established the State Brickworks at Beenup, now Byford, in the Shire of Serpentine-Jarrahdale, in 1914 in order to reduce the cost of building materials. Notably

red clay bricks were the favoured building material of the PBS, but the establishment of the State Brickworks had little lasting effect on costs (Lourens, 1974, Table 54).

Figure 5: Double bullnose brick manufactured by the State Brickworks in the 1930s



Source: Author's collection

Another impact of Federation that would, in time, come to be of great significance to the PBS and building societies generally was the establishment, in 1912, of the Commonwealth Bank of Australia, following the passage of the *Commonwealth Bank Act, 1911*. Originally promoted by the Federal Labor Government of Andrew Fisher in a response to the financial crisis of the late 1890s, at this stage, the bank was symbolically important in developing a 'national' identity and had much the same functions as an ordinary commercial bank. However, in time would assume responsibilities as the sole issuer of bank notes and gradually develop functions as a central or reserve bank (Gollan, 1968; RBA, 2023a).

GREAT WAR BLUES

The outbreak of the Great War (World War 1) in August 1914 was met with much patriotic fervour in Western Australia, although with less dancing around the prim boardroom table in the PBS office. The Society began the year with a remarkable operating result of a 14.4 percent interest rate on earnings, and a bonus of 12¼ percent on top of the usual five percent interest on shares. These results were, says Lourens (1974), 'impossible', considering that a bumper wheat harvest had offset declines in other parts of the economy.

At the same time the State Government Savings Bank was becoming increasingly assertive in attracting deposits for the Agricultural Bank to assist the new wheatbelt farmers, and also to simply survive the loss of its post office branch network. Simultaneously, the new Commonwealth Bank entered the savings bank market that year in a direct challenge to the State Government Savings Bank. As a result, the PBS was effectively caught between these thrusting new savings

banks without being able to really affect matters and without influential friends to look out for its interests. Furthermore, the 'impossible' result was soon revealed to be a mirage, the result of a bookkeeping error which the board agreed not to publicise (Lourens, 1974).

The outbreak of the war led to a cessation in lending in anticipation of a run of withdrawals by investors, but that never eventuated, and lending soon resumed. However, a sharp decline in wheat production, an emerging economic recession, and a shortage of shipping facilities constrained agricultural exports. Building society deposits declined, partly due to these factors but also, according to Lourens (1974, pp. 169-170), because the PBS tactically allowed a decline to reduce excess liquidity due to depressed building activities and also from a sense of patriotism to not reduce funds available for war bonds.

Lourens (1974) summarises the war for the PBS as a decline attributable to at least two factors. The first, was an excessive withdrawal of funds from the community (through war bonds) for spending on eastern states manufacturing of war time products. The second, was an increasingly acute shortage of skilled labour as nearly ten percent of WA's male population volunteered for war service. The only produce in high demand was wool, which was acquired *in toto* by the imperial government for manufacturing uniforms.

CRITICAL EVENT: THE COST OF COMPLACENCY, 1918

A controversial blow came in 1918 when long-time secretary and well-known politician Harry Brown had to be suspended (followed by his resignation) after the books were found to be in 'an unsatisfactory condition'. The Society appointed its first professional auditors, who discovered further evidence of misappropriations, and an explanation for the 'impossible' results of 1914 in a basic accounting error. Brown's thefts were reimbursed by several of his colleagues to prevent the laying of criminal charges, and the PBS board drew a veil of silence over the affair, but Perth was a small place and knowledge could not be contained (Lourens, 1974).

Peace came with the armistice in November 1918, and in December of that year the PBS Annual General Meeting was rather more lively than usual. The PBS board was criticised for a lack of direction and vision, slow growth and a decline relative to the now strongly-ensconced new savings banks, the rising Star-Bowkett societies (see Figure 6), and the directors specifically for often advancing their personal interests over those of the PBS.

Brown was a case-in-point, but Sir George Shenton and Timothy Quinlan, both outstanding businessmen, had also allowed their PBS duties to take a back seat to their other interests. The PBS board had become complacent, verging on negligent. The one bright light was the election in 1914 of importer, mining investor and jewellery wholesaler Laurence Alexander to the board. Alexander was a rising businessman from outside the old gentry networks, and as the post-war period began to emerge, the next generation of PBS directors such as Alexander would come to the fore.

**Figure 6: Relative decline of the PBS, 1888 to 1918**

TABLE 6

INDUSTRY COMPETITION: PERCENTAGE ASSETS
HELD, BY BUILDING SOCIETY, 1888-1918

Building Society	1888	1890	1895	1900	1905	1910	1915	1918
	%	%	%	%	%	%	%	%
Perth	52	50	53	50	40	36	39	31
Fremantle	34	36	38	38	39	29	28	27
Cooperative	-	-	-	-	-	-	3	7
Swan	-	-	1	4	4	5	5	7
Bunbury	2	2	4	4	5	5	4	5
Metropolitan	12	12	1	-	-	-	-	-
Northam	-	a	1	2	2	3	2	-
Albany	-	a	-	-	-	-	-	-
Geraldton	-	a	1	-	-	-	-	-
Geraldton District	-	-	-	-	-	1	-	-
Commonwealth	-	-	-	-	a	-	-	-
Total Permanent	100	100	99	98	90	79	81	77
United S.B.	-	-	-	-	1	5	5	6
Empire S.B.	-	-	-	-	-	1	3	5
Fremantle S.B.	-	-	-	-	-	2	2	4
National S.B.	-	-	-	-	-	-	-	3
Metropolitan S.B.	-	-	-	1	5	7	5	2
Subiaco S.B.	-	-	-	-	-	1	1	2
Perth Coop. S.B.	-	-	-	1	4	5	3	1
Western S.B.	-	-	1	-	-	-	-	-
	100	100	100	100	100	100	100	100
Total Assets (\$'000)	92	102	107	126	208	259	370	359

Notes: (a) Society active, but insignificant
(S.B.) Starr Bowkett terminating societies

Source: Annual Accounts.
Colonial Secretary's files.
Official Register of Building Societies.

Source: Lourens, (1974 Table 6, p. 175).

SURVIVING IN CHANGING WORLDS 1918-1949

The years between the end of the First and Second World Wars were significant for the world at large, and for the state of Western Australia in particular. They saw the expansion of the farming sector that was facilitated by the group settlement scheme. This commenced in 1921 and planned to settle 75,000 immigrants from the United Kingdom onto 6,000 dairy farms. However, it ran

into difficulties and only 2,442 farms were created (SLWA, 2023a). This was followed by the Great Depression (1929-1939), and the Second World War (1939-1945).

However, it was also a period of significant technological and social change. This included the establishment of the first air mail service in 1921, followed by the first commercial airline service the following year. Public radio station 6WF commenced broadcasting in 1924, and Woolworths opened its first department store in Perth in 1928. Fremantle was formally declared a city in 1929, the same year that Perth audiences experienced the first “talking” movies. The following year the first interstate telephone service commenced, and the Royal Flying Doctor Service started its operations in 1934 (WA Timeline, 2023).

CONFIDENCE RETURNS: THE ALEXANDER YEARS 1919-1929

The end of the Great War bought a period of economic boom and growth for the PBS, especially under the influence of Laurence (or Lawrence) Alexander. The scene was set by the drafting of new building societies legislation to replace the 1863 ordinance. The PBS asked the WA State Government for new legislation in light of deficiencies revealed by the Brown affair. However, the Registrar of Building Societies had been seeking an overhaul for more than twenty years.

Figure 7: Mr Laurence Alexander JP



Source: *Sunday Times*, 22 December 1929.

The drafting and parliamentary passage of the bill saw a number of interests try to influence the final version, including Alexander who sought to have loans on second mortgages prohibited in an attempt to undermine the Co-operative Building Society of Western Australia, which was the main competitor to the PBS. The Co-operative Building Society of Western Australia offered secondary mortgages while the PBS did not (Lourens, 1974).

Eventually, the prohibition was carried with a proviso that allowed the Cooperative to continue the practice, but only with existing members, for eight years. The PBS won that battle, although it suffered some adverse press commentary and was accused of eliminating an innovative new competitor under the guise of maintaining traditional standards, but it also received bouquets for improving investor security.

The *Building Societies Act 1920*, and a later amendment in 1921, was a major triumph for the PBS. It conformed to their traditional values and reinforced higher standards. The Act was the most advanced in any Australian jurisdiction at that time, and its enactment just before a boom proved opportune.

The new Act was a marked improvement on its predecessor and was modelled almost directly on the then-current English legislation, the *Building Societies Act 1894*. Among the key provisions of the new Act were:

- Building societies would now need to be registered and incorporated;
- Excessive borrowings were reduced by limiting deposits to two thirds of the outstanding mortgage advance;
- At least one month's notice of a deposit withdrawal was required, and,
- Accounting requirements were increased, which also increased the Registrar's authority over the societies.

At the same time the Society began to develop a more complex organisational form. A nucleus of full-time staff began to take shape, with the first junior staff member, and first female officer, Miss Chappell, being engaged in 1918. A new company secretary, Hugh Duncan, was appointed, and he soon began to make his presence felt as he shaped the position into a more executive and less passive role. He brought an energy and commitment to growth to the board room.

The PBS directors began to take a more vigorous approach to promoting the Society and its growth. Although the chair was held by George Glyde until 1924, and then Timothy Quinlan, the informal leadership had shifted to Alexander until he formally succeeded Quinlan in 1927 and remained in office until his death in January 1932. Alexander and Duncan brought a dynamism to the Board that was previously lacking, and they were soon joined by other strong personalities, such as businessman H. W. (Heinrich) Bevilacqua, and the Anglican Diocesan Secretary, James Fisher.

As the 1920s unfolded, economic conditions markedly improved. Immigration grew, and with it the demand for new housing. This was not apparent at first, with lending activity declining, brick production falling, and business confidence weakening following the end of the wartime imperial wool buying scheme. There was also widespread industrial unrest in the wake of the Bolshevik revolution in Russia, which occurred between March 1917 and June 1923. Nevertheless, despite resulting high interest rates, demand for housing was high, a situation that favoured smaller financial institutions like building societies, and the new board was keen to demonstrate its capacities in a growth environment.

Strong progress was made by the Society throughout the 1920s, with assets increasing at a compound growth rate of 31 percent per year, while average house prices including land increased by 63 percent, from £750 in 1918 to £1,189 in 1929. The PBS grew its market share from 31 percent to 61 percent over the same period. This was mainly at the expense of competing building societies, even as the building society sector overall recovered ground it lost in the 1890s to savings and trading banks. From 1924 the Society also began to move away from deposits as a major financing mechanism, which was virtually eliminated in the early 1930s.

While the PBS prospered in the 1920s, the same could not be said for the savings banks. The Agricultural Bank's demands on the State Savings Bank for funds seemed ravenous as it struggled to meet the political objectives of settling new farmers on the land, while the Commonwealth Savings Bank hovered in the wings threatening to force an amalgamation. The PBS took to vigorous advertising, following the lead of the British building societies. While the average value of PBS shares declined from £79 in 1918 to £55 in 1924, the number of shareholders trebled during the same period, and quadrupled again by 1928. Such an increase heralded the Society's embracing of working-class savers beyond the middle and philanthropic classes, and its move away from deposit savings to shareholdings. Such success, of course, did not go unnoticed, or unchallenged.

CRITICAL EVENT: AVERTING THE CONFLATION OF BUILDING SOCIETIES AND SAVINGS BANKS, 1924

During the 1920s, both the State Labor Government of Premier Philip Collier (1924-1930), and the State Nationalist Party coalition opposition of James Mitchell had a strong sense of ownership of the State Savings Bank and a commitment to its success. The State Government depended on the bank for a constant supply of cheap money, the opposition for cheap development loans to its rural constituents. Both parties promoted land settlement with support from low interest loans provided by the Agricultural Bank that was financed by the State Savings Bank. The PBS was, in effect, depleting those finances by attracting depositors away from the State Saving Bank, a situation beginning to attract some attention in Harvest Terrace (the location of the State Parliament House).

When the Queensland-based Primary Producers' Bank opened a branch in Perth in 1924, the State Government threatened legislation to prohibit private competition with the State Savings Bank. The Primary Producers' Bank withdrew from WA, but the bill proceeded through parliament, and the building societies became aware that they had become its unintended target. Alexander and Duncan lobbied the Legislative Council until a compromise was reached whereby the building societies would effectively withdraw from the small savings market by refusing deposits of less than £100.

Premier Collier had argued that building societies were becoming the same as savings banks, so this compromise suited all parties. Paradoxically for the State Government, this left its Savings Bank with the high cost-low value business while the building societies could focus on the low cost-high value end. The PBS directed its efforts to promoting share savings rather than deposit savings, while gaining much free publicity about its high interest rates on savings. The PBS

board's policy became one of emphasising the distinctiveness of building society operations compared to the savings bank deposit enterprises and evading the machinations of State politics.

THE BUILDING SOCIETY CHARTS A DISTINCTIVE NEW ROUTE, 1924

A key element of this new distinctiveness was the PBS's acquisition of its own premises in 1924, known as Knapp's Chambers at 25 Barrack Street. The seller, Auguste Knapp, was a founder and key member of the Royal Automobile Club (RAC) and had operated his optician's rooms from the ground floor. Knapp was also the creator of the RAC road map series that began in 1912 and that was thriving by the mid-1920s as car ownership grew rapidly in parallel to house ownership (Baskerville, 2019).

Lourens (1974) described the building as having 'no architectural pretensions whatever' (p. 204), but that underestimates its appeal. It presented as a sophisticated city building in the Victorian Mannerist style designed to attract attention (Apperley, 1989). The Society engaged the architectural firm of Eales & Cohen to modernise and bring the interior fit-out up to date (*West Australian*, 1924). Eales & Cohen was a progressive practice, and seedbed for the first female architects in the State (Goad & Willis).

Crucially, the new office did not look like a bank and was the opposite of the dowdy State Savings Bank Chambers that Perth's leading Sunday newspaper caustically described at the same time as a decrepit 'pig pen', where "accumulated dust lies on the upper sills and windows - possibly it is too venerable to be removed (*Sunday Times*, 1924)." The new home of the PBS was, therefore, clearly not the home of a bank, and from here the revived sense of being a building society was charted by the board.

By this time the PBS staff had grown to five, and in an attempt to avert employing more people the board agreed to purchase 'accounting machines' for the new offices. The new cash registers took some getting used to and failed to stem the need to employ more staff but aided by widespread advertising campaigns inward cash flows continued to increase until 1927.


However, lending was not as buoyant as borrowing due to increasing competition for mortgage loans from the Workers' Homes Board and the Commonwealth War Service Homes' Commission, as well as life insurance offices, trading banks and private money lenders and mortgage brokers. PBS director Bevilacqua, for example, had interests in the real estate agency Peet & Co, and managed his own mortgage broking firm, as did other well-known personalities who traded on their good reputation such as the aviator and founder of the first airline in the State, Norman Brearley.

The PBS held its own against the competition, with its assets exceeding £600,000 by 1929 and its share of the building society market had reached 61 percent. A leadership team of Alexander, Bevilacqua and Duncan had largely bought the Society to this happy situation.



Figure 8: First advertisement showing the new PBS office

**The New Home of the Perth Benefit Building
Investment & Loan Society (Permanent)**



PRESIDENT:
The HON. T. F. QUINLAN, C.M.G.

DIRECTORS:
L. ALEXANDER, Esq., J.P. H. W. BEVILAQUA, Esq.
J. M. JENKINS, Esq., J.P. J. O. FISHER, Esq.

SOLICITORS:
STONE, JAMES & CO.

AUDITORS:
F. R. BOYCE, Esq. (Flack & Flack.)
J. D. WHYTE, Esq. (Coombes, Whyte & Lissiman).

Bankers: WEST AUSTRALIAN BANK.

SECRETARY:
H. G. DUNCAN.

25 BARRACK-STREET, PERTH.

Source: *The Leader*, (1924, p. 1).

Co-operative Enterprise Research Unit (CERU)

Perth Building Society - By Their Own United Effort

However, clouds were gathering on the horizon. The boom peaked in WA during 1927-1928, and by 1929 the economy was sliding. Several factors were apparent to the PBS directors. The first was the take-over of the PBS' bankers, the Western Australian Bank, by the Bank of New South Wales in 1927. In one sense the 'amalgamation', as it was marketed, was not surprising as the bank needed to widen its financial base, and its management had become staid. Nevertheless, it was a huge blow to local Western Australian patriotism. It left the PBS as the oldest financial institution based in the State.

The second key factor was that the Society had changed its lending emphasis from new construction to financing existing houses and had to deal with an increase in liquidity from excessive deposits. Bevilaqua argued that this arose from several causes, notably the time taken for property inspections (still personally undertaken by the directors), and a restrictive attitude to loan applications. After some adroit manoeuvring, the PBS board finally agreed to appoint a professional valuer and Mr Ray Homer, trained by Bevilaqua, was appointed in 1929.

THE ARRIVAL OF KEITH WATSON

Despite the PBS addressing these challenges, housing demand was fluctuating and the demand for loans was falling, even after then maximum loan period was extended from eight to sixteen years. By early 1929 commodity prices were falling for Western Australian export produce such as wheat, due to global overproduction. In addition, problems with building quality and standards were emerging, including inflated valuations, and in November 1929 the PBS suspended new loans.

PBS chairman Alexander, aware of crashing stock markets around the world as well as these more local woes, and still stung by the take-over the Western Australian Bank, placed the blame firmly on eastern states interests. Such charges fell on receptive ears in Perth, none more so than those of a new member and prospective board member attending the 1929 Annual General Meeting, Mr. H. K. (Keith) Watson.

Watson was a charismatic tax accountant, and also deeply involved in the secessionist movement that was about to take the State by storm. A member of the PBS, he had built his family home "Wonnawong" in Tyrell Street Nedlands in 1927. It was an impressive brick and tile, inter-war Georgian revival style, of type preferred by the Society (see Figure 9).

Watson had an eye for detail, and when the routine motion to approve an increase in director's fees associated with the changeover from board to professional property valuations, the then-unknown Watson argued from the floor that the Society's rules forbade the directors from voting as they were 'interested parties'. This resulted in the motion being lost and the director's fees remaining unchanged.

Watson had humiliated the directors by showing their knowledge of their own rules to be lacking, and although they quickly called a new general meeting at which they ensured they had the numbers to obtain the fee increase, Watson had announced his arrival, and in doing so also caught the attention of Alexander. Alexander met privately with Watson, and in recognising his strengths persuaded him to take part in the Society's affairs rather than rage against it. Alexander was

inviting Watson to become his protégé. It was a strategic co-option that would provide many benefits in the years to come.

Figure 9: “Wonnawong”, Tyrell Street Nedlands, home of Keith Watson and family



Source: Ralph & Sons, SLWA b2316586, 1953.

The PBS directors also had bigger issues than their sitting fees to deal with. In the preceding years they had guided the Society through a decade of record high growth rates and achieved an updated legislative framework. Additionally, they had survived the ill-starred attempt to classify the Society as a private savings bank and guided the PBS to become more mature in an organisational sense with nine full-time staff and new accounting technologies put in place.

Other achievements the PBS board could claim was the purchase of their own premises that presented a modern and up-to-date face to their members and the broader public. They had also become the largest building society in Australia, and the oldest and most senior Perth-based financial institution. The PBS far out-performed any other WA building societies and the now declining Starr-Bowkett societies. However, by 1929, it was clear to the PBS board that high growth rates were no longer sustainable, and survival rather than growth would be the key objective as the new decade was about to unfold.

BATTENING DOWN THE HATCHES, 1930-1933

By 1932 Western Australia, along with the rest of the world, was in the depths of the Great Depression. Unemployment stood at 30 percent, the property market had slumped, building activity had declined, and brick production had fallen to less than a quarter of 1930 levels. At the same time house prices had declined by 20-25 percent, while residential capital formation had crashed by 61 percent, and net immigration into the State had vanished.

The historiographical picture of this period is one of hardship, despair and hopelessness (e.g., Bolton, 1972; Snooks, 1974; Stannage, 1981), and while this was the case for many people, other historians have looked at the experience of those seventy percent who remained in employment,

while wages, prices and other costs were falling, and government relief schemes made labour available for public projects.

For example, White (1997), in his history of golf in Western Australia, describes the huge expansion in golf courses and golf club memberships among men and women of the middle classes during this period (and also tennis clubs), growing from 65 clubs in 1932 to 132 in 1933 with over 10,000 members to 153 clubs by 1935.

The Nedlands Golf Club, founded in 1932, was a favourite of certain PBS board members including Keith Watson and Charles Rowsell, along with the PBS Manager Ray Rodda, and others involved in the secession movement such as real estate agent Cyril Dudley and politician Norbert Keenan KC. The inter-war Georgian revival-styled club house was designed in 1933 by the PBS architects Eales, Cohen & Bennett (Wilson, 1988). These social connections would become evident around the PBS board table.

Similarly, Gregory and Taylor (1992), writing on the history of flats and apartments in Perth, suggest that a boom in flat building during the late 1920s extended into the early 1940s under the impetus of good architectural design. The PBS' architects, Eales Cohen & Bennett, were noted for their commercial and institutional rather than residential building, a demand from single people for accommodation close to their workplaces in the city, and from investors and builders seeking higher returns on residential building.

Owners and tenants of flats came from a rising generation that entertained at clubs and played sport on the weekends. They included women who worked in offices and professional occupations rather than domestic service, and young couples attracted to the desirable locations of the new flats on fashionable Stirling Highway, or the city edge with public transport, river views and designer built-in furniture. These were much the same middle-income earning people joining the booming golf and tennis clubs, where they preferred to spend their weekends rather than maintaining large houses and gardens (Gregory & Taylor, 1992). These people were the most likely members of the PBS.

Against this background, Alexander died in January 1932 and then Bevilaqua in October 1934, depriving the board of two its leading proponents of growth, and Fisher was able to engineer the appointment of their replacements with two of his friends, and when one of them passed away soon after Fisher was elevated to the chairmanship. Fisher was more focused on stability for investors than growth. PBS again suspended lending, but loan repayments continued, with cash flow from shares and matured investments flowing in, creating a problem of excess liquidity that would continue for next two decades.

LOSS OF THE STATE SAVINGS BANKS

However, the problems facing the PBS were mild compared to those for the savings banks. A run on the New South Wales Government Bank, partly caused by uncertainty around NSW Labor Premier Jack Lang's controversial financial proposals to repudiate austerity budgeting, and debt repayment, in favour of stimulus spending. This plan was opposed by the other state Premiers. It triggered the NSW bank's failure in April 1931, which was absorbed by the Commonwealth Bank.

The State Savings Bank of Western Australia followed a similar trajectory when its liquidity fell below half its normal twelve percent. A run threatened, and Nationalist Party Premier James Mitchell, who was in Melbourne at the time, offered the bank to the Commonwealth Bank. A run was averted, but the parliamentary debate to authorise the sale was acrimonious. Mitchell's Attorney General Norbert Keenan, another leader in the secession movement, resigned and secessionist sentiment was further inflamed.

Figure 10: Press headlines announcing the state of the NSW and WA State Savings Banks 1931



Sources: *Sunday Times*, 22 November 1931 and *Daily News*, 2 November 1931.

The loss of the State Savings Bank boosted the PBS receipts as patriotic savers transferred their deposit savings to PBS shareholdings, accentuating a process that had begun in 1930 (Lourens, 1974, Table 10, p. 234). The PBS took its role seriously as the embodiment of Westralian financial and social prowess and its independence. As the PBS Chairman Alexander defiantly told the 1931 Annual General Meeting,

"The Western Australian Bank has been absorbed by the Bank of New South Wales; the Government Savings Bank has been swallowed up by the Commonwealth Bank, and the Society stands alone (Applause). 'I am perfectly certain,' he concluded, 'that every care has been taken, and when the world recovers, the Society will jump ahead as it did in the past (West Australian, 1931, p. 17)."

The PBS board felt safe with its liquidity and commitments, although Lourens (1974) argues they could have been more adventurous, but the chairmanship of Fisher favoured stability over growth. This was a distinction that coloured board politics throughout the decade.

PBS was in a position to exercise some compassion towards its borrowers who found themselves in trouble. Repayments did fall away under the pressures of unemployment and wage reductions, and by 1934 one third were more than six months in arrears. PBS relief was usually provided in the form of suspension of payments, extension of the lending term or capitalisation of arrears.

Lourens (1974) accepts that this approach by the PBS board as a 'private relief agency' was in accord with the religious and charitable beliefs of many of the directors, and in that sense they had their priorities right in not pursuing growth at this time. However, the difficulties in addressing the depression crisis arose from the pre-Keynesian economic orthodoxy pursued by the political classes. This found expression in the June 1931 Premiers' Plan. Slashing public spending by twenty percent, including on pensions and wages, reducing interest rates, and increasing taxation were the deflationary features of the plan.

The Federal Labor Government of Prime Minister James Scullin had come to office in a landslide election in 1929 only to be hit by the Great Depression. Concerned about the depression's impact on the working people, it rejected the conservative austerity approach outlined in the Premiers' Plan. The Federal Treasurer, Edward Theodore (derogatorily referred to as "Red Ted" by his opponents during his term as Queensland Treasurer) favoured a Keynesian approach, and as already noted, NSW Labor Premier Jack Lang floated his own plan for increased government spending.

Keynesian economics, which became the foundation for addressing economic depressions, was new at the time and strongly opposed by the majority of state Premiers, the Federal Opposition, the Commonwealth Bank, and the Bank of England. The opponents argued that the Keynesian stimulus measures would result in hyperinflation (Alexander, 1982)..

The Scullin government was forced to back down and support the austerity of the Premiers' Plan.. At the 1931 federal election Labor suffered a severe defeat and was replaced by a conservative coalition comprising the newly established United Australia Party (UAP) led by Prime Minister Joseph Lyons, and the Country Party led by Earle Page, which then implemented the Premiers' Plan.

Henderson (2011) suggests that Lyons thus managed a transformation in the Australian economy from an agricultural to a manufacturing base behind strongly maintained tariff walls. However, the view from Perth in the 1930s was quite different, and greatly amplified by Watson's secession movement. The PBS soon felt the impacts, which also revealed a Watson-shaped gap in the board's membership.

The Federal Tax Commissioner began demanding income taxes and dividend duties backdated to 1921, then sought to recover unpaid dividend duties from the First World War. Then a stamp duty was imposed, followed by a decision made to subject building societies to company tax rates. The PBS Chair Alexander directly lobbied the Commissioner and certain compromises were reached to avoid or reduce these demands. Yet in 1932 the PBS still had to pay an unprecedented £3,000 in taxes, of which sixty six percent went into Commonwealth coffers.

Watson's familiarity with tax law and arrangements were well known, and he made the point that the board needed a director with sound knowledge of taxation matters. The State government also passed a raft of legislation reducing parliamentary allowances, reducing residential rents (by 22½ percent), restricting mortgagee's rights, reducing public service wages by twenty percent, reducing interest rates and other similar measures. The impacts of hyperinflation in Germany

scared many in the community into adhering to the Premiers' Plan prescriptions, and the board reduced its own sitting fees and staff salaries by ten percent in late 1931.

Alexander was the only board member to remain sceptical of the Plan and the whole deflationary approach, but he was in a minority around the board table. His health was declining, and Lourens (1974) believes it likely that he would have nominated Watson as his replacement, but he died before that scenario could play out.

A SLOW RECOVERY

As noted earlier, public radio commenced in Perth in 1924 when the Westralian Farmers' Co-operative Ltd. Established 6WF as the state's first "high powered" 'sealed set' radio station. Radio 6WF later became part of the radio network operated by the Australian Broadcasting Commission (ABC) from 1932 (Carlson, 1962). However, by the mid-1930s commercial radio was becoming developed and Perth's first commercial radio station 6IX commenced operations on 27 November 1933 (WA TV History, 2011). Cinemas were also a popular form of entertainment with many large and well-appointed complexes operating in Perth (AMMPT, 2023).

The depression slowly began to lift over period 1933 to 1934, and the PBS entered the fields of radio and cinema advertising. The PBS advertised on Radio 6IX and through the cinemas. Watson was, at this time, also revolutionising political advertising in Perth by using radio and cinema messaging to spread the secessionist message, especially among younger and country audiences. Loan approvals slowly edged upwards but building remained quiet and applications for relief continued to be received.

Following Alexander's death, Fisher had one of his friends, Major Hunn, appointed to the board, and another ally, J. Marychurch Jenkins, appointed to the PBS chairmanship. This temporarily blocked Watson's ascension to the board, but at the December 1932 Annual General Meeting Watson and his ally G. F. Pitchford, the manager of the fashionable (and heavily advertised) Bon Marché Arcade in Perth, topped the poll, displacing both Hunn and Jenkins. Fisher may have had control of the board, but Watson won over the membership.

Unfortunately, for Watson and the growth advocates, within a short time the PBS directors, Bevilaqua, Duncan and Pitchford all died. Fisher then moved into the chairmanship after Jenkins' defeat, and from there dominated the board for the next eighteen years, although not without ongoing dissension from Watson and his allies.

THE POLITICS OF WESTRALIAN INDEPENDENCE VERSUS FEDERALISM

It is worth noting that WA was reluctant to join the Australian Federation during the 1890s. At the time, almost half of the colony's revenue came from inter-colonial tariffs. In addition, while the eastern colonies were experiencing severe economic challenges during that period, the goldfields at Kalgoorlie and Coolgardie were contributing to an economic boom in the west. The establishment of an Australian Commonwealth Federation would result in the abolition of these inter-colonial tariffs. In addition, the geographic distance between WA and the other colonies, meant that there was less affinity between the population living in the west and their

counterparts elsewhere in the country. Additionally, WA had only just become a self-governing colony in 1890 and was reluctant to surrender this autonomy so quickly (Musgrave, 2003).

WA did not participate in the referenda held in 1898 and 1899, and it seemed likely that the colony would not join the Federation. However, a referenda was finally held on 31 July 1900, with a majority of the Western Australian electorate supporting the draft Australian Constitution. Yet, the price that Premier Sir John Forrest extracted for this last-minute change of direction was to secure special provisions within the Constitution that WA, while recognised as 'an original state', would also receive a gradual phasing out of inter-colonial tariffs over five years, as well as a commitment from the new Federal Government that it would construct a transcontinental railway linking WA to the eastern states (Musgrave, 2003).

As the new century progressed, the Commonwealth Parliament introduced tariffs designed to protect local manufacturing, but while this benefitted states like NSW and Victoria, it harmed WA. Manufactured goods for domestic, agricultural and mining use that WA has once imported from overseas, were now more expensive, and forced the state to purchase goods from eastern states suppliers, often at a higher cost. Facing significant economic disadvantage, WA sought changes to the Commonwealth legislation and reforms to the Constitution. When a Royal Commission into the need for such reform concluded in 1929 that no changes to the Constitution were necessary, the seeds of the WA secessionist movement began to flourish. Anti-federalist sentiment spread and was amplified by the likes of the *Sunday Times* newspaper (Musgrave, 2003).

From 1932 to 1935 Watson had a major preoccupation with the secessionist movement. He was chairman of the Dominion League that led the campaign for independence, and which achieved a victory on 8 April 1933 when the State's first compulsory referendum returned a two-thirds majority vote in favour of secession from the Commonwealth.

Watson was then appointed by the State parliament to head a delegation to London to present the case to the British parliament and the Dominions Office. This required some lengthy time travelling by ship to and from and staying in London. The response from London was finally received on 22 May 1935, when it declined to amend the Australian Constitution Act to allow Western Australia its independence, and instead deferred the matter to Canberra for any such decision, effectively killing-off the move.

While Watson had been en-route by ship to Britain, Australian Prime Minister Joseph Lyons and Attorney General Robert Menzies had flown to London and quietly persuaded the imperial authorities to reject the secessionist request. Watson returned from London angry and determined to maintain Western Australia's autonomy as far as possible within what he called the 'bondage of federation' (Baskerville, 2017).

THE CHOICE OF STASIS OR GROWTH

While in London Watson spent time cultivating other dominion and Indian leaders, with whom he expected Western Australia would soon be conferencing as an imperial equal, but also business leaders including significant figures in the British building society movement. By 1935 he was easily the most recognisable figure and an acknowledged expert on building societies in the British world and even the United States.

It is in this context that Watson's championing on the board of British models and approaches to building societies can be understood, including his steady referencing of the huge Halifax and Abbey Road building societies that were then valued at £78 million and £50 million respectively. Lourens (1974) casts the divisions between Fisher and Watson as stability versus growth with an undertone of personal dislike, but secessionism must also be taken into account. Watson opposed closer links with the Victorian and New South Wales building societies, and instead used well researched and argued papers presented to the board favouring greater flexibility to adjust to market changes as Halifax and Abbey Road had done.

This mode of addressing the PBS board revealed Watson to more knowledgeable about building societies than any other board members, and also appealed to the PBS tradition going back to 1863 of following British models. The changes he argued for included lowering lending and borrowing interest rates, reducing legal charges, lending on fixed mortgages and on commercial loans, extending loans to 32 years, and simplifying the board's complex voting system.

Fisher deferred consideration of Watson's proposals until the April 1933 – the month of the secession referendum with which Watson was clearly preoccupied – and then accepting them in principle only. He managed to mobilise what Lourens (1974) terms the 'building society establishment' around the 'bad taste' of Watson and Pitchford's enthusiastic election campaigning for the 1932 Annual General Meeting. Hunn and Jenkins ouster was repaid, and Fisher forced compromises to Watson's proposals while he was preparing for the momentous journey to London. In the end, Watson had to accept the compromises while he dealt with the independence issues.

Lourens (1974) suggests that Watson's prescriptions were essentially correct, and one outcome of the electoral reforms was to entrench Fisher in the chair. Although both men eventually developed a working relationship, they retained different objectives. Fisher was focused on securing and preserving the Society's investor funds. By contrast, Watson aimed to extend home ownership through the efficient use of the Society's resources. It was a choice of stasis or growth.

THE BATTLE FOR WESTRALIAN SOVEREIGNTY

Despite the interregnum between April 1933 and May 1935 when Western Australia's bid for independence hung in the smoggy London air, Watson remained involved with the building society movement and the board, and secessionism continued to inflect board affairs. Fisher had another ally, M. M. Nathan, who was elected to the PBS board at the December 1934 Annual general Meeting.

Nathan (described by Lourens as 'slightly anti-Watson') loyally supported Fisher, and was also the brother of Sir Charles Nathan, one of the leaders of the federationist campaign that was roundly beaten in the referendum. Watson had previously been countering the federationist influence by opposing a proposal to join with the Victorian and New South Wales building societies in a joint submission to the Commonwealth government. Fisher and Duncan had visited Melbourne and Sydney, were impressed by them as centres of finance and were inclined to look eastwards for building society leadership.

Watson dismissed the eastern states societies as mere tools of the banks and insurance firms and instead advocated the British approaches. Watson had been to the imperial capital and was both dazzled and burnt by the experience, and in comparison, he cast Melbourne and Sydney as mere provincial copies. Watson was a true Westralian patriot, and throughout the secession campaign and the interregnum would brook no turning eastwards.

Numerous Western Australian businesses, local governments and community associations publicly supported secession, but this board division meant that PBS remained officially ambivalent, although support could be implied in other ways (see Figure 11). Watson's powerbase was in the ordinary members who re-elected him to the board, and they tended to include the same classes of people who were getting through the depression, wanting to play golf and tennis, acquire a nice flat, and who experienced the loss of the Western Australian Bank and then the State Savings Bank and stuck with PBS as the only surviving Westralian financial institution. The role of such patriotism in the PBS story deserves a fuller exploration.

Figure 11: Juxtaposed advertising for secession and the PBS in the main pro-secessionist media, run by Watson ally James Macallum Smith



Source: *Sunday Times*, (5 February 1933, p. 5)

DEALING WITH THE DEPRESSION

As the depression began to ease, Pitchford and Watson's experience with the success of advertising bought another change to the PBS with the first professional advertising agent appointed 1934. The Halifax example was once again promoted with complaints from members

about the PBS having dowdy advertising, and Pitchford was appointed to an advertising sub-committee directed towards stimulating demand. Advertising expanded to neon signs, booklets, hoardings and trams, but after Pitchford's death in 1935 was again allowed to run-down.

Improving demand was met with limited success until 1938, but lending returned to favouring new home building that created more employment opportunities, and some loans in country districts were also approved, although only for 'better class' dwellings. Tram advertising also extended to Fremantle, and these were the earliest forays by the PBS beyond its Perth base. Nevertheless, profits declined during the early 1930s mainly due to a decline in effective interest earned on mortgage assets and investments, although they were still sufficient to retain a competitive edge over other forms of investment.

The secretary's title was changed to manager in 1933, reflecting the increasing organisational complexity of the Society, but it also hid the resurgence of board control under Fisher which favoured stability over new growth. A new manager, Ray Rodda, who had been the assistant to Duncan, and in the Nedlands Golf Club set, was appointed in 1934. He was more amenable to Fisher, and the Watsonians were contained although Watson remained engaged, particularly on any government action that might affect PBS growth.

In October 1933, WA Labor Premier Philip Collier proposed a government-funded garden suburb development for 1,000 workers on the City of Perth Endowment Lands (*West Australian*, 1933; *Western Mail*, 1933). The proposal was championed by town planner Harold Boas, a committed federationist and Watson foe, and the PBS board expressed concerns about the impact on its own lending.

The PBS and other financial institutions were not invited to the discussions around the scheme, so Watson proposed to the board that the PBS offer to finance the undertaking, as Halifax had offered to fund a similar scheme in Britain. This would have placed the PBS in the driver's seat for the venture, with the bonus of Boas having to rely on local Westralian-sourced funding, but Fisher opposed the idea and it died. This was one example of Watson's capacity to turn a negative into a positive, even if in this instance it went unrealised.

The Commonwealth established a Royal Commission on Banking and Monetary Systems that sat over the period 1934-1937, reporting in 1937. One of its recommendations was to establish a mortgage department in the Commonwealth Bank for long-term lending on land and improvements. Watson corralled the other WA building societies into authoring a joint letter to the Prime Minister Joseph Lyons opposing this move. Although Lyons and Watson were old foes from the secessionist campaign, Lyons eventually agreed to withdraw the recommendation. Among some more innovative recommendations, the Royal Commission also canvassed bank nationalisation, and introducing a decimal currency of a pound divided into a thousand pence (*West Australian*, 1937).

CELEBRATING AN ANNIVERSARY AND PROMOTING MUTUALITY

In 1937 the PBS celebrated its 75th anniversary, with congratulations from all around the British world and the United States. Watson had international standing on building society matters, partly from the contacts he made during secessionist campaign, which had a greater impact

around the empire that is now acknowledged (Baskerville 2017), and partly from a lecture he gave in Perth in 1936 on the significance of building societies that won global recognition for the movement and Watson. The lecture, titled *Building Societies – Their Importance in the Economic Life of the Nation*, demonstrated Watson's thorough knowledge of the industry in Australia and globally. It also indicated his international standing in the field.

Among the many congratulatory letters on the PBS anniversary were messages from Sir Enoch Hill of the Halifax and Sir Harold Bellman of Abbey Road, both leading figures in the British movement. Hill wrote,

"... from the largest building society in the world to the largest building society in Australia (Lourens, 1974, p. 172).

Another was from a Watson foe, Robert Gordon Menzies KC of the County of Bourke Building Society in Victoria, who was also the Federal Attorney General and Industry Minister in the Lyons federal government. It was Menzies, who, with Lyons, had scuttled Western Australia's independence plans in London three years earlier. These indicators of Watson's standing in the building society movement probably grated with the Fisherites on the board and simply hardened their resolve to keep Watson out of the chairmanship. Watson's eminence at this time is also somewhat paralleled by that of Thomas Bath in the Co-operatives Federation of Western Australia, and his engagement with broader co-operative movement in Britain and North America (Baskerville, 2019).

THE SLOW MARCH TO WAR

By end of 1930s the PBS was recovering to its pre-depression lending levels, and had a wide base of investor support, although it was rejecting additional share investments due to its excessive liquidity. Share values were declining but being supported by, particularly, the rising numbers of single working women in the city, the same women in the market for new flats. PBS staff had increased to 15 by 1939, and machine accounting was extended further into the Society's operations. Demand was slow, with other institutions offering cheaper loans, sometimes combined with life insurance, and aggressive door-to-door selling.

Nevertheless, the PBS had improved its market share to seventy percent by 1939, not unexpected with loss of two WA savings banks, the decline of the Starr-Bowkett Societies, and the slow growth of Fremantle Building Society, which remained focused on traditional house building in Fremantle. The PBS was financing one in six house purchases by 1939, predominantly in the metropolitan area.

Lourens (1974) makes the point that stability came at cost of opportunities forgone, such as Watson's garden suburb financing scheme. Bevilaqua had for years argued for more competitive rates and terms to increase the Society's share of the WA housing market. However, once again Fisher's focus on stability saw such opportunities lost. Lourens (1974) argues that Watson, for all his energy, was nevertheless too dispirited by the political events around the failure of secession to enthuse the board into greater efforts at this time, leaving Fisher almost by default to steer the Society unchallenged. Stability versus growth had preoccupied the board for much of the decade, with the 'Fisherites' having the upper hand most of the time.

The outbreak of war in Europe in 1939 at first had little impact. The PBS entered the market for flat building mortgages, which were in strong demand, and continued until 1941. However, Commonwealth war-time regulations began to creep into the home financing market. New share issues were prohibited, deposit controls were issued, low interest rates became entrenched, the Federal treasurer's consent was needed for new mortgages, and a survey of building society activities took place as part of a broader information gathering exercise to harness resources for the war effort.

Premier Collier had been overthrown in a Labor party factional struggle in 1936, replaced by John Willcock who would lead the State throughout the war. Watson's secessionist heritage made Willcock suspicious of him, and by association, all building societies. A similar sentiment clouded the federal level. The Federal Labor government of John Curtin came into power in Canberra in October 1941, after the United Australia Party-Country Party coalition government of Arthur Fadden (Country Party) lost a vote of confidence on the floor of the Commonwealth parliament.

John Curtin was the MHR for Fremantle, an avowed anti-secessionist and another Watson foe from election campaigns in 1928, when he only narrowly avoided defeat by Watson, and 1931 when Watson's preferences gave victory over Curtin to an independent before Curtin narrowly regained the seat in 1934 over a Watson-nominated candidate.

Curtin and Watson also faced-off during the secession campaign when Curtin was a lead writer for the *Westralian Worker* newspaper with its vigorous anti-secession campaigning that cast the secessionists as naïve fools and traitors (Baskerville 2017). Curtin was also a member of the 1934-1937 banking Royal Commission, and one of his first speeches as leader of the parliamentary Labor Party in August 1937 had been to endorse the Commission's findings and promise to implement them (*West Australian*, 1937).

THE HOT WAR, 1941-1945

Western Australians woke on the morning of 8 December 1941 to news of Japanese attacks on British Malaya and Hong Kong and the US territory of Hawaii. Suddenly, the war was much closer to home. Singapore fell to the Japanese army on 15 February 1942, the bombing of Darwin and then other northern towns began on the 19 February, Allied naval forces were routed by the Japanese in the Battle of the Java Sea on 27 February and the Dutch East Indies fell on 8 March. An invasion of Western Australia now seemed a real possibility, and residential building was put on hold.

The Curtin government issued the *National Security (Economic Organisation) Regulations* in February 1942 for a 'total war effort'. The sale of land and shares was prohibited, lending on mortgages for vacant land, investment or purchasing a rental property were effectively stopped. Together with labour and material shortages private building activity ground to a halt as did much of the building society industry. Property values were effectively frozen at February 1942 levels to prevent profiteering and channel surplus funds into the public treasury for the war effort.

Building societies were exempted from the general prohibitions on banking business but given the indifferent response Watson had received from Prime Minister John Curtin in August 1942 on relaxing some of the restrictions, and Curtin's known views on the need to control private

banking, the PBS board was reluctant to push the issue. The immediate controls over building societies under the banking regulations were not so much of a concern as was the post-war prospect of being caught up in an expected conflict over banking control and the banking nationalisation explored in the 1937 Royal Commission.

Lord Stamp of the Abbey Road Building Society in England had argued in 1941 that savings flowing into building societies would eventually find their way into government coffers to support the war effort and other social purposes. This was a position in accordance with Watson's 1936 paper, but the Australian federal government was unimpressed, and in the meantime there were daily disruptions to deal with.

Six of the eight male staff served in the armed forces, leaving Manager Ray Rodda and ten female staff to handle all the work. Serving employee's pay was continued at a half rate, mortgagors on war service were released from their liability to repay principal sums, and matured shares belonging to prisoners of war were reinvested on their behalf. The PBS sold war savings certificates on behalf of the Commonwealth, and the Barrack Street building was fitted with an air raid shelter. In London both the Abbey Road and Halifax societies had their head offices damaged by German bombing, and numerous mortgaged properties were damaged with nearly six percent completely destroyed.

As Japanese bombers reached further down the Western Australian coast, inducing air raid panics in Geraldton in March, bombing in Perth Hedland in August and then in Exmouth early the next year, Watson was invoking Abbey Road's response to the German bombers, 'They have damaged our building but not our morale.' Even so, sales of war savings certificates had to be suspended for a period in mid-1942 when the Federal Treasury deemed Perth vulnerable to invasion and issued procedures for safeguarding the certificates.

Figure 12 shows two images from a Japanese invasion manual published in 1942, which outlined the attack plan for an invasion and occupation of the city of Perth. The manual showing key points (with Japanese key) in the city for destruction or capture. The PBS Office in Barrack Street (site marked by a red circle) is in the centre of this strategic zone, although not itself a target. These invasion plans show that the installation of air raid shelters in the PBS Office, and concerns for the safety of war savings certificates, were warranted.

Other difficulties arose during this time of fear and stress. The Co-operative Building Society of WA, whose second mortgage lending scheme the PBS had thwarted back in 1920, collapsed in October 1942. It was soon revealed that it had surreptitiously continued the banned practice, and the collapse bought adverse publicity to all building societies.

Concerns were always present about the role of building societies in the post-war housing market. Watson believed the building societies had an important role to play in overcoming the housing shortage, but the Federal Government's post-war reconstruction thinking instead focused on large-scale intervention in a controlled market. The possibility of a building industry nationalisation and trades and material monopolies was a concern to the building societies.



Figure 12: Images from a Japanese invasion manual



Source: *Gōshū shashinchō*, (1942, pp., 144, 146).

Watson rejected a proposal by the South Australian building societies to act on behalf of the Commonwealth Government and countered with a proposal for State governments to guarantee high margin loans, similar to an existing scheme in New South Wales. However, the WA State Labor Government of John Willcock remained suspicious of anything to do with the secessionist Watson and rejected the idea. The main outcome from this episode was the opening of contacts between the different societies across the country.

Watson had attended the British National Association of Building Societies conference in 1935 and saw the value of something similar in Australia, but it was the identification of a common enemy in the Commonwealth Bank at a time of great stress that bought the matter to the fore. Nevertheless, this coalescence occurred on a State rather than national level with the formation of the Western Australian Permanent Building Societies' Association in 1944. This parallels similar moves in the co-operatives movement to establish a national or interstate body at this time but, although it survived in name it did not become the co-ordinating force envisaged until the early twenty-first century (Baskerville 2019).

The PBS lobbied both the State and Federal housing authorities in 1943 and 1944 with its 'manifesto' for post-war housing, consisting of freedom of choice in house design, construction and financing, preference for houses over flats, relaxation of government wartime restrictions, and a guaranteed scheme for societies to lend up to ninety percent of valuation to low-income earners. It fell on deaf ears, and instead Ben Chifley, the Federal Minister for Post-War reconstruction, told the Society that the Commonwealth Bank would be directly sponsoring sixty percent of the 3,350 new homes that would be needed in WA.

The war ended in Europe in May 1945, and in the Indo-Pacific region in August the same year. The PBS had experienced its worst asset decline since its foundation, and the Commonwealth Bank was moving to dominate the housing market. Fisher was finally moved to see the importance of growth if the Society was to retain its standing and influence in the post-war world. He began to show some acceptance of Watson's arguments. However, for Watson, the issue now involved larger questions of Federal government over-reach and State submission. It was also a matter of, free enterprise versus socialism, and open markets versus economic controls. The physical fighting had finished, but it would not be until the end of the decade that war-time thinking would finally abate.

THE COOL WAR, 1945-1949

During the post-war period the global cold war became an entrenched reality for the following four decades, but within Western Australia and Australia during these four years a 'cool war' can be discerned. This 'war' was fought between those seeking social change through a new regulating Federal government and those wanting social stability through a return to State autonomy, the battle lines were not always clear and were frequently crossed.

Fisher remained in the chairmanship during this period, but he was aging and giving ground to Watson. However, Watson, always the round peg in the square hole, pursued his own philosophy of seeking social change in the form of expanding personal autonomy through home ownership mediated by a hands-off State and rolling back Federal government regulation at every opportunity. The philosophies espoused by the new Liberal Party founded in 1944, which arose from the ashes of the old United Australia Party, were more to his liking, although he never forgot the clandestine role the party's founder, Robert Menzies, had played in trampling the secessionist's dream of Westralian independence.

There was a post-war boom in housing due to a combination of factors including returning demobilised service personnel with accumulated savings and a desire for new houses, a huge increase in migration, high marriage rates and new family formation, booming wheat and wool exports, and raging inflation against which home ownership was regarded as a safeguard against the declining value of savings.

Between 1945-1946 and 1949-1950, some 12,288 new homes were completed in WA, of which fifty seven percent were funded from private sources. Of those, the PBS provided funding for 7.4 percent (reaching nine percent in 1949-1950) of new builds (Lourens, 1974, Table 59). The rate looks reasonably impressive, but it was also a peak and would not be matched again by the PBS for another twenty years.

Figure 13: Creative responses to building materials shortages 1947



Source: *Western Mail*, (2 October 1947: 26).

The factors that mitigated meeting demand in this period included the tight Federal government controls on building through the continuation of the emergency regulations. These effectively rationed building materials and labour, and controlled rents and building permits. There was also competition from the Federal government in housing finance, along with continuing and emergency controls on banking. The Federal government provided its own housing program with funding, for WA, through the Workers Homes Board that, in 1945, became the State Housing Commission.

The Willcock State Government had only reluctantly agreed to this program, wary of increasing centralisation after the temporary wartime ceding of income taxation powers to the Federal government in 1942 was now becoming a permanent reality. Building materials of all sorts continued to be in short supply even as production began to increase due to demand from other industries that also wanted to increase their productive capacities. As shown in Figure 13, there were many creative responses to the materials shortage, especially for owner-builders, although not necessarily methods that would have met the strict standards of the PBS.

The productive capacity of the building industry took six years after 1945 to reach the annual construction levels envisaged at the end of the war. These assessments had not taken into account the boom in immigration. The PBS claimed the State Housing Commission was hoarding building materials from the private market for its own purposes, although Lourens (1974, Table 59) shows this was not the case.

The PBS had its own experience of the crisis when it undertook office alterations in 1946, including the installation of fluorescent lighting, which took two years to complete and exceeded the cost estimates by sixty percent. The architects blamed the delays on highly inflated material costs. However, another issue occupying the PBS directors was the incessant moves by the Federal Government to extend the operations of the Commonwealth Bank, which retained control over building society activities through the emergency regulations.

The new *Commonwealth Bank Act 1945* brought the bank directly under the control of the Federal Treasurer and required it to compete directly with other banks. It also gave the treasurer a power to force state and local governments to bank with the Commonwealth Bank, although this was ruled invalid in 1947 by the High Court.

The Act in turn led to all the banks and financial institutions entering the political area, organising mass campaigns against the Federal Labor Government of Ben Chifley. Whether building societies were classified as banks, and so subject to the laws, remained a contested point and the building societies generally believed that if they did not accept deposits they were not affected. The situation remained highly volatile, with perceived threats of bank nationalisation inflecting public debate.

Apart from (perhaps because of) the post-war banking uncertainties, the PBS board never came to grips with besting its competitors. The Commonwealth Bank was the major competitor, with over a third of housing completions (mainly through its financing of war service homes). This tended to serve the same market as the building societies, the low to middle income earning semi-skilled and skilled tradespeople and clerical officers.

At the 1947 Annual General Meeting, Watson blamed the Commonwealth Bank's reliance on politics rather than financial prudence for restricting the growth of the PBS. Watson saw similar situations occurring in the United Kingdom and the United States, influenced as he was by his overseas contacts.

However, the PBS refused to match the market rates for lending, which deterred potential borrowers. Even when building societies were allowed to accept deposits again in December 1949, the PBS would only accept limited deposits to prevent further excesses in its liquidity. Nevertheless, there was one event that marked the end of the decade and a turning point for PBS, the federal election of December 1949 that saw the defeat of the Chifley Labor government and the election of the Liberal-Country Party coalition government of Robert. G. Menzies. This brought to an end the threats of bank nationalisation and the beginning of the end for the emergency regulations.

BOOM TIMES 1950-1973

The period from 1950 to 1973 was one of economic growth and optimism, set against the context of the Cold War struggle between the Soviet Union and its "Soviet Bloc" allies, and the United States and its "Free World" allies. Australia found itself engaged in the post-war occupation of Japan (1946-1952), the Korean War (1950-1953), the Malayan Emergency (1950-1960), the Indonesian-Malaysian Confrontation (1962-1966), and Vietnam War (1962-1973). WA also played a key role in assisting the United Kingdom's development of its own nuclear weapons program, with nuclear testing taking place off the WA coast in the Monte Bello Islands (1952-1956) (SLWA, 2023b).

Despite this background of Cold War tensions and conflict, the economic development of the state of WA, like that of the rest of Australia, continued. Construction of the Narrows Bridge linking the northern and southern banks of the Swan River commenced in 1954, and the BP oil refinery at Kwinana south of Perth commenced operations. By 1959, the Narrows Bridge had opened, and WA households began to receive the first television broadcasts. In 1962 Perth hosted the Commonwealth "Empire" Games (1962) at a purpose built complex at Perry Lakes, which coincided with the commencement of the first jet airline operations linking Perth to London. In that same year WA became involved in the space race, being declared the "City of Light" by United States astronaut John Glenn, who saw Perth from space due to the majority of the city's population turning all their lights on as he passed over (WA Timeline, 2023).

As the 1960s progressed the United States built a National Aeronautics and Space Administration (NASA) tracking station at Carnarvon in 1964, as part of the US program to put a 'man on the moon' by the end of the decade. During 1966 the US built a military satellite tracking station at North West Cape, construction of the Ord River Scheme commenced, and all Australian currency was converted from pounds, shillings and pence to dollars and cents. In 1969, Aboriginal workers won the right for equal pay, but were driven off many cattle and sheep stations. As the 1970s commenced, the standard gauge railway was finally connected between Perth and Sydney in 1970, Aboriginal heritage sites were protected in 1972, and the voting aged reduced to 18 years in 1973 (WA Timeline, 2023).

NEW BUT UNCERTAIN HORIZONS 1950-1966

Along with a new Federal government came new governance in the PBS when Watson finally succeeded the aging Fisher in the chairmanship in January 1951. Watson was supported by newly-appointed board member J. C. (Charlie) Rowsell, another in the Nedlands Golf Club circle. Watson quickly introduced a number of innovations, making contracts subject to revision after seven years to allow the PBS to respond more quickly to changing market conditions, and increasing the lending rate to five percent.

The first innovation, although traditionally considered bad practice in Britain, was designed to shift some of the risk of future interest rate movements from the Society onto the borrowers. The second innovation was opportune as demand for loans was increasing. Watson argued these moves were in keeping with the traditional values of the PBS as they ensured investor security and served borrowers through growth. He agreed with British building society leaders that higher interest rates were needed to control inflation.

However, the post-war boom was coming to an end. House prices were doubling over five years, and fixed-price building contracts were being replaced by 'rise and fall' contracts that could leave both borrowers and the Society exposed to rising costs. From 1952 the PBS began to refuse the 'rise and fall' contracts, leaving it, in effect, to focus on the acquisition of existing homes rather than building new homes. There was a slump in 1952, with migration and private investment falling, although it was short-lived in WA before housing demand picked-up again. The PBS reopened to taking share investments to keep up with increasing demand for loans, but this was not without problems. The returns on investment struggled to keep pace with a retail inflation rate of 19 percent, and rising building costs were forcing borrowers to seek larger loans.

The PBS was unable to increase its loan interest rate as it was at the maximum allowed by the Commonwealth Bank. Rather than act alone, it turned to the Western Australian Building Societies' Association (WABSA) to lobby for deregulation of interest rates. The Commonwealth Bank relented in mid-1952 by removing its controls, and the PBS increased its lending rate to six percent and its deposit rate to three percent. Nevertheless, the low average yield on the PBS portfolio stymied higher returns for shareholders.

Watson, while visiting England, learned from the Abbey National Building Society that it was now modifying its lending conditions to allow contractual mortgage rates to be revised with three months' notice, a practice that all the British societies were now following. On Watson's urging the PBS began to follow the same practice from January 1953, but it remained committed to building contracts that required a completion within eight months, which ensured its lending remained overwhelmingly directed to the purchase of existing homes.

From the mid-1950s more competition emerged for housing finances with four new savings banks established by existing trading banks. These comprised the Commonwealth Savings Bank (1952), the Bank of New South Wales Savings Bank (1955), the Australia & New Zealand Savings Bank [ANZ] (1955), and the Rural & Industries [R&I] Savings Bank (1956). This combined with the expansion of the Commonwealth Bank's branch network. All these new competitors offered higher deposit interest rates than the building societies.

As a result, deposits began to flow out of building societies to the new banks, and the PBS countered with increases in its deposit and investment interest rates and higher bonuses in both 1956 and 1957. While these measures helped stem the flow, the situation revealed weaknesses in the PBS. It did not have a branch network to offer customer convenience, its advertising was modest compared to its competitors, and its Barrack Street offices were looking old-fashioned.

This last point was emphasised by the new modern premises of the R&I Bank of Western Australia, which had replaced the Agricultural Bank in 1944. The R&I premises were built in Barrack Street in 1959 opposite the PBS Offices. Although not everyone was enamoured with the modernist new tower, and the R&I building was highly criticised by architectural connoisseurs for being,

“... an overpowering and incongruous intrusion into a once homogenous group of buildings [of] the old Legislative Council and the former Colonial Treasury ... unsympathetically imposed between the Town Hall and Treasury (Pitt Morrison and White, 1979).”

Nevertheless, the PBS board was more interested in builders than architects, and where there has once been an emphasis on avoiding looking like a bank, now the wheel was turning, and the days of the old office were numbered.

However, for the moment the Society concentrated upon its strengths, which included its age, its perception of safety, its West Australian heritage, and its trump card, higher interest rates paid to depositors. Unfortunately, its growth was inhibited by a hesitant management style inherited from the long years of depression and war, combined with a defensive attitude that found it hard to adapt to the evolving post-war conditions. The ascension of Watson to the chair weakened these rigidities, but internal change was difficult to bring about. Growth rates remained low, and the PBS's share of both the industry and housing markets declined despite what should have otherwise been favourable conditions.

From 1956 to 1959 economic growth slowed markedly in Western Australia as the building backlog from the war was overcome, and Federal government regulation continued to inhibit house building. Despite this, the PBS was able to achieve impressive growth. Watson took the initiative to influence the political environment and manipulate lending and borrowing conditions in response to the market.

The Liberal-Country Party coalition State government of Premier Sir David Brand was elected in 1959. This marked the end of a long period of mid-twentieth century Labor Party ascendancy in WA State politics. The new state government was ideologically aligned with the Federal Liberal-Country Party Menzies government in Canberra, and it marked a shift from policy focused on public rental housing to private home ownership.

The Federal government had already declared its intention to encourage home ownership. This saw an expanded role for building societies in home financing in 1957. A total of 30 percent of the Federal funds that were provided through the Commonwealth State Housing Agreement in the period 1957 to 1960 were channelled through the building societies.

These funds were only to be used for new home building at a maximum interest rate of 5¼ percent. Federal housing minister Sir William Spooner was also amenable to Watson's view that the system needed to return to supporting the thrifty savers and self-reliance, a philosophy that had guided the formation of the PBS nearly a century before.

Despite some concerns from the smaller building societies about the costs of the scheme, the PBS, Western Australian, Bunbury and Home building societies all participated. The loans proved very popular, and the 1959 allocation saw a queue of hundreds of applicants along Barrack Street to lodge their applications. Three hundred applications were lodged in one day for the ninety available loans. Two-thirds of the PBS loans during this period came through this injection of funds that provided a stimulus to further growth.

The savings banks focused on low loan limits, usually a maximum of £2,500, when housing costs were typically around £4,000, leaving borrowers with deposit gap problems. War service loans, although more affordable, were now only financing a diminishing pool of applicants. The R&I Bank was treated as a building society for the purpose of the scheme and received 20 percent of the scheme funds in WA.

Although irritated by this, Watson preferred competition with the R&I (and a State Government Insurance Office scheme) over that of the terminating building societies, which were experiencing a second life. Even so, these government schemes were not the main source of finance for new loans, which instead came from reinvesting housing loan repayments. By 1958 mortgage repayments were injecting over £500,000 annually into the PBS.

A significant change in 1959 was the establishment of the Reserve Bank of Australia under the *Reserve Bank Act 1959*. All the central banking functions previously held by the Commonwealth Bank were transferred to the new Reserve Bank. This did not immediately ease the war-time regulatory framework for banking, but it did remove the Commonwealth Bank as both a commercial competitor in the home loans market and as the central regulator of the system. The commercial banking activities of the old Commonwealth Bank were continued by the Commonwealth Banking Corporation as a Commonwealth government-owned enterprise with entities such as the Commonwealth Savings Bank.

In 1962, the PBS celebrated its centenary. A new Assistant Manager, Harry Sorensen, effectively superseded the ailing manager Ray Rodda. Advertising took on a more modern look and emphasised the patriotic slogan 'Make your money GROW with WA'. The 1962 Annual General Meeting was held in the Perth Town Hall where much of the Society's early business had been transacted.

Congratulations came from near and far, including the Governor General, the State Governor, the Prime Minister, the Premier, and other worthies as well as long-time members and shareholders. Also celebrating was the Bank of New South Wales which, as a successor to the Western Australian Bank, remained the Society's banker. However, despite the centennial glow the Society's market share slipped to its lowest level in four decades. Further, the share of the Perth metropolitan housing by instalment market held by the PBS fell to just seven percent in 1961.

CRITICAL EVENT: THE (TEMPORARY) RETURN OF TERMINATING SOCIETIES

With the benefit of hindsight, the rise and fall of terminating building societies in the post-war years might seem a curiosity, but at the time they were taken very seriously by the permanent building societies, and their response was critical to the building society movement.

The 1956 Federal housing finance scheme had favoured the revival of the terminating building society, which began in WA with the Thornlie Building Society (No 1) (*Government Gazette*, 1956). The big insurance firms, especially the British firms, began to sponsor the new co-operative terminating societies, with Minister Spooner supporting the expansion of Victorian and New South Wales co-operative terminating societies into the other states.

The main reasons for this were the continuing associations in the eastern states of permanent building societies with the calamities of the 1890s. The permanent societies remained unwilling to cede independence to large institutional lenders. They had also made indifferent progress under the ongoing war-time regulations. By contrast, the new terminating societies attracted vigorous youthful managers unencumbered by the permanent society boards with their long memories of depression and war-time privations. The terminating societies also had strong champions in the Liberal Party base in New South Wales, where the terminating societies were seen to be filling a void created by the permanent societies focus on stability over growth.

While both government and institutional funds were available, the terminating societies could aggressively pursue growth. This was a uniquely Australian phenomenon. Their defects in the early nineteenth century had led to their replacement by permanent societies, and indeed the formation of the PBS itself had been a direct repudiation of the terminating model. Nevertheless, the availability of a steady supply of capital enabled these societies to boom in WA. For example, from a base of only eight building societies in the state in 1956, their numbers had grown to 144 by 1966, of which 131 were terminating societies (Lourens 1974).

Many of these new societies were highly local or occupationally or communally based, as indicated by their names registered in 1966. This included the Australian Netherlands No 6 Building Society, Geraldton & Northern Districts Building Society, Police Union No 5 Building Society, South West Co-operative No 4 Building Society, Thistle No 1 Building Society, Victoria Park No 2 Building Society, WA Carpenters No 9 Building Society and the Yugostral Building Society (*Government Gazette*, 1966).

The PBS was highly suspicious of this wave of new societies. The PBS board considered them outdated relics, non-traditional, and tools of the private banks and insurance firms, notably the Commonwealth Bank which funded most of the terminating societies with single long-term loans and directed much of their housing loan business to them. They also questioned the motives of many of their founders who they considered had little care for community service and bought reputational damage to the whole sector.

Many had been formed simply to tap into government funding, with little hope or effort put into attracting the outside finances Minister Spooner had anticipated. For self-help advocates like Watson, they were beyond the pale, and he frequently criticised them in State parliament where he was a Liberal Party member of the Legislative Council between 1948 and 1968. His criticisms

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included their pursuit of practices such as requiring additional management charges and insurance levies or directing borrowers to purchase houses or land at inflated prices from land syndicates associated with these societies, were apparently well-known practices, although rarely acknowledged.

The PBS, and the Western Australian Building Societies' Association, focused their response to this challenge on getting the building societies legislation revised. This was something they had attempted to do during the 1920s. They sought to give the State Registrar the power to decline registrations, especially of societies that were overly dependent on government funding. In addition, they wanted all building society directors and officers to be independent of real estate interests, and not to engage in door-to-door canvassing.

This last point was particularly galling for the PBS as many householders faced with enthusiastic door-to-door sellers were being led to assume they were signing-up with the PBS, and the office was facing a constant stream of complaints from people who did not realise they had entered into contracts with other building societies.

The Registrar of Friendly Societies supported these moves within the State bureaucracy, and like Watson he foresaw the potential for scandals arising around the use of government funds, especially as some of Watson's parliamentary colleagues were reputed to be involved with certain questionable new societies. Watson warned them that,

'... too much of the money was advanced by the government to unknown societies who raised no funds by their own efforts and who did not lend like the Perth Building Society ... They were simply a front to obtain easy finance for an associated land dealing or building company primarily concerned in making profits from its sub-divisional or building operations. (PBS Press release, quoted in Lourens, 1974, p.110).

Finally, the amendments to the Act were introduced and debated in 1961, and the *Building Societies Act Amendment Act 1961* came into effect at the end of that year. It curbed many of the less-salutary operations of the terminating societies. It also provided for a more orderly management of all building societies, more in line with the values and practices of the PBS. A further benefit from the reformed legislation was the creation of a separate and more active Registrar of Building Societies within WA.

Despite these successes, in reforming the regulatory framework, the loss of market share to the terminating societies remained significant. In 1966 they held a 27 percent share of the market. This was mainly due to continuing government allocations of funds under the Commonwealth-State Housing Agreements. Yet it was also a result of Federal government policy favouring lending for country properties.

The PBS had remained aloof from country lending which they considered too risky. It is notable that many of the terminating societies were based in large country towns and regions. Even so, the PBS reversed its loss of market share after 1961. The total building society industry share of savings bank deposits rose from three percent in 1946 to twenty percent in 1966.

The challenge from the terminating building societies had been overcome in Western Australia by 1962, and by 1964 the New South Wales terminating societies were also transitioning to permanent societies in order to take advantage of a major change in housing finance brought about by the Menzies federal government.

The terminating societies had been perceived by the PBS and the other permanent societies as a threat, and in their response they had ensured their legislative framework was updated. As noted, this also included increasing the powers of the State regulator. Their aim was to paint the terminating building society model as inherently untrustworthy. This was due in large part to Watson's adherence to the traditional values of the PBs, even at the expense of relationships with some of his Liberal Party colleagues.

One other response to the terminating societies was the formation in 1964 of the Australian Association of Permanent Building Societies. Watson had envisioned such a nation-wide body in the late 1930s. Although at first its formation had little impact beyond ensuring the various building societies around the country regularly met and considered matters in common.

ATTRACTING YOUTHFUL BORROWERS (AND VOTERS) 1963-1966

The November 1963 Federal election saw both major political parties vying for the younger voters, with housing a prominent feature of the campaign. The Menzies Liberals offered a subsidy of £1 for every £3 they had saved for a deposit, up to £250, to couples aged under 35 years of age.

This was a specific group of younger voters likely to be attracted to the Liberal philosophy that prioritised home ownership over supported renting. The house had to have a maximum valuation of £7,000 including land. The funds were not available for housing bought through the Commonwealth-State House Agreement funds favoured by the terminating societies and the savings banks. The valuation limit suited the permanent societies like the PBS as it was within their usual housing market range, and also because it encouraged values of thrift through a requirement for the deposit to have been saved over at least three years. The Menzies government was returned to office, and the scheme was instituted through the *Home Savings Grant Act 1964*.

Federal Labor had promised to establish a homes' finance commission, which Menzies countered with a scheme to insure loans on mortgages. The *Housing Loans Insurance Corporation Act 1965* complemented the grants scheme by helping to overcome the deposit-gap problem. At that time a deposit of 25 to 30 percent was expected, so that something like a £1,500 deposit needed to be saved for a £6,500 house. The corporation thus further helped the permanent building societies rather than the savings banks who maintained low loan limits of about £3,500.

The building societies grew strongly on the back of these schemes and by 1969 were exceeding the savings banks in providing home loans. The PBS alone experienced a jump of 4,000 share accounts over the period 1964-1965. Much of that growth was due to the home savings grant. Other factors at play were the withdrawal of insurance firms from housing finance in favour of more lucrative investments, and the decline of government-funded housing construction through War Service Homes and the State Housing Commission.

As the external environment became more accommodating for the PBS and other building societies, the internal environment within the Society also began to change. The Manager, Ray Rodda, retired in 1964 after thirty-seven years of service and was succeeded by a Watson protégé the younger H. W. (Harry) Sorensen.

Sorensen took a much more executive role in relation to the board, beginning with a new marketing approach and a new advertising agency that extended to television advertising. He also introduced a four percent on demand deposit scheme, and changed of Society's formal name of Perth Benefit, Building, Investment and Loan Society, to the simpler Perth Building Society.

A further decision was made to replace the old office with a new building. Staff numbers had doubled since 1961 to reach twenty-nine. This all meant a more complex organisational structure with greater executive independence. The Society had also made a trouble-free transition to the new decimal currency in February 1966. Although there was some nervousness about the plan for an ambitious new seven-story office building. Sorensen had prepared the Society for future growth with his own hands-on management style, the welcoming of new ideas, and developing a new public image for the PBS.

However, the main impetus for growth came from the economic boom sweeping across WA as the second and third Brand Liberal-Country Party governments focused on mining and industrial development. Several factors were at play. The state was experiencing high immigration levels in response to the economic growth. The savings banks were unwilling to offer larger housing loans or lower interest rates. In addition, the Federal government's policy to promote home ownership, and to expand the building societies provided a positive environment. Finally, the State government's policy to place building societies in a complementary, rather than a competitive role in relation to the State Housing Commission, enabled the PBS to secure a commanding position by the mid-1960s.

THE LAST BOOM, 1966-1973

The years from 1966 to 1972 saw the PBS achieve its highest sustained growth rate in its history. Assets increased at an annual compound rate of 46.6 percent and rose in value from \$23,000,000 to \$217,000,000. The Society's staff rose from 29 to 243 people, and shareholders accounts from 19,837 to 122,380, with outstanding mortgage loans from 4,450 to 17,498.

The PBS became the State's dominant housing finance institution, finally surpassing the once dominant Commonwealth Savings Bank. How this came to pass, and in a sense how George Stone's vision from the 1860s was finally realised, has to be placed in the context of what was probably the biggest economic boom in Western Australia since the 1890s, and this time a boom upon which PBS was finally able to capitalise.

The evolution of the Society's administration under Sorensen's management was supported by Watson in the role of Chairman. They made a strong team. Watson had Charles Rowsell appointed to the board in 1947, followed by Geoffrey Gadsdon in 1958, then Reginald Mattis JP, an accountant and parliamentarian, in 1966. This finally gave Watson a majority of directors who supported his vision for the Society.

It had taken three decades to finally bring the board and the office into a business and growth-oriented alignment. One outcome was the re-entry of the PBS into the savings market in which it had tentatively tested the waters in the 1880s and 1920s, but which was regarded by Fisher and the old guard with suspicion. In 1953 Watson had been influenced by Sir Bruce Wycherley of the Abbey National Building Society, to try and introduce a policy of not accepting fixed term deposits subject to six months' notice of withdrawal. However, this was not achieved. Now that Watson was finally in control this was immediately reduced to one month's notice, heralding the change in regime.

The growing demand for housing finance required more funds, and a wider base of investment support was needed. The strategy began to transform the PBS into the 'superior savings bank' originally envisaged by Stone back in the 1860s. To attract support Sorensen proposed to retain existing returns to shareholders, develop the administrative strength to cope with expanded operations, obtain better treasury expertise, and replace the old office with a modern new building. The developing markets for home loans now lay in the young adults of the post-war baby boom and of the high level of migration, especially new settlers from Britain familiar with building societies. The PBS need a more youthful image.

As a result, a new deposit savings scheme was launched in 1964 with interest set just above that offered by the Commonwealth Savings Bank. During 1966-1967 the old PBS office building was demolished and the new one began to rise in Barrack Street. During the construction operations were temporarily relocated to premises rented in St George's Terrace.

By the end of 1968 the reorganisation of the Society's administration had been completed. Sorensen was assisted by his deputy Graham Matthews, an accountant who had previously been with the Commercial Bank and the Quairading Co-operative Society, and who was also a relative of Hugh Duncan, the first of the 'executive' board secretaries.

The new seven story PBS office building was designed by the award-winning commercial architectural firm of Hobbs, Winning & Leighton. It adopted the Late 20th Century International style that characterised many similar office buildings constructed in Perth during this period. It was officially opened on 23 June 1967 by Keith Watson, a state Liberal parliamentarian, and former Chairman of the PBS.

The building featured glass curtain walling behind precast concrete sunshade panelling with some similarities to the firm's notable SGIO Offices in St George's Terrace (1956) and the Fremantle Port Authority tower (1964) (Goad & Willis 2012; Apperley et al 1989). It instantly projected the modern youthful image of the 'new' PBS envisioned by Watson and Sorensen, even more so in the evening when its well-lit ground floor interior and façade illuminating Barrack Street.

Figure 14 shows the new PBS office building in Barrack Street, Perth in 1967, alongside the SGIO building in St George's Terrace, Perth. Both buildings typify the style of modern office design that was a feature of Perth during the economic boom of the 1960s. By the time the new office opened, savings deposits were matching shareholder's funds, and returns on existing shares could be maintained. The PBS staff had grown to 48, and the new managerial team had settled in.

Figure 14: The new PBS and SGIO buildings



Sources: Fritz Kos, SLWA 227250PD (1967) and Fritz Kos, SLWA 228120PD (1962)

The PBS was now ready for challenges, which came in the form of an expanding building society industry in WA. This included new entrants such as the Town & Country Building Society established in 1964. The economic boom was causing a huge demand for housing, with new building completions rising from six thousand between 1963-1966 to nineteen thousand in 1969-70. Figure 15 shows a newly-built brick and tile suburban home, Perth Regional 'Hacienda' style, by Colin Anderson Master Builder of Shenton Park, November 1969 – the type of housing favoured by PBS and other building societies.

At the same time new home buyers had increasing aspirations with the value of a new house, excluding land, increasing from \$6,880 in 1961-62 to \$13,300 in 1970-71. Even more than house values, land prices were rising rapidly. For example, blocks in Wembley Downs increased from \$7,000 in 1967 to \$13,000 in 1972. Land prices were now accounting for fifty percent of total new housing costs. There was political unanimity that this problem of rising land values had to be arrested, but none on how to achieve the goal.

In response the State Liberal-Country Party government of Sir David Brand attempted to discourage speculation on unimproved land. However, the right wing of the party undermined all attempts to increase land taxes. Watson warned his party colleagues that a young couple paying

off a block should not be penalised because of land speculators, and crossed the floor to vote against what he regarded as the compromised legislation.

Premier Brand then appointed the McGarvey commission into land taxation and pricing in the State. However, its recommendations to regulate land speculation received a cold reception in certain quarters of the Liberal Party. Watson supported McGarvey's recommendations, but in the end only one, to increase the release of urban-deferred land to meet demand, was finally enacted. Premier Brand attempted to salvage more from the report, and appointed Watson to chair a committee to overcome the delays in dealing with applications for land subdivision, but this would take time and new solutions were urgently needed.

Figure 15: Newly built brick and tile suburban home 1969



Source: SLWA 346866PD

Watson was appointed a knight bachelor in the 1968 New Year's Day honours list, with the citation 'for public service'. The honour was well-earned, and to have a knight as chairman of the board brought a certain lustre to the Society. However, in no way did the new Sir Keith Watson take it as a sign to retire. Quite the opposite.

Attracting investor funds to the building societies was not easy as the mining boom was drawing away investor funds. Sir Keith, in his 1968 chairman's address to the Society, drew upon his devout Methodism to remark that,

"Man does not live on nickel alone ... persons investing in our Society display both good sense and a duty of citizenship ... they also promote and share in the communal and social benefits generated by the Society's activities. (Lourens, 1974, p. 400)."

However, he was railing against the wind. On the Perth stock market, the metals and minerals index doubled in one year, iron ore displaced wheat and wool as the main export commodity, and stock in the nickel explorer Poseidon Ltd. soared from 24 cents a share to \$275 in a year. The best

offering the board came up with was a No Fixed Term share earning six percent interest, which proved very successful.

When first offered in April 1968 550 applications were received, and a second offer in October raised \$70 million in one day. Notably, Sorensen's new administrative arrangements meant the Society coped with these huge demands. Through this means the Society entered the short-term savings market, and by 1972 its liquidity reserves had risen to nineteen percent of assets. By 1969 lending had doubled, and the PBS was financing fifteen percent of new houses in the State.

The McGarrey report, although neutered in the parliamentary domain, nevertheless had a significant political impact for the PBS and all the building societies. In 1969 the state Labor opposition under John Tonkin sought to censure the Brand government over the ever-rising price of land for building. It also attracted the Building Trades Union (BTU) under its leader Ray Clohessy who alleged that it now took two years wages to acquire a block of land whereas two decades earlier it only took three months.

The State Housing Commission waiting list was also bulging, reaching a peak in 1970 with over 18,000 outstanding applications for rentals and purchases. Brand argued these problems were symptoms of its economic successes, but Tonkin countered with a swipe at Charles Court, Brand's Minister for Industrial Development, that more attention needed to be given to people rather than development.

Lourens (1974) casts this as a clash between two philosophies on how to promote human satisfaction. Either indirectly from the benefits of industrialisation or directly through subsidising low-income earners. In this case with housing. Herb Graham, the Deputy Opposition Leader, argued that private enterprise was incapable of helping such people.

The PBS rose to the challenging claim that private enterprise could do nothing to help low-income earners. Sorensen claimed that sixty percent of the PBS loans went to unskilled workers and tradesmen which enabled them to purchase a home without a second mortgage. Nevertheless, a problem remained of assisting people who were unable to afford even instalment repayments.

The PBS responded with the development of an interest rate subsidy scheme which it took to the Brand government. Under the scheme the PBS would finance State Housing Commission applicants with low interest loans over thirty years subject to State guarantees against losses. An interest rate subsidiary of one percent would be passed on to applicants while the State government could reduce the Housing Commission waiting lists through Society finance. Although supported by the State Housing Commission, the government took nineteen months to consider the scheme by which time conditions had changed and a State election was looming.

State opposition leader John Tonkin welcomed the proposal and castigated the government for its delays and lack of policy creativity. The building trades also welcomed the idea as a way of assisting a depressed building industry. Sorensen remained focused on the concept of assisting the normally ineligible borrower into home ownership as part of the Society's wider social obligations.

A similar offer it had made in 1968 to assist people made homeless by the Meckering earthquake, and that had also been ignored. Lourens (1974) suggests this was because of the involvement of the R&I Bank which remained hostile to building societies, and the PBS in particular. This stemmed from several factors. The first was Watson's antagonism to the bank's expansion. The second was the entry of the PBS into the savings market, which placed the Society into direct competition with the R&I Bank. The third, was the ignominy of the new PBS building outshining the R&I head office on the opposite side of Barrack Street.

By 1972 the four largest permanent building societies in WA accounted for 87 percent of home loans, with the PBS the market leader.. By that year the PBS assets were worth \$217 million, staff had quadrupled, savings banks had been ousted from their dominance as providers of home finance, and building societies were financing 42 percent of all approved new private dwellings in WA. Figure 16 illustrates this trend.

Figure 16: building society compared to other home financing institutions

ESTIMATED RELATIVE PERCENTAGES OF DIRECT HOUSING LOANS APPROVED ON NEW PRIVATE DWELLINGS BY SELECTED INSTITUTIONS IN WESTERN AUSTRALIA, 1966-1972				
	1966	1970	1971	1972
	No.	No.	No.	No.
New Dwellings Approved	9,202	20,637	13,718	14,060
Less Government Approvals	1,904	3,008	3,182	2,107
Private Approvals	7,298	17,629	10,536	11,953
	%	%	%	%
Financed by				
Building Societies	16	22	38	42
Savings Banks	24	9	25	20
Trading Banks and Insurers	11	5	13	12
All other sources	49	64	24	26
	100	100	100	100

Source: (a) 1966 Derived from R. Lourens, "Housing Finance...", p.14
(b) 1970-72 Derived from Commonwealth Department of Housing,
Housing Quarterly, 1970-72.

Source: Lourens (1974, Table 22).

As noted previously, there was resentment in the R&I Bank at this change in building society fortunes, but it was not confined to one bank, and they collectively turned to political means to stymie the building societies. Despite nearly three quarters of the PBS funds being drawn from sectors other than personal savings, notably institutional deposits (e.g., charities, shires, companies) and mining company deposits as well as small personal savings. The latter accounted

for 54 percent of accounts, but only four percent of value, while the larger institutional investors accounted for 80 percent of investment value but only 20 percent of accounts.

In reality it was these larger investors that mattered in providing housing finance, despite the emotional significance attached to small personal savings. The PBS saw itself as bridging a gap between large investor and small personal savings rather than sucking funds away from savings banks. In addition, it generated about one third of its revenue from mortgage loan repayments. The savings banks and finance companies assumed much of these funds should have come their way and became increasingly frustrated by their inability to raise borrowing rates.

Insinuations were made, initially by the large finance companies, that building societies were unsafe and safeguards in the Building Societies Act were illusory. This was reinforced in early 1970 when the building societies raised their rates by a point to seven percent following an increase in bank interest rates. Borrowers were unimpressed when lending rates rose to 8½ percent, even as the PBS offered to extend repayment terms rather than demand higher instalments.

A PBS borrower, a Mr Howard, formed the Housing Loan Reform Movement, initially blaming the Federal government for increasing the Commonwealth bond rate that had flowed through to building society borrowers, and reductions in building society lending. However, after the WA Labor Party secretary observed in the press that the issue could affect the forthcoming State election, Howard began to attack the building societies and was then endorsed as a Labor candidate with trade union backing.

Sensational reporting in the Lang Hancock-owned *Sunday Independent* newspaper in early 1971 about a supposed 'building society crisis' then followed. Sorensen ridiculed the assertions as 'rubbish', and lobbied Hancock who then had the press criticism toned-down, but a small run of withdrawals ensued for four days. The media reporting was based on a report prepared by Neville Cullen, former director of the Home Building Society, for the building societies that advocated a number of changes to strengthen the sector. Selective parts of the report were apparently leaked by Ray Clohessy, secretary of the Building Workers' Industrial Union, adversary of building societies and advocate of state housing, to Hancock. Hancock intended to harm the government in the forthcoming election, but instead the report became a weapon to attack the sector (Moore, 1987).

The State opposition leader John Tonkin brought into the campaign a promise to reduce building society interest rates by ¾ to 1½ percent a year on both new and existing loans. He was guided by the Cullen report, backed by the Housing Loan Reform Movement, and lobbied by the R&I Bank. Watson was shocked at what he saw as the naivety of Tonkin for thinking rates could be reduced by simple government directive without consequently reducing the funds available for lending. He was also angered by their philosophical differences over whether the free market could meet the needs of home loan borrowers.

Watson's view was that the PBS had learnt in 1864, and again in 1970, that maintaining the Society's financial stability was essential to its ability to assist borrowers, and this in turn needed a sensitivity to market conditions. Unfortunately, Watson let anger cloud his judgement and his

usual political nous seemed to desert him at this moment. He placed an advertisement in the *West Australian* newspaper rejecting Labor's proposal and urging voters to do likewise. Lourens (1974, p. 425) states this was done unilaterally by Watson, while Moore (1987, p. 78) suggests that he had the approval of the PBS board. Figure 17 shows this advertisement.

Figure 17: Watson's advertisement in the *West Australian* 1971

An important message to
150,000
Building Society Investors

Labor's policy to reduce home mortgage rates is well meaning but it will have the effect of considerably lowering the earnings on YOUR savings.
 We gave you the 7% which is equal to the bond rate—set by the Federal Government.
 You, the investor, are ENTITLED to the market rate at all times, whatever it may be.

LABOR'S POLICY WOULD MEAN

To you the Investor—A substantial reduction in the present day earnings on your hard-won savings.
 To you the Home Seeker—A long wait for your housing finance because the supply of funds can only be drastically reduced.

Don't let anyone interfere with your rights

Perth Building Society

Established 1862 Assets exceed \$100,000,000.
 Head Office: 25 Barrack Street, Perth. Telephone: 259855.
 Receiving offices in Terrace and City Arcades, Perth and at Floreat Forum.

Where thousands save millions!

Authorized by Sir Keith Watson, Chairman, Perth Building Society, 25 Barrack Street, Perth.

Source: Moore (1987, p. 79).

Watson's advertisement was published the day before polling day 19 February 1971. It was an unprecedented intrusion into overtly partisan and electoral politics that did not serve the Society or its members well. In response, on election day, all the other WA building societies placed a joint advertisement disassociating themselves from Watson's advocacy. However, the die had been cast, and that same day, the first in which newly-enfranchised 18–20-year-olds would vote, the Brand government fell by just one seat to Tonkin's Labor Party. The folly of Watson's intemperate message would soon become clear.

The new Tonkin government was not slow to respond. The Labor Party withdrew its funds from the PBS and recommended others do the same. A building slump then in progress was blamed on the building societies for over-lending leading to over-construction, and Tonkin appointed a panel to consider the issue of interest rate controls to implement his election promise. The R&I Bank continued to join with the private banks in insinuating building societies were unsafe. This factor was exacerbated by open conflict in New South Wales between banks and building

societies, and later in 1972 by the Commonwealth Bank Officers' Association who sought to relax Commonwealth banking controls by cutting down building societies as unreliable and unsafe.

The WA building societies sought to pre-empt Tonkin by reducing borrowing rates by half a percent in March 1972. Tonkin shelved his legislation for the time being and appointed another expert panel that included two building society representatives, which came back with a proposal to establish an independent commission to set building society interest rates.

The building society sector had already been adapting to the changing environment. More emphasis was placed on improving government relations to counter the behind-the-scenes lobbying of the banks; a permanent secretariat for the Australian Association of Permanent Building Societies was established in Canberra (at Sorensen's behest); accepting successive crises as the 'new norm' to which the societies had to adapt; and placing more emphasis on maintaining high ethical standards and avoiding conflicts of interest to undermine the banks depictions of the industry.

This last point received unexpected reinforcement when the managing director of the St George Building Society in New South Wales came under strong attack on a TV current affairs program in March 1973 for supposed conflicts of interest. Nevertheless, this happened in the eastern states and while causing heavy withdrawals and affecting the loan approvals of some societies there, the WA societies remained relatively unaffected. Even so, the situation had not been helped by the Federal treasurer joining in the attacks on building societies and having to be publicly reprimanded by the Federal Labor Government Prime Minister Gough Whitlam.

Watson's passionate but mis-timed advertisement was followed shortly afterwards by his retirement from the chairmanship and the board. Both Lourens (1974) and Moore (1987) note that his retirement was not as a result of the advertisement, but instead that the advertisement heralded the declining health of Watson who was now entering his 70s. After the long chairmanship of Fisher, the board had instituted a 70-year age limit on board membership, and this now gave Watson a graceful exit. By the time he died only two years later he had been living in supported aged care for some time (*Canberra Times*, 23 January 1973).

Watson's departure from the board and then death coincided with the entry of Britain into the European Common Market on 1 January 1973. It also coincided with the Whitlam government's surprise decision to slash tariffs by a quarter across the board on 18 July 1973 (Millmow 2023). The world in which PBS had moved for 110 years lurched into a different gear and things would not be the same again.

THE DEMISE OF THE SOCIETY 1973-1987

The establishment of a full-time Australian Association of Permanent Building Societies (AAPBS) secretariat in Canberra proved to be a timely move as the flow of building society regulation and control imperceptibly began to move from the State capitals towards Canberra, and the idea of building societies operating across state borders was beginning to be broached.

Another sign of the new times was the changing make-up of the PBS staff, and the way the executive team saw their work as partly responding to, and partly leading, an evolution in the Society's objectives. Graeme Matthews, engaged in 1963 as an accountant, had by the early 1970s risen to the role of Assistant Manager to Sorensen. At this moment the locus of authority within the PBS was moving from the directors to professional management, in which Matthews was a key figure. Matthews articulated the PBS objectives in 1970 as meeting a community need for financing for shelter at the lower possible cost to the borrower. While thrift remained a worthy goal, it was by now clear that small personal savings were unable to finance demand for housing finance, which had to be supplemented from elsewhere in the capital market.

Building society finance remained in high demand, something that mystified Premier John Tonkin as their 7¾ percent loan rate was higher than any of the other financial institutions. The answer lay in the lower rates of other institutions being subsidised by government and their low loan limits of \$9,000. The average PBS loan at the time was \$13,670 and so the demand, according to PBS, was a rational response to the social need for housing.

The Society had broadened its investment appeal, and had also begun developing a branch network, initially in Terrace Arcade in 1970 and then City Arcade later the same year. The move to the first suburban branch in Floreat Park, championed by Matthews, was a success and by 1973 the PBS had fourteen metropolitan branches handling 56 percent of transactions with the Society.

The PBS had also merged with the Bunbury Building Society in 1973, taking its activities beyond Perth for the first time. With these changes, the PBS was becoming better able to deal with the question of the moment, which was the removal of political control over interest rates. The need to do so was enhanced after the March 1974 State election which saw the replacement of the Tonkin Labor government by a Liberal-Country Party coalition government of Premier Charles Court.

CRITICAL EVENT: THE HOME BUYERS' REBELLION, 1974

The change of government removed the threat of State control of interest rates, but the Federal government rushed into the gap with legislation to bring non-bank financial institutions into line with the banks and subject to federal control of interest rates. The *Financial Corporations Act 1974* was passed by the federal parliament, but the section to control interest rates was never proclaimed before the Whitlam Labor government was replaced by the Liberal-Country Party coalition government of Prime Minister Malcolm Fraser at the December 1975 election.

During this period the building societies in WA had raised their interest rates in March 1974, and again in June 1974 to 12 percent. This effectively doubled what it had been at the same time in 1973. This was not well received by borrowers who were also struggling with rising inflation running between 16 and 20 percent in mid-1974.

By 1974 the Home Loan Reform Society was largely in abeyance, but the underlying factors from which it had sprung in the form of unstable and rising interest rates continued to affect home buyers. Inevitably, a successor to the Reform Society arose with the founding of the Independent Home Buyers' Action Group (IHBAG), headed by Lesleigh Benda, a journalist and daughter of the

former Tonkin government's Housing Minister Arthur Bickerton. Relations between IHBAG and the building society movement ran hot and cold.

The PBS director Geoff Gadson, who was also president of the WA Permanent Building Societies Association (WAPBSA), attended IHBAG rallies to defend the industry's position, which was not always well received. At other times the WAPBSA funded IHBAG lobbying trips to Canberra. However, while IHBAG gave voice to home buyer's fears of losing the roof over their heads and being subjected to what they perceived as the arbitrary whims of heartless men, Moore (1987) argues that the situation was the logical consequence of an expansionary Federal economic policy at the same time as worsening global economic conditions that made the regulated finance markets unable to respond to market forces.

A number of packages were devised by the building societies. Some of these involved government funds, to soften the impacts, such as reducing payments and extending the loan period. Others suggested government-subsidised interest rates. However, while these were taken up they did little to reduce public protests. According to Moore (1987) the birth of the 'mortgage belt' was born around this time, although the earliest media usage appears from the early 1980s. This was the idea that there were extensive swathes of new suburbs peopled by young couples in mortgaged homes where the costs of servicing the mortgage represented a high proportion of household income.

Whether governments could control the economic forces at work didn't matter, they were blamed for the problems experienced by mortgage holders. The Federal government's response was to commission the Housing Interest Rates Inquiry Committee (the Lewi Committee) to which both Benda and Gadson were appointed. This reduced the protests and absorbed the energies of campaigners, and by May 1975 when its report was issued the issue was petering out as a public concern as interest rates began to fall from their June 1974 peak.

This was assisted by the introduction of tax deductibility for mortgage interest from January 1975 (something that Watson had long argued for). PBS approvals for loans had fallen during this crisis, and the high interest rates had caused an outflow of investor funds to take advantage of rates elsewhere. However, the 12 percent mortgage rate and a 10 percent no fixed term share rate from mid-1974 had drawn funds back into the Society and despite gloomy predictions the flow of mortgage applications also began to increase. PBS and the other WA building societies had weathered the 'revolt', and public confidence in the State's societies remained high.

However, it had become clear to the PBS directors and executives that investors put their money into the Society essentially from a desire to earn high interest rates and would not hesitate to move their funds whenever a better offer appeared. Investors were not placing funds with the Society from any sense of loyalty to Western Australia, or any philanthropic desire to assist new home buyers as they once did. The PBS would have to compete in the marketplace more actively for funds if it was to retain its role as the largest provider of home loans.

It would mean moving well away from relying on small depositors and investors. It would mean abandoning the tradition of treating all members equally and moving away from the founding principles of mutualism and co-operation. The home buyer's rebellion of 1974 may not have

achieved much for home buyers, but in its wake the demise of the PBS's mutual spirit led it down the path to demutualisation altogether, abandoning mutualism for which the concurrent rise of professional managerialism had no use.

THE RISE OF THE EXECUTIVE, 1975+

The PBS embraced the 1970s with confidence. From 1972 the annual reports became lengthy, glossy publications. At the same time the Perth Wesleyan Property Trust put a proposal to the board for a large re-development of their site in William Street around the historic Wesleyan Church, with the PBS to fund the development of a 10-storey office building and retail arcade with the office building leased back to PBS. The Barrack Street building had become overcrowded, and the PBS accepted the proposal.

The new building, in a similar modernist concrete and glass style to Barrack Street, opened in January 1976, with the Barrack Street offices relegated to back of house functions and a branch role. The new William Street building included an innovation that marked the new times. This took the form of an exclusive manager's lounge separated on an upper floor from the other staff facilities.

Computerisation of financial transactions was also major issue facing the PBS. Its transition had really begun in 1970 when Matthews had been sent to California to attend a training session on the business applications of computers and then spend a month studying the operations of the Savings & Loan Associations, the US equivalent of building societies. In 1973 an IBM electronic data processing system was installed (for the huge cost of \$630,000) in the PBS office. By mid-1976 the system was operating. At the same time office automation began in earnest, and a pool of seventy typists were replaced by only twelve, word processor operators, and a significant de-skilling of the PBS female staff.

However, some of the most significant changes were taking place within the Society's board and management. After Sir Keith Watson's retirement from the PBS board, he had been succeeded by his son Neville Watson, who was a lawyer and Methodist clergyman. The younger Watson retired in 1975, just three years after assuming the role. He was replaced by the first academic appointment to the board.

The new PBS director was Professor Alexander Kerr, a foundation professor of economics at the new Murdoch University. Kerr had been awarded the first PhD in economics at UWA in 1956, in the developing field of national income estimation (UWA Impact, 2019). He had already developed a reputation for advising business and government on economic matters and was strongly committed to the free enterprise system while keeping an 'egalitarian social bent' (Beazley, 2019). Professor Kerr would bring to the PBS board a greater understanding of the changing economic environment of the late 1970s in the wake of the interest rate and home buyer tensions, for which a new type of manager was needed with a sound understanding of theoretical business practice.

In 1977 Kerr proposed to the PBS board that they fund a research fellowship in finance at Murdoch University. In addition to good publicity the PBS would also be able to make use of the research in relation to the building society industry. In May 1978 the inaugural PBS Research

Fellow in Finance was announced as Robert Elstone, a graduate with a first-class honours in finance from the University of London, who was engaged in postgraduate studies at the University of Manchester.

Elstone had no previous experience with building societies or co-operative mutualism, but he was engaged to work from October 1978. He was soon producing articles for the PBS journal *Milestones*, and in January 1979 when the federal treasurer John Howard appointed an inquiry into the Australian financial system headed by Keith Campbell, CEO of the large finance and property developer Hooker Corporation, the PBS chose Elstone, under the nominal management of Graeme Matthews, to research and prepare the Society's submission.

Elstone was a rising star within the PBS management team. For example, prior to the opening of the new PBS building, in 1975, Sorensen, Matthews and Pat Ryan, Assistant General Manager Finance and Administration who had overseen the William Street project, formed a three-man Executive Committee that became the key powerbase within the Society. The one person who maintained easy access to the group was Elstone (Moore, 1989).

CRITICAL EVENT: THE CAMPBELL REPORT, 1979

The Australian Financial System Inquiry of 1979, also known as the Campbell Inquiry, was the first such investigation since the 1936 Royal Commission into Banking. It was given very wide terms of reference to examine every aspect of the Australian financial system, including the Reserve Bank, which had been established in 1959.

The inquiry had come about partly as a result of the 1974 interest rate crisis which had revealed the controls over the financial system were *ad hoc* and applied differently to different sectors. The Federal Liberal-National Country Party coalition government of Prime Minister Malcolm Fraser adopted a strong neoliberal political philosophy and viewed the underlying structure of the financial system as in need of reform.

The banks were pushing for the inquiry because they argued the regulations prevented them directly competing with other financial players such as building societies and credit unions. Soon after the inquiry was announced, the *Australian Financial Review* newspaper made a fairly accurate prediction of the likely conclusions. Recommendations it said would be obvious to anyone closely watching the finance industry. The inquiry members were all insiders in the industry, and the key word was 'deregulation'.

Moore (1987) argues that the controls over the banking system resulting from the 1936 inquiry, and especially since the Second World War, had effectively kept interest rates artificially low and created a large domestic savings market directed towards financing owner-occupied housing. This had given Australia one of the highest levels of home ownership in the world.

However, the 'need' for an inquiry was publicly provoked in 1979 by spurious rumours of building society instability on talk-back radio in Sydney. The fear created a run on the St George Building Society in New South Wales, in which the Labor Premier Neville Wran had to personally reassure depositors that their savings were safely backed by the State government. This led to several eastern states building societies calling for a national deposit insurance scheme.

Their call met with opposition in Western Australia where the building societies were unwilling to prop up unstable financial institutions in the east. The WA societies pointed to the WA building society legislation rendering such situations highly unlikely to occur here, and it did not want its regulatory framework to be 'bought down' to the level of the eastern states societies.

These matters would be canvassed by the Campbell Inquiry, and the PBS board decided to make a submission to the Inquiry. Elstone was given the task of preparing the document. Preparation of the submission was conducted by the graduate middle managers, who Moore (1987) described as "all imbued with the latest brand of economic orthodoxy imparted to them by their mentors at the universities", by which he meant monetarism not Keynesianism (Moore, 1989, p. 116).

Submissions were also made by university academics in commerce and finance, which tended to support the submissions prepared by their graduates. These were not the sources from which the PBS had previously generated its submissions and influences in the pre-1974 world, and the key themes in the submissions would have left old PBS hands like Stone, Alexander and Watson aghast.

The post-Keynesian monetarist philosophy called for the free reign of market forces because, they said, the finance industry lacked externalities, or indirect costs or benefits to uninvolved third parties. The monetary system should not be used for pursuing social ends in the way that interest rate controls made housing finance accessible to ordinary people. Instead, such social ends should be left to government fiscal policies, such as the direct provision of funds as had occurred since 1945 under a succession of Commonwealth State Housing Agreements (Pawson *et al*, 2020).

The Campbell Inquiry received little publicity outside finance circles. Moore (1987) attributes this to the long period of post-war financial stability that raised little public interest in how the finance system worked, and highly-specialised economists and financiers making little effort to engage lay people in their fields of expertise.

The economy was largely predictable and therefore largely unnewsworthy, and even events such as the interest rate crises of the early 1970s, or the confected St George crisis of 1979, appeared resolvable by public pressure on politicians, without any real need to understand the workings of the financial system. Unpredictability was unexpected, and only two of the hundreds of submissions received by the Inquiry, both from bank staff unions, went against the call for deregulation. This lack of opposition reinforced perceptions of a lack of externalities, and along with the ideological impetus from the Liberal-National Country Party Federal government, deregulation would carry the day.

The Campbell Inquiry's consideration of the statutory controls over savings bank interest rates and investment portfolios was the area with likeliest potential to affect ordinary building society members and customers. The building societies and banks both acknowledged some deregulation in this area was likely, and the PBS submission prepared by Elstone set out a view that controlling bank interest rates no longer had the effect of allowing wider access to housing finance by middle- and lower-income groups.

The banks argued that alternative higher yielding outlets for personal savings and investment savers in building societies and credit unions meant customers were deserting the banks and limiting the funds they had available for lending. The banks responded by requiring larger deposits and restricting eligibility, thus limiting bank finance to higher income earners. This, it was argued, led to interest rate controls causing extreme inequity in the housing finance market. The solution was either to remove all controls and leave mortgage interest rates to be set at levels determined by the market or extend controls to all sectors in the housing finance market.

This latter solution was unacceptable to the Federal government and the times were against it. Instead, it was argued that removing interest rate controls from the banks would free-up (or expose) the building societies and credit unions to competition for savings and force interest rates up, but that would be the price for treating all finance institutions equally.

As the building societies did not want the controls extended to them, they eventually acquiesced to this argument. The home buyer could look forward to higher interest rates, and lower income earners would find it more difficult to obtain loans, but it was argued the government could simply directly subsidise low-income buyers.

The question of the security of funds held in bank accounts had been addressed in 1945 when the Commonwealth Bank (in its then reserve bank role) granted the banks lender of last resort status, guaranteeing depositor funds in the event of any insolvency or illiquidity. The St George crisis in New South Wales led to the calls for similar guarantees for building society deposits that the WA societies had resisted.

They had resisted such moves before and relied upon their local record of security that had given the public in WA the same levels of confidence in the building societies as in the banks. The eastern states societies might need some support in a deregulated market, but in Western Australia the PBS could argue that the State legislation's prudential requirements and the track record of local building societies made such support unnecessary, especially if it involved any sort of national building society legislation. The PBS submission favoured the *status quo* – no interest rate controls and the retention of State building society legislation. Building societies should be left to get on with the job even if controls were lifted from the banks.

Sorensen, Matthews and Elstone all gave evidence in person when the inquiry sat in Perth in December 1979, and aroused much interest because they challenged the views of the eastern states societies. Matthews and Sorensen relied on the historic security of the WA societies, and their research that indicated people who preferred banks only did so because of the greater range of facilities they could offer, not concerns about security.

They rejected the idea that the societies could simply become banks in order to compete. This view was based partly on the grounds that the term 'building society' had high reputational value and clearly differentiated their focus on housing finance. In addition, it was also attractive to the remaining philanthropic investors who could see their funds used for local social and economic benefits. However, newer views were emerging within the PBS and were given voice by Elstone. In this regard Elstone made his own personal submission, in which he argued for a greater role

for the societies in a deregulated environment such as personal loans, credit cards and cheque facilities. He envisaged little differentiation between the societies and banks.

As the inquiry drew to a close, Elstone's two-year university fellowship also came to an end, and he accepted a consultancy with the Inquiry as it considered the evidence and prepared its report. The Inquiry chair, Keith Campbell, was now hinting that the major banks could expect more competition in a deregulated environment, and the financial press were suggesting that at least the larger building societies could convert to savings banks.

Elstone, as well as the Inquiry consultancy, also accepted a new role in the PBS as Assistant General Manager Finance and Planning, formalising his place in the executive team, while Sorensen and Matthews commenced a corporate restructuring within the Society to prepare for the new world. The final report of the Inquiry was issued in September 1981, by which time the old PBS was already being transformed.

THE DEMISE, 1981-1987

This period is covered in some detail by Moore (1987) and only the highlights are considered here. One representation of the Society's changing character can be seen in its marketing. Since the late 1970s the PBS had used the slogan 'People Helping People' in all its advertising. The focus was on the PBS's people, its staff, helping other people, its members, whatever walk of life they came from. The Society was presented as more interested in people than profit. There remained a lingering belief that the PBS was still a semi-charitable not-for-profit organisation providing an important social service. The Society began to actively sponsor 'worthy causes' rather than provide straight-out donations to charities, which it had always avoided anyway.

In 1978 it sponsored the purchase of a large oil painting by the Art Gallery of Western Australia on condition that an inscribed plaque acknowledging its support was placed next to the picture. In the same year it began to sponsor the Festival of Perth with its name prominently displayed on festival materials. In 1979 it allowed its computer system to be used for compiling the *Dictionary of Western Australians*, a mammoth multi-volume biographical dictionary produced to mark the State's 150th anniversary. The largest sponsorship was support for the WA Sheffield Shield cricket team of up to \$30,000 per season, but not every approach to the PBS met with success. A request to support the 1980 America's Cup challenge yacht, *Australia*, was rejected. The slogan persisted into the 1980s, reassuring people that despite all the changes taking place it was still the same old, trustworthy PBS.

At the same time interest rates on housing loans were rising again and by mid-1981 were back to 12½ percent and twelve months later at 14 percent. Yet borrowers were better prepared for volatile rates, and as deregulation escalated the backlash of the early 1970s never eventuated. As Moore (1989) writes,

"... the PBS Annual Report for 1982 remarked, without comment, that rises in interest rates had begun to remove the possibility of home ownership for increasing numbers of lower income earners. There were some people PBS could no longer help' (or were not interested in helping) (Moore, 1989, p. 127)."

'People Helping People' was a slogan that maintained a façade that masked the profound changes taking place in the PBS in the post-Campbell economy. The executive group in the PBS saw these changes by now not as threats but opportunities. Elstone's view was that the perception of the PBS as a mutual organisation not focused on profit was outdated, but some board members clung to the idea that the PBS was a co-operative building society.

However, Moore (1987) suggests that the PBS board had by now been thoroughly eclipsed by the executive in power and importance. Elstone was given his own department, Finance and Research, staffed with a small number of economics and finance graduates, that produced a steady stream of papers and recommendations to the board on how the Society could take advantage of the new environment through expansion. Mutuality quietly slipped from the PBS lexicon.

Expansion could be pursued both vertically and horizontally. Horizontal expansion focused on new customer services and products. During the early 1980s the Society began to take on many of the functions previously restricted to savings banks. These included the establishment of a travel agency (People Travel), a general insurance (PBS Insurance Pty Ltd.) arm. Vertical expansion took several forms. This included an attempt to establish a merchant bank through a joint venture with a foreign bank. Additional strategies involving money-market trading, and inter-state operations were explored.

The Society also engaged actively with the adoption of electronic banking and credit cards. For example, in 1980, the PBS installed an Electronic Funds Transfer (EFT) system with an industry-wide card called the Cashcard. This shift in technology included the development of a building society industry-wide Automatic Teller Machine (ATM) network from 1982 that accepted the Cashcard and included a Visa credit card in 1983. This was followed with a cheque book system in 1985, and the provision of unsecured consumer loans through PBS Financial Service the same year.

Market penetration by building societies in Western Australia was very high by this time, with nearly two-thirds of the State's population holding a building society account. The local market was saturated, and WA was a capital-poor state with not enough funds to meet all the demands for finance. On the other hand, Victoria was capital-rich, and in June 1981 the PBS decided to move into the Victorian market by taking over an existing building society, the small National Permanent Building Society.

This was the first inter-state takeover attempt of a building society, which ultimately was unsuccessful, but hopes had been raised. In 1982 Graeme Matthews opened negotiations with the Hotham Building Society in North Melbourne, and after a series of complexities were overcome, the 'merger' was publicly announced in July 1982. This was the first inter-state takeover by one building society of another, and soon other inter- and intra-state mergers followed as smaller societies were swallowed up by larger. The takeover of Hotham was followed in January 1983 by Sorensen's appointment to the board while retaining his executive position, the first time this had been done. In Western Australia the WA Building Society, which had begun life as a Starr-Bowkett Society, was taken over by Town & Country Building Society in 1986.

In December 1983 Rob Elstone resigned to move to the United States and joined a management program at Harvard University. In August 1984 Graeme Matthews resigned and moved to Adelaide to head the Hindmarsh Building Society. Between 1980 and 1986 the whole executive team had turned over with younger new men (still no women) taking on the roles.

With deregulation and the collapse of market segmentation in housing finance, the skills gained in one financial institution were easily transferable to any other, and the days of a long career in the PBS were over. Staff and even board members no longer had any real consciousness of the long history and traditions of the PBS and any role for the past in shaping the future of the PBS were discarded.

The next moves, considered radical only a decade earlier, were now uncontroversial. Unprofitable branches were closed, and counter staff were retrained as salespeople to promote investment products. In April 1986 the Federal government finally deregulated interest rates on loans from the private banks. Movement towards becoming a savings bank were now an open secret within PBS and becoming public knowledge.

In October 1986 the board resolved, while meeting in Vienna, on the advice of the executive, to apply for a banking licence. There was little more that the Society could achieve as a bank than it could already achieve in the post-Campbell environment, but the cause was championed by Pat Ryan who had succeeded Matthews. He persuaded the board that acquiring a banking license and converting to a listed public company was the only way PBS could continue to accept funds from the public and continue to provide shareholders with marketable security. He later said,

"... it was the proper decision for the Society given its ambitions in the competitive environment in Australia. To the question was it the right decision, I would respond, as I do to my own staff, by saying 'I don't know, but if we are around in five years' time to ask the same question, then at least we will know it was not a wrong decision (quoted in Moore, 1989, p. 151).

The formalities proceeded rapidly after the Vienna decision, and on 16 April 1987, on Good Friday-eve, the Perth Building Society closed its doors for the last time. On the Tuesday after Easter Monday, 21 April 1987, the entity with new livery and badging opened its doors as Challenge Bank and the slogan 'Take the Challenge'.

POSTSCRIPT, 1987-1995

The old 'People Helping People' slogan and advertising was seen no more. In its place the slick television advertising for Challenge Bank featured the young, urban, professional couples soon to be known as Yuppies. Moore (1987) ended his history with what now appears as a satirical conclusion,

"PBS had finally become what George Stone had envisaged in 1862: a superior kind of savings bank (Moore, 1989, p. 156)."

Challenge Bank made it past Ryan's five-year threshold for success, but only just. In December 1995 it was purchased by the Westpac Bank, and the Victorian parts of the business (ex-Hotham Building Society) were sold to the Bank of Melbourne (itself the former RESI Statewide Building

Society) in 1996. These assets returned to Westpac in 1997 when it purchased the Bank of Melbourne. The name Challenge Bank lingered for a few more years in Perth, with a Westpac logo, until about 2003 when Westpac 'retired' the branding of its Challenge Bank Division.

Sic transit gloria societatis aedificationis.

THE CAUSES OF THE DEMUTUALISATION

In retrospect, the transformation within the PBS over the period from 1975 to 1987 appears to have been guided all along by an intention to convert the society into a bank, but this goal does not seem to have been foremost in the statements and actions of the executive team, at least in any public utterances. One thesis is that the PBS became a captive of an ideology of managerialism within a wider context of economic and political neoliberalism sweeping Australia.

Moore (1987) focuses on the role of leadership within the PBS, suggesting that the Society demutualised after just a decade of adopting a 'managerialism' mindset. In this scenario the primary architects and instigators of this march towards demutualisation were Professor Alexander Kerr and his protégée Dr. Robert Elstone. Moore (1987) suggests that it was Professor Kerr who opened the PBS door to managerialism, noting that most of the new middle-level managers employed by the Society in the late 1970s were university graduates. Which assumes that they were, through their university education, inherently managerialist in nature.

In his assessment of the role played by Professor Kerr, Moore (1987) also observes that when managers had been appointed to the PBS in the past, such as Sorensen and Matthews, the PBS board had required them to demonstrate a commitment to the co-operative principles and mutualism as a prerequisite. Matthews' previous managerial experience with the Quairading Co-operative Society was an example. However, by 1980 the focus for the appointment of managers was more on their technical skills and experience in the operation of organisations, whether a co-operative, mutual, or investor-owned firm (IOF), in any business environment (Quiggin, 2003). According to Moore (1987), the architect of the transition within the PBS from a mutual entity to an IOF was Professor Kerr.

However, it should be understood that as any organisation grows in size and complexity, it must also develop internal systems of management and control in order to maintain its coherence and competitiveness. A balance must be found between four elements. The first, is the environment in which the organisation is operating. The second, is the structure (configuration) of the organisation. The third, is the leadership (e.g., board and executive) of the organisation, and the fourth, is the strategy (e.g., vision, purpose/mission) of the organisation. As an organisation grows, it must navigate through a continuous interaction between these four elements (Miller, 1987). To understand the changes taking place within the PBS during its final years it is important to examine the interplay between these internal and external forces.

However, compelling as the case against Professor Kerr as the architect of the demise of the PBS may seem, it only focuses on one of the four elements that influence how organisations evolve. It suggests that only leadership mattered in shaping the fate of the PBS. This is too narrowly focused

and ignores the roles played by environment, structure, and strategy. After surviving 110 years as a dedicated mutual enterprise, focused on a singular purpose, why did the PBS chose the path of demutualisation?

Any meaningful assessment of why the PBS demutualised needs to examine the behaviour of its organisational leadership within the context of the political, economic and regulatory changes that were sweeping through the global financial systems at the time. As the historical evolution of the PBS has already shown, navigating these forces was a constant challenge facing all the boards since the establishment of the Society in 1862.

THE NATURE OF NEOLIBERALISM, MANAGERIALISM, AND ASSOCIATIONISM

To understand the forces allegedly driving the demutualisation of the PBS we need to examine the nature of neoliberalism and managerialism, but also the concept of associationism.

Table 3: Neoliberalism versus Managerialism

Neoliberalism	Managerialism
<ul style="list-style-type: none"> • The introduction of market-type mechanisms and competition. • The commodification of services. • A focus on value for money and doing more with less (i.e., efficiency). • Central regulation and/or control. • The adoption of an entrepreneurial culture. • A shift of priorities from universalism to individualism. • An emphasis on service quality and consumer orientation and choice. • Greater flexibility of pay and conditions. • The growth of contractual relationships (e.g., purchaser-provider). • A blurring of public-private sector boundaries and increased scope for private sector provision. 	<ul style="list-style-type: none"> • The adoption of a more business-like approach and private sector practices. • The establishment of a management culture. • A rational approach to management (e.g., strategic planning and objective setting). • A strengthening of the line management function (e.g., performance management). • Adoption of human resource management techniques to secure employee commitment. • A shift from inputs and processes to outputs and outcomes. • More measurement and quantification of outputs (e.g., performance indicators).

Source: Shepherd (2018).

As summarised in Table 3, neoliberalism and managerialism share some common features. Like many sociologists Shepherd (2018) views managerialism in a negative light, seeing it as a process of a managerial class, guided by the teachings of business schools, that implement “control technologies” such as performance metrics and best practice methods. This perspective views managerialism as a by-product of “New Right” ideology with its origins in ‘Taylorism’, a reference to the scientific approach to management introduced by Frederick Taylor in the late nineteenth and early twentieth centuries (Taylor, 1911).

Although both neoliberalism and managerialism are ideological constructs, only neoliberalism is political in nature. While neoliberalism is focused on economics and politics, managerialism is principally focused on the efficient configuration and operation of organisations. However, it is

generally viewed as a negative force within the field of sociology (Klikauer, 2015). This is reflected in how Shepherd (2018) views managerialism.

Klikauer (2015) challenges the view that these two concepts are as closely related as some might suggest, or that managerialism is even an ideology. Neoliberalism is arguably a broad ideology of free-market capitalism, deregulated capital markets, removal of price controls, state interference, and the privatisation of public assets. It was a feature of the political ideology of the Liberal-National Country Party coalition of Prime Minister Malcolm Fraser in the 1970s. It influenced the deregulation of the Australian financial services sector that emerged from the Campbell inquiry in 1979, which was consistent with its philosophical beliefs.

By contrast managerialism is the reliance within organisations of professional managers and associated business principles focused on efficiency. If it is ideological in nature, this stems from the belief that all organisations respond to common forces and can be managed via generic techniques and principles. These beliefs have spread from business enterprises across all types of organisation including government agencies and the wider society (Klikauer, 2015). As an ideology (if indeed it is one) managerialism has evolved via the formula,

Management + Ideology + Expansion = Managerialism (Source, Klikauer, 2015 p. 1105).

In assessing the roles played by neoliberalism and managerialism it is important to also consider the countervailing theoretical and practical ideological foundations from which the PBS was born. The co-operative and mutual enterprise movement is built on the foundations laid during eighteenth and nineteenth centuries by philosophers, philanthropists, and economists who sought an alternative to neoclassical economics and Marxist socialism. It was a choice of free market privatisation versus state ownership and control (Kaufman, 1999). While neoliberalism is distinct from neoclassical economics, it has drawn much of its ideas from that field of economic theory and can be viewed as an extension of it (Birch, 2015).

In response to both neoclassical and Marxist economics, the concept of mutual or “collective” ownership, the *Collective Economy*, offered a middle path. The creation of friendly societies, building societies, and co-operatives was a practical demonstration of its theories applied to action. As a political theory the intellectual roots of this movement can be traced back to the French aristocrat, philosopher and diplomat Alexis de Tocqueville (1805-1859), who proposed the concept of *Associationism* or Associative Democracy (Hirst, 2007).

Neoliberalism advocates private ownership, free and open markets, and limited government regulation. By comparison Marxism advocates collective ownership but regulated and state-owned enterprise. In contrast, Associationism views socioeconomic well-being within society as being based on self-governing, autonomous, democratically controlled associations, that enable individuals to join together, pool their resources, and achieve shared goals to address common needs (Kaufman, 1999). It was a vibrant part of mainstream economics in the nineteenth and early twentieth centuries (Milhaud, 1950; Reisman, 2011). However, from the 1950s onwards the field of co-operative and social economics was abandoned by mainstream economics (Kalmi,

2007: Altman, 2010). It has also largely disappeared from university business schools leaving a gap in the western education system that deserves addressing (Novkovic, Puusa & Miner, 2022).

Given the role played by the PBS executive team of Sorensen, Matthews and Elstone it could be argued that the Society became a captive of a neoliberal managerialist clique that deliberately aimed to move it towards demutualisation. As discussed previously, it is a view that Moore (1987) seems to have held. This suggests an interrelationship between neoliberalism and managerialism exists and existed within the leadership group of the PBS. However, this may not be a valid judgement and the behaviour of this leadership team should be examined within the wider context of the other three forces of the environment, organisational configuration, and strategy in the Society's final years.

THE ROLE OF ENVIRONMENTAL TURBULENCE

Financial markets, with their propensity to experience volatility leading to the collapse of banks and other financial institutions, were traditionally a major target within government regulations. For example, there were two Royal Commissions, held in 1870 and 1871, into the British friendly societies, which resulted in the *Friendly Societies Act, 1875*. This legislation required all societies to be registered and their financial status and solvency was regulated to ensure that they could meet their financial obligations (Davis, 1876).

As previously discussed, *Benefit Building Societies Ordinance, 1863* and the *Building Societies Act 1920 (WA)* played a significant role in regulating the environment and operations of the PBS during the nineteenth and twentieth centuries. This demonstrates the critical role that government regulation plays in the fortunes of both the co-operative and mutual enterprises (CMEs). However, just as government regulation can provide a positive environment for financial mutuals such as the PBS, so too can it create significant environmental uncertainty.

During the decades following the Second World War the building societies in the United Kingdom (UK) grew strongly. These institutions had also spread across most of the British Commonwealth, notably in Australia, New Zealand, Canada, and Jamaica, taking their business model and culture from the UK experience. Within the UK, they dominated the home lending sector, comprising around 29.5 percent of the financing for owner-occupied houses in 1950, 43 percent in 1962, 55 percent in 1978, and 61 percent in 1984 (Barnes, 2014).

However, according to Barnes and Ward (1999), poor governance and leadership within some UK building societies had led to government regulation designed to bring such 'rogue' behaviour under control. The framework provided within the UK for this was the *Building Societies Act, 1960*, which regulated the financial management and reporting of the building and friendly societies for the rest of the twentieth century (Bátiz-Lazo & Noguchi, 2014). Yet it was later revised in 1962 to tighten up 'rogue' behaviour in the form of speculative lending by a minority of building societies (Barnes, 2014).

British building societies, like their Australian counterparts, enjoyed benefits under legislation that were not available to the savings banks. Their lending was for secured mortgages and linked to personal savings deposited by the borrowers. There were also tax provisions that favoured the

societies, enabling them to pass on surpluses to members by way of higher interest on deposits (Barnes, 2014).

A similar pattern existed in the United States, where the Savings and Loans (S&L) associations used a mutual ownership business structure to achieve the same purpose as the building societies. Tracing their origins back to 1831, the S&Ls were modelled on the UK building societies, and originally referred to as Building and Loan Associations (B&Ls). Originally regulated by State governments, they were brought under Federal regulation during the 1930s as a consequence of the Great Depression.

As with the UK, the post-war boom that took place during the 1950s and 1960s saw a rapid growth in S&Ls across the USA. By 1965 there were 6,071 S&Ls operating in the US (Mason, 2004). The growth of the building societies in Australia and Britain, and their S&L cousins in America from 1950 to 1980 was facilitated by the legislation and regulations that offered insulation from market competition, plus some preferential taxation benefits (Barnes & Ward, 1999).

However, there was continuous political debate over whether these regulatory arrangements for these financial mutuals were in the best interests of free-market competition. They reportedly raised the ire of US President John F. Kennedy who in 1962 threatened to “blast” the S&Ls in the same way that he had the US steel manufacturers in relation to the high cost of steel (Mason, 2004).

The impact of the Campbell inquiry has already been discussed. However, the changes it brought within the Australian financial services sector were part of an international trend that impacted building societies, credit unions and similar financial mutuals throughout the world. A feature of the 1980s and 1990s across many countries was a push towards market deregulation. The removal of government regulations and controls, plus the privatisation of state-owned enterprises (SOEs) became a trend not only in Australia, but also in Britain, the United States, and elsewhere.

Market deregulation pressure progressed through to the 1970s and 1980s, with the passage in the United States of the *Depository Institutions Deregulation and Monetary Control Act, 1980*. This transformed the US credit unions and S&Ls increasing their range of services and powers (Mason, 2004). It was mirrored in the UK with the passage of the *Building Societies Act, 1986* that conferred upon the societies a similar expansion of powers and services to savings banks (Boddy, 1989).

The late 1980s and early 1990s also saw a high level of instability within the building societies, credit unions, and S&Ls in the United States, Britain, and Australia. This was caused by a range of factors that included over lending for housing resulting in a collapse in property prices and a major increase in loan defaults (Walsh, 1993; Gardner, 1994). The financial mutuals sector in the UK, US, and Australia was generally one comprising a large number of small, localised institutions, with a few large, and often national enterprises (Barnes & Ward, 1999).

These environmental forces impacting the financial markets of Australia, Britain, and the United States during the 1980s and 1990s provide a background against which the fate of the PBS should

be examined. The evidence from across these three countries suggests that while many financial mutuals did move down the path to eventual demutualisation, it was not inevitable.

For example, research into the effect of market deregulation on the Australian permanent building societies found that most were not adversely impacted by these market changes (Esho & Sharpe, 1996). However, while the PBS demutualised, it was not alone, and it reflected a trend found among many large financial mutuals at the time as they navigated the challenges of a deregulated market environment.

THE ROLE OF ORGANISATIONAL CONFIGURATION

A further issue was the influence of organisational configuration as the 1970s through to the 1990s saw a change in how building societies, credit unions, and S&Ls were managed and operated. As competition in the market increased many financial mutuals in Australia, Britain, and the United States pursued growth as a means to achieve economies of scale and scope, as well as opportunities for diversification in the range of services they could offer to their members (Kaushik & Lopez, 1994).

Growth in scale led to larger and more complex organisations, while growth in scope saw these institutions operating across state or intra-national borders, delivering new services that had previously been outside their charter (e.g., insurance, travel agencies). Another trend in this era was the opening of branches, with the large UK building societies and US S&Ls opening branches across the country, alongside and in competition with smaller societies (Barnes & Ward, 1999). Most large Australian building societies and credit unions expanded their branch networks during the 1980s primarily across the major cities (Grotz, 1997). Something the PBS also did.

As the larger building societies, credit unions, and S&Ls expanded with bigger workforces, they introduced management systems including staff training, and performance measures for branch managers, which focused on profit (Nellis & Lockhart, 1995). In addition, there was a significant investment in technology during this period which significantly enhanced productivity (Glass & McKillop, 2000). However, research into building societies that demutualised during this period found that they had performed better than their IOF bank counterparts in all measures of efficiency, and most of this was attributed to economies of scale rather than technology adoption (Webb, Bryce & Watson, 2010).

The growth and organisational transformation of the PBS during the 1980s followed a pattern similar to that found across many large building societies in Australia and the UK, as well as the S&Ls in America. Growth in structural quantity and organisational complexity, with management systems, new technologies, staff training and performance metrics were all part of a trend that characterised building societies and other financial mutuals around the world.

It should also be remembered that growth was a strategic ambition of Keith Watson for many years, and he had been frustrated by the more conservative James Fisher. As such growth was not an alien concept within the PBS leadership. Further, within any increasingly competitive market it would be necessary for the PBS, whether it remained a mutual or not, to develop its management systems, to ensure that it offered the best customer service, state of art technology, ease of access via a branch network, and efficiency in operations.

That the PBS recruited university graduates, and applied best practice management techniques is unlikely to be a cause of its demutualisation. In fact, the competitive pressures that flowed from market deregulation, and the rise of technology within the financial services sector, would have compelled the PBS to recruit university educated managers, and implement modern management techniques in order to remain competitive whether it remained a mutual or not. This challenges the view that it was managerialism alone that led to the fate of the PBS.

The skills the PBS needed in the 1970s and 1980s were the same as those of any other commercial organisation planning for an uncertain future. They were a necessary requirement for any firm that needed to compete within the rapidly changing market and regulatory environment of that era. However, these skills have been described by Shepherd (2018) as managerialism, and it is implied that this was an extension of neoliberalism, with the latter guiding macro-economic policy, and the former a micro-economic process of its implementation. This introduction of managerialism, while it might have played some role in the ultimate fate of the PBS, seem unlikely to be the primary cause of the Society's demise.

THE ROLE OF LEADERSHIP AND STRATEGY

So far we have examined the roles played by the external environment and organisational configuration in the demutualisation of the PBS. Although these two forces influenced the way the Society's leadership team behaved, and the strategy they followed, they were not the key forces driving demutualisation. This leaves us with leadership and strategy.

The leadership machinations that took place with the PBS over its long history have been outlined throughout this case study. It can be seen from the historical narrative that the nexus between leadership and strategy were continuously at odds within the board and its associated executive team, not to mention government regulators, and the wider membership. The roles played by prominent Chairs such as George Stone, Julian Carr, Laurence Alexander, and Keith Watson in shaping the strategic direction of the PBS reflect their individual characters, as well as their sense of where they saw the Society needing to head in order to remain viable, and able to achieve its purpose. In many respects their personal ideological orientation shaped their strategic vision for the future direction of the PBS.

A major strategic issue for CMEs is the need to align their corporate strategy with their strategic purpose. Issues of growth, range of services and markets to be addressed, the terms of membership, and the use of available financial resources, must all be guided by the organisation's purpose when board-level decisions are made. The loss of sight of the purpose places the CME at risk of strategic drift from its overarching economic and social mission, and usually results in a process of degeneration and demutualisation (Battilani & Schröter, 2012).

The PBS maintained its focus on mutuality during the first century of its history. As previously discussed George Stone, in his role as Chair, maintained a strong relationship with the building societies' "movement" in the UK via his brother William Stone. His focus on making the PBS a permanent rather than a terminating building society, and his knowledge of the principles and philosophy of mutualism, were all important qualities in his leadership.

Julian Carr brought to the Chairmanship a steady hand in times of environmental turbulence. He recognised the importance of focusing on the middle and upper-class members who made up the majority of the PBS membership. At the same time, he brought harmony to the PBS boardroom, and enhanced the professionalism of the Society's management, even though his initial choice of William Ryan as Secretary did not work out. His focus on prudent business management, and delivery of value to members suggests that Carr understood the purpose of a financial mutual.

Laurence Alexander's tenure as the PBS Chair was characterised by steady growth and good management. However, he was faced with high turbulence in both the market and the regulatory environment. It was a period of growth, and also saw the Society's structure undergo changes in staffing and organisational complexity. Alexander's skilful management of the political issues associated with the introduction of the *Building Societies Act 1920*, and the threat of the State Savings Bank, demonstrate his understanding of the importance of maintaining a well-managed business, while also focusing on servicing his members and remaining true to the organisation's purpose. For example, refusing to accept savings deposits of less than £100, not only removed the PBS as a competitor to the Savings Bank, but it also reinforced its focus on a more affluent membership base.

Keith Watson's time as Chair of the PBS was also one of major change, environmental turbulence, and the need to maintain a focus on the Society's purpose, while ensuring that it remained a safe, secure, and well managed business. His political activities, most notably the championing of WA secession from the Commonwealth, proved divisive and soured relations with many key figures in government over the years following that period in the State's history. However, Watson was well-connected with the building society movement both within the UK, and throughout the British Empire. This ensured that as he sought growth and commercial sustainability, his focus remained on the Society's purpose and the preservation of its mutuality.

Having examined the legacies of several of the most prominent Chairs of the PBS, we can now review the role of Harry Sorensen. As the historical record outlined in this paper shows, Sorensen was a champion of good organisational management, market competition, and growth. During the 1960s and 1970s he expanded the Society's administration and management team, moved its marketing communications into a contemporary position, oversaw the construction of the new office building in the Perth CBD, and focused on the younger home owner segment, particularly migrants. His response to the changing environmental conditions of that era did not aim to threaten the mutuality of the PBS, but to ensure that it remained relevant.

WHO THEN WAS RESPONSIBLE FOR THE DEMISE OF THE PBS?

The appointment of Professor Alexander McBride Kerr to the PBS board, and his subsequent recruitment of Elstone, may be viewed as triggering the process of demutualisation. However, in the wider context of the work undertaken by Sorensen and Matthews in the years prior to his appointment, it seems unlikely that he alone was the cause of the Society's demutualisation.

Professor Kerr's personal history paints a picture of a complex, capable, and highly intelligent individual. As a young man he was forced to leave school during the Great Depression and seek employment. He secured a traineeship with the WA Newspapers and hoped to become a

journalist. However, the advent of World War Two saw him join the Army, then move to the Royal Australian Air Force (RAAF) where he became a pilot and flew bombing missions over Germany. He was shot down, badly wounded, and interned in a prisoner of war (POW) camp where he studied with help from the Red Cross, and eventually escaped (on his third attempt) making it back to London (DVA, 2023).

His academic career took root in 1945 when he enrolled at UWA, becoming active in both the Student Guild and the University branch of the Liberal Party. Graduating with a first-class honours in Economics, plus a Master of Arts and PhD. The latter being conferred in 1956. His thesis on income estimation was recognised both within Australia and the United States as, “breaking new ground internationally, in the newly developing field of national income estimation (UWA Impact, 2019).”

It is true that he was a well-regarded consultant to business and government agencies both within Australia and overseas. He was also a director on several company boards in Indonesia and Singapore, but also within industry and community organisations. Beazley’s (2019) valedictory declaring Kerr to being committed to free enterprise and egalitarianism highlights the complexity of his character. While he and Elstone may have influenced Sorensen and Matthews in their final decision to demutualise, it is open to question whether he had this agenda from the start, or did so out of a neoliberalist, managerialist ideological mindset. The evidence for this is thin.

What then led to the decision to demutualise the PBS? The answer most likely lies in the interplay between the four forces of environment, organisational configuration, leadership, and strategy. During its final years the PBS was facing the significant deregulation of the Australian financial services sector, and an international trend towards demutualisation among many building societies, credit unions and S&Ls to adapt or die.

The PBS had faced turbulent environments with numerous legislative changes that placed its future at risk. However, it had adapted, modified its policies and services where required, and restructured its management and marketing systems. As discussed, the PBS had already made great strides in modernising, restructuring, and getting ready for market competition before the decision to demutualise was taken. The PBS had the option to retain its mutual status, and most likely would have done so if the board and executive team had held a clear sense of purpose to guide their strategy.

Both Sorensen and particularly Matthews, had long careers working within co-operative and mutual enterprises. That they opted for demutualisation, with relatively little public debate, suggests that their sense of purpose had shifted from a focus on the economic and social value the PBS could generate for its members, and the alternative of turning all its members into shareholders. Perhaps they perceived that the need to compete in an open market on the same basis as savings banks would not have been possible within the mutual ownership structure of a building society?

The historical record is unclear as to the thinking of the PBS board in the final year leading up to the decision to demutualise. It wasn’t an inevitable outcome as many building societies, and credit unions that remained mutuals demonstrates. What was likely was the need to grow in both scale

and scope, with more mergers and acquisitions, as part of this strategy. The PBS had experience of this as a mutual and might have achieved such growth with its mutuality preserved. Perhaps the most likely culprit of the demutualisation was the lack of clear commitment to the history and purpose of the PBS within the leadership team. They had lost sight of both their purpose, and commitment to the underlying concepts and philosophy of mutualism.

Finally, if we take a wider, systems-level view of the demise of the PBS, we might conclude that the mindset that the board held at the time of making the decision to demutualise, was due to the predominance of neoliberalism as the guiding political and economic ideology of that time. It seems to have had greater influence than managerialism in the decision to demutualise. This also reflects the demise within the field of economic theory of co-operative and social economics, which incorporates the ideology of a *collective economy* (Whyman, 2012).

To suggest that the demise of the PBS was due to the neoliberal and managerial mindsets of one or two directors and managers cannot be fully justified. Instead, it may be more accurate to suggest that such thinking by these leaders of the Society, was as result of them being subjected to only one vision of the future, one that had been shaped by the neoliberal ideology. Had it been balanced by a countervailing alternative perspective in the form of Associationism the PBS might still be operating.

ASSESSING THE CRITICAL EVENTS THAT FACED THE PBS

We will analyse the behaviour of the PBS within the wider context of the conceptual framework for research into co-operative enterprise (Mazzarol, et al., 2014) later. However, this study has identified six critical events over the 125-year history of the PBS. A critical event is defined here as a contingent event that is causally important for an outcome at a specific time that has longer-term strategic consequences. It is important to summarise these events in order to provide an historical context against which the PBS can be examined using the conceptual framework. As outlined in this case study the PBS faced six critical events that risked its future viability and required strategic and operational responses from the PBS board and management to address.

FIRST CRITICAL EVENT - 1866

The first event is the avoidance of the Society's early demise in 1866. As outlined in the case study, the Society, under the leadership of Colonel Bruce, formally resolved to wind-up, but the regulator, at that time the Governor receiving advice from the Attorney General (and founder of PBS) George Stone, refused the winding up petition. This in turn, forced a change in the PBS leadership that bought businessman and philanthropist Julian Carr to the chair who overcame the temporary liquidity problem that had spooked Bruce. This affirmed the need for the chairman to have business skills to achieve the Society's purpose, but also made the board more focused on security for investor-members rather than growth through borrower-members. The tension between investor security and growth for borrowers would remain well into the 1970s.

SECOND CRITICAL EVENT - 1888

The second event came in 1888 when board member John Chipper sought and received several large loans to fund his commercial investments in city hotels. The PBS director Loton pushed

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back, concerned that the director's self-interests were prevailing over the Society's traditional values and a corruption of its original philanthropic aims. Loton resigned to force the issue, and the Society's purpose was again emphasised as being of equal importance with growth.

The PBS avoided the spectacular building society crashes in Victoria and England in the early 1890s that followed similar practises, along with the loss of several thousand pounds in shareholder funds. These spectacular crashes were extensively reported in the Western Australian press and would reverberate for many years, but the return to the PBS purpose and values largely insulated the local building societies from the reputational damage inflicted elsewhere. Ringfencing WA's building societies from what were perceived to be poor Eastern States practices inflected the PBS outlook for the next century.

THIRD CRITICAL EVENT - 1924

The third event was the avoidance of an almost accidental conflation of building societies with savings banks in 1924. The State government moved to prevent competition by private savings banks with its own State banks that were funding the growth of the wheatbelt. An interstate bank threatening to open in Perth was the ostensible target, but when it backed down the building societies were caught in the crosshairs. Eventually, the State government and the building societies reached an agreement that the building societies would effectively withdraw from the small savings market by refusing deposits of less than £100.

The PBS directed its efforts to promoting share savings rather than deposits, and the board's policy became one of emphasising the distinctiveness of building societies compared to the savings banks (and evading the machinations of State politics). From this time the PBS favoured larger depositors and investors to fund its loans to members. This effectively repositioned the PBS away from the savings banks and differentiated itself from both public and private savings banks as a premium financial services institution.

FOURTH CRITICAL EVENT – 1956-1988

The fourth event was the return, or in WA's case, the intrusion, of terminating building societies between 1956 and 1988. Numerous small societies were established with funding derived, not from member savings and investment, but from Commonwealth housing funds in the form of Commonwealth Bank loans that were distributed to members and then the society was wound up or terminated. The terminating societies arose out of enduring suspicions around permanent societies from the 1890s, especially in New South Wales and Victoria. Many of these new societies were highly local or occupationally or communally based.

The PBS board considered them outdated relics, non-traditional, and tools of the private banks and insurance firms. They also questioned the motives of many of their founders, who they considered had little care for community service and bought reputational damage to the whole sector. Many had been formed simply to tap into government funding. For self-help advocates like Watson, they were beyond the pale, and the PBS sought legislative change to manage the threat.

The Registrar of Friendly Societies supported the moves to update the building societies legislation. Like Watson he foresaw the potential for scandals arising around the use of

government funds. Amendments in 1961 curbed many of the less-salutary operations of the terminating societies. This provided for a more orderly management of all building societies, in line with PBS values. It included the establishment of a separate and more active Registrar of Building Societies. The PBS stemmed its market loss to the terminating societies after 1961.

The terminating societies had been perceived by the PBS and the other permanents as a threat. In their response they had ensured their legislative framework was updated and increased the powers of the State regulator. This action effectively painted the terminating model as inherently untrustworthy. This was due in large part to Watson's cleaving to the traditional values of the PBS. Yet is also demonstrated the importance of focusing on the Society's purpose, the value that it can deliver to its members, and the and philosophical foundations of a financial mutual.

FIFTH CRITICAL EVENT - 1974

The fifth event was the 'Home Buyers Rebellion' of 1974. During that year the building societies in WA had raised their interest rates twice to 12 per cent, effectively double what it had been at the same time in 1973. This was not well received by borrowers who were also struggling with rising inflation running between 16 and 20 per cent in mid-1974.

The Independent Home Buyers' Action Group (IHBAG) was formed with relations between IHBAG and the building society movement being highly volatile. IHBAG gave voice to home buyer's fears of losing the roof over their heads and being subjected to what they perceived as the arbitrary whims of heartless men, but worsening global economic conditions made the regulated finance markets unable to respond to market forces.

Whether governments could control the economic forces at work didn't matter to home buyers, they were blamed anyway. The Federal government commissioned the Housing Interest Rates Inquiry Committee (the Lewis Committee) that reduced the protests and absorbed the energies of campaigners. By May 1975 when its report was issued the issue was petering out as a public concern. PBS approvals for loans had fallen during this crisis, and the high interest rates had caused an outflow of investor funds to take advantage of rates elsewhere. However, the 12 per cent mortgage rate and a 10 per cent no fixed term share rate from mid-1974 had drawn funds back into the Society and despite gloomy predictions the flow of mortgage applications also began to increase. It is worth noting that home loan interest rates exceeded 10 percent in 1974 for the first time in Australian history, and remained above that rate until 1995 (RBA, 2023).

It had become clear to the PBS directors and executives that investors put their money into the Society essentially from a desire to earn high interest rates and would not hesitate to move their funds. They were not placing funds with the Society from any sense of loyalty to Western Australia, or any philanthropic desire to assist new home buyers as they once did. The PBS would have to compete in the marketplace more actively for funds if it was to retain its role as the largest provider of home loans. This would mean moving away from relying on small depositors and investors and from the founding principles of mutualism and co-operation. The home buyer's rebellion of 1974 may not have achieved much for home buyers, but in its wake the gradual demise of PBS's mutual spirit opened up a path to demutualisation.

SIXTH CRITICAL EVENT – 1979

The sixth and final event was the Campbell Inquiry of 1979. The Inquiry came about partly as a result of the 1974 interest rate crisis, but the inquiry members were all insiders in the industry, and the key word was 'deregulation'. The PBS board decided to make a submission to the Inquiry, and Rob Elstone was given the task of preparing the document. Submissions were also made by university academics in commerce and finance. These were not the sources from which PBS had previously generated its submissions and influences in the pre-1974 world, and the key themes in the submissions would have left old PBS hands like Stone, Alexander and Watson aghast. Submissions argued the monetary system should not be used for pursuing social ends in the way that interest rate controls made housing finance accessible to ordinary people. Instead, such social ends should be left to government fiscal policies.

The question of the security of funds held in bank accounts had led to the calls for guarantees for building society deposits in the eastern states. The WA societies had resisted such moves before relying on their local record of security. This had given the public in WA the same levels of confidence in the building societies as in the banks. In WA the PBS could argue that the State legislation's prudential requirements and the track record of local building societies made such support unnecessary. This was especially the case if it involved any sort of national building society legislation. The PBS submission favoured the *status quo* – no interest rate controls and the retention of State building society legislation. In essence it stated that building societies should be left to get on with their job even if controls were lifted from the banks.

The PBS argued that people who preferred banks only did so because of the greater range of services they could offer rather than concerns about security. They rejected the idea that the societies could simply become banks in order to compete. This was argued on two grounds. First, because the term 'building society' had a high reputational value and clearly differentiated their focus on housing finance. Second, the societies were also attractive to the remaining philanthropic investors who could see their funds used for local social and economic benefits.

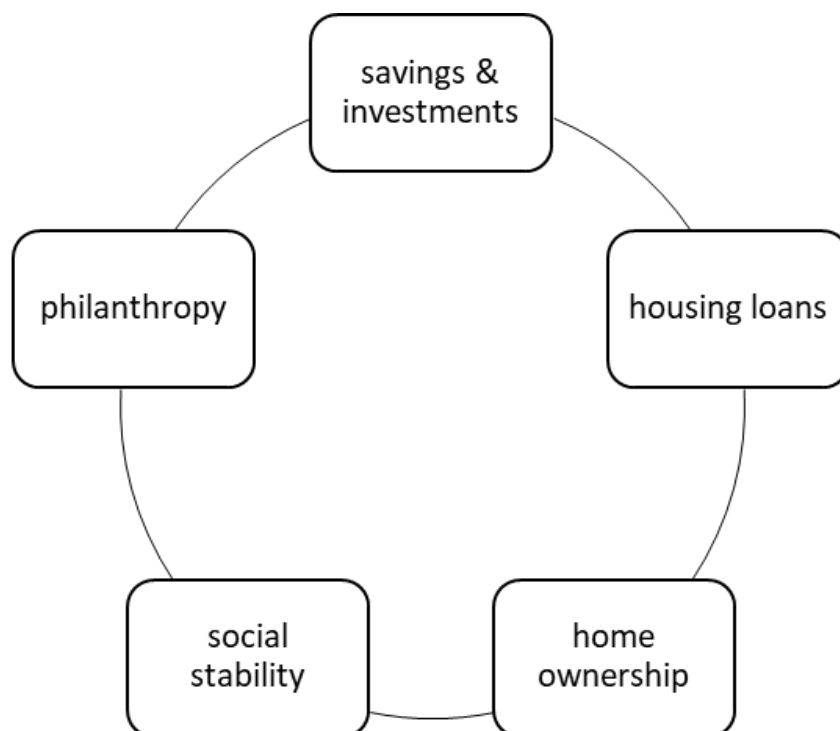
However, Elstone, in his own personal submission, argued for a greater role for the societies in a deregulated environment such as personal loans, credit cards and cheque facilities. He envisaged little differentiation between the societies and banks. Given his background and education in the field of economics, it is not surprising that Elstone would have taken this view. A position that was consistent with the neoclassical economic theory, and the political ideology of neoliberalism.

As the inquiry drew to a close the major banks expected more competition in a deregulated environment, and at least the larger building societies would convert to savings banks. Elstone, Sorensen and Matthews could see the writing on the wall and commenced a corporate restructuring within the Society to prepare for the new world. The final report of the Inquiry was issued in September 1981, by which time the old PBS was already being transformed and prepared for its demutualisation. However, as discussed earlier, the demutualisation of the PBS was not inevitable, but seems to have been a path chosen by its directors and management due to their having lost sight of the underlying fundamentals of the building society business model, and the economic principles of associationism and the collective economy.

ASSESSMENT OF THE SIX CRITICAL EVENTS

Across these six events two overarching strategies can be discerned. The first, in the first to fourth events, spans the 110 years from 1862 to about 1972 when providing housing finance to middle class householders was the goal. This was achieved by raising funds locally through shareholdings and savings deposits linked with an associated strategy of maintaining social stability through home ownership. Each facilitated the other. This can be envisaged as a virtuous circle, as shown in Figure 18.

Figure 18: the PBS virtuous circle



In a virtuous circle model one event leads to another, which promotes the previous event in a continuous process of social improvement and benefits. It can be also seen as a positive loop of non-linear growth that repeats with increasing results and becomes a self-reinforcing practice. Over time the PBS employed this virtuous circle model to accumulate significant assets to fund increasing housing loans.

The PBS circle was inherently conservative in the sense of illustrating a belief that societies exist and develop organically, within which members have particular obligations to each other. The foundation of a co-operative or mutual enterprise business model, is the acceptance of common equity, democratic governance, and the achievement of not just personal economic and social goals, but also the overall enhancement of all members of the society. For a building society like the PBS, this was the collective membership enabling as many people as possible to achieve the goal of home ownership, while generating investment returns to member shareholders. The PBS, like other building societies encouraged thrift and saving in order to both amass a deposit and pay off the loan.

Home ownership gave the owners a vested interest in a stable and safe society and enabled them in turn to save through the PBS and support the next wave of new home owners and continue this process of philanthropy. This strand of paternal or parental conservatism sought a balance between the individual and the state depending on what was the most practical outcome in a particular situation, and so the PBS could support State intervention in practical matters such as its own regulation, and in defending Western Australia against what they considered the poorer quality operations of building societies from the eastern states.

As discussed earlier in this case study, the associationism philosophy that had sustained the PBS from its foundation in 1862 gave way in the 1970s to a new paradigm of neoliberalism, also known as economic rationalism (Stokes, 2014). This change is illustrated in the fifth and sixth critical events. Although the PBS had faced economic downturns and government regulatory changes in the past, by the mid-1970s and into the 1980s, the mainstream economic and political thought throughout the western nations was towards neoliberalism. The quest for deregulation of markets was a common feature of governments from both the traditional left and right. This was perceived as providing greater efficiency and competitiveness within markets, and superior long-term benefits to the national economies of the countries that embraced these economic policies.

Some basic characteristics of economic rationalism (the term favoured in Australia at the time) included an emphasis on competitive market-based relations, individual responsibility, corporate deregulation. This translated into financial market deregulation including removal of controls on interest rates, which had direct impacts on the PBS, but also other financial mutuals such as the building societies, credit unions, and savings and loans in Australia, Britain, and the United States. Combined with this were policies of austerity or reductions in government spending on social services, plus the privatisation of state assets, the disruption of institutions (such as removing tariffs) and user-pay schemes. Clearly, these were antithetical to the principles of associationism that had shaped the PBS but alluring to the new post-war generations who had only experienced continual material growth.

The home buyer's revolt in 1974 symbolically marks the breakdown of the older order that eventually resulted in the deregulation of interest rate controls, and the Campbell Report in 1979 symbolically marks the beginning of the new economic rationalism. Moore (1987) notes that by the early 1980s two-thirds of Western Australians held a building society account of some description, the highest in Australia and possibly the world. The PBS was by far the leading lender. Opportunities for further growth were said to be limited as the market was 'saturated' with PBS loans, and any new growth would only come by taking over smaller societies.

The solution the board adopted was to expand interstate in order to keep growing. This growth was needed, not so much to fund further housing loans but to increase returns to investor-shareholders, or in the new terminology, growth to create shareholder value. As discussed, after several failed attempts the PBS eventually took over the Hotham Building Society in Victoria in 1982. It was the first building society to operate in more than one state, and others soon followed. Notionally the purpose of the PBS remained that of providing housing finance, but in practice that now became secondary to growth for growth's sake.

APPLYING THE CONCEPTUAL RESEARCH FRAMEWORK

The conceptual framework for research into co-operative enterprise is focused on understanding the business model of the co-operative and mutual enterprise (CME), and how it is influenced by, and in-turn influences, systems and member level factors (Mazzarol, et al., 2011; Mazzarol, et al., 2014).

At the systems level, which relates to the external environment, there are four major inputs (i.e., social cooperation, role of government, industry structure, natural environment), and two major outputs (i.e., economic, and social capital formation). These elements also interact with each other within the systems architecture. This views a social system as comprising six key elements (Luhmann, 1984; Mattheis, 2012):

1. *Communication* – all systems are social in nature and therefore it is essential that a system has communication between the actors within it, and between systems.
2. *Autopoiesis* – a Greek word for ‘self-creating’ or ‘self-making’, recognising that all systems must be able to replicate, adapt and evolve using communication to exchange knowledge and ideas, resulting in learning, amongst the actors within the system.
3. *Differentiation* – all systems are autopoietic systems (social structures) that operate within the wider environment and are differentiated and independent from each other.
4. *Operative closure* – each system has the ability to isolate (close) itself in order to develop its own unique systems-specific activities.
5. *Functional differentiation* – due to differentiation and operative closure, each system is able to evolve its own unique characteristics that can create functional and dysfunctional interactions between different systems within the environment.
6. *Structural couplings* – where two or more systems recognise the need to link together they create inter-system relationships that open *structural holes* between them enabling an exchange of communication relaying ideas, information, and knowledge (Burt, 1992a/b).

Social systems are self-forming, complex, and dynamic. They involve interaction and behaviour at the individual, group, and organisational levels, through which change is achieved within the broader environment (De Haan, 2006). The creation of social systems is generated through both formal and informal networks of individuals and organisations that have common interests, and/or resource dependencies (Jessop, 1997; Klijin & Koppenjan, 2000).

A CME is a social system and has all the six attributes outlined above. It operates within a systems level environment in which all other social systems (both formal and informal) operate. These other social systems interact with the CME, and the components of its business model (e.g., purpose, profit formula, processes, resources, share structure, and governance), which influence its ability to deliver a compelling member value proposition (MVP) to its membership. Key areas of interaction are: social cooperation between individuals and organisations, government legal and regulatory systems, market competition within industry structure, and the environment.

At the member level, the framework examines the four roles or “hats” that the member wears (e.g., investor, patron, owner, member of a community of purpose) (Mamouni Limnios et al., 2018). Members loyalty and commitment to the CME is influenced by how well the enterprise addresses the needs of its members (both manifest and latent) through its ability to generate and sustain a member value proposition (MVP) (Suter & Gmür, 2013).

In the following sections the history of the Perth Building Society is examined and the lessons it provides are discussed, with a summary of these issues found in the Appendix.

SYSTEMS LEVEL ANALYSIS – INPUT FACTORS

As the narrative history of the Perth Building Society suggests, the foundation of the enterprise was influenced by the four input factors, which continued to play a role in shaping its fortunes throughout its life.

SOCIAL COOPERATION

The creation of CMEs requires the existence within the community that form them of a sense of common or shared goals and values, as well as a sense of community that will facilitate mutual trust and respect. Further, for successful creation of a CME, the community must possess at least three things: i) resources (e.g., time, capital, skills); ii) mobilisation (e.g., mutual needs, common goals); and iii) motivations (e.g., desire to cooperate and sustain collaborative effort) (Birchall & Simmons, 2004).

As outlined in this history of the PBS, its formation was the product of an interaction between several social systems that were co-existing within early Western Australian colonial society, as well as nineteenth century British society. The existing social systems operating within WA in the 1850s and 1860s were the free settlers, the convicts, the pensioner guards, the Noongar people, the colonial administration, including the Convict Establishment, plus the social classes that defined mid-nineteenth century British colonial society. Within this environment were the friendly societies and mechanics institutes.

These various social systems possessed all the six elements described earlier. However, with the exception of the Noongar people, these social systems were adaptations of pre-existing systems operating in Britain and its empire. The need for financing to facilitate housing construction was the common interest, and the requirement that the members pool their savings to create sufficient capital to provide the necessary loans, reflected their resource dependency. These conditions served as the catalyst for the creation of the Society.

However, the PBS would not have emerged without the work of a few individuals, such as the founder Chair George Stone. As the historical record shows, it was his personal commitment to the building society concept, and his strong social capital connections that served as a catalyst. In this, Stone, working via the Mechanics Institute, his personal and professional networks, and family links with his brother William, was able to open structural holes between a range of social systems within the WA colonial society and the British homeland. This served to get the PBS established.

Despite the work of Stone and the pioneer founders, the Society would not have succeeded if the wider community did not recognise its value proposition and share its purpose. Although the Post Office Savings Bank existed as a potential competitor, the PBS attracted a broad cross-section of the small WA colonial society, including the affluent middle classes, skilled trades “mechanics”, female domestic servants, and even (perhaps unofficially) ticket-of-leave convicts. In addition to the value offered by the Society in the form of loans for home building, there was also the allure of enhanced social status of being a member of this new, non-government, mutually owned enterprise.

As time passed, and Western Australian population grew in size and diversity, the PBS was able to maintain its relevance to existing residents and new migrants from across Australia and abroad through a focus on its unique role as a building society. The common need for home ownership, and the mutual ownership structure of the Society, served to attract and retain members during the first 112 years. However, during the period 1974 to 1987 changes within the regulatory and competitive market environments, combined with a leadership group that chose to ignore the fundamentals of the PBS as a CME, shifted the members’ focus from one that addressed multiple roles of patron, investor, owner, and member of community of economic and social purpose, to that of customer (patron), and investor.

ROLE OF GOVERNMENT AND REGULATORY FRAMEWORK

Governments play a crucial role in shaping the fate of CMEs. This can take the form of setting legal and regulatory frameworks that enable these enterprises to form, and operate with protections for their members, and benefits such as tax concessions and protected trading environments. However, they can also negatively impact CMEs by introducing market deregulation leading to increased market competition.

As outlined in this case study, the PBS was established in 1862 notionally under the *Benefit Building Societies Act 1836 (UK)*, then under a sequence of WA legislation: *Benefit Building Societies Ordinance 1863*, *Building Societies Act 1920* as amended 1921, 1961, 1962, 1970, and the *Building Societies Act 1976* as amended 1977, 1982, 1984, 1987. This provided the broad regulatory environment within which the Society operated. The Society’s own rules were overseen by the State, initially the Attorney General (1863-1894), then the Registrar of Friendly Societies (1894-1962), then the Registrar of Building Societies (1962-1987), and finally the Registrar of Co-operative & Financial Institutions (1987+).

This legislation provided the Society with legal frameworks that clarified its operational limitations, and also protected it from market competition. It did this through the delineation of services and operational capabilities that were performed by building societies, but not by savings banks. The regulation of the financial services market placed limits on what the PBS could do, but also what the savings banks could do.

In the years following federation in 1901, the PBS operated, with regard to its savings and lending practices, under Commonwealth legislation and regulation, notably the *National Security (Capital Issues) Regulation 1939*, *National Security (War Time Banking Control) Regulation 1941*, *National Security (Building Control) Regulation 1941*, and the *National Security (Economic Organisation)*

Regulation 1942. Many provisions in these regulations continued in the *Banking Act 1945 (Cwth)* and the *Banking Act 1959 (Cwth)* until repealed in the 1980s.

At the state level the *Perth Building Society (Merger) Act 1986 (WA)* authorised the PBS to apply for a merger with Hotham Building Society under the Victorian building society legislation with Hotham's assets becoming PBS assets. The banking licence and conversion to a listed public company in 1987 were achieved under the *Banking Act 1959 (Cwth)*, with a supporting amendment to the WA legislation in the *Acts Amendments (Building Societies and Credit Unions) Act 1987* to permit a bank to 'takeover' (in this sense, convert to) a building society.

From this recital it can be seen that the PBS always operated within and was regulated through a legislative framework, initially for a brief period imperial but then Western Australian until 1987. This included recognition of its own rules, and under Commonwealth legislation during and after World War Two, and during the change from a building society (demutualisation) to a savings bank.

In addition, the PBS experienced both positive and negative relations with state and federal regulators, ministers, prime ministers, and governors. When positive, these relationships were strategically important in enabling the Society to pursue its purpose. However, when negative, they resulted in unsatisfactory outcomes for the PBS.

It is worth noting that these state and federal regulatory frameworks represent differentiated social systems, each with their own unique characteristics. They were shaped by the unique environment of Western Australia, but also influenced by the building societies and financial services regulatory trends within the United Kingdom. Shaping the strategic direction of the PBS was the interaction between these regulatory systems and the leadership of the Society.

Prominent Chairs such as Stone, Alexander, and Watson, used their personal networks to open structural holes in the various state and federal agencies, political parties, and parliamentary circles that comprised relevant social systems within the regulatory framework, to navigate the PBS successfully through these external challenges.

By contrast Sorensen, perhaps with the influence of Professor Kerr, and Dr Elstone, responded to the deregulation challenge of the 1980s by abandoning the mutual structure of the PBS, and opting for an IOF model. The creation of a structural hole through which the neoliberalist ideas were able to enter the boardroom of the Society, unmatched by a countervailing ideology such as associationism, led to the demise of the PBS.

In the years since the demutualisation of the PBS, regulatory frameworks continued to influence the Challenge Bank. For example, the *Westpac Banking Corporation (Challenge Bank) Act 1996 (WA)* divested the undertakings of Challenge Bank from Challenge and vested them in Westpac. The Challenge Bank was a company incorporated in WA, hence the need for the legislation to be Western Australian. The *Financial Institutions (Western Australia) Act 1992* removed the remaining permanent building societies from the operations of the *Building Societies Act 1972* and made them subject to this Act (Credit Unions were also transferred to this Act). Only terminating building societies remained subject to the 1972 legislation.

Finally, the *Building Societies Amendment Act 2001 (WA)* retrospectively renamed the *Building Societies Act 1976* the *Housing Societies Act 1976* and abolished the term 'building society', replacing it with the term 'housing society'. The *Housing Societies Repeal Act 2005* repealed the 1976 Act, wound up any remaining housing societies, and prevented the formation of any new housing societies under State legislation. All permanent building societies operating in Western Australia had ceased to exist by 1995 (*WA Yearbook 1995*).

INDUSTRY STRUCTURE

Industry structure focuses on the influence of five competitive forces that shape the strategy of a business (Porter, 2008). These comprise the level of competitive rivalry that exists within a given market, the power of buyers and suppliers, the threats posed by substitutes and new market entrants.

A characteristic of CMEs is their ability to use collective and co-operative effort to challenge any market distortions or failures caused by monopolistic conditions, thereby increasing the buyer or supplier bargaining power. The CME business model enables otherwise under resourced small producers or individual householders, to unite, pool their resources, and either establish a new market entrant able to compete with the incumbent monopolists, or offer a substitute service to that offered by the incumbents.

The ability of the PBS to attract sufficient members willing to purchase shares and save with the Society enabled it to establish itself and become self-sufficient. However, the first critical event crisis of 1866 highlighted the need for professional management able to ensure that the Society remained financial solvent and prudent in its operations. Chairman Carr met that challenge. The second critical event of 1888 involved a similar challenge, and following the resignation of Loton, highlighted the importance of good governance and prudent lending, which enabled the PBS to avoid the financial collapses that affected the building societies in Victoria, and Britain.

The third and fourth critical events were related to direct competition from savings banks and the terminating building societies. These posed a similar challenge to that posed by the WA Bank and Post Office Savings Bank in the early 1860s. As was the case at that time, the PBS was able to differentiate itself from these competitors. It did so by securing a market positioning away from the lower income customers who transacted with the competition, towards a premium market segment that while fewer in number, provided better business for the Society.

For much of its history, the market in which the PBS operated was segmented by regulation and colonial or state jurisdiction. Operating within its own legally delineated market segment, and even initially restricting its membership to the Perth metropolitan area, the PBS did not have to face intense market competition. However, as discussed in this case study, the years following the Second World War saw an increasing trend towards market competition, and eventually the deregulation of the Australian financial services sector. This removed the regulatory barriers between bank and non-bank institutions and forced the building societies and credit unions to compete openly. It would have been possible for the PBS to have retained its mutual status as have many financial mutuals that are now operating as customer-owned banks. Yet it was not to be, and the PBS leadership chose to compete with the IOF banks by becoming one.

NATURAL ENVIRONMENT

Geography plays an important role in shaping human activity, and the natural environment has been identified as shaping the behaviour of business organisations and the industries in which they operate (Banerjee, Iyer & Kashyap, 2003). This can be seen in the case of the PBS.

The influence of the natural environment on the PBS can be seen on different levels over time. As outlined in this case study, the development of the Swan River Colony and eventually the state of Western Australia was focused on the acquisition of land for farming, grazing and other productive uses. The relative paucity of reliable water sources, and arable land within the Swan Coastal Plain forced a geographic dispersal of the small European population. This, plus the lack of transport infrastructure, meant that any building relied upon the use of local materials.

For this reason, Perth focused on clay bricks that were produced from the clay soils found along the banks of the Swan River. By contrast, the port city of Fremantle made use of the limestone that was readily available in that area, while timber was used in Albany and the southwestern coastal areas. As discussed in this case study, the PBS made extensive use of clay bricks in the houses they approved for construction. Apart from this the PBS was not significantly impacted by environmental issues during its history.

ENTERPRISE LEVEL ANALYSIS – ASSESSING THE BUSINESS MODEL

The main elements of the enterprise level analysis are the purpose and member value proposition (MVP), governance, share structure, profit formula, key processes, and key resources (Mazzarol et al., 2018).

PURPOSE

At its founding in 1862 the purpose of the PBS was stated in its rules (constitution) as,

: ... the raising, by weekly or monthly subscriptions, a fund to make advances to members of the value of their share or shares, either on loan, or to enable them to erect, repair, improve or purchase one or more house or houses, or other freehold or leasehold estate, to be mortgaged to the Society for the purpose of securing the weekly or monthly repayments, & or for any other purpose, and to facilitate the accumulation and the borrowing and redemption of capital for those purposes."

Although the formal purpose did not specifically refer to the working or industrious classes, as the intended members, they are routinely mentioned in subsequent years. Ninety years' later Keith Watson, the recently-elected chairman, succinctly stated that the purpose of the Society was,

"... to play its part in the development of W.A. and in the encouragement of thrift and home-ownership (West Australian, 10 January 1952)."

Broader economic development had been added to the original purpose of home ownership, although not intended as something separate, but to provide the conditions that would facilitate home ownership and in turn social stability.

By the time the PBS demutualised its original purpose, as for all building societies, formally remained much the same,

“Building societies in Western Australia are registered under the provisions of the Building Societies Act 1976, primarily for the purpose of raising funds to assist members by granting loans, secured on mortgage, to build or acquire homes. Permanent building societies obtain the majority of their funds from the public, while terminating societies derive funds primarily from government and banks (WA Yearbook 1988).”

At this time (1987) there were eight permanent and 203 terminating building societies operating in the state of Western Australia.

The once common references to thrift and the industrious, or supporting state development, are lacking in the summary above, but the core purpose of providing housing finance to members remains. By contrast, the purpose of the Challenge Bank was quite different, as intimated by Moore (1987) describing the first advertisements for the new bank,

“Gone were the elderly people, the children, and the blue-collar workers. In their place, the young, the fortunate and the beautiful pursued their careers in the fast lane, wind-surfed and did aerobics, placing their money with the Challenge Bank (Moore, 1987, p.156).”

MEMBER VALUE PROPOSITION

From its establishment in 1863, the definition used by the PBS of a ‘member’, or the ‘membership’ was a person who owned at least one share in the Society. It is noticeable from the historical record that the terms ‘member’ and ‘shareholder’ were often treated as synonyms, and members were sometimes referred to as an ‘investing member’ or ‘borrowing member’, or with some other qualifier. However, membership *per se* was based upon ownership of a share in the company. This is illustrated in the fact that the Annual General Meetings (AGMs) of the PBS were commonly described as “meetings of shareholders”.

Membership was also not linked to patronage. For example, a member (shareholder) could have a savings account with the PBS, but it was not a mandatory requirement of membership. This was probably due to the rather vaguely worded definition of a ‘member’ within the WA State legislation, which defined a building society member simply as a ‘member of a society’. Later, the *Financial Institutions (Western Australia) Act 1992* (sections 46 and 47) stated that a permanent building society could accept savings deposits from persons who were not members but was not obliged to offer membership to those people solely because they had money on deposit with the Society.

What then was the member value proposition (MVP) that appealed to those who chose to become members? We can examine the potential motivations drawing upon the ‘four-hats’ model of Mamouni Limnios et al., (2018), which views the MVP process as one of engaging the members of the society via their roles as patrons, investors, owners, and members of a community of purpose.

With respect to the patronage role, the key benefit of membership was the ability to gain access to a loan to build or buy a home. The build or buy priority changed during different periods of the Society’s history. In many cases the members would borrow loans from the PBS that charged a

higher interest rate than that available from commercial banks. However, on average the PBS provided larger loans, and had more attractive repayment periods of a duration that recognised the time it would take the average member to repay the loan. In addition, the PBS was usually able to offer members flexibility to defer repayments or extend loan periods during times of economic stress (e.g., the Great Depression);

In relation to the member's role as an investor, the PBS offered eligibility for interest and bonus payments on investment shares. Members, as investors, were also given access to a savings account that usually paid a higher interest rate than was available from commercial savings banks, and often with a lower minimum deposit requirement (although this varied over time). In addition, the PBS would allow its members access to loan funds that were not 'crowded out' by loans to land and builder speculators, or commercial property owners. The PBS generally only loaned for residential buildings for owner-occupied housing.

The owner role of members was principally manifested through the right, of all the Society's member-shareholders to attend the AGMs and vote for the appointment of directors and rule changes. A member-shareholder was entitled to one vote at a special or annual general meeting on any motion, but in the case of elections, the number of votes was determined on a scale relating to the credit of a member.

For example, in 1936 voting entitlements ranged from £5 to £50 = 1 vote to £400 = 6 votes, with six votes being the maximum to which any one member-shareholder was entitled. The scale varied over time, but always provided for a weighted range of votes linked to the amount of credit held by the Society in the member's name.

At the time of demutualisation in 1987, 43 million one-dollar shares were issued to 'account holders'. If they did not take up the whole issue then the balance would be offered to 'recent account holders'. The term 'member' was not used at the time, and account holders, by inference at least, were not necessarily members.

The owner role might also have been satisfied through the quality control exercised by the PBS on approved building plans and materials. This ensured that brick and tile building standards in the Perth area were upheld, and it was a feature of the PBS for much of its history. The role was increasingly taken over by local government authorities during the inter-war years. So, not only were the members able to exercise their owner benefits via participation in the Society's governance, but to also obtain confidence from the PBS that its focus on maintaining quality building standards would protect their rights as owners of a new home.

Finally, the members' engagement with the PBS as members of a community of purpose was manifest in the sense of civic pride and Westralian patriotism that flowed from being part of the PBS community. The attraction of PBS membership as a symbol of social status was strong in the early years from 1862 to the 1920s. It also continued on after 1927, when the PBS became the only major WA-based permanent building society.

However, by the 1970s the focus of the Society's purpose began to shift away from the loftier aims of economic and social development of the Perth and WA community, towards a focus on returns

to investment. As the PBS, like many mutual financial institutions throughout Australia, Britain, and the United States, obtained the same regulatory rights to offer similar services to savings banks, so too did its purpose become little different to the IOF banks.

GOVERNANCE

The governance of any CME focuses on the composition, quality, and character of the directors of the board. In the case of the PBS, the founding directors, and those who followed them up to the interwar years, were generally drawn from men of protestant (e.g., Anglican and Methodist) affiliations, although some Catholic men were also included. This religious orientation and male dominance reflected the nature of the socio-economic character of the WA community in the nineteenth and early twentieth centuries.

As illustrated in Table 1, the foundation board and trustees of the PBS represented a cross-section of the prominent citizens of Perth in the 1860s. In addition to their religious beliefs, they also demonstrated a strong belief in philanthropy. As the wealthier members of the community, and as responsible gentlemen of the mid-Victorian colonial era, they considered it was their duty to provide opportunities for the thrifty and hard-working classes to better themselves. This was generally referred as a philosophy of 'self-help', which is distinct from charity or giving directly to support the material needs of the poor. In was a belief that was fully consistent with the principles of associationism and the collective economy.

These early directors had been involved in developing the colony almost from its inception or were their sons and relatives in the second and third generations. They all held leading public offices in either the colonial and later the state government, or the City of Perth. As pioneering Western Australians, their approach to projects such as the PBS, was regarded with benign interest as their civic duty.

They were generally men of public administration and private commerce, although some were also wealthy pastoralists from the gentry elite. They regarded giving the lower classes an opportunity to own land and a house as a public duty of their class that brought social and political stability to Western Australia, especially during times of great change, and prevented widespread social discontent and undermining of the British institutions they had transplanted to the new world.

The directors from the inter-war period to the early 1970s represent the next generational change. These were men either born in WA, or who emigrated to an already well-established society. All who were born around the turn-of-the-century, were mostly too young to serve in the Great War and too old for the Second World War but were intensely shaped by the wars and the Great Depression between them. They held much the same religious values as their predecessors and placed great importance on the PBS as a philanthropic institution that, through providing finance to the lower middle and middle classes to buy or build their own home, ensured social stability in Western Australia, especially during tumultuous times. That was a key motivation for these directors.

The earlier directors were Britons in the antipodes who were as much at home in Perth or London or Melbourne, but this generation of directors were strongly patriotic 'Westralians' for whom

Perth and London were natural siblings while Melbourne and Sydney were more like provincial grifters always undermining the good reputation of WA building societies. They moved in the same circles as governing politicians but were mainly from the business classes. They saw in post-war Keynesian economics a valid means, after having lived through times of huge and violent change, for striving towards balancing security and opportunity for home owners and society.

By contrast, the third and final group of directors, again all men, came of age largely in the post-World War Two years, and a long period of economic boom and growth. While some may have had religious affiliations these were no longer publicly displayed and philanthropic values were given declining prominence as the period unfolded. They had not experienced the vicissitudes faced by the earlier directors, and perhaps because of that, they were more open to social change and less enamoured of stability for its own sake. Home ownership became less about social stability and more about wealth creation, a conceptual change from 'a home for life' to a house as an 'investment property'.

By the early-mid 1970s directorships were expanding to include senior management and executive roles in the business world. The new generation of directors had university educations and the executive management team, and their staff were also technically trained. This was an essential requirement for a large financial services business that had to adopt best practices in the application of technology, marketing, financial control, and human resources management.

As discussed earlier, Moore (1987) views the appointment of Professor Alexander Kerr as a director, and his role in bringing the economic and financial analyst Robert Elstone into the PBS management team, as a primary cause of its demutualisation. However, as we have explained, the demutualisation process can probably be best understood as an outcome of the confluence of a series of economic, social, legal, and political forces that were sweeping through Australia, the United Kingdom, and the United States during the 1970s and 1980s.

The rise of neoliberalism and the replacement of both cooperative economics (associationism) and Keynesian economics with the monetarist theories of Milton Friedman (Friedman 1962, 1970), dominated the world view of directors and managers in CMEs throughout western nations including the PBS. As Moore (1987, p. 155) stated the situation,

"... egalitarianism and social justice are [now] the concern of governments."

As noted earlier, this shift in thinking within the PBS board and executive led to demutualisation.

A signal change in the directors was evident at the time of demutualisation. One third were eastern states' residents, all executives and managers, and all the directors were post-war baby boomers with an average age of 43. The predominance of neoliberalism and monetarism had seemingly replaced associationism and Keynesianism from the board room. As Moore (1987, p. 155) said of the demutualisation,

"... the Challenge Bank would by no means be for everyone, and nor would it try to be."

The three groups of directors span 125 years over three distinct periods (1862-1919, 1920-1972, 1973-1987). Ironically, the final period is the shortest but has taken the most space to try and explain.

SHARE STRUCTURE

As discussed earlier, the PBS recognised its members as shareholders, and full membership was contingent on the purchase of a set proportion of shares. The share structure of CMEs is different to that found within investor-owned firms (IOFs) in relation to the level of ownership that shareholding confers. In a co-operative the principle of one-member-one-vote rather than one-share-one-vote ensures that the mutual ownership and inherent democracy is preserved. This was a principle of the Rochdale Society, and one that has continued to the present (Rochdale Society, 1877).

Within mutual enterprises such as building societies, share capital plays a similar role, but unlike co-operatives, the payment of dividends (at least for distributing co-operatives), is not a feature. In the design of share capital within co-operatives, key questions that need to be addressed are. Is share capital issued only to patron-members, or can non-members become shareholders? Is the share capital redeemable, and can it be transferred? (Chaddad & Cook, 2004).

Over its long history the PBS adjusted its policies relating to share capital. However, as has been shown, the ownership of shares, while conferring membership rights, was not connected to patronage. This differs from most co-operatives where a key principle in the design of share capital structures is to link share ownership with patronage. This is a major point of difference between co-operatives and IOFs, where the latter can have shareholders who never trade with the business either as a supplier or a buyer.

It is also worth noting that when the PBS was demutualised, the distribution of share capital within the newly forming Challenge Bank, was based on holders of savings deposits in the PBS rather than shareholding. This effectively rewarded patronage in the end.

PROFIT FORMULA

The profit formula refers to whether the CME is a profit oriented, distributing, or not-for-profit, non-distributing entity, and how it approaches price setting and the issuing of rebates to members. As outlined in the historical record of the PBS, the importance of financial management and the generation of surplus funds to provide for growth, was substantial. In general, profits were distributed to the members of the Society in the form of interest rate payments.

However, as the history of the PBS shows, there was an ongoing tension between the desire for growth and the desire to preserve the status quo. Growth in a business is inherently risky, and fast growth is highly risky. The decision to grow is usually motivated by a recognition within the board that the enterprise needs to reach a certain level of scale and scope before it can be deemed 'sustainable' within its markets.

For most of its history the PBS grew organically, retaining its profits, and distributing financial value back to its members through higher interest rates paid on deposits, and attractive terms in relation to housing loans. It deliberately remained geographically isolated within the Perth

metropolitan area for many years. However, as the process of market deregulation took hold in the 1970s and 1980s, the PBS recognised the need for growth in order to maintain its competitiveness. This led to the acquisition of the Hotham Building Society in North Melbourne in 1982 and set a path to growth at a national level where retained profits were an essential source of financing.

The need to raise financial capital via retained profits, borrowings, or the issue of new shares is an imperative for any business. When rapid growth is required, IOFs typically seek to issue new shares, either to private investors, or via the stock market through a public listing. However, for CMEs, the issuing of shares is problematic as share capital plays a different role than it does in their IOF counterparts. This leads to CMEs being viewed as ‘capital constrained’ (Li, Jacobs & Artz, 2015).

Although this issue is not as significant a problem as some sources might suggest, it has led to the introduction within the Australian co-operatives legislation (e.g., *Co-operative National Law, 2012*), of Co-operative Capital Units (CCU) (Mamouni Limnios, et al., 2016), and within the *Corporations Act, 2002 (Cwth)*, of Mutual Capital Instruments (MCI) (Mazzarol, 2019). While these two forms of capital have different characteristics, they both provide their respective CMEs with a financial instrument that enables the raising of share capital without placing the business at risk of demutualisation.

RESOURCES AND PROCESSES

The resources and processes used within CMEs vary depending on the type of enterprise and its purpose. As the historical record suggests, the PBS operated with relatively few resources and processes during much of its early years. The board’s directors played important roles of vetting new members to assess their worthiness to join, and even reviewing their loan applications, and the structure and quality of the houses being financed. The company secretary played a key role in the Society as the bookkeeper, minute taker, and general manager.

However, as time passed, and the scale, scope, and complexity of the PBS grew, it was necessary for the Society to hire more staff, implement management control systems, and construct office buildings within the Perth CBD. The acquisition of computer systems, credit cards, and more sophisticated marketing communications processes, were all part of the Society’s growth and maturity. Despite some early challenges, the PBS continuously improved and enhanced its resources and processes to enable it to remain attractive to members and become the largest building society in WA.

SYSTEMS LEVEL ANALYSIS – OUTPUT FACTORS

The two main outputs from CMEs are their ability to generate economic and social capital. In assessing the contribution that the PBS made to the economic and social capital of Western Australia it is necessary to make some assumptions and draw conclusions based on the available historical data. Nevertheless, some observations can be made.

ECONOMIC CONTRIBUTION

Throughout most of its long history the PBS made a significant contribution to the economy of WA as an outcome of its assistance to its members in securing home loan financing. That this funding was predominantly focused on the construction of new homes, served as a multiplier through the demand this construction generated in the form of building trades jobs, and local suppliers of bricks and other materials. The emphasis the PBS placed on quality homes, using local materials, left a legacy of well-built houses, that enhanced the appearance of Perth's residential suburbs, and returned higher house and land prices to the members of the Society when they eventually sold their property.

SOCIAL CONTRIBUTION

As a building society the PBS emphasised community development, and the enhancement of its memberships' wealth and social status via home ownership. There was a general sense of being part of a community amongst the PBS members. This incurred both an aspect of social status and also the understanding that via the mutual business model, home ownership could be made available to many more people. This sense of purpose implemented via associationism was a feature of the ethos of the building societies' movement.

This can be illustrated with the strategic focus of the 'old' PBS that existed from 1862 to 1972. During that period, the Society followed and emulated the example of the British building societies. The British societies were much larger with broader community acceptance, and the legislation that regulated their activities was the direct model for the Western Australian legislation. This contrasted with the building societies found in the eastern colonies, later states, of Australia. Those were regarded by the PBS as inherently unstable and lacking proper regulation, and the financial collapse of many in the 1890s only confirmed this view.

George Stone followed the permanent building society model advocated by his brother William in England and was supported in this regard by Governor Hampton, who based his support on his experience with permanent building societies in Tasmania. Keith Watson made his regular visits to the largest British societies, Halifax and Abbey, which were a prominent source of his thinking on building societies and mutualism. He remained in close contact with leaders of the British building societies throughout his life.

By comparison, the 'new' PBS took form after 1972 rapidly left behind any attachments to these British models. Watson's retirement from the board and then his death broke that direct connection. This came at the same time as Britain joined the European Common Market and abandoned its economic ties around the Commonwealth. In addition, the global spread of neoliberal economic thinking began to shape the strategic thinking of the PBS board and management.

KEY LESSONS FROM THE PBS CASE

Although the PBS did not survive, it did successfully operate for 125 years and provides some valuable lessons for CMEs, particularly mutual enterprises. The most important one is the need for such businesses to have a strong sense of what their business model is designed for, and why it can address market failures of importance to its members that cannot be so readily addressed by either IOFs or SOEs.

To maintain this focus, it is important for the enterprise to clearly define its purpose and to relate that statement to the services it offers to address the needs (both manifest and latent) of its members (Suter & Gmür, 2013). This will enable it to create a viable and compelling MVP to attract and retain members. The PBS achieved this during the firm's first 112 years. It found its niche within the middle and upper classes of the City of Perth during the majority of this period, offering an MVP that appealed to all four hats worn by the members.

As discussed in this case study, the Society faced six critical events. The first two (in 1866 and 1888) were caused by poor financial management and imprudent lending. This highlighted the need for competent and professional financial control within the enterprise, and for the board to be capable of overseeing this process as the custodians of the members' funds.

The third and fourth events (in 1924 and from 1956) were related to external threats from market competition. Of these the first originated from within the State of WA, while the second was driven by Federal government policy. In both cases, the PBS responded by carefully positioning itself within the market to create protective barriers (isolating mechanisms) that were provided by the State legislation and supported by the Registrar as a regulator.

This market positioning strategy of 'differentiation' rather than 'cost leadership' is a recognised strategic choice that can enable a business to secure a competitive advantage within an otherwise highly competitive market (Porter, 2018). Rather than seek to compete with the savings banks and terminating building societies, the PBS adhered firmly to its role as a permanent building society and played to its strengths. It proved a successful strategy and enhanced its reputation within the membership and wider community.

However, the fifth and final events found the PBS facing both a national and international trend towards market deregulation. Although the Society successfully navigated the fifth event of home buyers' opposition to rising interest rates by adjusting its lending policies, it was clear that it had not solved the problem. The market was changing, and the PBS had to redefine how it would successfully compete in a more deregulated environment, and with a membership that had become divided between those seeking financing for homes, and those seeking higher interest rates for savings.

It was against this background that the sixth and final event impacted the PBS board. Putting aside the roles potentially played by Professor Kerr and Dr Elstone, the Society needed to redefine its purpose, and identify how, as a building society, it could compete within a fully deregulated market, without having to demutualise. Widening its range of services, and modernising its resources and processes were essential strategies.

Also important was the growth strategy that saw an increase in its branch network, and the acquisition of the Hotham Building Society. These were necessary for the PBS to compete within a highly contested national market, and it did not require demutualisation. As noted, research into the impact of financial market deregulation on Australia permanent building societies found that most were not adversely affected (Esho & Sharpe, 1996).

Over the decades since the demise of the PBS, the Australian financial services sector has continued to experience regulatory reforms, and increased competition. Market competition has resulted in a significant number of mergers and acquisitions across the non-bank financial sector. Many credit unions and building societies have transformed into customer-owned banks, a trend that commenced in 2012, and has continued to the present day. These enterprises operate under national legislation and regulation that treats them no differently to any other bank. However, they have preserved their commitment to mutuality and member rather than customer focus (Mazzarol et al., 2016; Mazzarol, 2023).

In summary, the key lessons from the PBS case are:

- It is important for co-operative and mutual enterprises (CMEs) to maintain a clear understanding of their purpose and what it suggests are the main economic and social objectives for which they have been created.
- This purpose must be linked to a well-considered member value proposition (MVP) that responds to the memberships' manifest (e.g., openly declared) needs, while concurrently collaborating with the members to identify and address latent (e.g., unstated) needs.
- It is essential that the enterprise is professionally managed in an efficient and prudent manner, and that the board is comprised of directors who have the necessary strategic and management skills to provide the necessary oversight of the executive team.
- In conditions of high environmental turbulence and market competition, CMEs should avoid competing directly with investor-owned firms (IOFs) and focus on serving their members' needs, pursuing their purpose, and continuously reviewing and developing their MVP.
- The sustainability of any CME is contingent upon the board and its executive team to possess not only managerial skills and competence, but also to have a strong knowledge of and appreciation for the foundation principles of mutuality and co-operative principles, associationism, and the collective economy.
- CMEs are not IOFs and exist for different reasons. The CME must operate alongside and in competition with IOFs, but it exists to address economic and social problems that its members cannot find solutions for from the incumbent IOFs and state-owned enterprises (SOEs). The strategic goals of the CME are therefore different to their IOF and SOE counterparts, and these differences should be understood by the board and executive management and used, in conjunction with the purpose, to guide strategic decision making.

CONCLUSION: PBS AND AN ARCHAEOLOGY OF MUTUALISM

The rise and demise of the Perth Building Society (PBS) provides a historical legacy of the role played by financial mutual enterprise within the economic and social development of Western Australia. Throughout its long history, the PBS served as a valuable foundation upon which the WA financial services sector was developed, and through its financing of home loans, the Society also shaped the local building industry, and the quality and character of Perth housing.

Its demutualisation in 1987 may reflect the loss of adherence to the principles of associationism and the collective economy within the board and management of the PBS. However, as discussed in this case study, it was also a victim of the times in which it operated. Australia's building societies played a significant role in enabling Australians to achieve home ownership. By 1976 home ownership levels in Australia had reached 68 percent. While this high level of home ownership cannot be entirely attributed to the work of the building societies, they certainly played a significant role (Burke, Nygaard & Ralston, 2020).

Following the financial deregulation of the 1980s, the number building societies across Australia steadily declined. For example, in 1987 when the PBS was demutualised, there were eight permanent and 203 terminating building societies operating in WA. By 1995 none were left. Sadly, this was a pattern replicated in the UK at the same time (Shiwakoti, Iqbal & Funnell, 2018).

Since the 1980s the proportion of home ownership in Australia has steadily declined. In 2019-2020 home ownership levels across Australia had fallen to 66 percent (ABS, 2022). Although the level of home ownership has remained relatively high, it has been attributed to the aging population with earlier generations having enjoyed the opportunity offered in past years to secure home ownership (Burke et al., 2020).

For the younger generations, home ownership for the younger generations is increasingly more challenging due to the rising cost of housing. For example, over the period 1971 to 2021 home ownership among the Australian population aged 25 to 39 fell from 54 percent to just 36 percent. For people aged 30 to 34 years, this decline was 68 percent to 50%, and for those aged 35 to 39 it was 70 percent to 59 percent (AIHW, 2023). The outlook for home ownership does not look positive,

"However, there appears little chance of Australia sustaining home ownership at current levels. The rate is projected to decline by 2040 to around 63 per cent for all households, and to not much more than 50 per cent—down from 60 per cent in 1981—for households in the 25–55 age bracket (Burke et al., 2020, p. 1)."

Further, this trend in Australia reflects the general pattern of falling home ownership throughout most developed countries, particularly those with 'market liberal' economies that are similar to Australia (Burke et al., 2020).

The economic and social implications of low home ownership can be significant. Housing is an essential part of providing people with a stable base from which to participate in the broader society and economy. This is particularly important for families and can determine the lifetime

education, employment, and health outcomes of an individual. Home ownership also plays a significant role in determining a person's financial well-being (DSS, 2023).

In 2022 the Newcastle Permanent Building Society Ltd. (NPBS), was the last remaining building society in Australia. Founded in 1903 as a Starr-Bowkett Society, it became a permanent building society in 1939. During 2022 it was turning over \$318.6 million and controlled around 22 percent of the non-bank financial services market, alongside the credit unions and customer owned banks. However, the Society had been experiencing falling revenue, and profits over the previous five years, impacted by the COVID-19 pandemic and falling interest rates (Thomson, 2022).

Despite surviving 120 years, the NPBS merged with Greater Bank, itself a former Starr-Bowkett Society (est. 1924) and building society (est. 1945). During the 1970s and 1980s the Greater Building Society expanded across NSW and into Queensland. In 2016 it changed its name to Greater Bank but operated as a mutual customer-owned bank. The merger between NPBS and Greater Bank was an amicable affair, supported by the members of the two institutions (Kelly, 2022).

The disappearance of Australia's last building society at the same time as home ownership levels are falling is a sombre note upon which to conclude this historical review of the PBS. However, the story of the NPBS and the Greater Building Society, now Greater Bank, suggests that the fate of the PBS was not inevitable. Had the PBS continued to operate as a financial mutual it could have converted into a customer-owned bank, and pursued strategic purpose focused on ensuring that home ownership remained within the reach of as many Western Australians, and Australians as possible.

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APPENDIX A: PERTH BUILDING SOCIETY WITHIN CME RESEARCH FRAMEWORK

Influencing Factors	Application to Perth Building Society
<i>Systems-level inputs</i>	
Social co-operation	<p>Strong support for the foundation of the PBS from a wide cross section of the community in colonial WA during the 1860s. Overtime, the level of community support from within the Perth metropolitan area was high for the PBS, which enabled it to grow into the largest building society and one of the largest financial services enterprises in the state.</p>
Role of government	<p>Initially established under the <i>Benefit Building Societies Act, 1836 (UK)</i>. Subsequently under the WA colonial legislation, <i>Benefit Building Societies Ordinance 1863</i>, and the state legislation, <i>Building Societies Act, 1920 (WA)</i>, <i>Building Societies Act, 1970 (WA)</i>. Enjoyed support from Governor John S Hampton in the 1860s due to his own experience with building societies in Tasmania.</p> <p>Also, able to work with the state Registrar over time, to manage market competition and achieve revisions of the legislation that were of benefit to the Society. This included the <i>Perth Building Society (Merger) Act, 1986 (WA)</i> that enabled the PBS to acquire the Hotham Building Society in Victoria. Changes to federal financial services legislation in 1980s led to its demutualisation.</p>
Industry structure	<p>Maintained a strong position within the Perth metropolitan area for much of its history. Faced competition from savings banks in the 1920s and terminating building societies from the 1950s to the 1980s. However, by judicious positioning of its lending and savings policies, the PBS was able to secure a premium brand image within the more affluent home builders and investors. During the 1970s and 1980s, market deregulation led the PBS to adopt different marketing communications strategies, and to focus on growth that included the opening of branch offices and merging with the Bunbury Building Society (1973), and then the Hotham Building Society in Victoria (1986).</p>
Natural environment	<p>The geography of the Swan Coastal Plain meant that building materials varied from location to location. The availability of clay deposits in the Swan River enabled the PBS to source clay bricks for building houses. This provided a premium housing construction material, and enhanced quality of houses.</p>

Enterprise-level factors

Purpose	<p>The stated purpose of the PBS varied across time. Its original form of 1862 was detailed but operational in nature. In the 1930s Kieth Watson expressed a more wide-ranging and strategic purpose focusing on the Society's role in encouraging home ownership and thrift.</p> <p>The absence of a formal declaration of a purpose that emphasised mutual ownership and the economic and social goals of home ownership and savings, was a major weakness for the PBS. This may have led to the final decision to demutualise as the board and senior management saw the Society's purpose as satisfying the needs of investors not homeowners.</p>
Profit formula	<p>The generation of profit was essential to the PBS and a lack of profit nearly resulted in its demise in 1866. Although the Society did not distribute dividends to member-shareholders, it did pay interest on savings deposits, while also charging interest on loans.</p>
Processes	<p>Initial operations involved personal vetting of members by the directors upon the issuing of shares, and the assessment of the plans and construction quality of homes prior to the approval of loans. Over time the Society adopted more sophisticated systems for financial control, including ATMs, and computer systems.</p>
Resources	<p>The PBS operated on a 'lean' organisational structure for many years. It built its first dedicated head office in 1924, and a more modern building in 1967. As it grew in size and complexity it also increased its workforce, then acquiring new technologies (e.g., computers) in the 1970s and 1980s to remain competitive.</p>
Share structure	<p>As a mutual the PBS share capital was primarily used to identify and define membership. Share ownership conferred membership rights, but the majority of the Society's financial assets came from savings deposits as the company stock was not traded as would have been the case for a publicly listed company.</p>
Governance	<p>Member-shareholders had the right to vote at AGMs and other general meetings. In this regard the one-member-one-vote rule applied. However, voting for directors was undertaken with greater votes allocated in proportion to the amount of money held in a member's account. This varied over time.</p>

Member Value Proposition	<p>The key MVP for members was higher interest payments on savings deposits, more favourable terms on housing loans, and the sense of being part of a community of purpose delivering economic and social benefits to the community.</p> <p>However, the lack of a formal statement of purpose in this regard meant that the MVP changed from enabling thrift and home ownership, to payment of higher interest rates for funds held on deposit.</p>
<i>Member-level factors</i>	
Investor	Members were identified as ‘member-shareholders,’ and the MVP was focused on the payment of attractive interest rates for savings deposits.
Patron	While most members were also seeking home loans, there was no linkage to membership in relation to savings.
Owner	Shareholding conferred voting rights for members, and this led to members identifying as owners of the PBS. However, over time the Society found that most members viewed themselves more as investors than owners, or only as owners of shares.
Community member	During the early years of the PBS, there was a strong sense of belonging to a community of purpose. However, over time this dissipated. The absence of a well-defined purpose and the ability of the PBS board and management to actively promote the Society as a mutual appears to be responsible for this.
<i>Systems-level outputs</i>	
Economic capital	The PBS provided a significant contribution to the level of home ownership within Perth and WA. It also encouraged savings and enhanced the overall household wealth within its members. As the largest building society in WA, and one of the largest financial institutions in the state, its economic impact was substantial.
Social capital	Assessing the social capital creation of the PBS is more difficult. However, in the early years the Society was viewed as offering its members enhanced social status. Home ownership also provided members with social status, and being a member offered social capital creation through participation in AGMs and shared home ownership within the local community.

APPENDIX B: PBS OFFICERS AND OFFICES

PBS Chairmen (sometimes titled President in earlier period)

<i>Term</i>	<i>Title and Name</i>	<i>Profession or calling</i>	<i>Reln</i>
1862-1865	Hon George Frederick Stone	Lawyer, Attorney-General, MEC	CE
1865-1866	Lt. Col John Bruce	Military Officer, MEC, MLC	CE
1867-1873	Hon Julian GC Carr	Hotelier & Merchant, MLC	CE
1874-1875	Hon Edmund Birch	Pharmacist, MLC	Cong
1875-1898	Hon George Glyde JP	Draper, Merchant, MLC	CE
1899-1914	Lt. Col Edward W Haynes VD	Engineer, Schoolmaster	CE
1914-1924	George F Glyde the younger	Public Servant (Treasury)	CE
1924-1927	Hon Timothy F Quinlan CMG	Hotelier, MLA	RC
1927-1932	Lawrence Alexander JP	Jewellery & Gold Dealer	J
1932-1932	Joseph Marychurch Jenkins JP	Schoolmaster	CE
1933-1951	James O Fisher	Secretary, CE Diocese of Perth	CE
1951-1971	Sir H Keith Watson Kt	Tax Accountant, MLC	Meth
1971-1976	J Charles Rowsell	Exporter	CE
1976-1983	Geoffrey F Gadsdon	Journalist	
1983-1987	Bryan D Mickle AM	Real Estate Agent & Valuer	

PBS Directors (members of the Board)

<i>Name</i>	<i>Term</i>	<i>Profession or calling</i>	<i>Reln</i>
Adkinson, William	1864-1868	Schools Inspector	CE
Alexander, Lawrence, JP	1914-1932	Jewellery & Gold Dealer	J
Allen, Eben[ezer]	1919-1919, 1920-1921	Auctioneer, MLA	CE
Almond, Thomas	1862-1862	EPF	CE
Ashton, Edward	1873-1886	Post Offices Inspector	CE
Bevilaqua, Heinrich W	1921-1934	Real Estate Agent, Valuer	Cong
Birch, Edmund	1862-1875	Pharmacist, MLC	Cong

<i>Name</i>	<i>Term</i>	<i>Profession or calling</i>	<i>Reln</i>
Blanckensee, Alan E, LLB ~	1976-1987	Lawyer, Company Director	CE
Bruce, Lieut. Col. John	1863-1866	Military Officer, EPF	CE
Carr, Julian G	1866-1873	Hotelier, Merchant, MLC	CE
Chipper, John C	1878-1893	Hotelier	Meth
Critchley, Robert K ~	1987-1987	Management Consultant	
Dyer, James	1862-1865	Ship Owner, Importer	
Dyett, Mark	1862-1863	Importer, Ship owner	CE
Farmaner, Joseph	1862-1865	Merchant	
Farrelly, Terence	1862-1866, 1879-1873, 1875-1877	Merchant	RC
Fidock, Richard H ^	1983-1986	Company Director	
Fisher, James O	1919-1958	Secretary, CE Diocese of Perth	CE
Forrest, Alexander, CMG	1886-1901	Surveyor, Merchant, MLA	CE
Gadson, Geoffrey F	1958-1983	Journalist	
Glyde, George (senior)	1862-1898	Merchant, MLC	CE
Glyde, George F (junior)	1885-1924	Public Servant (Treasury)	CE
Green, William	1866-1872	Ship Master	
Handcock, Ian G ~	1985-1988	Mayor, East Fremantle	
Harris, George	1935-1952	Managing Director, Comet Motors	
Haynes, Lieut. Col. Edward W	1886-1914	HM, Hale School	CE
Hillman, Alfred J	1864-1884	Clerk, Auditor	CE
Hunn, Major Sydney A, MVO, OBE, MC	1932-1933	Military Intelligence	CE
Inkpen, George	1866-1869	Printer	Meth
Jenkins, Capt J Marychurch	1898-1920, 1924-1932	Schoolmaster	CE
Jewell, Richard Roach	1862-1866	Architect & Builder	

Co-operative Enterprise Research Unit (CERU)
Perth Building Society - By Their Own United Effort

<i>Name</i>	<i>Term</i>	<i>Profession or calling</i>	<i>Reln</i>
Kerr, Professor Alexander M, AM ~	1975-1987	Economist	
Lee-Steere, Sir Ernest H, KBE, Lord Mayor	1980-1985	Pastoralist, Businessman	CE
Lissiman, HC	1952-1969	Accountant	
Lissiman, Keith H	1969-1982	Chartered accountant	
Loton, Sir William, Kt JP	1872-1888	Merchant, MLC, MLA	CE
Mason, Benjamin	1862-1868	Timber Merchant	
Mattiske, Reginald C	1966-1983	Accountant, MLC	CE
Mickle, Bryan D, AM	1968-1987	Real Estate Agent, Valuer	
Middleton, HAB	1862-1864	Commissary General	
Nathan, Monty M	1934-1968	Company Director	J
O'Grady Lefroy, Anthony JP	1866-1875	Pastoralist, MLC	CE
Pitchford, George F	1932-1935	Managing Director, Bon Marche Arcade	Presb
Quinlan, Timothy F, CMG, JP	1901-1927	Hotelier, MLA	RC
Rowsell, J Charles	1947-1976	Exporter	CE
Ryan, William	1862-1864	Clerk, EPF	
Sewell, Henry C	1927-1947	Real Estate Agent	CE
Shenton, Sir George Kt	1873-1909	Merchant, MLC	Meth
Sherwood, Major Thomas	1866-1877, 1890-1914	Clerk, Military Officer	CE
Sholl, Major Richard A	1877-1919	Postmaster General	CE
Smith, Matthew S, JP	1862-1866	Police Superintendent	CA
Somervaille, Robert D, AM, LLB ^~	1987-1987	Lawyer, Company Director	
Sorensen, Harry W ~	1983-1987	PBS Executive	
Stone, George Frederick	1862-1868	Lawyer	CE
Summers, John	1868-1870, 1884-1885	Carriage Builder, Undertaker	
Sutherland, George P ^~	1985-1987	Company Director	

Co-operative Enterprise Research Unit (CERU)
Perth Building Society - By Their Own United Effort



<i>Name</i>	<i>Term</i>	<i>Profession or calling</i>	<i>Reln</i>
Tavener, Clyde P ^ ~	1987-1987	Accountant, Company Director	
Twogood, Russell B ~	1982-1987	Accountant	
Watson, Neville H	1972-1975	Clergyman	Meth
Watson, Sir H Keith	1932-1972	Tax Accountant, MLC	Meth

PBS Executive Officers

<i>Term</i>	<i>Name</i>	<i>Job title</i>	<i>Profession or calling</i>	<i>Reln</i>
1862-1864	John T Reilly	Secretary (part-time)	Clerk?	RC
1864-1867	William Ryan	Secretary (part-time)	Clerk	RC
1867-1868	John de Courcy Hillman	Secretary (part-time)	Bank clerk	CE
1868-1892	Bernard Smith	Secretary	Storekeeper	RC
1892-1918	Harry Brown	Auditor 1911-1918, Secretary	Clerk	CE
1918-1935	Hugh G Duncan	Secretary, title changed to Manager in 1933	Clerk	CE
1936-1964	Ray D Rodda	Manager Acting Manager 1934-36	Accountant	
1964-1987	Harry W Sorensen MBE	Title changed to Managing Director, 1983-1987 Title changed to General Manager, 1974-1983 Manager, 1964-1974 Assistant Manager, 1956-1964 President, Aust. Assoc. of Perm. Bldg. Socs 1971-	Accountant	

PBS Offices

<i>Period</i>	<i>Tenure</i>	<i>Address</i>
1862-1873	Rented	Mechanics Hall, Barrack Street, Perth
1873-1897	Rented	Town Hall Basement, Barrack Street, Perth
1897-1899	Rented	St George's Chambers, Cathedral Avenue, Perth
1899-1899	Rented	Crossland Chambers, Barrack Street, Perth
1899-1924	Rented	South British Chambers, 23 Barrack Street, Perth
1924-1959	Owned	Knapp's Chambers, 31 Barrack Street, Perth
1959-1966	Owned	Manufacturer's Building, 29 Barrack Street, Perth
1966-1967	Rented	Exchange House, 68 St George's Terrace, Perth (temporary)
1967-1976	Owned	PBS Building, 25 Barrack Street, Perth
1976-1987	Leased	Wesley Centre, 93-95 William Street, Perth

Note: South British Chambers, Knapp's Chambers and Manufacturer's Building were all amalgamated and redeveloped into one property in 1966 named the PBS Building and allocated the street address of 25 Barrack Street.

Key to abbreviations etc

^ - did not reside in WA ~ - PBS director who continued as a Challenge Bank director AM - Member, Order of Australia CE - Church of England CMG - Companion, Order of St Michael & St George Cong - Congregational Church EPF - Enrolled Pensioner Force J - Jewish JP - Justice of the Peace KBE - Knight Commander, Order of the British Empire Kt - Knight Bachelor	LLB - Bachelor of Laws MBE - Member, Order of the British Empire MC - Military Cross MEC - Member Executive Council Meth - Methodist (Wesleyan) Church MLA - Member Legislative Assembly MLC - Member Legislative Council MVO - Member, Royal Victorian Order Presb - Presbyterian RC - Roman Catholic Reln - Religion (where known) VD - Volunteer Defence Corp Decoration
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APPENDIX C: PBS HISTORICAL TIMELINE 1829-1987

Dates	Summary of events
1826-1827	Establishment of Albany by Major Edmund Lockyer arriving in HMS Amity in King George Sound, claiming British sovereignty over WA, administered by New South Wales.
1829	Establishment of Swan River Colony by Captain James Stirling in Noongar Whadjuk land. Foundation of Perth and Fremantle.
1832	Albany is brought under control of Governor Stirling and WA Colony.
1830s-1840s	Land allocation based on 'capital' and servants brought to colony. British colonisation is met by armed resistance from Noongar Whadjuk people. Colony languishes during 1830s and 1840s.
1837	Bank of Western Australia and Sons of Australia Friendly Society established.
1840s	Financial services sector expands. Joint Stock Bank est. (1841); Bank of Australasia est. (1841-1948); Western Australian Bank est. (1841-1927).
1850-1868	Establishment and operation of Convict system in WA. Doubles population and brings in capital expenditure for public buildings and infrastructure.
1850s	Introduction of <i>Savings Bank Ordinance 1855</i> . State owned, Colonial Chest Savings Bank est. (1855-1856). Ladies Friendly Society est. (1851). St John's Lodge of Freemasons est. (1851). Perth Oddfellows Manchester Unity Friendly Society est. (1858).
1860s	Establishment of friendly societies, co-operatives, plus state and private banks: Albany Coaler's Bank est. (1861). Pensioners' Benevolent Society est. (1862-1873). National Bank of Australasia est. (1866). Albany Co-operative Society est. (1867-1882). Perth Co-operative Society est. (1869-1879). Police Benefit Fund est. (1866).
1862	Perth Benefit, Building, Investment, and Loan Society est. (1862-1987). George Stone (Chair).
1863	Introduction of <i>Benefit Building Societies Ordinance, 1863</i> , and <i>Post Office Savings Bank, 1863</i> . State-owned, Post-Office Savings Bank est. (1863-1906).
1866	Critical Event: PBS runs out of working capital (1866). Loan from the Pensioners' Benevolent Fund is obtained via Colonel Bruce (PBS Chair) who then seeks a wind-up of the company. This is blocked by Governor Hampton and George Stone as Attorney General, who secure emergency funding. Colonel Bruce resigns and is replaced by Julian Carr as Chair, PBS.

1868	PBS Secretary William Ryan departs due to malfeasance accusation. Carr positions PBS as a premium loan provider to meet the competitive challenge from the low-cost Post Office Savings Bank.
1870s-1880s	Further expansion of WA financial services and co-operative sector. Church Building Society (UK) est. (1870). Independent Order of Rechabites Friendly Society est. (1872). Northam Co-operative Flour Mill Co. Ltd. est. (1873-1875). Fremantle Building Society est. (1875-1980). Union Bank of Australia est. (1880). Bank of NSW est. (1883). Commercial Bank of Adelaide est. (1886).
1873-1888	Edmund Birch replaces Carr as PBS Chair (1873). George Glyde replaces Birch as PBS Chair (1874). PBS grows strongly 1874-1888, funding around 50% of housing in Perth metropolitan area.
1881	Critical event: PBS provides loans to business investor and hotelier John Chipper (1881). Creates a financial problem and a strategic drift from its purpose. The PBS board refocuses on its purpose to provide housing.
1888	The re-focusing of PBS on its purpose and lending to suitably qualified members allows the Society to avoid the collapses experienced by the building societies in Victoria (1888).
1888-1918	PBS grows within WA as the 1890s goldrush boosts the local economy. The WA building sector is negatively impacted by Federation (1901), and then the First World War (1914-1918). PBS board is shaken up when the PBS Secretary Harry Brown resigns in 1918 over misconduct.
1919-1929	PBS Chair is Laurence Alexander (1919-1929). Introduction of the <i>Building Societies Act, 1920</i> strengthens PBS within the local market. PBS opens a new office in the Perth CBD (1924). Faces competition from Savings Banks (1924-1929) but positions itself as a premium lending organisation.
1929-1933	Great Depression (1929-1939) impacts the WA economy. PBS suspends all new loans (1929). WA economy slumps (1930-1933) with unemployment rising to 30%. Housing prices fall by 25%, and net migration ceases.
1931	State Savings Banks of NSW and WA experience major liquidity crisis and are taken over the newly established Commonwealth Bank. PBS provides payment relief to its members hit by unemployment.
1932	Laurence Alexander dies (1932) and is succeeded James Fisher as PBS chair. The PBS board focuses on stability not growth, although this leads to excess liquidity. Keith Watson becomes a PBS director (1932). He is a key leader of the WA Secession Movement and the Referendum for WA to succeed from the Commonwealth (1933). He is committed to the growth of PBS.
1934	PBS appoints a professional advertising agency and advertises on radio and in cinemas. WA economy begins slow recovery.

1934-1937	Royal Commission into Banking and Monetary Systems recommends for the Commonwealth Bank to issue mortgages. PBS provides leadership for other WA building societies to prepare a joint submission to Prime Minister Joseph Lyons.
1939	PBS grows to control 70% of the housing loan market in the Perth metro area. The society enjoys strong liquidity and increased staff. Other building societies are either stagnant or in decline.
1939-1945	Second World War (1939-1945) impacts WA economy and housing market. The fall of Singapore (1942) and Japanese air attacks on WA create invasion fears. The Federal Government's "total war" regulations freeze shares and land sales.
1945-1950	Post-war housing boom leads to a shortage of building materials. More than 12,288 new homes are built in WA with PBS securing around 9% market share.
1951	Keith Watson replaces James Fisher as Chair (1951). Fixed interest loans are replaced by variable interest loans. Major Savings Banks increase their market share.
1956-1966	Federal Housing Finance Scheme enables terminating building societies to grow in the WA market leveraging Commonwealth housing grants. By 1966 90% of WA building societies are terminating.
1966-1973	WA economy experiences a mining boom in iron ore and nickel. PBA opens a new Perth CBD office (1967). It expands its branch network with the acquisition of the Bunbury Building Society (1973).
1973	Keith Watson retires as PBS Chair and senior management team is led by Harry Sorensen and Graeme Matthews who have been with PBS since the 1960s.
1974-1975	Critical event: Interest rates rise from the mid-1970s triggering a "Home Buyers Rebellion (1974). The Independent Homebuyers Action Group (IBHAG) motivate the establishment of the Lewis Committee Report (1975).
1975	Malcolm Fraser becomes Prime Minister). His LNP Coalition government pushes for market deregulation in banking. Professor Alexander Kerr is appointed to the PBS board.
1976	PBS opens new 10 storey head office building in William Street, Perth CBD. New staff are appointed, plus further investment in computerisation, and word processing.
1978	Appointment of Dr Robert Elstone as the first PBS Research Fellow in Finance. This position strongly recommended by Professor A. Kerr.



1979	Critical event: The Campbell Inquiry (1979-1981) reviews the deregulation of Australia's financial sector. Sorensen, Matthews and Elstone make a formal submission to the inquiry on behalf of PBS. However, Elstone also makes a personal submission.
1981	Campbell Inquiry reports with recommendations for market deregulation. PBS tries but fails to acquire National Permanent Building Society in Victoria.
1982	PBS successfully acquires the Hotham Building Society in Melbourne. It also establishes a travel agency, general insurance agency, and a merchant bank.
1983-1984	PBS management team changes. Sorensen is appointed to the board as Executive Chair (1983). Elstone leaves (1983), followed by Matthews (1984).
1984-1985	PBS invests in ATM, EFTPOS technologies and a credit card by 1985. It is a key sponsor of community, charities and the arts. It promotes the theme "People Helping People" along with the history of the society.
1986	April 1986, full deregulation of Australia's financial markets is introduced. October 1986, the PBS board decide to apply for a banking licence. The board view demutualisation as the only sustainable option for the future.
1987	PBS demutualises and becomes the Challenge Bank. The company is publicly listed on the ASX.
1987-1995	Challenge Bank operates until 1995 when it is acquired by Westpac Bank.
1995-2003	Westpac retain the Challenge Bank brand until 2003.

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