A comparative study of the establishment and early investment experiences in New South Wales, Tasmania and Canada, of four British companies.

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Thesis submitted for the degree of Doctor of Philosophy.

April, 1978.
# COLONIAL INVESTMENT ADVENTURE

1824 - 1855.

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The late Mr. Herbert Waldthausen, former President of the International Wool Textile Organisation; Mr. R.T. Schmidt, Managing Director, Australian Agricultural Company; Assistant Professor Roger D. Hall of the University of Western Ontario; and Miss G.D. Beauvais of Public Archives of Canada, assisted greatly with their interest and advice.

In particular I should like to mention the generous help of Mr. R.M.B. Tiddy, Manager, Australian Mercantile London Ltd., in obtaining statistical detail from sources in London.

My thanks are due also to Mrs. Susan Reid for preparing the maps and diagrams.
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Yearly Rep.

The Rare Book and Special Collections Library, The University of Sydney.

Votes and Proceedings of the Legislative Assembly of New South Wales.

Votes and Proceedings of the Legislative Council of New South Wales.

Yearly Report.
Histories of companies are a record of the relationships of people, of the decisions of directors and management in meeting changing situations, and of the complex factors influencing those decisions. They reflect the impact of social, political and international events, apparently unrelated to the companies' operations, yet directly affecting the attitudes of shareholders, directors and management.

The early colonial companies were established to utilise in distant settlements resources of capital and labour available in Britain. Their progress depended on the skill and initiative of management in the colonies, and on the ability of the directors to persuade investors to provide the substantial capital needed in the expensive and unprofitable years of establishment. The approval of the companies' performance by their shareholders and by the colonists among whom their activities were located depended also on the influence directors and management were able to exert on government, in London and in the colonies, to give understanding support to the companies' investment objectives.

The reasons which between 1824 and 1840 attracted British capitalists to the adventure of investment in the colonies, are significant to an understanding of the decisions of directors and management. At times these opinions were in conflict, yet both were possibly correct - when viewed either from London, or from Canada, New South Wales and Van Diemen's Land.

The responsibility of the directors was long term planning, the organisation of finance, and close association with the sources of capital, particularly the shareholders. The directors, by their appointments, were well informed on trends in the money markets of Europe and on the temper of critical investors in Britain, but the facts and statistics on the companies' operations available to the directors, had frequently been overtaken by change. The directors were, therefore, dependent on management in the colonies for those decisions which determined the effectiveness of the company's regular operations.

The directors recognised that the existence of the companies depended upon the continuing confidence of the shareholders in the long term security and profitability of investment in colonial land settlement and agricultural
expansion. Until production, which was variable, resulted in a residue of income from which development could be internally funded, progress depended on the willingness of shareholders to respond to calls for capital.

These were untried avenues for corporate investment, regarded by some as speculative, in which policy determination could at best be tentative.
INTRODUCTION

This study is concerned with the establishment and early investment experiences of four British joint stock companies formed to utilise British capital and people in colonial land settlement and the development of colonial resources.

The Australian Agricultural Company (1824) and the Van Diemen's Land Company (1825) pioneered pastoral enterprise in unoccupied regions of New South Wales and Tasmania; the Canada Company (1825), whose successes in land settlement attracted the attention of the two Australian pastoral companies, provided a significant investment comparison in colonial expansion; the Scottish Australian Investment Company (1840), an investor, lender on mortgage, and pastoral financier, provided a further comparison in the application of British capital to colonial development.

The characteristics common to these four companies were dependence on British capital and emigrants, and considerable, though varying contributions to the development of the colonies in which their operations were located. Their objects, direction and achievements, while in some respects similar, were in others distinctly different. The investment objectives extended from concentration on pastoral production with its exposure to the vicissitudes of seasons and markets, to investment in land for development and sale. All of these companies were designed to marshal capital for opening up waste lands and for the development of resources, with eventual profit to the risk-taking investors.

As the corporate function moved farther from involvement solely in pastoral and agricultural production, so the liability for high establishment expenditure and the degree of exposure to uncontrollable factors diminished. The short term prospects for investors were thereby more assured. The progress of the Canada Company emphasised the basic difference between inflexible commitment of funds to long term pastoral development, and the shorter term objective of using capital to provide improvements necessary to

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1. The Scottish Australian Investment Company had acquired substantial pastoral holdings by the end of the century. The word 'Investment' was omitted from its name in 1933.
the promotion of land settlement and sale. The Canada Company, with the advantages of proximity to England and fertile soils, survived the early years of anxiety among shareholders when costs of development exceeded income, and by sales and leases of land to a growing population, became a financially strong and profitable investment.

The fortunes of the Australian pastoral enterprises were, on the other hand, hedged around by misunderstanding and prejudice, which frequently subordinated economic and practical realities to political considerations. Of the complicated inter-play of political, social, economic, and physical aspects, which was to confront management and direction, the promoters and investors had little knowledge and no comprehension. The initiatives of private enterprise in these ventures were both encouraged and retarded by government, in Britain and in the colonies, and a singularly inconsistent public attitude enveloped the subject of corporate ownership, improvement, and utilisation of rural lands. The capital and livestock of these companies were grudgingly recognised as beneficial to the interests of the colonies, but settlers and colonial government officials still resented the influence of corporate land holders based in Britain. Obstructions were placed in the way of progress by those standing to gain the most immediate benefit from the contributions of the pastoral companies, and on faulty assumptions, which implied hostility to any large land holder, whether company or individual. A semi-political, anti-pastoralist prejudice emerged among the smaller settlers, to the detriment of orderly and appropriate utilisation of the country's land resources:

> From time to time, this ... led to unwise subdivision of certain large estates, or to attempts to force subdivision by taxation, irrespective of whether the land was suited for smaller-scale farming or not.  

Imperial policies for the settlement of Australia required that expansion should be confined within limits proclaimed in 1829, to facilitate administration, and to avoid the anti-social consequences of isolation. Such a policy was incapable of enforcement, and the restrictive boundaries of the nineteen counties were regarded by enterprising stockmen as the lines from which their freedom to utilise available pasture began. The vastness of the country and the harshness of the climate, were both the problems and the

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challenges facing the settler.\(^3\) Had Australia lacked these characteristics, the direction of the country's expansion and development would have been significantly different. The size of the continent, its desert centre, its unreliable rainfall, the dryness of so much of it, and the nutritive value of natural grasses and shrubs, created the peculiar circumstances in which the merino sheep flourished. The production of fine wool from merino sheep was in sympathy with the colony's land and climatic characteristics.

In a country where plenty of cheap land has usually been available, but where capital and, to an even greater extent, labour, have always been relatively scarce and expensive, it has been necessary to establish industries (a) which have ready markets for their products, and (b) which can exploit scientific knowledge, and economise on the use of capital and labour, to the extent that it is necessary to make costs of production competitive with those of overseas producers\(^4\).

The production of fine wool in Australia complied with these requirements, large areas of low rainfall best satisfying the criteria of competitive production. But government viewed the land in the light of experience in Europe, and was unable to adjust to the physical demands and capabilities of the colony's land resource. Limitation and control were the objectives of land policy.

The growth of the pastoral and agricultural industries in Australia has shown that the original challenges are perennial. Labour has been costly from the days of the early settlements; capital has been limited, and somewhat reluctant to become too deeply involved in undertakings dependent upon unstable seasonal patterns and upon unpredictable markets for rural products. Australia has so large a proportion of its population living in cities on the east coast, and of its work force committed to concentrated industrial undertakings, that it is today 'an urban country rather than a rural one'.\(^5\) But this in no sense denies the continuing and important influence of the pastoral and agricultural industries on the Australian character and economy. To maintain these influences, the land must be

utilised with due regard for the economics of production, and the natural capacity of the soils.

The gradual expansion of livestock grazing in New South Wales, even though outside the limits of official sanction, dictated the settlement's rate of growth. Investment in pastoral pursuits provided the stimulus for settlement; it increased the need for population and capital to enable effective use to be made of the two available resources of land and assigned labour. The potential of the virgin soil, which was insufficiently fertile for satisfactory grain production, was not understood, nor were many interested in the economic advantages of extensive pastoral production. This attitude persisted until well into the second decade of the nineteenth century.

The production of cattle and sheep for supplying meat to the commissariat and the settlers was profitable, although bedevilled by recurring dry seasons. Gradually settlers in New South Wales and Van Diemen's Land began to accrue profits from breeding sheep intended mainly for the production of wool. Land was regarded not only as the basis of sustenance for the settlers, but also as the probable means for promoting trade and capital formation. Land, the colony's major resource, determined the rate and direction of physical expansion and economic progress.

The Reports of the Commissioner of Inquiry into the State of the Colony of New South Wales, presented to the House of Commons in 1822 and 1823, were the first comprehensive judgments on the colony available in Britain, and they stimulated the transfer to Australia of British resources. Injected into the immature economy, these resources of men and money encouraged expansion of settlement, and provided the means for generating capital within the colony's productive capabilities.

Capital accompanying free settlers was limited, and an important consequence of the 1822 Report, was the initiative it provided for the formation in Britain of corporations designed to raise substantial capital primarily for investment in pastoral and agricultural enterprise in New South Wales and Van Diemen's Land. The availability of large tracts of land on apparently beneficial terms, an assurance of low cost labour, and the demonstrated capacity of these lands to produce fine wool cheaply and


competitively with European sources, were the particular investment attractions. They were sufficiently persuasive to clothe the element of adventure with the appearance of propriety.

The Australian Agricultural Company and the Van Diemen's Land Company were affected, and at times prejudiced, by the policy of government to perpetuate in Australia small scale farming units similar to those in Europe. The natural advantages of this vast island were not understood and were therefore ignored. Policies inimical to longer term pastoral security and profitability were framed and enforced by an administration inadequately informed, and irritated by matters not fully comprehended.

John Macarthur in his Memorandum of Suggestions to Commissioner Bigge in 1821, urged the encouragement of extensive pastoral undertakings as the basis for an export industry in wool. He supported the concept of independent operation through private investment, through "men of real Capital - not needy adventurers". 7

It might then be hoped, that the habit of entirely relying upon Government for support may be changed, and the community in time be taught, to depend for the supply of their wants on their own exertions and resources, instead of continuing a pernicious and increasing encumbrance to Great Britain. 8

The period 1824 to 1855 has been selected for this study because, in these years, decisions were made and plans materialised significantly influencing the progress of the companies in the economic life of the colonies in which their activities were located.

In 1824 separate groups of politicians, bankers, merchants, shippers and wool processors, initiated moves which resulted in the granting of Charters of Incorporation to the Australian Agricultural Company and the Van Diemen's Land Company. 9 In 1826, the Canada Company, with contrasting aims but still with the main object of utilising British capital and people to open up the waste lands of Upper Canada, received its Charter. 10 The initiatives of John Galt were again supported by influential British capitalists.


8. Ibid., p.70.

9. See Appendixes 1,3.

10. See Appendix 6A.
The continuing scarcity of capital in the Australian colonies, and the opportunities for investment in growth with profit to the shareholders, were the factors leading to the formation of the Scottish Australian Investment Company in 1840. The company was supported mainly by small subscribers from the north-east of Scotland. The company was established in Sydney when economic problems in Britain and the consequences of the 1838 drought in New South Wales had caused severe and widespread financial hardship in the colony. The early investment operations of the company coincided with a prolonged period of readjustment in the Australian colonies, which had marked impact on the two pastoral companies.

By 1855 the Australian Agricultural Company had met serious financial pressures and had reorganised by forming the Peel River Land and Mineral Company. The Van Diemen's Land Company, plagued by persisting problems of illiquidity and scarcity of labour, had withdrawn from pastoral activities and had adopted a landlord role. The Scottish Australian Investment Company had largely extricated itself from involvements in South Australia, and had transferred its legal domicile from Aberdeen to London. The Canada Company had survived financial and political turmoil, and had become a sound and profitable investment, with its shares trading at a substantial premium.

The year 1855 is an appropriate point from which to look back on the early investment experiences of these four British companies.

11. See Appendix 5, and List of Shareholders, 11 Feb 1841.
12. See Appendix 7.
BRITISH BACKGROUND.

The developments which after 1815 encouraged British government, capitalists and people to see in the colonies the prospect of solution to diminishing trade, underemployment and declining prosperity, had their origins partly in the consequences of the war with France, and partly in the processes of industrial and agricultural change which had affected the economic, social, intellectual and political life of England.

In the eighteenth century foreign trade and shipping expanded on an increasing scale as industrial and agricultural change converted Britain from a predominantly rural into a predominantly manufacturing society. Trade placed a new emphasis on the importance of the colonies and dependencies as sources of raw materials, as consumer outlets for British manufacturers, and as outposts of defence. "Economic policy was constructed to serve national not individual ends", and provided industrial production was growing, the beneficial effects on the balance of trade took priority over human considerations.

The Napoleonic wars, which erupted in 1793, influenced the pattern of Britain's economic development beyond the peace of 1815. The immediate consequences were complex - the British Empire was enlarged by the acquisition of new colonies; the merchants and shippers profited from expanded trading with the old colonies and from exploiting the new sources of raw materials and more diversified markets; maritime supremacy was unchallenged; increasing prosperity caused investment speculation which further added to wealth.

Yet amidst this widespread prosperity, with expanding industrial production, full utilisation of plant and labour, rising prices and improving wages,

many aspects of social and economic life in England gave rise to serious misgivings as the continuing effects of the industrial revolution were felt. Industrial and agricultural change had created national wealth and had been the decisive influence in enabling England to finance the protracted war with France, but while the increase of wealth had been great its distribution was inequitable. The experiences of those years have clouded for many the true nature of the technical and economic changes of the period. Just as the war had thwarted the purpose, so the conditions in which peace was restored postponed the fulfilment of the revolution in industry. There was, there can be no doubt, a growth of class feeling and bitterness.

The defeat of Napoleon in 1815 seemed to a war weary Britain to open up prospects of prosperity in peace in which the gains from the conflict would be more equitably distributed. But the transition from war to peace brought other problems.

The national economy had to be redirected. The depressing effects of the close of the war upon the investments and activity of large capitalists who had worked under war contracts, were serious. Much had to be done to redistribute resources to serve a peace time economy.

Although the growth in Britain's foreign trade, which reached a peak in 1792, was checked by the outbreak of war in 1793, "the years 1799-1801 witnessed a boom, to be followed by a depression which became especially marked from 1803 to 1808. Revival in 1809-1810 was followed by a sharp downward movement in 1811. An end of war boom in 1815 was succeeded by a slump in 1819". These economic fluctuations and frustrations influenced the attitudes of capitalists and working people who believed that the colonies might provide a solution to Britain's declining prosperity and persistent unemployment.

An old, developed economy, faced the prospect of declining investment opportunities, and hence the slowing down in its

rate of economic growth; this, it was argued, would be
overcome by switching investment to an under-developed
economy where profits would be higher\textsuperscript{11}.

**Industrial and Agricultural Change.**

England in the eighteenth century responded to the challenge of mechanical
invention and scientific discovery, to the use of coal and steam power, and
to the utilisation of reserves of iron ore. She assumed world leadership
in finance, industry and trade. Large scale manufacturing submerged the
traditional domestic system, and production management "passed to the
shrewd \ldots men who knew the markets best"\textsuperscript{12}. A new middle class of manufactur-
ers and employers emerged, not influenced by geography or custom\textsuperscript{13}.

Agricultural production followed a similar trend as more efficient use of
land was seen to depend, not on labour, but "on investment of new capital in
stock, houses, machinery and implements,"\textsuperscript{14} and on modern farming methods
which only the large and wealthy landowners could undertake\textsuperscript{15}. The system
of land holding changed significantly as the wealthy progressively acquired
small farms whose owners became their tenants or hired labourers\textsuperscript{16}.

The net result of many alterations in social and economic
conditions was to give to the English land system a high
concentration of ownership together with an attitude
towards land ownership which was commercial rather than
feudal\textsuperscript{17}.

Gradually domestic industries and handcrafts were squeezed out of existence
and the workers became units in large factories\textsuperscript{18}. The displaced rural
workers drifted into the cities in search of employment and helped to swell
the rapidly growing and concentrated mass of urban dwellers. Society was
dominated by industry and commerce, and labour was organised to feed the trade
machine\textsuperscript{19}. The growth rate of the cities outstripped the provision of services,
and the social problems of slum life multiplied. The contrast between indigence and opulence aggravated class distinctions and encouraged opposition to
authority which increased as the conditions of the labour force improved:

\textsuperscript{11} B.A. Corry, *Money Saving and Investment in English Economics, 1800-1850*
\textsuperscript{12} W.H.B. Court, *op. cit.*, p.60.
\textsuperscript{13} M. Briggs, *op. cit.*, pp.118-9.
\textsuperscript{14} W.H.B. Court, *op. cit.*, p.24.
\textsuperscript{15} Ibid., p.25.
\textsuperscript{17} W.H.B. Court, *op. cit.*, p.27.
\textsuperscript{18} W.P. Morrell, *op. cit.*, p.27.
The towns of the new machine industry heralded a transformation in which new relations of economic class would overwhelm the old hierarchy of social subordination.

The reaction of authority to this new discontent was severe and repressive. The fluctuations in economic growth, to which reference has already been made, aggravated the distress of unemployment and hardship which continued into the nineteenth century, and while on the one hand capital was still accumulating, on the other, 'the coincidental poverty and hunger created divisions and bitterness'. The poverty stricken contrasted their circumstances with the growing wealth of their employers, and expressed their discontent by rioting in various parts of the country between 1816 and 1821. Despite unemployment and poverty in the first decade of the nineteenth century, increasing productivity in industry and agriculture provided Britain's capacity to meet the demands both of increasing population and 'the longest and most exhausting war she had yet fought'.

The end of the war in 1815 did not, as had been expected, bring flourishing industry and trade, improved working conditions and increased national prosperity. Europe was too impoverished to buy British goods, investment was at low levels, and Government expenditure had been severely curtailed. Unemployment was widespread and 'poor harvests in 1816 and 1817 caused food prices to rise and the demand for manufactured goods to fall'. The year 1818 brought some improvement in conditions with better harvests and more active foreign markets, but...

... the three following years were less favoured; and it was not until 1821 that the era of inactive capital and unemployed labour - the era of what we call reconversion and deflation - was brought to an end.

Population and Emigration.

Population growth provided the essential background to the Industrial Revolution.

Industrial progress and the social adjustments which accompanied it, brought
a substantial increase in the work force available to industry and to trade, and in addition widespread rationalisation of agricultural production contributed to industry a steady stream of displaced rural workers. Skilled labour was not required to operate and supervise the new machines, and as apprenticeship became obsolescent in some trades, children were increasingly employed at low wage rates. The numbers of adult unemployed rose, children were denied opportunities for education, and the number of skilled tradesmen in the work force fell. The objective of industry was to improve plant and machinery to achieve faster, cheaper and more competitive production.

The social consequences of change, the crowding of people into slum conditions in factory towns, and the separation of many small farmers and their families from traditional rural life, contributed to the erosion of social conventions and standards. Earlier marriage and large families were among the significant consequences, and as the century progressed improving health, cleanliness and sanitation, reduced the incidence of disease and lowered mortality rates.

The picture presented by the British population after 1750 is therefore one of a land in which the old conditions of life had been sufficiently modified to permit a rapid increase of numbers. By the end of the century, between 1780 and 1820, the rate of increase was very high indeed.

Between 1789 and 1815 the population of Great Britain and Ireland increased from 12 million to 19 million people, an increase of 58 per cent in the period of twenty-six years.

The optimism of British industrialists and merchants that peace would result in boom conditions was short lived, as the expected increase in exports did not materialise. The demobilisation of servicemen and the cessation of the manufacture of munitions, flooded the labour market with men for whom no employment could be found. Great Britain suffered from a plethora of labourers, the distressing consequences being low wage rates, idleness, and a substantial national liability for poor relief. Human distress was reflected in the sluggishness of industry and trade, and increasingly it

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32. Ibid., p.9
33. Ibid., pp.11-12.
34. Ibid., p.13.
'drew the attention of English writers and politicians to the depressing subject of excess population'.

At the beginning of the nineteenth century emigration was not generally regarded as the most effective method of dealing with the problems arising from growing population and poverty in Britain. New countries involved unexpected difficulties and caused drains on the British Treasury, and while presenting unattractive economic prospects, any relief afforded problems of population pressure could be regarded as only temporary. Some economists in the late eighteenth and early nineteenth centuries were "inclined to leave all to private interest; if colonies really offered an attractive alternative to misery in the homeland, men would go".

For those who after 1815 searched for appropriate solutions to the complex pressures of stagnant trade, unemployment, pauperism, servicing the national debt and political discontent, 'emigration commanded the chief interest'. Emigration retained within the Empire British people who would otherwise be lost to foreign countries. It came to be regarded as an acceptable and unavoidable alternative to the miseries of over-population and under-employment:

Regarding the poor, the loafers, the criminals, and similar categories of people who could be designated as useless to the nation, the colonies continued to be valued as a convenient depository relieving the mother country of their onerous presence.

Endorsement of emigration gave new impetus to the establishment of overseas markets, and 'there were new arguments ready to hand for a change in Britain's traditional commercial system'. "To the old colonial theory the value of the Empire was chiefly commercial". The colonies were significant only because of their contribution to British industry, trade and shipping. When Britain, however, in the mid-eighteenth century, required the North American colonies to assist in the cost of their defence and maintenance, she was met with a denial that "they were merely subordinate parts of a great commercial and political machine controlled

38. Ibid., p.269.
41. Ibid., pp.224,226.
42. Ibid., p.76.
43. W.P. Morrell, op.cit., p.3.
44. Ibid., p.1.

from London". Britain's attempts to compel the colonists to accept dictation resulted in conflict, the American Declaration of Independence in 1776, and the loss to Great Britain of the thirteen colonies.

The independence of the United States of America, while of deep concern to Britain and influential in the trend of colonial policy, did not result in the loss to Britain of the lucrative American trade; yet as emphasised by the anti-imperialists, it relieved Britain of a 'considerable financial burden'.

The loyalists from the old colonies were encouraged to settle in Canada and Nova Scotia, making them for the first time British colonies in the fullest sense of the word. New South Wales was founded: to provide for the hundreds of convicts accumulating every year.

Furthermore, the war with France from 1793 to 1815 both added to the British Empire and was largely responsible for the conditions which made emigration and colonial expansion necessary. The colonies were considered to be not only commercial assets but regions for the settlement of British people. Moreover, the objective of the emigrants who voluntarily settled in the colonies and dependencies was 'not to produce commodities for export but to found new homes'.

Capital and Investment.

Between 1815 and 1825 a number of significant influences merged. Abundant capital was available in the form of accumulated idle sayings; a period of post war depression in the British economy had eliminated outlets for profitable domestic investment forcing interest rates to low levels; legislation in 1825 had revived interest in investment through incorporated joint stock companies; and the colonies were accepted not only as sources of raw materials and as markets for British manufacturers, but also as locations for British settlers and outlets for British capital investment.

Successful land settlement and exploitation of the natural resources of the colonies were contingent upon the availability of capital, labour and shipping.

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45. Ibid., p.2.
49. Ibid., p.5.
Britain in 1815 enjoyed undisputed maritime supremacy. The mercantile fleet was able safely and cheaply to deliver British manufactures to world markets, and on the homeward voyage to carry the raw materials needed to feed and clothe the people of Britain, and to feed her factories.\textsuperscript{51}

Population growth, the declining need for industrial and agricultural labour after 1815, and fluctuating economic progress, had combined to provide a resource of British people available to establish new colonies and to develop the old\textsuperscript{52}. Although the former principles of commercial materialism in assessing the value of the colonies to Britain still persisted in the attitudes of some, most had come to regard emigration and the colonies as part of "the mission of England to plant new nations overseas".\textsuperscript{53}

The expansion of the colonies was influenced partly by anxiety over whether trade with the lost North American colonies would be maintained, and whether Canada and Nova Scotia would remain loyal.\textsuperscript{54} But the main influences appear to have been the internal pressures generated by surplus labour and idle capital. Together they provided convincing argument that these resources combined in the colonies could replace profits which had declined at home, and assist in maintaining national growth and prosperity.

Sensitivity to conditions abroad was heightened by the rapid rate of capital accumulation at home.\textsuperscript{55}

The advantages in having British communities planted around the world in strategic locations assuring Britain of raw materials at not unfavourable prices, were accepted as applying also to idle capital awaiting investment.\textsuperscript{56} National wealth had steadily increased during the eighteenth century as the industries of England won expanding markets for competitive production. The trend is summarised in the following Table:\textsuperscript{57}

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (£ million)</th>
<th>Total Exports (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1700</td>
<td>6.00</td>
<td>6.50</td>
</tr>
<tr>
<td>1725</td>
<td>7.10</td>
<td>8.50</td>
</tr>
<tr>
<td>1750</td>
<td>7.80</td>
<td>12.70</td>
</tr>
<tr>
<td>1775</td>
<td>13.50</td>
<td>15.20</td>
</tr>
<tr>
<td>1785</td>
<td>14.90</td>
<td>15.10</td>
</tr>
<tr>
<td>1795</td>
<td>21.50</td>
<td>26.30</td>
</tr>
<tr>
<td>1800</td>
<td>28.40</td>
<td>40.80</td>
</tr>
</tbody>
</table>

\textsuperscript{51} M. Briggs, op.cit., p.199. \textsuperscript{52} W.H.B. Court, op.cit., p.104
\textsuperscript{53} W.P. Morrell, op.cit., p.4. \textsuperscript{54} Ibid., p.5.
\textsuperscript{56} Klaus E. Knorr, op.cit., pp.230-1.
Wealth and savings were accumulated by the employed as well as by the capitalist. As industrial change gained momentum increasingly more people received wages from which it was possible to save and invest. In the first half of the nineteenth century people were consequently concerned with the relationship of saving and investment. Savings, by causing a fall in consumption of all forms of production were deflationary, whereas investment, by utilising funds otherwise lying idle, encouraged factory output and consumer spending. "New investment was the only source from which new income could come," and whether investment took the form of corporate or partnership application of available capital, the generating of income was considered essential to counteract depressing influences.

**Joint Stock Companies.**

The spread of joint stock finance in the first three-quarters of the nineteenth century, while it was restricted and slow, was of immense significance. The advantages of bringing investors together in application of their pooled resources had been recognised in the early eighteenth century as British foreign trade expanded. Excessive speculation and dealing in stocks and shares followed, and after the failure of the South Sea Company in 1720 the promotion of joint stock companies was subjected to statutory controls. The Bubble Act, which stood unrepealed until 1825, was a warning against undue speculation, protecting the unwitting from the unscrupulous; but the legislation delayed the desirable development of joint stock investment:

The need for group investment vehicles became increasingly apparent as the relationship between capital and income was more widely appreciated. Before the close of the eighteenth century the importance of formal procedures in

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59. B.A. Corry, *op.cit.*, p.84.
   See also Appendix 8, Acts 6 Geo.i,cap.4,1719 and 7 Geo.i,cap.1,1720.
raising and utilising capital was evidenced by the growing number of partner­ships which, in the absence of statutory forms of incorporation, were estab­lished to meet the needs of financial association.

In 1821 confidence began to return to the British economy which had been seriously depressed from 1819. But by 1824 interest rates had fallen to new low levels indicating a surplus of funds in the British money market, whereas capital, which was available in abundance, was seeking avenues for investment.

Joint stock financing represented a radical change from the traditional method of funding whereby the sole owner, or the partners who managed the business, provided the capital required, and assumed the full risks without limitation of liability. In subscribing to a group funding organisation, whether a joint stock company or an association or copartnery, the investor usually had no knowledge of the industry to which his savings were being committed. 'Investment and management factors became divided'.

Joint stock finance made possible a different form of economic world, built to a different scale and organised in a different way, where great concentrations of capital and labour moved uneasily together to execute tasks nominated by professional managers.

The joint stock principle of business organisation was widely adopted in the transport, mining, shipping and insurance industries of Britain which involved heavy capital commitments and investment risk. The private partnership or association, which retained individualistic features, was preferred in the textile industries, due to the conservatism of England's northern counties and to the organisation of the wool trade, in which established family businesses with limited capital could operate profitably.

The restricted opportunities for sound investment of the abundant capital available encouraged speculation. Deposits were willingly paid on shares in companies still in the process of formation; warnings against the foolishness of supporting such promotions were not heeded.

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66. W.H.B. Court, op.cit., p.175.
67. Ibid.
68. Ibid.
70. B.C. Hunt, op.cit.,p.37.
In June 1825 the 1720 statutes were repealed and the Crown was granted substantially wider powers over the nature and extent of the responsibilities and liabilities attaching to corporate promoters and shareholders. Consequently many suspect promotions forfeited support and failed, as speculators defaulted or were unable to raise funds to meet instalments as they fell due. Speculation and over-trading were substantial contributors to the crisis of 1825 and to the depression which persisted to the end of the decade. Joint stock investment, subject to the statutory prohibition against the formation of new companies unless sanctioned by Act of Parliament and Charter of Incorporation, was, however, established and accepted.

In this atmosphere of speculative investment in 1824-25 the Australian Agricultural Company, the Van Diemen's Land Company and the Canada Company, requested Parliament to recommend the issuing of Charters of Incorporation approving their respective objects. The subscribers to these corporations were doubtless reassured by the status of the promoting Courts of Directors, and attracted by the assumed security of investment in land in a period of questionable industrial promotions.

The nature of the land investment was, however, not fully comprehended; its potential was accepted though not proved; the financial uncertainties were great though not understood; but vast tracts of land granted on what appeared to be the most generous terms were seen as a safe and potentially profitable investment for savings lying idle in a discouraging British economy. But of the complexity of the risks associated with the application of private capital to colonial land development and settlement, and to pastoral and agricultural production, the promoters and the subscribers were largely ignorant.

73. W.H.B. Court, op.cit., p.84.
74. See Appendixes 1,3,6B.
Economic and social change in Britain stimulated interest in expansion abroad; the availability of funds and emigrants provided the impetus for movement to distant settlements. The authority of the British Government was, however, a condition precedent to the formation of companies for transferring resources of money and people to New South Wales and Van Diemen's Land. To achieve this, the initiative of men of substance in the financial and trading houses of Britain, and particularly of London, was essential. Investors were then reassured by the approval of Government, and by the readiness of knowledgeable and influential people to accept the investment risk in these distant colonies.

In 1788 the British Government established a settlement in New South Wales, hoping that the costs of its administration and sustenance would not have to be borne entirely by the home country, and that in time it might become self-supporting. Beyond these vague hopes the prospects had not been projected. The new settlement proffered neither raw materials nor a consumer market, and no-one could then have foreseen that within fifty years the settlement would develop into a conventional British colony. The coastal strip of New South Wales, within a closely controlled distance from Sydney, was alone occupied in the early years of settlement. These lands, and the timber and vegetation they carried, provided expressive evidence of their limited fertility. Grazing on an extensive basis appeared more likely to succeed than farming. Among the first to appreciate this probability, John Macarthur applied himself to establishing whether conditions in the new colony were appropriate for the production of fine wool. In 1803 he visited Yorkshire to introduce colonial wool to the manufacturers, and in 1807 the first shipment of 245 lbs. of fine wool was exported.

In the year 1803 also, Van Diemen's Land was occupied. Because of the proximity of the early settled lands to the harbours of Hobart and Launceston,


See also Note 4, and HRNSW. 1, 14-19.
the more equable climate, the suitable natural pastures, and government policy to produce through management of the flock, an 'improved breed' of sheep, Van Diemen's Land rapidly became an exporter of wool, often exceeding shipments from the mainland. By 1820 the mainland of New South Wales was depasturing about 99,500 sheep, whereas Van Diemen's Land was running some 180,000². The area of utilised land in New South Wales expanded as the vast tracts of grassland suitable for grazing attracted the ambitious settler. Investment in sheep and cattle, and the need to find better and larger areas of grasslands for the increasing flocks and herds, was the pressing initiative in the movement inland from the coastal settlement. This expansion in the colony had been given added momentum by the House of Commons Committee on Transportation in 1812 which varied past policy on New South Wales as a penal settlement. Productive occupation was seen as desirable and compatible with the conclusion that the development of the settlement's wealth was essential to establishing the means for employing and reforming convicts. This variation in official attitudes was made possible by rationalising the policy on assignment of convict labour. The disposition of convicts as servants and labourers among the free settlers was to be encouraged³. Governor Phillip's earlier intimations that time, experience, and competent labour, would be necessary to build the colony to self-sufficiency, were in part recognised by this encouragement to productive utilisation of convict labour in agriculture⁴.

John Macarthur had agitated for the planned establishment of an export wool industry, believing that the pace of settlement was directly controlled by the rate at which capital flowed into the colony. Only export income could provide such a capital inflow, based on the endeavours of individuals rather than of government. Acceptance of this proposition required a willingness to encourage production to achieve independence, to see New South Wales as a self-supporting colony. The House of Commons Committee effectively changed the direction of Imperial policy by resolving that "a prosperous colony and the discipline of a gaol were to be reconciled by assignment".⁵

M.H. Ellis, John Macarthur (Sydney, 1955) p.41.
4. Phillip to Sydney, 15 May 1788. HRA.1,i,19-23.
Phillip to Sydney, 30 Oct 1788. HRA.1,i,95.
Phillip to Grenville, 17 July 1790. HRA.1,i,195-7.
5. J. Ritchie, op.cit., p.5.
Bathurst was concerned that the relaxation of the discipline in the colony under Macquarie's administration, was due in some measure to the excessive numbers transported to New South Wales. In 1817 he had written to Viscount Sidmouth drawing attention to the fact that during later years the number of convicts annually transported has increased beyond all calculation as will appear by a reference to the enclosed return, and I am apprehensive that your Lordship will not be able to hold out any expectation that the crimes to be punished by transportation will diminish in magnitude or frequency, or that the number to be transported will in this, or in succeeding years, be less considerable.  

The "enclosed return" showed the numbers of convicts sent to New South Wales from England between January 1810 and January 1817.  

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>1810</td>
<td>200</td>
<td>120</td>
</tr>
<tr>
<td>1811</td>
<td>400</td>
<td>99</td>
</tr>
<tr>
<td>1812</td>
<td>400</td>
<td>127</td>
</tr>
<tr>
<td>1813</td>
<td>500</td>
<td>119</td>
</tr>
<tr>
<td>1814</td>
<td>800</td>
<td>232</td>
</tr>
<tr>
<td>1815</td>
<td>880</td>
<td>101</td>
</tr>
<tr>
<td>1816</td>
<td>998</td>
<td>101</td>
</tr>
<tr>
<td>Total:</td>
<td>4,178</td>
<td>899</td>
</tr>
</tbody>
</table>

Bathurst believed that the settlement in New South Wales was not achieving its objectives, that the leniency of administration was in part the cause, and that fear of transportation was no longer a deterrent against crime. He had the responsibility for advising government on policy, but he considered that before he could determine whether the settlement should be reorganised to reimpose strict discipline and constant supervision, or whether the system of transportation should be abandoned, a full inquiry should be conducted in New South Wales and Van Diemen's Land.

In September 1818, John Thomas Bigge was accordingly appointed by Earl Bathurst, Secretary of State for the Colonies, to be the Commissioner of Inquiry into the State of the Colony of New South Wales. Bathurst, in his letter of instruction to him said,

it will be obvious to you, that in order to enable His Majesty's government to decide whether it is advisable to continue or to alter, or to abandon, the system which for near forty years has been pursued, it will be most material for them to know, not only the means by which transportation can be rendered an effectual punishment for the prevention of crime, but also the expense at which, as compared with other systems of punishment, it can be enforced.  

Bathurst emphasised that as the settlements in New South Wales and Van Diemen's Land had not been established for 'territorial or commercial advantages', they had to be viewed principally as places for the detention and reform of social offenders. "So long as they continue destined by the legislature of the country to these purposes, their growth as colonies must be a secondary consideration".

Bigge had to discover the means of reconciling the demands of a free colony and a gaol, and to increase the severity of the punishment of transportation while promoting the ability of the free colonists to diminish the costs of New South Wales upon the British government. Bigge achieved more than this, as his factual reports and suggestions were an objective assessment enticing capital to become available for the development of the colony.

The Bigge Commission.
Commissioner Bigge reached Sydney when the free settlers in New South Wales and informed persons in Britain, were becoming convinced of the need to develop the natural resources of the colony. Although facts on which to base an appreciation of the potential of New South Wales were by no means readily available, interest in the colony was spreading. In 1818, 56 persons with capital, applied for land grants and permission to emigrate to New South Wales; in 1820 the number had risen to 237. It was said that 'settlers who possessed capital and could command labour, and who had the necessary agri-

7. Bathurst to Bigge, 6 Jan 1819. HRA. 1,x,6-7.
8. Ibid., p.4.
The three ingredients of success, capital, labour and experience, continued to be the major needs of the colony for years to come, and in 1820 the Colonial Office not only permitted, but encouraged, emigration by free men.

In his response to Macquarie's address of welcome, Bigge expressed his wish to find a compromise between the needs of the penal settlement, and desirable development of the colony's productive potential. He said he intended to establish whether the existing system of discipline in the colony was capable of being made what it certainly had been previously, an object of salutary terror to offenders in Britain and a means of their punishment and reform in New South Wales. The importance of his inquiry, he said, lay in the consequences it might have upon the systems of national punishment and the policy by which the colony was governed.

On 9 October 1819 the Sydney Gazette published the terms of Bigge's Commission, and on the direction of Governor Macquarie a full report of Bigge's statement in reply to the address of welcome following his swearing in at Government House. Bigge included this comment:

I wish to impress everyone that my principal object is the attainment of the truth: and while I am free to declare that nothing is to be apprehended from a fair and candid disclosure of it before me; yet I am equally bound to apprize the Community, that nothing is to be hoped for from the concealment of the truth for private purposes.

Bigge's assessment of fact was keen and his observations pertinent. Only five weeks after being sworn in he wrote to Bathurst expressing his serious concern at "the great evils that arise in this Settlement but more especially in the Town of Sidney from the accumulation of Convicts in and near it". He indicated his intention to proceed immediately with an examination of the recently discovered Port Macquarie.

A month later, on 19 December 1819, he advised Bathurst of his endeavours to stimulate the inhabitants of the Colony to suggest better methods of

12. Ibid., CO.201/142. PRO.127,p.13.ML.
employing convicts, with the implied warning that in case no new System can be devised, that His Majesty's Government would find themselves compelled to abandon the present; & as your Lordship knows that the prosperity may the existence of the Settlers depends upon the continuance of the Convicts in it, I have found a strong disposition amongst them to suggest & concur in new Schemes of employment more efficient and less expensive than the present.\textsuperscript{14}

The importance of Bigge's Reports and judgments lay mainly in his capacity to see a ready compatibility between the Imperial policy for maintaining a settlement for punishment and reform, and the strongly held views of competent free settlers and the local administration, that the development of the resources of the colony towards achieving self-sufficiency could not be restrained. Bigge was influenced by the conclusions of the House of Commons Committee in 1812 on the wisdom of extending the system of assignment, holding the view that hard labour, under good management, in a location removed from the influence of towns, provided the compromise that he and Bathurst were seeking. He summarised his attitude by saying

That the labour of convicts assigned to respectable and opulent settlers in the country, has appeared to me to be so much to be preferred, and so well calculated to answer the colonial as well as the penal objects of the establishment of New South Wales.\textsuperscript{15}

Sensitive to the dual role of the colony, he mentioned the poverty of the soils around Newcastle, observing that these natural disadvantages of soil constitute some of the local advantages for punishment, for they render hard labour an indispensable condition of existence.\textsuperscript{16}

Impressed by the work and enthusiasm of John Macarthur, Bigge suggested that the boundaries of settlement should be pushed further out to allow the joint

\textsuperscript{14} Bigge to Bathurst, 19 Dec 1819, CO.201/142. PRO.127,p.62.ML.
\textsuperscript{15} Report of the Commissioner of Inquiry into the State of the Colony of New South Wales, 6 May 1822. p.76.
\textsuperscript{16} Ibid., p.118.
objectives of effective assignment and agricultural production to be encompassed. He recorded that although the country lying between the Bathurst plains and the Hastings River had not been explored, he thought it most probable 'that in this direction there will be found several large tracts of natural pasturage, that will afford the means of feeding and rearing numerous flocks of sheep'. He commended John Macarthur's success in the improvement of his flock as affording 'an unquestionable proof of the value of this branch of rural industry in New South Wales, both as it regards the employment of the convicts, and the saving of all expense to government in their subsistence'.

Bigge confidently recommended the pastoral potential which lay to the west still largely unexplored. These grasslands were, as reported to him, most suited to the grazing of livestock, and he observed that "the climate as well as the natural pasturage of New South Wales are highly favourable to the production of horned cattle", as well as to the production of fine wool.

Bigge had opened up the prospect of fertile grazing lands of vast extent, looking far beyond the limited and infertile lands of the coastal strip north and south of the settlement at Port Jackson. He had heard comment from John Oxley, the Surveyor General, that "the only profitable farming establishment possible in New South Wales was one which concentrated on flocks and herds", and from the emancipist farmer George Best, that 'the costs involved in growing wheat precluded most small men from making a profit from their lands'.

Bigge was convinced that "the employment of convicts in the management of sheep in New South Wales, may be made highly conducive to their improvement and reform", and he saw in their dispersed assignment a solution to the problem raised by Bathurst in his letter several years earlier to Sidmouth, that "the great cause of the diminished effect of transportation has arisen from the increase in the numbers transported", and further that "it has certainly exceeded during the period of the last three years in New South Wales, and during that of two years in Van Diemen's Land, the positive demands of the settlers for labour". Expansion of grain production had
not been enthusiastically promoted by those interviewed. On the other hand, pastoralists and stockmen with growing flocks and herds, were anxious to employ convict labour and move 'over the mountains'.

John Macarthur had long held the view that the financial initiative and management capacity of corporate organisation were necessary to ensure rapid and ordered development of the wool industry in the colony. He discussed these options with Banks during his visit to England in 1803/4, when he also introduced colonial wool to the trade in Yorkshire. He was then negotiating with a group of London merchants and financiers, whose interest he had gained in the concept of a company for the express purpose of breeding fine woolled sheep in New South Wales.

Sir Joseph Banks still held influence with Government in the affairs of the Australian colonies, and Macarthur sought his advice on the form of his application to the Colonial Office, seeking for the company a grant of one million acres of land suited to the production of fine wool. Banks was not enthusiastic about the proposal, and intimated that he felt the subject of land grants should be approached with caution, and that, if made, should be under express limitations. Among the more significant restrictions suggested by Banks were that the land granted should be utilised only for sheep runs, and that it should be conditional upon the right of resumption by government for reallocation as the limits of settlement extended.

I doubt much the propriety of granting land in perpetuity to a scheme which embraces nothing but the feeding of sheep. The run over land suited for that purpose is all that can be wanted.

On 3 July 1804 Macarthur presented a Memorial to the Privy Council proposing the establishment of a Company to encourage the increase of fine woolled sheep in New South Wales. On 14 July 1804 the reply of the Committee of the Privy Council for Trade to the proposals was despatched in substantially reserved terms. The Lords of the Committee held that an unconditional grant

of lands to John Macarthur, or to a joint company, or to any individual, might retard or prevent other settlers in New South Wales from "turning their attention to the growth & improvement of fine wool, or perhaps in other respects counteract the improvement of the colony". However, they did observe that a conditional grant of a reasonable area might be made for the depasturing of sheep only, "provided a power be reserved in such grant to resume the same at any future period on giving other land further distant from the cultivated land of the colony". By despatch dated 29 August 1804, Banks advised Governor King of the decisions made in London on Macarthur's company proposal, the significant words being:

I have advised that a grant be made of a million of acres in such parts as Capt McArthur shall chuse, at a proper distance from all settlements, for the sole purpose of feeding sheep, resumable at the will of Govt. whenever any part of it may be appropriated to tillage or other purposes, on satisfaction being made for any stock-houses on the premises resumed, & an equal quantity of land granted at a more distant point, 100,000 acres at first & 100,000 more when 100,000 fine-wooll'd sheep are actually in existence on the first 100,000, & so on.

The insecurity of tenure and the contingencies were not acceptable to Macarthur and his associates, and the proposals therefore lapsed. Macarthur returned to his family sheep breeding enterprise; but the need for corporate strength in the development of a wool export industry remained. Macarthur felt that a financially strong and influential company would provide status among the mercantile houses of London for the embryo wool industry, and expedite acceptance of Australian wool in English markets. His motives were both selfish and idealistic. He realised the need to generate capital growth within the colony if progress was to be made; he realised that wool alone offered export prospects; he recognised full well that if the industry succeeded, he also would be a beneficiary.

26. Ibid.
27. Banks to Governor King, 29 Aug 1804. HRNSW. V,459
In February 1820 Macarthur wrote to his son John in London enclosing copies of his recent correspondence with Lieut. Gov. Sorell in Van Diemen's Land, and informing him of the interview sought with him by the Secretary to Commissioner Bigge, Mr Scott 28.

Macarthur had previously discussed with Sorell his views on the importance of developing a wool export industry, and possible demand in the island for rams of his breeding. Sorell followed these discussions up by writing to Macarthur in November 1819, that

the urgent necessity of providing from the produce of the Country, one or more articles of Staple Export, has been long evident, & has been inculcated by me on every occasion; & from every circumstance, but particularly from the great increase of Sheep, & the less immediate demand for Capital in the pursuit, the Wool has always appeared the most adviseable.29

Sorell emphasised these views in a further letter on 21 January 1820. In February Macarthur replied commending Sorell's plans for improving the quality of wool production and writing with enthusiasm of his ambition to stock the country with fine-wooled sheep.

I am fully sensible of the difficulties you will have to encounter to induce many of the Settlers possessing flocks of Sheep to adopt such a system for their management and improvement as may be best calculated to lead to the accomplishment of the important object you have in view: but I indulge the most sanguine expectation of your ultimate success from the judicious measures you propose to adopt in appropriating a particular district for the extensive pasturage of the flocks intended for improvement.30

This interchange indicated the unanimity of Sorell's and Macarthur's views on the need to build an export industry in wool, and is pertinent to the

Thomas Hobbes Scott, later rector of the Parish of Whitfield and in 1824 appointed by Bathurst Archdeacon of New South Wales and a member of the Legislative Council.
30 Macarthur to Sorell, 4 Feb 1820, ibid., p.102.
support which Sorell later gave to the establishment of the Van Diemen's Land Company, and to the active part Macarthur played in the founding of a wool growing corporation in New South Wales. These convictions were conveyed to Bigge, and appear to have influenced his thinking.

Macarthur's letter to his son emphasised Bigge's observation that he was seeking evidence to show that government may be relieved from the heavy expense which this colony creates, and at present I have received none. If I do not I shall be under the necessity of reporting unfavourably and recommending that no more convicts be sent here.\(^{31}\)

John Macarthur Junior was instructed that were he to raise these issues with the colonial authorities in London, "the chief points to enforce are - that this Colony must continue an increasing burthen until exports are found: for without exports what have we to pay for our Supplies but the money expended by Government - That no export has yet been discovered, the produce of our Soil, but Wool".\(^{32}\)

Macarthur's observations to his son on his first meeting with Scott are of particular interest, as it is apparent that Bigge wished to take full advantage of Macarthur's knowledge of the colony and of breeding sheep for wool production, but had to avoid any suggestion of undue reliance on Macarthur's opinions. Macarthur recorded his interview with Scott for his son's information in these words:

Immediately after his arrival Mr Scott ... said we are aware Mr MacArthur of the importance of your friendship, and the value of the information you possess, but we are very particularly circumstanced - There is so strong a prejudice against you in a certain quarter at home, that we are unwilling to ask you any questions, but shall nevertheless be thankful and feel always disposed to receive with the greatest attention anything you may be inclined to impart.\(^{33}\)

32. Ibid.
Direct descendants of the Spanish merino sheep imported by John Macarthur from England in 1804. (See Appendix 17.)
Macarthur commented that he had indicated his readiness to answer 'in the most unreserved and candid manner any questions they might find it expedient to ask'. In January 1820 Bigge had written to Macarthur seeking his views on four aspects of convict employment. On 7 February 1821 Macarthur replied in considerable detail emphasising in particular the reformatory significance of rural work and the importance of wool production to the progress of the colony. He wrote that

> From every observation I have been enabled to make upon the character and conduct of convicts, both during the time of their servitude and when they are restored to freedom, I am confirmed in an opinion, that the labors which are connected with the tillage of the earth, and the rearing and care of sheep and cattle, are best calculated to lead to the correction of vicious habits.

In his further written submissions to the Commissioner in December 1821, Macarthur repeated his views on the need for expansion of settlement, and the related development of fine wool exports. He said that if the British Government proposed to retain New South Wales as a dependency of Great Britain, then there was no time to be lost in replacing the adventurers and predators with respectable settlers having capital for their establishment. He suggested that men of this description should be granted estates of at least 10,000 acres with adjacent reserves of similar extent.

> -such a body of Proprietors would in a few years, become wealthy; and, with the support of Government powerful as an Aristocracy.

> The democratic multitude would look upon their large possessions with Envy, and upon their Proprietors with hatred - as this democratic feeling has already taken deep root in the Colony.

This was possibly the first public comment on the damaging cleavage between pastoralist and farmer.

Bigge was sensitive to the destructive impact of social division in the colony, particularly within the ranks of the landed proprietors to whom Macarthur's

34. Bigge to Macarthur, 7 Jan 1820. The Macarthur Papers, ML.1-45A.A.2897, p.28.
35. Macarthur to Bigge, 7 Feb 1821, ibid., p.32
36. Memorandum of Suggestions by John Macarthur to J.T.Bigge, 19 Dec 1821, ibid., p.44.
comment was directed. The problem was mentioned in a despatch to Bathurst in May 1822, in which Bigge spoke of the 'spirit of jealousy and animosity, amongst the higher classes of the Inhabitants, that has destroyed the comfort of Private Society, and impeded the advancement of Public Institutions'.

This observation and Scott's comment to Macarthur concerning his status in 'certain quarters at home', are indicative of the deep-seated animosities which existed in the colony. They provide some explanation also, of the abrasive discord between large pastoralists and small farmers and of the more general antipathy for substantial land holders. The Australian Agricultural Company attracted criticism both because of its apparent domination by the Macarthur family and also because it was a large and influential corporate land holder. The Directors' increasing concern with this situation can be seen to have influenced their decisions on important matters. These included the negotiations concerning the Newcastle coal mines, the termination of Dawson's appointment in 1828, and the appointment of Sir Edward Parry as Commissioner in 1829, all of which are considered later in this study.

Macarthur's strongly held opinions, and the practical experience he could offer to support them, nevertheless influenced Bigge towards extensive pastoral activities as the basis for the compromise he was seeking. Bigge's conclusions endorsed the need for free settlers, stating that

the great advantage that is derived from their introduction depends much more upon their respectability and their means, than it does upon their numbers.

He expressed the opinion that the histories of persons to be transported should be carefully checked in England and transmitted to the Governor of New South Wales so that

convicts who are described to have the best character, and who are generally those that have been accustomed to the operations of agriculture, should be sent to the large estates of the most respectable settlers, where the advantages to be derived from good character will be appreciated, and those of example in the master, and good conduct in the servant will be reciprocally felt.

37. Bigge to Bathurst, 6 May 1822, CO.201/142. PRO.127, p. 139.ML. See also, Note 33, supra.
Bigge fully endorsed the need to develop exports to provide income to fund the colony, and the view that wool alone had export potential. Wool was seen as the link between Britain and the new colonies which should continue to profit by the great natural advantages they possess of climate and extent of pasturage, by remitting to England fine wool in its raw state, and in receiving in return the same or other produce in their manufactured state.

An important object of Bigge's Reports was to induce persons of standing and capacity to engage personally in the rearing of sheep and cattle in the interior of the country, and to encourage them to employ convicts in that occupation, supervision being provided through the presence of their masters or a free overseer. Bigge considered this objective to be so fundamental that, to encourage the more frequent and permanent residence of the proprietors on these distant stations, he proposed grants of land to them in proportion to the number of convicts that they engaged to employ, as well as to the numbers of sheep and cattle that the proprietors initially took with them, with a further understanding that as their flocks and herds increased, augmentation of their lands would be made gratuitously.

Bigge did not envisage rapid growth in wool production, because of the lack of capital and of knowledge among the owners of sheep, and their general disposition "to devote themselves to pursuits that promise a limited but quick return rather than those that require time and perseverance". The expense of transporting wool from the interior to the coast, and the difficulty of obtaining the labour of convicts, accustomed to agricultural occupations, were additional restricting factors recorded by Bigge.

40. Rep. on Agriculture and Trade, p.53. 
See also, Bigge to Wilmot Horton, 10 Feb 1823. CO.201/142. PRO.127,p.350, ML. "This system proceeds altogether upon the Principle of encouragement, and upon the belief, which I presume to think a reasonable one, that in Proportion as the means of a Proprietor are increased, his employment of Convicts will increase also".
43. See also, Bigge to Wilmot Horton, 10 Feb 1823. CO.201/142. PRO.127.p.349. ML.
Reflecting the caution of those who had been exposed to the vagaries of the season in Australia, Bigge urged a liberal attitude in matters of land provision and assignment of convict labour, to settlers possessing capital and a real intention of pursuing the same beneficial course of industry, whether they may be now resident in New South Wales, and capable of availing themselves of those advantages immediately, or whether they may be desirous of repairing thither from Great Britain. Great as are the advantages that may reasonably be expected to be derived by persons who will embark on these enterprises and pursue them steadily, yet I feel that, in the first instance they must be accompanied by great personal sacrifices, which will increase with the number of competitors in the same occupation, and with some outlay of capital and expenditure, the returns of which will be slow and distant. In order to obtain good tracts of land in the interior for grazing sheep and cattle, it will be necessary for such persons to remove to a distance of not less than 120 or 150 miles from the sea coast. The cost of transport of their wool will thus become heavy, and unless every encouragement be given to these enterprises, either in the allowance of good labourers from amongst the convicts that arrive, and in a certain prospect that the importation levy of wool into Great Britain from New South Wales will not be raised for a period of ten years, at least, from its present trifling amount of one penny per pound, the sacrifice to which I have alluded will not be encountered, nor will that course of patient industry be entered upon, that can alone lead to extensive and beneficial results. 44

Bigge's Reports were endorsed by Bathurst, and immediate instructions were given to implement certain of the suggestions. The first Report was signed by Bigge and presented to Bathurst on 6 May 1822 45. The House of Commons

44. Rep. on the State of the Colony, p.162.
45. Bigge to Bathurst, 6 May 1822. CO.201/142. PRO.127. p.142.ML.
on 19 June 1822 ordered that the Report be printed. On 9 September 1822, Bathurst wrote to Sir Thomas Brisbane that having already called your attention to the several measures of Improvement recommended in the first Report of Mr Commissioner Bigge on the State of New South Wales, and having given my sanction to the adoption of such of those measures as in your discretion may appear to be immediately applicable to the present state of the settled districts, I now have to signify to you His Majesty's Commands, that you should lose no time in preparing for the adoption of that more important alteration in the system, by which an entire separation may be effected of the convicts who are in a state of punishment from a participation in those comforts and advantages that seem to be inseparably connected with the progress of colonization.\textsuperscript{46}

Bathurst had adopted Bigge's compromise proposals.

Bigge supported the concept of a capitalist society in the colony, finding no conflict with the continuing role of the penal settlement and the rationalising of regulations on the assignment of convict labour. He proposed that a condition in the establishment of any Joint Stock Company in New South Wales should be an undertaking to accept responsibility for the care and superintendence of convict labourers and artisans\textsuperscript{47}.

The assurance that labour would be available in a country having no indigenous population from which an assured supply of labour could be drawn, was an essential encouragement to investment. Capital and labour were available in Britain. The significance of the Bigge Reports lay in the stimulus they provided to private capital to undertake speculative investment in New South Wales and Van Diemen's Land at a time when investment opportunities in Britain were limited. Bigge encouraged capitalists to accept the challenge of vast land resources in a colony which had, until 1823, been a source of irritation rather than interest or profit. Pastoral investment was to spearhead the expansion of settlement and economic development\textsuperscript{48}. The initiative for investment in British colonies had been created; that Bigge influenced the direction of investment is demonstrated by the establishment of three substantial companies concerned with colonial land settlement within three years of the

\textsuperscript{46} Bathurst to Brisbane, 9 Sept 1822. HRA. I,x,791-2  
\textsuperscript{47} Rep. on the State of the Colony, p.161.  
submission of his Reports.

Concepts of the Australian colonies, previously a mixture of part truths and exaggerations, now took more reliable form on which investment decisions could be reasonably based, and proposals put to the public to attract investor support. Settlers of respectability and with up to £500 in capital, were being encouraged to emigrate to New South Wales; wider areas for pastoral settlement were being opened up; evidence was beginning to accumulate of profitable production of livestock, and fine wool; prospects for those producing wool were improving; availability of low cost labour to the pastoral industry seemed assured through the revised regulations on assignment; and communications between England and the colony were improving. 49

New South Wales had vast resources of land; Britain had capital and labour for transportation to the colony. The prospects for sound returns on funds invested in the pastoral industry of New South Wales and Van Diemen's Land seemed reasonable. Large scale wool growing operations on lands granted by government and utilising cheap labour, should permit profitable sales at prices keenly competitive with those asked for European wools produced in conditions comparatively disadvantageous and more costly.

Investment in Australia involved funds and people in untried risk situations. Significant precedents did not exist, and the practices in European countries when transplanted to this strange environment, often proved excessively costly, inapplicable or misleading. Risk and the unexpected, were the lot of the investment pioneers who, by trial and error, found that new circumstances demanded unusual methods. Chance was superseded by experience and knowledge, only when an understanding had been gained through confrontation with the forces of nature.

In this emerging colony, those directly concerned with the means for human survival, either adapted former attitudes and practices, or failed. The inflexible fell foul of the realities of infertile soils and unreliable rainfall, possibly not recognising that their failure lay in doing too well, in this new country, what had succeeded when done indifferently in Europe. Time and distance, irregular communication, and an inability to comprehend the characteristics of this isolated settlement, presented administrators and policy makers in England with "the inherent and ineradicable difficulty of making long distance decisions about intricate local problems" 50, in which their knowledge was unhelpful, and their experience negligible.

Australia presented new situations to Britain's colonial administrators, investors and traders. No substantial indigenous population awaited colonisation and employment. The provision of people was a first essential for the establishment. The sparseness of the indigenes warned of the vast areas of infertile or desert country which would not support human life, and sustained only limited animal life. The coastal districts, with few areas excepted, were inhospitably unproductive.

The attraction of the Australian colonies lay predominantly in the prospect of corporate ownership of extensive tracts of land, which provided fixed security and potential for capital growth. In due course, the production of wool, meat and grain, would add the benefit of regular dividend income. The investment appeared to answer well to the objectives of security, growth and yield. British capital was, therefore, subscribed to newly formed joint stock companies, for application in distant colonies, the shareholders having no real understanding of the enterprises in which they had become the risk takers.

Australian Agricultural Company.

The confidence of the Bigge Reports in prospects for the pastoral industry in New South Wales, was the immediate reason for a meeting held in April 1824 in the chambers of John Macarthur, Junior, in LincolnsInn, to consider the forming of a company to invest in pastoral lands and livestock in the colony. With Macarthur were eleven British capitalists and financiers, of whom three were members of Parliament. The meeting resolved that such a company should be formed, incorporated either by Letters Patent or by an Act of Parliament, the capital to be £1 million, consisting of 10,000 shares each of £100.

The meeting drafted Proposals for submission to the Secretary of State seeking approval for the company, and stating that the object was to obtain a Crown grant of a substantial tract of grazing land capable of producing good quality fine wool for sale to British processors. A deputation of the

Wm.Macarthur to John Macarthur Jnr., 16 Jan 1824. The Macarthur Papers, ML.1-45A.A.2935,p.2b. Wm. Macarthur describes the devastation of drought to his brother - "This is the third successive dry season with which we have been visited, and truly we agriculturists have good reason to complain of their disastrous effects".
52. See Appendix 1, Proposers and Initial Directors of the Australian Agricultural Company.
53. These Proposals (see, HRA.1,xi,593) formed the basis of the company's Plan of Objectives presented for endorsement to Special GM,26 Nov 1824, and included as an Appendix to the Report of Directors to the Special GM, 21 July 1825.
company's proposers met the Secretary of State who, in the course of discussion on the submission, asked whether the company desired the power to alienate lands. On being informed that this was the company's wish, Bathurst "acceded fully to the propriety of it, taking the practice in cases of Grants to Individuals as the principle".\(^{54}\)

Bathurst's reply indicated that the Crown was prepared to allow to a corporation rights already applicable to individuals, and to give the company unrestricted rights to alienate all or part of its grant lands subject only to compliance with the particular conditions of the grant. He saw no reason to differentiate between individuals and companies in the matter of land title, recognising that in the pastoral and agricultural industries the vagaries of season and price affect large and small producers similarly.

The enabling statute was passed on 21 June 1824, the preamble reciting that the Act was for granting certain powers and authorities to the Company to be incorporated by Charter to be called the Australian Agricultural Company for the cultivation and improvement of waste lands in the Colony of New South and for other purposes relating thereto.\(^{55}\)

The Royal Assent to the Charter authorising the incorporation of the Company, was granted on 1 November 1824.

The originating Committee had, on 21 April 1824, appointed a Court of Directors of the Company\(^{56}\), and had also taken steps to appoint a committee of management in the colony. Considerable administrative progress had, therefore been made by the time the Charter issued. The Plan of the company's objectives was presented for the endorsement of Proprietors on 26 November 1824, and with the Report of Directors to the First Annual General Meeting held on 18 January 1825, traversed all steps taken to that point of time.

The Plan declared the company to be a body corporate by the name of the Australian Agricultural Company. Then followed the important statement that

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55. Act 4, Geo.iv, cap.86, 21 June 1824. See Appendix 8.

56. See Appendix 1. Of the initial Directors of the Company, nine were members of Parliament, seven were Directors of the Bank of England, and three were Directors of the East India Company.
a grant of one million acres had been made, in fee simple, with power to select the situation, free of any charge for five years, but after that period subject to a moderate annual quit-rent, redeemable at any time for twenty years' purchase, and not to be exacted at all provided a certain number of convicts was employed by the company.

Rights were granted to the company to lease or sell up to five hundred thousand acres of the grant at the end of five years of occupation, provided the sum of one hundred thousand pounds had been expended on the land, in the formation of roads, the erection of buildings, in clearing, cultivating, fencing, draining and other improvements. Rights were also given to alienate any portion of the remaining five hundred thousand acres subject to the granting of relevant licences by the Secretary of State.

The grant of so large a tract of country was criticised in the colony by opponents of the large pastoralists as excessive, and as evidence of the unfair, perhaps improper, influence which could be brought to bear on government by prominent and wealthy individuals in London. The critics were not, however, as ready to assess the responsibilities and liabilities attaching to the grant, nor were the less direct obligations even casually contemplated. This grant of land was the essential factor in the launching of the company, and the remaining provisions of the Plan were contingent upon it. The access which John Macarthur Jnr. had enjoyed to the Secretary of State and to Members of Parliament had materially assisted the legal processes of establishment, and without that personal influence in London the acceptance of the principle of pastoral investment in New South Wales could have been substantially delayed.

On 5 July 1824 the Governor and Directors of the Company sent their first despatch to James Macarthur, James Bowman and Hannibal McArthur, enclosing copies of the documents involved in the establishment of the Company and the text of related resolutions by the Court of Directors.

By the Second Resolution you will observe that we have considered it expedient to appoint a Committee of Five

57. T. Potter Macqueen to John Macarthur, 12 July 1824. The Macarthur Papers, ML. 1-45A.A.2900, p.111. - "In the arrangement of our New Australian Company, of which he was the moving principle, he has evinced a degree of tact, Directness & Talent which must gain him many friends, & bring forward his name & character".

proprietors, resident in the Colony, to advise with
the Agent of the Company - to control his Expenditure
and Proceedings - and to communicate with us generally
upon the state and conduct of the Company's Affairs.
In considering this Question and selecting the Members
of the Committee we have been assisted by the Revd Arch­
deacon Scott and Captain Phillip Parker King, R.N., who
readily signified their assent to undertake the Duties
of the Office and upon the assurances of these Gentlemen
and also of Mr John Macarthur Junior that the appointment
will not be unacceptable, we have determined without the
formality of any previous Communication to nominate you
as the remaining Members of the Committee, a Decision
which we trust will meet with your approval.59

The three members of the colonial committee so appointed were informed
that John Macarthur, because of his knowledge of the Colony, his leading
position as a breeder of merino sheep and his status in the Colony, had
been proposed as a member of the committee, but that his appointment had
not been proceeded with on assurances from John Macarthur Jnr., Mr Scott
and Captain King, that because of his "precarious state of health". John
Macarthur would "rather decline taking an active part in the direction of
the concerns of this Company in New South Wales".60 A few days later John
Macarthur Jnr. wrote to his brother James pointing out that although the
letter and instructions were addressed to him, Bowman and Hannibal,
"you will observe that the Directors contemplate the free communication
of everything to our dear Father".61 The colonial committee of management,
therefore, comprised John Macarthur's son James, James Bowman, who later
became his son-in-law, his nephew, Hannibal McArthur, Captain King, brother-
in-law of Hannibal, and Archdeacon Scott. Because of the frequency of his
absences from the colony King was not an active member, and Archdeacon
Scott retired from the Committee.

The role of the colonial committee, consisting of "five most respectable
and intelligent proprietors residing there", was fully explained in the
Plan of Objectives as was the prompt action taken to appoint its members.62

59. Ibid., p.2.
60. Ibid., p.104. Resolution of the Court of Directors enclosed with
L.No.1, 5 July 1824.
61. John Macarthur Jnr. to James Macarthur, L.No.16, 8 July 1824.
to Special G.M. 21 July 1825, p.36.
The urgency of the need for knowledgeable local advice was indicated in the first despatch to the colonial committee which advised that we shall, therefore, request that orders may be transmitted to the Colony by an early opportunity directing the Governor to render you every assistance in conducting the proposed Survey. 63a

The Directors were referring particularly to the lands at the head of the Coal River which Bathurst himself had suggested as likely to be suitable for the company's activities 63b.

The influence of Bigge's conclusions was again evident in the Plan's reference to the company's intention to encourage and assist, as far as may be found desirable, the emigration of useful male and female settlers from this country, and to send some families from the south of Europe acquainted with the mode of cultivating the olive and the vine.

The company's main objects were outlined in the Plan's statement on the sources from which profits would be derived, these being:

1st. From the growth and export of fine wool from merino sheep of the most approved breed.
2ndly. From the breeding of cattle and other livestock, and the raising of corn, tobacco etc. for the supplying of persons resident in the colony.
3rdly. From the production, at a more distant time, of wine, olive oil, hemp, flax, silk, opium etc. as articles of export to Great Britain.
4thly. From a progressive advance in the value of the land as it becomes improved by cultivation, and by an increased population. 64

Several extracts from the Bigge Reports were quoted in the Directors' First Report, and in particular that:

63b. Bathurst to Brisbane, 13 July 1824. HRA. 1,xi,305-6.
   Bathurst to Brisbane, 18 May 1825. Ibid., pp.591-2.
64. Plan of Objectives, op.cit., p.37.
from the colony itself all accounts concur in describing not only the complete success that has attended the exertion of individuals in raising a large annual export of fine merino wool, but the spirit and enterprise which are now displayed by every class to acquire land and enter upon the same profitable pursuit.65

The Company wished to be seen as acting in the public interest, in addition to seeking investment benefits, the Directors stating that the most important public as well as private advantages were to be derived from the development and success of the Plan upon which this company is founded, and these have uniformly secured for it the encouragement and protection of His Majesty's Government.66

The Company's accounts for the period to 31 December 1824 showed that total expenditure, including a few cattle and horses purchased in the colony, furniture for the office, salaries, printing costs, and expenses associated with processing the Act of Parliament and the Charter, was £1,753, leaving a balance of £8,083 at credit from the first instalment. The Directors commented that in 1826 the instalment required should not exceed £2 per share, and in any year should seldom exceed £5 per share.

On 21 July 1825 a Special General Meeting was called to keep subscribers informed, much having occurred in the first six months of 1825. The Directors referred to the passing of the enabling Act, and to the issuing of the Charter of Incorporation, reported the establishment of the committee in New South Wales, confirmed the engagement of Robert Dawson (discussed below) as the company's principal agent in the colony, and the renting of a farm near Sydney as a temporary holding area for sheep and other stock on arrival in the colony.67

To establish that the company's presence in New South Wales was welcomed, the Directors referred to correspondence with the colonial committee in which its members had expressed themselves as highly gratified by their

66. Ibid. Attached at p.27, was a copy of the Plan dated 18 Jan 1825.
appointment. They reported that the Plan had been approved by government, and that the Governor of New South Wales, Sir Thomas Brisbane, had said that

nothing would afford him more gratification than to become instrumental in promoting the patriotic and enlightened views of the company. 68

The selection of Robert Dawson as the company's principal agent in the colony was mentioned in the Plan of Objectives and in the Directors' Reports of 18 January 1825 and 21 July 1825. 69 He was about forty years of age, of good character, and an experienced sheep farmer and agriculturalist. 70

John Macarthur Jnr., in a letter to his mother said he thought she would be pleased with Dawson.

His manners are occasionally somewhat blunt, but he is in truth unassuming & good tempered. I need not say how anxious I am for his success. 71

The inference that Dawson could be direct and tactless may provide an indication of the causes contributing to the personal friction which was later to fracture his relationships with the colonial committee.

In a letter to Dawson dated 3 June 1825 the Directors stated his duties and responsibilities, emphasising that the success of the company depended upon "the zealous, active and prudent discharge" of the tasks entrusted to him. They drew attention to the differences in climate, soil and production between England and the colony and impressed upon him "not only that you will have much to learn, but much to unlearn".

... it is therefore of primary importance, that you should on all occasions frankly and readily avail yourself of the local and particular information that Men of less general experience than yourself may possess there. 72

68. Report of Directors to Special GM, supra, p.10. See also, Gov. of Co. to Brisbane, 5 July 1824. The Macarthur Papers, ML.1-46A.A.4315, p.124. - "... it will be a source of real gratification to us, to advance to the utmost of our power any public objects connected with the improvement and prosperity of the Colony".


The Directors strongly urged the need for strict economy in all activities, an instruction much to the fore as the financial stringency in Britain in the succeeding five years coincided with drought in the colony.\textsuperscript{73}

With their fourth despatch to the colonial committee on 3 June 1825 the Directors enclosed a Letter of Attorney "vesting in you full legal powers to act in our behalf and constituting you in all respects, into a local Board of Directors".\textsuperscript{74} At the same time the Directors informed Dawson that they had granted to the colonial committee extensive discretionary powers, and requesting him to avail himself "of the information and advice which their knowledge and experience of the Settlements must enable them to afford".\textsuperscript{75} The 'Committee of Proprietors resident in the Colony' had been granted the powers of the London Court of Directors through the Letter of Attorney transmitted to the colony, and Dawson had been instructed to recognise this authority. The Directors in London also expected that understanding and practical advice would be proffered to Dawson by the committee.

The Directors' Report in July 1825 concentrated on the steps taken to make the company an accepted and going concern. The Directors mentioned the friendly working association established with Oxley, the surveyor general, who had provided a report in November 1824 expressing doubts about the suitability of land south of Sydney for the company's objectives and recommending "the rich and extensive tracts of land known as Liverpool Plains".\textsuperscript{76} Oxley's assistant surveyor, Dangar, endorsed the opinions given on the suitability of the Liverpool Plains for grazing activities. The Directors observed that

all accounts hitherto received confirm the opinion that Liverpool Plains and the country in the vicinity, would be the most desirable situation for the Company's Estates.\textsuperscript{77}

Several reasons were advanced to support this contention; the soil was fertile and well watered; one part of the grant could be taken towards the Hastings River, and the other towards the Coal River; there was easy access from the head of the Coal River to the Liverpool Plains; Mr Bowman, a member of the colonial committee, had an estate near the head of the

\begin{itemize}
\item \textsuperscript{73} S.J. Butlin, Foundations of the Australian Monetary System, 1788-1851 (Melbourne, 1953) pp.208-9.
\item \textsuperscript{74} Gov. of Co. and Directors to James Macarthur, James Bowman and H.H. McArthur. L.No.4, 3 June 1825. The Macarthur Papers, ML.1-46A.A. 4316, p.18.
\item \textsuperscript{75} Gov. of Co. and Directors to Dawson, 3 June 1825. supra,p.41.
\item \textsuperscript{76} Rep. of Directors to Special GM, 21 July 1825. pp.12-13.
\item \textsuperscript{77} Ibid., p.18
\item \textsuperscript{78} Ibid., pp.13-15
\end{itemize}
Coal River to which he had recently moved several flocks of merino sheep; several persons of good reputation were established on the banks of the Coal River.79 This portion of the Report with its excessive detail, indicates the anxiety of the Directors to maintain the active interest and enthusiasm of subscribers, recognising that the response to future calls for funds could depend on the degree to which they succeeded.

The Company had expected that the encouragement of the British government would be reflected in decisions with beneficial impact in the colony. The Directors reported discussions with Bathurst who had informed Brisbane that no time should be lost in enabling the company to pursue the explorations and enquiries necessary to its selection of land, and that every facility should be given to those appointed by the company to carry out this work.80 Bathurst had further intimated that no delay would occur in completing the surveys, once the location of the grant had been determined.

These official statements undoubtedly stimulated the fears of individual settlers that corporate influence in London could result in the formulation of land policies prejudicial to other than large holders. Although the Directors had shown an awareness of the politics of the colony they did not fully comprehend the strength of public opinion which was to play so important a part in the later recognition of the squatters, and in the development of friction between pastoralist and farmer.

The Report drew attention to the terms on which the British government had determined that future grants of land in New South Wales would be made. Instead of making free grants of land, as had been the practice, land was to be put up for sale with a reserve fixed by the surveyor general. The Directors observed that this was

an arrangement which will necessarily give an increased value to land in the colony, and in the same ratio augment the worth of the company's estates.82

81. Ibid., p.21.
82. Ibid., pp.22-3. The instructions given to Governor Darling in July 1825 did not prescribe that all land would be sold with a reserve fixed by the surveyor general. The observation by the Directors, which was abbreviated in such manner as to imply that all Crown Lands disposed of from 17 July 1825 would have a fixed reserve, was unduly optimistic and to that extent misleading to the Proprietors. (Instructions to Governor Darling, 17 July 1825, HRA. 1,xii, 119). The Members of the Land Board in a submission to Governor Darling on 20 March 1826 said in part: "... we observe that two modes only are proposed for the disposal of Crown Lands; the first, by Public Sale to such Purchasers, as His Excellency may approve of ...; and the second mode, by Grants without Purchase to Free settlers in proportion to their Capital .."(HRA.1,xii,414). See also, Report of Directors to AGM, 18 Jan 1825, attached to Report to Special GM, 21 July 1825, pp.43-4.
Finally, the Report dealt with the company's entry into coal mining operations in New South Wales. Having described the coal mines and the district of Newcastle, the Directors announced that the British government had agreed to grant to the company a lease of the Newcastle coal mines for thirty-one years. The conditions attaching to the lease were stated to be reasonable, including rights to other minerals found in the colony. Considerable optimism was expressed concerning the sales potential of the mines, both within the colony and to export markets. The Directors emphasised that entry into coal mining in no way interfered with the promotion of the company's main objects, adding significantly,

neither will it require us to call during this year for any increase of the Funds already placed at our disposal, whilst the Profits from this source, together with those likely to arise from the Estates of the Company, will form a Fund out of which Dividends may be hereafter made.

Between April 1824 and July 1825, the earlier hopes of John Macarthur, and the more recent conclusions of John Bigge, had merged to establish the first source of institutional investment in the pastoral industry of the colony, the Australian Agricultural Company.

The correspondence which had passed between Sorell and Macarthur in 1819, and the Bigge Reports of 1822-23, confirmed that the fundamental pre-requisite for progress in New South Wales and Van Diemen's Land was the capacity to generate capital growth through local production. This predicated the need for a prosperous export industry, and wool alone seemed to fit the parameters of possibility. Substantial capital was not essential; land suited to fine wool production was available in abundance; the pastoral industry complied with the regulations for the assignment of convicts; progress had been achieved in the breeding of merino type flocks, and in gaining the interest of British wool processors.

The Van Diemen's Land Company.

On 12 May 1824, within a few weeks of the Australian Agricultural Company's foundation meeting, a second and distinct group of Parliamentarians, bankers, wool processors, merchants and shippers met to discuss the possibilities of establishing in Van Diemen's Land a company mainly concerned with agricultural production, but also with whaling and South Sea Island trading, for

83. Ibid., pp.24-7
84. Ibid., pp.27-8
which latter purposes the island was well situated. The meeting resolved to apply to government for a grant of five hundred thousand acres, and ten days later a submission was made to Earl Bathurst in the following terms:

We the undersigned in our own names, and, on behalf of many respectable Persons, entertaining a desire to engage in the cultivation of Land in Van Diemen's Land, to be carried on by an incorporated Company with adequate Funds, request your Lordship will be pleased to obtain for us a Grant of 500,000 Acres of Land in that Colony, which we are ready to undertake, as far as relative circumstances will permit, upon the same terms which we understand are to accompany the Grant which is now about to be made to the Australian Company.

Although the formation of the Van Diemen's Land Company was first proposed to Bathurst on 22 May 1824, not until 10 November 1825 was Royal Assent granted to the company's Charter. The protracted delays in obtaining Parliamentary approval and Royal Assent to the incorporation of the company, were caused by the cumulative effect of the general investment crisis in Britain in 1824-25, and consequential statutory restraints; the objections raised by the Australian Agricultural Company to the formation of the Van Diemen's Land Company, the satisfying of which took many months; and the prolonged negotiations with the Colonial Office, to establish that so large a tract of land as that sought, was not only available, but could be granted without offending other conditions.

The Australian Agricultural Company, concerned at the prospect of a rival pastoral organisation in the colony, questioned with Bathurst whether it was in the interests of steady progress for the substantial capital represented by the two companies to flow into the colony at the one time. They questioned also whether so large a selection could be located in the island.

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86. Proposers of the Co. to Bathurst, 22 May 1824. CO. 280/1. PRO. 230, p.6. ML.
87. See Appendix 4.
88a. Edward Curr to Bathurst, 22 Mar 1825. CO. 280/1. PRO. 230, pp.49-50. ML.
"distinct and at a distance from those parts of the island at present occupied".  

Of lesser immediate significance, but still having to be refuted, was the proposition that wool production in Van Diemen's Land was unlikely to make a serious contribution to the colony's progress, as the quality of wool produced was poor and the quantity would never be substantial. In June 1824 these objections were answered, Bathurst being informed that "the quality of fine wool produced in Van Diemen's Land does not deteriorate, but does materially improve", and that there were large tracts of unlocated land at a distance from the settled areas suitable for wool growing and grain production.

Bathurst was keenly aware of the assurances given by the British government to the Australian Agricultural Company, that approval would not be given for the formation of a rival incorporated or joint stock pastoral company in New South Wales for a period of twenty years, and this assurance influenced the opposition to the establishment of the Van Diemen's Land Company. The submissions in June were not accepted and negotiations continued on possible locations meeting the prescribed conditions. In July the company made the suggestion that Bathurst might consider the eastern half of the island for the grant, indicating that they would prefer having the Tracts on the East side of the Island between the Hills & the sea, to the West & North of Oyster Bay. These tracts were effectually separated from the present located Lands by a range of lofty Mountains & therefore cannot interfere with any of the present Settlers.

In July 1824 John Pearse and his supporters made further representations to Bathurst stressing the wool producing potential of Van Diemen's Land which, with competent sheep management, they were convinced could produce wool "quite equal, if not superior, to that which is now imported from Germany and Spain". The request for a grant of 500,000 acres of land was repeated, and the north-west quarter of the island was nominated as possibly "best

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88b. Gov. of Co. and Directors to Bathurst, 12 July 1824. CO.280/2 PRO.230, pp.46-8.  
ML. John Smith, Gov. of Co. to Bathurst, 16 Feb 1825. Ibid., p.50.  
See also John Pearse, Gov. of Van Diemen's Land Co., to R. Wilmot Horton, 11 Feb 1825. CO.280/1. PRO. 230, pp.26-7.  
ML.  
89. James Bischoff to Bathurst, 25 June 1824. CO.280/1. PRO. 230, p.11.ML.  
90. Proposals for the Formation of the Australian Agricultural Company, Apr 1824 Clause 7. HRA. 1, xi,593.  
91. James Bischoff to Bathurst, 13 July 1824, CO.280/1. PRO. 230, p.18. ML.  
92. John Pearse to Bathurst, 13 July 1824, CO.280/1. PRO.230, p.20.ML.
adapted for our purpose". They also suggested that as the quality of wool production was improved by frequent changes of pasture it would be beneficial if the grant were to consist of five different allotments in the region nominated.

Doubts, however, persisted on whether so large an area was available without affecting the established settlers, and Pearse and his colleagues were invited to investigate the matter further and to submit additional evidence to support their contentions. Their findings were communicated to Bathurst through Wilmot Horton in December 1824.

From the desire you expressed, as well as Lord Bathurst, that the Parties who want a Grant of Land in Van Diemen's Land, upon the same footing as the Australian Company, should obtain undeniable information, as well for their own satisfaction as for that of His Majesty's Government, I beg to inform you that a great deal of satisfactory information has been collected, and is collecting, and that we are now well assured, and shall be able to shew, that an infinitely greater quantity of Land than is wanted will be easily found so adapted for our purpose distinct and divided from the present located Land.

Pearse concluded by saying he was confident that all the objections previously raised by Bathurst would be completely answered at the meeting proposed for January 1825.

The promotion of the Van Diemen's Land Company had made considerable demands on the time of John Pearse and his Directors designate, and early in 1825 Edward Curr was appointed secretary of the company to assist in the London administration. Curr, who had the benefit of two and a half years' experience in Van Diemen's Land, had been introduced to the Directors of the company by Lieut. Governor Sorell who had recently returned to London on completion of his duties in the colony.

Curr was a man of commanding presence and inflexible opinions, whose strong character and personality had distinct influence on the development of the

93. Ibid., p.21.
94. Ibid.
95. John Pearse to R. Wilmot Horton, 30 Dec 1824, CO.280/1. PRO.230,pp.22-3.ML.
company, and in 1839 resulted in serious disagreement with the Directors. Well educated, he had the opportunity to undertake a professional career, but he preferred commerce. After two years experience in Liverpool, he entered into partnership with a London merchant about to sail for Hobart, and in February 1820, at the age of twenty-two years he reached the colony. This association was short-lived and Curr then joined in partnership with a merchant he had met when visiting Sydney.

In Hobart Curr became friendly with Lieutenant Governor Sorell, and at his request he served on several Committees of Inquiry and in the Deputy Judge Advocate's Court. A Roman Catholic by conviction, he also acted as treasurer of a fund to build a church in Hobart.\(^98\)

On the death of his father, Curr in June 1823 returned to England, using the voyage to write a "critical account of the colony" published in 1824.\(^99\)

Jorgen Jorgenson, who had undertaken exploration work as an assigned convict under Curr's direction, described him as "supercilious of demeanour", but a gentleman of "the most inflexible integrity" intent on promoting the interests of the company.\(^100\) Curr's son is recorded as saying that "habitually and unknown to himself, he imposed his will on others, and I have always felt that people treasured up a resentment against him".\(^101\)

In February 1825 Pearse and the Directors again made written representations to Bathurst confirming that all queries and objections to the grant had been fully investigated and satisfactorily answered.

We shall be prepared to shew your Lordship that there are considerable tracts of unlocated land fit for agricultural purposes, detached from the present located districts.\(^102a\)

The Directors said that although much had been done in recent years to develop the island, "the deficiency of capital has prevented many beneficial undertakings from being carried to the extent of which they are capable".\(^102b\) They assured Bathurst that they had available to them capital of one million pounds sterling for employment in the enterprise, and being sensitive to

\(^98\). Ibid., p.270.
\(^99\). Edward Curr, An Account of the Colony of Van Diemen's Land, principally designed for the use of Emigrants (London, 1824) In the preface, pp.i-v, Curr introduces himself to his readers.
\(^102a\). Pearse and the Directors to Bathurst, 4 Feb 1825, CO.280/1.PRO.230,p.24.ML.
\(^102b\). Ibid.
Bathurst's anxiety about the general investment situation in England they added -

We beg to assure your Lordship, that we are not proposing to enter upon this undertaking with temporary or speculative views, but with the sole intention of carrying the measure into effect with a liberal spirit.  

But the problems of the Van Diemen's Land Company were by no means resolved. Only a week after writing in this enthusiastic vein to Bathurst, the Directors learned that still further objections had been raised by the Australian Agricultural Company to the forming of a second and possibly competitive organisation, and now on the grounds that, if two companies were seeking to buy sheep in Europe at the one time, prices would be raised against the purchasers to the prejudice of the companies and their subscribers. Pearse wrote to Under Secretary Wilmot Horton on 11 February 1825 tersely expressing the frustration of his Directors with the obstructive tactics of the Australian Agricultural Company, and stating that

... finding on their part that we have found no difficulty in removing the objections they took great pains to propagate, that we could not find a sufficient quantity of unlocated Land, they now beg, so I am informed, to oppose us by raising difficulties about the purchase of Sheep.

Pearse said that he understood an attempt would be made to restrict purchases by the Van Diemen's Land Company for five or six years, on the grounds that prices for sheep offering in Germany would be substantially increased when it became known that there may be two buyers in the market. He criticised this attitude as completely untenable. Bathurst was, however, concerned that not only could the market for sheep in Europe move against the companies, but also that increased competition for available sheep in the colonies might adversely affect the interests of individual settlers who could be prevented by pressure on prices from entering the market to meet their essential livestock requirements.

The Australian Agricultural Company had planned to seek an injunction to restrain the Van Diemen's Land Company from acquiring sheep in Europe for

103. Ibid., p.25.
104. Pearse to Wilmot Horton, 11 Feb 1825, CO. 280/1. PRO. 230, p.26. ML.
105. Ibid.
106. Ibid., p.27.
six years, so determined were the Company's Directors to avoid possibly
damaging competition from the outset of the venture. Although the
operations of the two companies were geographically confined to New South
Wales and Van Diemen's Land respectively, the Australian Agricultural
Company maintained that conflicts of interest could result.

Bathurst requested the companies to continue their endeavours to resolve
the issue, and on 24 February 1825 the Governor of the Australian Agricultu­
tural Company placed two propositions before the Chairman of the Van Diemen's
Land Company, indicating that acquiescence was considered "to be essentially
necessary to their protection". These propositions were extremely
restrictive and were worded as follows:

1. The Van Diemen's Land Company pledge themselves not to
buy Sheep in New South Wales or any Sheep imported from
thence into Van Diemen's Land, either openly or collusively,
directly or indirectly, for Twelve years.

2. The Van Diemen's Land Company engage not to purchase
either openly or collusively, directly or indirectly, any
Sheep in the Market of Europe for three Years, viz the
Seasons 1825, 1826 and 1827.

The Van Diemen's Land Company answered these propositions on 25 February
1825. The restriction proposed on the buying of sheep in the colonies was
accepted, the company indicating its wish "to avoid as much as possible any
interference with the Australian Company, or any act which might cause
contention or misunderstanding". They stated that their agreement was
given in a spirit of compromise and not because they believed that sheep
purchases by them in the colonies would adversely affect the Australian
Agricultural Company.

But the second proposition was rejected on the grounds that it was unfair
and inequitable; that it was based on the unsound assumption that competition
from another buyer in Europe would push prices higher; that the Australian
Company would hold a monopoly of the sheep market in the whole of Europe
for three years; that the operations of the Van Diemen's Land Company would
be suspended for three years; and that "the primary object of Government in
encouraging these Companies", being the benefit of the respective colonies,

p.15.
108. John Smith, Governor, Australian Co., to John Pearse, Chairman, Van Diemen's
110. Statement by the Van Diemen's Land Co. to the Australian Co., 25 Feb 1825,
CO.280/1. PRO.230, p.40. ML.
would be frustrated in respect to the Van Diemen's Land Company.\textsuperscript{111}

The Van Diemen's Land Company expressed the hope that the Australian Company would consider the objections stated and revise their proposals,... the object of Lord Bathurst's reference being not to paralyse the proceedings of the Van Diemen's Land Company but for the two parties to consider how each can carry on at the same time the purchase of Sheep by some mutual agreement formed with good humour and a conciliatory disposition so that neither Company should injure the other by causing a forced rise in the price of Sheep.\textsuperscript{112}

Further correspondence during March referred to the availability and price of sheep in Spain and Germany, and the tenor of the letters suggested a gradual move to an acceptable compromise.\textsuperscript{113} The companies finally agreed that for the seasons of 1825, 1826 and 1827, the markets of Germany were to be the preserve of the Australian Agricultural Company, and those of Spain and Portugal of the Van Diemen's Land Company, each pledging to observe the undertakings.\textsuperscript{114} The companies also agreed to allow Bathurst discretion to dispense with the restrictions "whenever it may appear proper to his Lordship to do so".\textsuperscript{115}

Many months of investigation, negotiation and discussion had preceded the final submissions made to Bathurst on 22 March 1825. The long delay was due partly to the position taken by the Australian Agricultural Company, but in considerable measure to Bathurst's concern with the investment crisis in general.

Curr introduced the company's submission by referring

... to the different applications made for a grant of land in Van Diemen's Land, by the persons interested in this undertaking, the earliest on the 21st May last year, repeated on the 25th June, 7th and 13th July, and now renewed on the 4th of February in the present year. In the discussions to which these Letters led with your Lordship and Mr. Wilmot Horton, the

\textsuperscript{111} Ibid., pp.41-2.
\textsuperscript{112} Ibid., p.43.
\textsuperscript{113} Pearse to Bathurst, 5 Mar 1825, CO.280/1.PRO.230,pp.45-6. ML.
\textsuperscript{114} Curr to Wilmot Horton, 15 Apr 1825, acknowledging Wilmot Horton's letter of 14 Apr 1825, ibid., pp.70-1.
\textsuperscript{115} Curr to Wilmot Horton, 30 Apr 1825, acknowledging Wilmot Horton's letter of 25 Apr 1825, ibid., pp.76-7.
Directors were much gratified by the expression of your Lordship's readiness to meet and promote their views, and the only objection at any time urged to the undertaking or to a grant and Charter on similar terms and conditions with those to the Australian Company, originated in the doubt entertained of finding a sufficient quantity of land in the Island unlocated and eligible for agricultural purposes.  

Curr emphasised the support given to the proposals by Sorell, and informed Bathurst that his Directors had proceeded with their arrangements confident that he would agree to advise the Crown to grant a Charter of Incorporation, and to recommend the enabling Bill to Parliament. He added that the Directors expected the Company to be granted from three to five hundred thousand acres of land

in the first instance, with a prospect of such future extension as might appear expedient, with a view to the advantage of the colony and the interests of the subscribers.

The main objects of the company which Curr stated at length, were the production of sheep and wool, "for which the soil and climate of Van Diemen's Land are found to hold out ample encouragement", and the improvement of substantial areas of the waste and uninhabited lands of the island. Curr nominated other objects to which the capital of the company could be advantageously applied, and through which the general interests of the colony would be promoted. These included mining, whaling and sealing, distilling and brewing, lending money on mortgage, advancing funds to the legislature for the purposes of the colony, and the undertaking of public works. Curr observed that all these objects were beneficial to the colony and beyond the financial scope of individuals. The submission stressed the need for capital, asserting that

the energies of the colony are depressed by want of capital; this deficiency the company proposed to supply, and the Directors are led to believe that by so doing they will be

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117. Curr to Bathurst, 22 Mar 1825, CO.280/1. PRO.230,p.54. ML. See also, Minutes, op.cit., p.2.
118. Minutes, op.cit., p.2.
119. Ibid.
120. Ibid., pp.2-3.
enabled to confer the greatest of benefits both on the colony in general and upon the colonists individually. The colony and the company have a common interest, and it is desirable the inhabitants should feel a direct benefit and interest in the undertakings. 121

The despatch to Bathurst concluded with a reiteration of the request that he agree to recommend the relevant Bill to Parliament to enable the company to commence operations in Van Diemen's Land, the promoters on their part being prepared to subscribe a capital of one million pounds sterling in 10,000 shares of £100 each. 122

The Directors had requested Sorell to support their submission. He endorsed the company's objectives, and on 2 April 1825 wrote to Bathurst what was probably the conclusive reference in the matter. 123

I consider the intended company calculated generally to promote the welfare of the colony; the circumstances of Van Diemen's Land induce me to entertain a sanguine expectation of the beneficial effects of a company investing an extensive capital in the island to be applied to different branches of the colony's resources. 124

Sorell in particular supported the company's stated object of lending money on mortgage, and on such personal securities as were not transferable merely by delivery and endorsement.

The power to make loans to the Colonists upon mortgage or other security appears to me, under the actual circumstances of Van Diemen's Land, to be one of the most useful and constructive that the Company can exercise, and to be the most direct and speedy means of bringing it into beneficial contact with the Colony. 125

Sorell emphasised that by the prevention of foreclosure, by appropriate registration of securities given and taken, and by prohibiting the company from purchasing lands sold under its direction to satisfy claims, the borrower would be reasonably protected, and any abuse of mortgage lending to provide the means for unlimited land acquisition was effectively prevented. 126

121. Ibid., pp.2-3. 122. Ibid., p.4. 123. Sorell to Bathurst, 2 Apr 1825, in Minutes, op.cit., pp.4-8. 124. Ibid. 125. Ibid., p.6. 126. Ibid.
Sorell's letter was unequivocal in its support of the company's submission, but his helpful intentions were in part frustrated by one paragraph which said,

with reference to the locality and measurement of the Grant of Land to the Company, the North-west quarter of Van Diemen's Land appears to me, under the imperfect information which I had the means of procuring upon the remote parts of the island, to be the best suited for this Grant. 127

This observation influenced the location and extent of the grant to the company, although Pearse in his letter of 13 July 1824 to Bathurst had previously nominated this region as suitable for the company's purposes128. The location of the grant was to prove the major obstacle to the company's progress. Ignorance of the north-west quarter which was largely unexplored, committed the company to lands unsuited to sheep and wool production, and so difficult of access and heavily timbered that development was possible only at great cost. The company's funds were in excessive proportion applied to capital improvements, exploration and survey, rather than to production, inevitably requiring the regular infusion of further funds from capital sources.

On 15 April 1825 Bathurst said in reply to the company's submission129, that it is sufficient to express the conviction of His Majesty's Government that the introduction of capital judiciously applied, cannot fail to produce the most beneficial results.130 He stipulated, however, that as subscribed capital was the basis of the proposal it was necessary before any Bill was brought into Parliament for investing the Van Diemen's Land Company with the necessary powers, that four-fifths of the capital should be irrevocably committed to the Directors131

Emphasising his concern with the general investment situation in Britain, he was reluctant to give support to the formation of a company which had been the subject of protracted negotiation and involved an element of speculation. Not only did he require, therefore, that before he introduced the Bill into Parliament for investing the company with the necessary powers, four-fifths at least of the capital had to be actually subscribed, but also that he was

127. Ibid., p.8.
128. Pearse and the Directors to Bathurst, 13 July 1824, loc.cit., (Note 92).
130. Bathurst to Curr, 15 Apr 1825, para 2, in Minutes, op.cit.,p.9.
131. Ibid., para 3, p.9.
to receive

On the personal credit of the very respectable gentlemen
whose names are placed at the head of the proposed Company,
an assurance that the subscribers are, in general, persons
of capital and substance, adequate to the payment of their
subscriptions.\textsuperscript{132}

Bathurst observed that had it been possible to make the shares of the capital
stock of the company inalienable for a few years, he would have been dis­
posed to insist on such a condition,
but being, upon full consideration of the subject, persuaded
that the number of exceptions to such a rule which must be
admitted, combined with the various contrivances which might
be devised for eluding its operation, would deprive the rule
itself of all practical efficacy, I have decided not to
insist.\textsuperscript{133a}

The growth in financial speculation which reached a peak in 1825, has been
mentioned earlier in this study. Bathurst's cautious attitude to the
proposals of the Van Diemen's Land Company indicated his anxiety that
financial stringency would be the result of unwise share dealing; and in
the event, the crisis persisted to the end of the decade. In the Australian
colonies the situation was aggravated by drought from 1826 to 1828, and we
shall see that in 1831 the shareholders of both the Australian Agricultural
Company and the Van Diemen's Land Company, tentatively suggested that the
companies should be wound-up to avoid further losses. Early in 1831 John
Macarthur Jnr. in a letter to his father said,

\begin{quote}
I did not grieve so much on hearing of the gloomy state
of public affairs in the Colony, being somewhat hardened
and insensible from what I see & hear of passing events
at home.\textsuperscript{133b}
\end{quote}

These facts are mentioned here to show that the financial pressures mounting
in London in 1825 justified a reserved approach to any new investment enter­
prise. Bathurst was determined that speculation in the stock of the Van
Diemen's Land Company should, so far as his authority was able to provide,

\begin{itemize}
\item \textsuperscript{132}Ibid.
\item \textsuperscript{133a}Ibid., para 4, p.9.
\item \textsuperscript{133b}John Macarthur Jnr. to John Macarthur, 6 Jan 1831. The Macarthur Papers,
ML. 1-45A.A.2911, p.421.
\end{itemize}
be avoided, and he placed on the Directors designate the onerous responsibility of ensuring that the subscribers had the capacity to meet call obligations and would not default. The Directors met this responsibility admirably, as despite the unattractive investment history of the company, and the need for frequent calls for funds, the shareholders continued to meet instalments until late in the 1840s, when new and varied problems confronted the company.

Bathurst's concern with the consequences of unwise speculation was well known to the Directors of the Van Diemen's Land Company, and Pearse had foreseen the probable expression of this concern in conditions attaching to investment in the company. On 22 March 1825 he had accordingly written to Wilmot Horton that the company was "disposed to do everything in reason to meet the wishes of Govt and to prevent and repress the mania for share-dealing". 134

The conditions prescribed by Bathurst were onerous in their application to the raising of funds, and having regard to the location of the grant, exacting in their practical obligations. The exercise of Imperial control in Van Diemen's Land was to be more restrictive than on the mainland, reflecting the character of Sorell's successor, Lieutenant Governor Arthur. He opposed deputed authority, and supported the concept of the island as a penal settlement subject to his autocratic direction. A contemporary writer said of him that

it was evident he did not seek popularity in the colony; he apparently, from the very first considered the settlement in the same light as did the governors of provinces of former days. Those in power in the mother country had appointed him to rule, and to them and to them only, did he conceive himself answerable for his conduct. 135

Bathurst finally stipulated that, as a condition precedent to the granting of the Charter 136, the subscribers should actually pay to the Directors five per cent of the subscribed capital, that a further five per cent should be deposited before the company could take possession of the lands granted by the Crown, and that the company agree to the following regulation:

134. Pearse to Wilmot Horton, 22 Mar 1825, CO. 280/1. PRO. 230, p.62. ML.
The capital originally subscribed will be divided into shares of £50 each and the certificates to be delivered to shareholders will be expressed accordingly. But as in the progress of the undertaking it may be necessary that additional capital should be raised, it will be provided that His Majesty's Government may authorise the creation of an additional capital equal in amount to that originally subscribed. This additional capital will also be divided into shares of £50 each, and the original subscribers will be required to agree for themselves and their representatives, that each person will accept a number of the second set of shares equal to the number which at the time of such increase of capital he may hold in the original issue.137

This advice from Bathurst established that the capital to be initially subscribed was £500,000 sterling, divided into 10,000 shares each of £50138, but with an obligation upon each subscriber to accept his proportion of a second issue in similar terms139. It further intimated, that subject to the conditions attaching to the subscription of funds being met, the incorporation of the company would have his support, and that he would then recommend a grant to the company of two hundred and fifty thousand acres140.

Not only were the subscription requirements for the Company stated in detail but limitations in the application of funds so raised were also nominated. It is necessary that the manner in which it shall be lawful for the company to employ this capital shall be Defined with as much precision as the nature of the subject will admit; for it must be clearly understood that every intentional Deviation from the mode of employment authorised by the terms of the charter, according to their fair and equitable construction, shall be Deemed a violation of the terms upon which such charter was granted.141

Specific limitations were placed on the capital to be applied in various forms of investment -

137. Ibid., para 4, pp.9-10.
138. Ibid., para 6, p.10.
139. Ibid., para 4, p.10.
140. Ibid., para 8. p.10.
141. Bathurst to Curr, 15 April 1825, CO. 280/1. PRO. 230,p.57. ML.
Private loans were not to exceed £20,000 at any one time, and similar restrictions applied to:

- Public works, £50,000.
- Loans to Local Government, £100,000.
- Whaling and sealing, £20,000.
- Land purchases, £10,000.
- Houses and wharves, £20,000.

Bathurst defined the continuing obligations of the company by restating the main objects and prescribing certain of the capital expenditure conditions attaching to them:

One of the primary objects in which the Company will be authorised to expend their capital will be the clearing, Improvement and Cultivation, of this tract of land. The words improvement and cultivation will be understood in a large and liberal sense, as including the formation of roads, drains and bridges; the erection of houses, mills and other works, and machinery necessary, or convenient, for the occupation or profitable cultivation of the soil; the depasturing of sheep or cattle, and generally such operations of agriculture or pasturage as the exigencies and peculiar situations of Settlers in a new country may require.  

Endeavours to comply with these conditions we shall see aggravated establishment costs, and made operational profits impossible. Additionally the company was required to meet all costs associated with the movement of sponsored migrants from Britain to the company's estates in Van Diemen's Land, including costs of their settlement on arrival. The conflict between the need for free labour and the high cost of achieving it through immigration, was exacerbated during the colony's persisting depression in the 1840s.

The most stringent of the conditions nominated by Bathurst related to the company's intention to make loans to settlers. While the proposal was sanctioned, the power to make mortgage loans was to be exercised only under such restrictions as have appeared to me necessary for preventing the abuses to which such a power if unrestricted might obviously lead.

142. Ibid., p.59.
143. Minutes, op.cit., para.8, p.10.
144. Minutes, op.cit., para.11, p.11.
The restrictions on the rights of the company to recover money lent, revealed the fear of the administration that private mortgage lending to settlers may have been so manipulated as to provide opportunities to the lender improperly to obtain control of large tracts of good land. Somewhat unnecessarily Bathurst indicated that these regulations respecting the lending of money on mortgage, will not extend to the case of persons effecting settlements on the Company's estates. I do not deem it necessary to limit the amount of capital which may be advanced to this class of Settlers, or to restrain the Company from entering into such contracts with them as, upon general principles of law, may be made by way of mortgage between any private capitalist and the owners of land.  

The company was prohibited from undertaking traditional banking operations, such as discounting bills and maintaining current accounts. The enabling Act, 6 Geo.iv,cap.39, finally passed through Parliament on 10 June 1825, but not until 10 November 1825 was Royal Assent granted to the Charter of Incorporation of the Van Diemen's Land Company.

By letter dated 18 April 1825, Curr acknowledged Bathurst's letter of 15 April and stated that his Directors accepted the conditions nominated. On 12 June Pearse wrote to thank Bathurst and Wilmot Horton ... for the liberal manner in which they had been treated through the whole of their Treaty for the Grant of the Land and the formation of the Company - and more particularly in the conclusion of the business for the celerity with which through your Lordship's personal attention to the Bill it has passed through the House of Lords.

But before the Royal Charter was granted in November 1825 definition of further points of detail continued to be argued in correspondence between the company and the Secretary of State. The key to these negotiations probably lies in a memorandum written for Bathurst by Wilmot Horton on 31 August 1825, in which he says quite explicitly, it must be clearly understood that they have no claim to lands in the settled Districts, at the nominal price at which

145. Ibid., para 12, p.11.
146. Ibid., para 13, p.11.
147. Curr to Bathurst, 18 Apr 1825, CO.280/1. PRO.230,p.72. ML.
148. Pearse to Bathurst, 12 June 1825, ibid., p.78.
they receive their isolated lands in a corner of the island.\textsuperscript{149}

This memorandum was commenting on a letter received from Curr in which he dealt with the assignment and maintenance of convicts; the importance to the company of "most favourable attention to the applications of the Company's Agents for Mechanics, husbandry Servants, and labourers"; the isolated location of the company's lands "at the distance of several days journey from the inhabited districts"; the availability as part of the grant of the islands in Bass Strait; the method of valuation of the grant lands for purposes of determining quit rent\textsuperscript{150}.

The persistence of Curr had evidently tried Wilmot Horton's patience, and in his memorandum to Bathurst he proposed that a copy of the company's detailed letter of 31 August should be sent to the Lieutenant Governor "directing him, with certain conditions & limitations, to comply with the spirit of it".\textsuperscript{151}

The Royal Charter was granted on 10 November 1825\textsuperscript{152}, and on 7 December 1825 James Inglis, Managing Director of the company, wrote to Bathurst and to Wilmot Horton expressing the thanks of the Directors for the assistance they had given in establishing the company, a task involving eighteen months of endeavour\textsuperscript{153}.

The limited availability of capital in New South Wales and Van Diemen's Land, particularly to individual settlers, was a restraining influence on growth during the fifteen years from 1825. The need to encourage investment in the limited areas of production able to create a cash flow within the colonies was emphasised in the conclusions of the Bigge Reports, and although restrictive and uncertain policies on land settlement aggravated the restraint on expansion and curbed the exploitation of resources, capital was the critical resource in short supply. Sorell had emphasised the importance of an infusion of corporate funds, expressing the view that it was highly improbable that any effectual attempt in the development of colonial resources could for a long time be made except by subscribed capital.\textsuperscript{154}

\begin{footnotesize}
\begin{enumerate}
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\end{enumerate}
\end{footnotesize}
Bigge had urged the importance of free enterprise, and had supported the establishment of a capitalist society as essential to economic progress, with appropriate limitation on government intervention. Economic development being directly related to the effectiveness with which natural resources were located and utilised, a condition precedent to progress was "the introduction of capital judiciously applied".\(^{155}\)

**The Scottish Australian Investment Company.**

In Aberdeen, on 26 September 1840, a prospectus was issued seeking subscribers to a company to operate in Australia, and formed for the purpose of investing capital on mortgage and other real securities, together with exchange, insurance, annuity, discount and commission business. The company was to be called The Scottish Australian Investment and Insurance Company, with an initial capital of £100,000 divided into shares of £1\(^{156}\). The interim committee of management was representative of business and professional interests in and around Aberdeen, in Scotland\(^ {157a} \).

The nominal capital and par value of £1 per share, were modest in comparison with the capital and share structures of the two London based pastoral companies. The consequences are demonstrated by the List of Shareholders on 11 February 1841. This shows that 416 shareholders had subscribed for 51,198 shares, an average holding of 123 shares. All the shares were issued to individuals, of whom only six held 1,000 shares and only six were resident outside Scotland. The subscribers were predominantly from the conservative north-east of Scotland, giving to the company an affinity with Aberdeen which doubtless influenced the decision by Directors not to seek a Charter by Parliamentary processes in London but to adopt a partnership structure\(^ {157b} \).

The prospectus disclosed confidence in the opportunities available to investment in the colony, and emphasised the encouraging results reported by companies only recently established in New South Wales and the adjoining colonies\(^ {158} \).

The prospectus stated that

> although many companies have been already formed for the investment of capital in Australian securities, they are all more or less trammelled in their operations by their objects being confined to one particular species of business.\(^ {159} \)

\(^{155}\) Bathurst to Curr, 15 Apr 1825, ibid., p.9.


\(^{157a}\) Prospectus, ibid., p.1. See Appendix 5.

\(^ {157b}\) List of Shareholders on 11 Feb 1841, provided to Morehead.

\(^ {158}\) Prospectus, ibid., pp.2-4.  \(^{159}\) Ibid., pp.1-2.
Banks had started operations and had realised considerable profits; insurance companies and land investment companies had functioned successfully. All have accumulated immense sums in their different branches of trade, but no company has been formed with the present exception, possessing great resources and embodying in its constitution every principle of business which has proved successful in Australia.\footnote{160}

The opinion was expressed that a combination of influential individuals within a company formed for the purpose of carrying on diverse and lucrative branches of trade in the colony must,"under a well digested system of management", prove successful\footnote{161}. Investment on mortgage and in real securities which was expected to yield twelve to fifteen per cent per annum, would first occupy the manager's attention, commitments in other nominated fields of activity to follow as opportunities occurred\footnote{162}. In the blending of these branches of finance business attention was invited to the fact that they had already been successfully combined and carried on by English companies, but their operations had to that time been confined to Great Britain\footnote{163}. That there is ample room for the establishment in Australia of a company like the present, must be evident to all acquainted with the wants of the colony. The scarcity of capital there is proved by the very high rate of interest obtained for loans, while the profitable returns upon Joint Stock undertakings may be demonstrated.\footnote{164}

To illustrate profitability, the prospectus gave information on several companies operating in Australia. The shares of the North British Austral-Asian Loan and Investment Company, established in Aberdeen in 1839, had already achieved a premium of 25 per cent\footnote{165}. The shares of the Union Bank, established in 1838, which had cost £17.10.0 were selling for £25.10.0.\footnote{166} The Australian Marine Company, specialising in fire insurance, only six years after its foundation had added a bonus of 500 per cent to the stock, and was paying a dividend of 15 per cent on the increased capital. Such examples were designed to attract capital frustrated by investment limitations at home\footnote{167}.

\footnotesize{\begin{itemize}
    \item \footnote{160}{Ibid., p.2.}
    \item \footnote{162}{Ibid.}
    \item \footnote{164}{Ibid., pp.2-3.}
    \item \footnote{166}{Ibid., p.3.}
    \item \footnote{161}{Ibid., p.2.}
    \item \footnote{163}{Ibid.}
    \item \footnote{165}{Ibid., p.2.}
    \item \footnote{167}{Ibid., p.4.}
\end{itemize}}
The First General Meeting of shareholders was held in Aberdeen on 6 November 1840, when the Report of the provisional committee formed to deal with the prospectus and subscriptions, was read. The Report endorsed the company's objects, elaborated certain detail in the prospectus, and referred to encouraging developments in production and trade in the colony.

Your committee refer with pleasure to the Official Tables of the Board of Trade which show that wool, the staple production of the country, has increased from 512,758 lbs. in 1827 to 7,837,423 lbs. in 1838, while the exported value of British produce to Australia in 1837 amounted to the large sum of £921,568. Large as the quantity of wool appears to be it bears but a small proportion to that imported from Germany, which was in 1838, 27,506,282 lbs., and your committee refer to these official facts from the circumstance that, as a part of the company's capital will be lent upon mortgage to those employed in agriculture, it must be gratifying to observe the demand which exists in the United Kingdom for the chief article of exportation from the colony.

The shareholders endorsed the committee's proposals, and the Directors held their first Board meeting on 9 November 1840. They appointed Messrs. Stronach and Grainger of Aberdeen, Cashiers and Agents to the company, and considered applications for appointment as manager in Australia. The applicants reviewed were considered inadequately qualified for the appointment, and the matter was deferred to allow further enquiries to be made. The Directors decided to appoint a committee of seven of their number to manage the details and preliminary arrangements of the Formation of the Company subject always to the approval and review of the Directors.

On 26 November 1840 the Directors decided to offer the appointment of manager in Australia to Robert Archibald Alison Morehead, a merchant of Glasgow, a man young in years but with a breadth of commercial experience including some

169. Ibid., p.12.
170. Ibid., p.9.
172. Ibid., p.16.
173. Ibid., p.18
174. Ibid., p.15.
years in Van Diemen's Land. Matthew Young was appointed to assist him with the title of Sub-Manager and Accountant in Australia. The wisdom of these appointments is confirmed by the long and successful careers of these men in the colony, during which they served with distinction the interests of company and community.

Morehead was to receive a salary and commission on the net profit of the company in Australia. If the net profit exceeded ten per cent on the paid up capital at the time, commission at the rate of one and one half per cent was payable; if the net profit exceeded fifteen per cent, two per cent; and if the net profit exceeded twenty-five per cent on the paid up capital, commission at the rate of two and one half per cent was payable. The confidence of the Board in the potential for investment in Australia was demonstrated by this arrangement with Morehead.

On 12 December 1840 Morehead wrote to the Directors accepting the terms of his appointment as manager in Australia. His letter reveals that, as he wrote his acceptance, he had in mind the enthusiastic references in the company's prospectus to the success in Australia of several joint stock enterprises recently established there. He preferred to be recognised as skilled in the use of capital for the benefit of individual and colony as well as the company, a difference apparently minor but of considerable significance in the circumstances in which the company commenced its operations in Sydney. Morehead expressed his views in these words -

I would suggest that in any circular you may issue attention should be drawn rather to the Success invariably attending the operations of a judicious Capitalist than to the prosperity of the Joint Stock Companies already established in Australia. This would bring the almost certain Success of our Company home to almost every one, as there are few who have not some friend or acquaintance, who has made a large fortune in these regions, and in fact your Manager will go out in the character of a large capitalist with all the

175. Bd.Min.26 Nov 1840.Bk.1,pp.23-4. Morehead was the third son of Dr Robert Morehead, Episcopal Dean of Edinburgh 1818-32. He was apprenticed to an insurance broker in Glasgow, and in 1837 started his own business as a manufacturer and merchant. He was a Scot of strong character and principles, with a firm belief in free trade. His son, Boyd Dunlop Morehead, was Premier of Queensland from 1888-90. (Australian Dictionary of Biography, Vol.2,p.257).

additional advantage derived from a large and influential proprietary being behind him.\textsuperscript{178}

The Directors had originally intended that the company should obtain a Charter of Incorporation "in order to limit the responsibility of the Shareholders". On 8 December 1840 the Cashiers placed before the committee the correspondence providing the professional advice sought in London on related matters of procedure\textsuperscript{179}. Included was a letter from John Gardiner dated 19 October 1840, the pertinent section reading -

\begin{quote}
I had a long interview with Mr. Kerr ... - he advises and no man is more conversant with such matters that it will be a very uphill work to procure a Charter, and he says it would be of little if any use to you if you get it, the Company being purely a Loan and Investment Company - the evils attending trade could not arise if your Deed is properly framed.\textsuperscript{180}
\end{quote}

The expense and complexity of proceeding by means of an Act of Parliament and a Charter seemed formidable to a modestly funded organisation based in Aberdeen, and with a compact group of small shareholders. A partnership structure, meeting legal requirements and providing security to members, seemed preferable.

Late in December 1840 the Directors met to consider the recommendations of their committee, that marine, fire and life insurance business should not form part of the proper business of the company, and that from the difficulties in the way of getting a Charter of Incorporation, and the great risks attending the prosecution of insurance, the Contract of Copartnery should be framed so as not to contemplate the company's entry upon these branches of business, until a considerable period of time has elapsed.\textsuperscript{181}

The Directors resolved to omit the word "Insurance" from the name of the company, and to proceed with the formation of the company under a Contract of Copartnery\textsuperscript{182}.

On 20 January 1841 the company wrote to all subscribers advising them that the Directors, having been most careful in framing the constitution of the

\begin{itemize}
\item \textsuperscript{178} Morehead to the Directors, 12 Dec 1840, Bd.Min.Bk.1,pp.33-6, reference on p.35.
\item \textsuperscript{179} Bd.Min. 8 Dec 1840. Bk.1,p.27.
\item \textsuperscript{180} John Gardiner to the Company, 19 Oct 1840. Bd.Min.8 Dec 1840.Bk.1,p.30
\item \textsuperscript{181} Rep. of Ctee. of Directors, considered by the Board on 28,29 Dec 1840. Bd.Min.Bk.1,pp.31-2, 38-9.
\item \textsuperscript{182} Bd.Min. 29 Dec 1840, 9 Jan 1841. Bk.1,pp.32, 43.
\end{itemize}
company to guard against operations of a hazardous or unduly speculative description, had determined that for the time being insurance business should be omitted from the company's objects, a sufficiently wide and varied field being otherwise available for the employment of the company's capital. A copy of the Contract of Copartnery, including the related articles, rules and regulations, was made available to subscribers for perusal. The preamble nominated the consideration for subscribing to the Deed as the great returns obtained for the employment of capital in Australia and the neighbouring British colonies and settlements as compared to what can be obtained for it in Britain. Those signing the Deed were advised that they were thereby forming themselves into a Society or Copartnership under the designation of The Scottish Australian Investment Company, for the purpose of raising a fund to be invested in Australia.

The objects and business of the company were defined as the acquisition of land, by purchase or otherwise, and of other property, real and personal, for resale, management on the company's account, exploration and mining purposes, or for leasing, for mining, agricultural or grazing operations, or other purposes approved by the Directors; the granting of loans or advances on the mortgage of real property, on cattle, sheep, wool or any other produce, to be secured by deposit of title deeds, warrants or merchandise in bond, bills of lading, or other approved security real or personal; and agency, exchange and commission business.

The Directors gave urgent consideration to the methods available for transmitting funds to Australia as credits had to be established in the colony before business could be undertaken. In February 1841 the advice of the company's bankers in Aberdeen, the Aberdeen Town and County Bank, was accepted to purchase drafts from a bank in Scotland drawn on their London bankers, these drafts being then transmitted for negotiation in Sydney. The Directors resolved that the first draft, for an amount of £24,000 be authorised

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186. Contract of Copartnery, Cl.1.  
187. Bd.Min. 9 Jan 1841. Bk.1,p.44.
Morehead arrived in Sydney on 21 July 1841, thereby establishing the presence in the colony of The Scottish Australian Investment Company. On 31 July 1841 Morehead wrote to the Cashiers advising that he felt Sydney to be the most desirable location for the company's headquarters, "as the field is much wider than that prescribed by Port Phillip and because altogether matters here may be considered to stand on a more solid basis".

The Scottish Australian Investment Company recognised that capital was a major resource likely to continue in short supply in the colony, and that under skilled financial direction capital could be profitably and flexibly invested as the first corporate step in New South Wales. The longer term objective was investment in land and livestock, but this development was delayed by the prolonged and acute depression in the colony from 1841, by uncertainty surrounding land policies and values, and by the impact of the gold discoveries in 1851 and their immediate consequences, particularly on the availability of labour. Not until 1863 did the company make its first substantial investment in pastoral lands. The company prospered from its establishment and even during the colonial depression dividends were maintained. The company had confidence in the future of mining for coal, copper, iron ore and other minerals, and investments were made in potential mineral producing areas on the Hunter River, in several locations on the Yass River, and in South Australia. Substantial investments were made in real estate in Sydney and Melbourne, and in the Pyrmont Bridge project.

The trading banks at this time did not lend on mortgage, a type of banking business with which the company was well acquainted, and which was attractive, as rates of interest charged on mortgage securities were not regulated by statute but negotiated with the borrower. Although the investment return was somewhat lower than the fifteen per cent per annum rate predicted, the average yield was maintained at about ten per cent.

The trading banks considered the traditional business of discounting bills less speculative than mortgage lending, being for short term risks on known security and at fixed rates of interest, varied only in the light of the term proposed and the credit status of the signatories to the bill. The earnings to the bank were derived from discounting the loan for the unexpired period.

of the bill, a short term underwritten loan operation.

Mortgage lending, on the other hand, was usually for some years duration, the loan being legally secured by appropriate charges over recognisable and realisable assets such as land or buildings. The mortgagee, therefore, had close regard for the character and reputation of the mortgagor, as well as for the value, and trend in value, of the security offered.

Lending on livestock and wool was gradually extended, this form of lending being made more acceptable and secure by the passage in 1843 of the statute permitting execution of Liens on the growing wool clip, and Stock Mortgages on sheep, cattle, and horses\(^{191}\).

The company, its directors and management, had confidence in the potential of the colony, and their longer term view was justified by the growth in value of the investments selected and managed during the first fifteen years of the company's operations.

Progress in the Australian settlements reflected political, economic and social developments in Great Britain, and even after legislative independence was achieved in 1854 and 1855 these influences continued. The growth of an independent Australian economy, which was the precursor to political independence, was inextricably linked to the flow into Australia of capital from Britain, and to the exporting to Britain of the production of the whaling and sealing industries, and of wool.

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\(^{191}\) Liens on Wool Act, 7 Vic., No.3, 1843. Amendments and extensions were incorporated in 9 Vic., No.30, 1845, 11 Vic., No.4, 1847, 14 Vic., No.24, 1850. The mortgages on Sheep Act, 11 Vic., No.58, 1848, is also relevant. Lord Stanley's comment on the 1843 Act is quoted in Appendix 8.
3.

THE ESTABLISHMENT OF THE AUSTRALIAN AGRICULTURAL COMPANY, 1824-1830.

The Australian Agricultural Company's early years were influenced by a combination of financial, political and physical factors in Britain and in the colony, which placed pressure on the company's direction and management to demonstrate that the investment was justified. Decisions were consequently made on incomplete or superficial assessments, resulting in difficulties and disagreements which a more restrained approach might have avoided.

The company had been granted its Charter at a time of financial crisis in Britain. Had Bigge's assessment of the potential value of New South Wales to the wool industry of Britain not coincided in 1822-23 with British Government encouragement of private investment, the probability is that the movement of British resources to the colony would have been retarded.

The Directors were under pressure from the beginning to show that the judgments of Bathurst, Bigge and the company's proposers, were correct. The shareholders had to be assured that their investment was secure, and that the longer term prospects for capital growth and income yield were sound.

The commercial and financial problems in Britain contributed to the urgency evident in the early executive actions within the company. The Directors' instructions to Dawson urged that strict economy be exercised in all departments, and that the experience and influence of the colonial committee be fully utilised. A suitable grant area had to be located with a minimum of delay to limit the loss of funds in non-profitable staging operations.

This sense of urgency was increased by awareness of proposals before the Government seeking a Charter for a second pastoral company with similar objects, and a possible competitor for sheep in the markets of Germany, Spain and Portugal. Whether or not their fears were well based, the Directors of the

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Australian Agricultural Company successfully delayed the granting of a Charter to the Van Diemen's Land Company.

As will be seen, the Directors' early Reports reflect their sensitivity to the need to show progress, to report results achieved, and to reassure shareholders that capital was being beneficially applied.

Dawson, despite his lack of knowledge of conditions in the colony, was impelled into action with little opportunity for detailed investigation. The members of the colonial committee were not practically helpful to Dawson in his immediate tasks, despite their assurances to the Directors that they would make every exertion in our power as members of your committee to promote your views and to ensure the prosperity of the splendid project confided to your direction.\(^3\)

The company had, however, started operations in the colony with reasonable assurances of the support and advice of government in the colony and of influential pastoralists\(^4\). John Oxley, the surveyor general, had undertaken to assist in selecting and surveying the grant lands. He favoured the Liverpool Plains as the most appropriate unoccupied region for the company, most of the good land, and particularly that adjacent to the navigable parts of the Hunter River, having already been granted. He suggested that should the company so wish, 500,000 acres could be taken in each of two locations, the Liverpool Plains and near the Hastings River\(^5\).

The colonial committee agreed with Oxley's opinion, as the most suitable region for fine wool production had not yet been determined. They endorsed the suitability of the Liverpool Plains, their one reservation being the distance of eighty miles to the Hunter River until a road had been formed\(^6\).

In June 1825, and before any conclusions had been reached on the location of the grant, 726 ewes with rams had been purchased in Europe for shipment under Dawson's supervision. These purchases were made 'with uniform attention to economy', and at a cost believed by the Directors to be lower than for sheep exported to the colony by individuals on their own account\(^7\). The views of

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6. Ibid. The suggestion by Bathurst that the Port Stephens area could be appropriate for the company's grant, may have influenced the Directors and Dawson. See, Bathurst to Brisbane, 13 July 1824 and 18 May 1825. HRA. 1,xi, 305-6, 591-2.
the colonial committee on the types of sheep likely to prove suitable to conditions in New South Wales, were not known to Dawson when he made the purchases in Europe. The feeling of urgency was again shown in this action, as the purchases appear to have been hastily arranged to ensure the availability of the sheep for shipment in Dawson's care.

The colonial committee had arranged to rent Retreat Farm of 1200 acres at Cabramatta to receive the company's establishment and livestock. The farm was suitable for short-term occupation, containing a good house and outbuildings, and well watered open forest pasture. The sheep, of which only 18 perished during the voyage, were on arrival temporarily held on the Domain, and thence moved to Retreat Farm pending the company's selection of lands. The location of the livestock on limited pasture increased the pressure on Dawson to make the initial selections without delay.

Members of the colonial committee inspected the sheep shortly after their arrival, and reported that until they had recovered from the long voyage judgment was difficult. They observed, however, that they appear to us to be excellent of their kinds, and some of the samples of wool are exceedingly beautiful.

In the same despatch the committee expressed their concern at the prospect of the servants brought out from England being only partially, if at all gainfully employed, and recommended that no additions be made to the number until the selection of the grant allowed them to be fully occupied.

Dawson was immediately faced with the task of locating lands, aware that the livestock was on temporary pasture, and that the idleness of the servants brought from England could not long be tolerated.

The Newcastle Coal Mines.

The Bigge Reports, which had distinct bearing on the willingness of the Government to recommend the granting of a Charter to the company, contained important references to coal mining in the colony. Bigge reported that the

8. Col.Ctee, to Gov.of Co., 23 Sept 1825, L.No.6, para 4. The Macarthur Papers, ML. 1-46A.A.4319, not paginated. The 1200 acre property was owned by John Thomas Campbell formerly Secretary to Gov. Macquarie.(See, HRA. 1,vii,242). The lease was for 3 years at an annual rental of £200. Rights were given to extend the term to 5 or 7 years if requested in the first year.


mines under government direction were inefficient and unhealthy\textsuperscript{11}. He expressed confidence that coal and iron would add to export trade and that "abundant supplies will be found whenever attempts are properly made to discover them". He recommended that "leases for terms of years should be granted of the coal, reserving to the Crown an annual rent for the same, with a certain proportion of the coal raised".\textsuperscript{12}

Bathurst advised Brisbane in July 1823 that he endorsed this recommendation, unless further investigation suggested that the mines could be worked more advantageously by government\textsuperscript{13}. At this stage, and more than a year before the Australian Agricultural Company received its Charter, the Secretary of State had apparently reached the conclusion that the local government was not able to bring the working of the Newcastle mines to a state of reasonable efficiency. This opinion had been doubtless influenced in part by knowledge that the Government was not likely to favour a further substantial investment of capital in improving the workings.

In May 1825, Brisbane in reply to Bathurst made the significant observation that the working of the coal mines has been hitherto kept in the hands of the Government as there is no fit person to lease them on the usual principles of a Lordship,\textsuperscript{14} establishing that, despite the loss of revenue to government, the colonial administration would support Bigge's recommendation if a suitable lessee was available. The coal mines in New South Wales required capital and management. The establishment in the colony of a company with substantial capital provided to the Secretary of State a possible means for furthering Government policy in that area.

Whether the company was invited to make application for the lease is not clear. The closeness of association between the Directors and Government, however, and the importance of coal reserves in the colony to trading companies represented on the Court of Directors\textsuperscript{15}, gave added significance to the opening words of John Smith's letter of 31 March 1825 to Wilmot Horton:

> We have the honor to enclose an Extract from the Third Report of Mr. Commissioner Bigge upon the Agriculture and Trade of New South Wales in which we have observed that the Commissioner has recommended the Crown to grant leases

\begin{thebibliography}{15}
\bibitem{11}Rep. on the State of the Colony, 6 May 1822, p.115.
\bibitem{12}Rep. on Agriculture and Trade, 10 Jan 1823, pp.92-3.
\bibitem{13}Bathurst to Brisbane, 31 July 1823. HRA. 1,xi,101.
\bibitem{14}Brisbane to Bathurst, 14 May 1825. HRA. 1,xi,587.
\bibitem{15}See Appendix 1.
\end{thebibliography}
of the Iron and Coal Mines that have been discovered in the Colony.\textsuperscript{16}

The expressed opinions of Bigge and Bathurst, and knowledge that Government policies generally were directed to the encouragement of private initiatives in commerce and trade, were at least a distinct incentive to the company to investigate the matter.

The letter to Wilmot Horton continued:

as it appears to us that a portion of the large Capital subscribed for the Australian Company might be employed in a manner, beneficial alike to the Colony and the Company, in working the Mines in question, we request you will be pleased to submit the accompanying proposals for the consideration of Earl Bathurst. The Commissioner has distinctly stated the advantage that would accrue in laying the foundation of an export Trade by the sale of Coals to the masters of convict vessels proceeding to India and Batavia, on their return voyages; and since the date of this Report, circumstances have occurred to render a supply of Coals essential in our Eastern Settlements, and even to induce the export of several Cargoes from Europe.\textsuperscript{17}

A Colonial Office memorandum attached to the Proposals notes that they applied only to the mines at Newcastle "now worked imperfectly by the Government,"\textsuperscript{18} and that the Commissioner recommended leasing them.

The new circumstances to which Smith referred were probably the rapid growth in steam navigation, and more particularly the immediate intentions of the East India Company to direct nine further steam boats to the Indian trade\textsuperscript{19}.

Bathurst replied to the company in July indicating his willingness to grant a lease for thirty-one years, on payment to the Crown of one-twentieth of the production of the mines\textsuperscript{20}. The despatch contained this qualification:

As from the imperfect manner, in which the Coal mines have been hitherto worked on account of the Government it is not possible accurately to ascertain the quantity

\begin{enumerate}
\item \textsuperscript{16} John Smith for the Directors to R. Wilmot Horton, 31 Mar 1825. CO. 280/2. PRO. 230, p.54. ML.
\item \textsuperscript{17} Ibid. The Company's Proposals, pp.60-2.
\item \textsuperscript{18} Colonial Office memorandum, undated and unsigned, but probably written by Wilmot Horton for guidance to Bathurst, ibid., pp.60-3.
\item \textsuperscript{19} John Macarthur Jnr. to R. Wilmot Horton, 9 Apr 1825, CO. 280/2. PRO.230, p.72. ML.
\item \textsuperscript{20} Under Sec. Hay to the Directors, 7 July 1825. HRA. 1,xii, 237.
\end{enumerate}
of Coal capable of being raised, Earl Bathurst must reserve to the Crown the right of retaining a fifteenth portion of the produce instead of a Twentieth.\textsuperscript{21}

The Directors reported these developments to a Special General Meeting of Proprietors on 21 July 1825, observing that "the working of the Coal Mines at Newcastle, has hitherto been conducted on a very limited scale, and in a very imperfect manner by Government".\textsuperscript{22} The colonial committee was fully informed in a despatch of 6 August 1825, and was requested to investigate and report on the most effective method of operating the mines, and on "the most proper arrangements for conveniently distributing the Supply of Coal so as to encourage and lead to the most extensive and profitable enlargement of the demand".\textsuperscript{23}

The task of improving the efficiency of the mines was not one for government but for a company with available funds, able to attract engineering skills, and disposed to accept the speculative risk. The granting of the lease to the Australian Agricultural Company, was therefore, logical and in the public interest. Because of legal limitations in the company's Charter, however, the lease authorised in July 1825 was not executed until July 1828\textsuperscript{24}. The prolonged negotiations caused misunderstanding between the Secretary of State and the Governor of the colony, and aggravated the friction between the colonial administration and the company\textsuperscript{25}.

In December 1825 Darling succeeded Brisbane as Governor of the colony. Brisbane had welcomed the establishment of the company\textsuperscript{26}, and had endorsed the leasing of the Newcastle mines to suitable private undertakings\textsuperscript{27}. Darling, on the other hand, was critical of John Macarthur and opposed the granting of a monopoly over coal production to the company. Before reaching Sydney Darling had written confidentially to Under Secretary Hay that

The animosity against the McA-s is, I believe, violent in the extreme, founded on a belief, amounting to Conviction in the minds of the Inhabitants in general,

\textsuperscript{21} Ibid., p.238
\textsuperscript{22} Report to Special GM, 21 July 1825, p.25.
\textsuperscript{23} Brickwood, Sec., London to Harington, Sec. to Col. Ctee., 6 Aug 1825. The Macarthur Papers, ML. 1-46A.A.4316, p.93.
\textsuperscript{25} Reference is later made to official correspondence establishing these points, including: Darling to Hay, 3 Feb 1826, HRA. 1,xii, 156., Darling to Hay, 24 May 1826, HRA. 1,xii, 327., Bathurst to Darling, 26 July 1826, HRA.1,xii, 448., Darling to Murray, 27 Dec 1828. HRA. 1,xiv, 538.
\textsuperscript{26} Supra, (Note 4).
\textsuperscript{27} Supra, (Note 14).
of the access, which this family has to your Department, and the means which they thus possess of insidiously conveying false and injurious impressions of Persons and things.  

Darling became aware of the proposals to lease the coal mines to the company when the colonial committee in January 1826 sought the services of J. Busby, the mineral surveyor in the colonial administration.

The colonial committee had received the Directors' request for information and was endeavouring to establish facts about the potential of the mines and the requirements to bring them to a state of reasonable efficiency. The committee wrote in January 1826 to the office of the Colonial Secretary in Sydney, referring to the agreement reached between the Secretary of State and the company on the lease and operations of the mines at Newcastle, and requesting that the services of John Busby, "the only person here capable of making a correct report on the mines", be made available, to assure to the Directors an accurate assessment before work commenced. This request was granted, and the colonial committee defined to Busby the points on which clarification was desired: the quantity of coal which could be procured at the mines and the best method of operating them, pending the arrival of suitable machinery; what the operating cost per ton might be; what machinery should be brought out to achieve effective operation; and whether coal could be profitably procured at Port Stephens. Busby's reply was favourable and he expressed the opinion that if large waggons similar to those employed at Newcastle-Upon-Tyne were acquired, coal could be sold at the wharf at a moderate price and with profit to the company.

The low price of the coals will admit of their being brought into a very advantageous competition with wood fuel in Sydney, and will open up markets elsewhere from which their high price has hitherto excluded them.

On 31 January 1826 the Directors reported to the shareholders that the company's plans for working the mines had been completed, and that within two months a manager for the operation would sail for the colony with well qualified assistants, steam engines and plant, to enable the mines to be brought without delay into efficient working order. In August 1825 the Directors had advised

28. Darling to Hay, 10 Dec 1825. HRA. 1,xii, 83.
the colonial committee that they intended to act with some urgency in arranging the establishment and acquiring essential plant. This advice was followed by a despatch dated 13 January 1826 informing the committee that Mr. John Henderson, an experienced and highly qualified mining engineer, had been engaged as manager of the Newcastle coal mines. The detailed decisions made and acted on by the Directors before the results of the colonial committee's enquiries were known, could well have appeared precipitate. The Directors' apparent lack of consideration for their opinions, and Darling's strong opposition to "placing the Mines in the hands of the Australian Company", may have influenced the committee's opposition to the mining proposals in May 1827.

On receipt in July 1825 of confirmation that the lease would be granted to the company,

the most spirited arrangements were entered into for the working of the mines in an efficient manner, and, in the meantime, every endeavour was used to obtain a completion of the lease.

The Crown's legal officers, however, advised that the company had no power in its Charter to lease and work mines. Bathurst proposed that the difficulty be resolved by substituting a grant in fee simple for the lease, a solution accepted by the Solicitor General. Approval was given to an immediate grant in fee simple of 500 acres to enable operations to proceed. The question of the balance of 2000 acres which Bathurst had agreed should be granted on the Coal River, was deferred awaiting a report from the Governor in the colony.

In July 1826 Darling was advised of the grant of 500 acres, the company understanding that the existing pits and works were included and that local

33. Supra, (Note 23).
35. Darling to Hay, 3 Feb 1826. HRA. 1,xii,156.
36. James Macarthur and James Bowman to Gov. of Co., 26 May 1827. HRA.1,xiv, 544-5.
38. Ibid. See also, Report of Conference, 10 June 1828, with Sir George Murray, Secretary of State for the Colonies. The Macarthur Papers, ML. 1-46A.A.4317, p.125.
40. Bathurst to Darling, 26 July 1826. HRA. 1,xii,447.
government would cease its coal raising operations. Darling, however, declined to discontinue working the mines asserting that the despatch from the Secretary of State did not so instruct him. He agreed to provide 500 acres of coal lands to the company as selected by their agents, but declared his intention to continue working the government mines in competition with them.

In their despatch of 26 May 1827 to the Directors, the colonial committee said it appeared to them:

a most hazardous experiment to commence upon the very expensive operations of mining without a probability, at least, that we should not be competed with in the Home Market by so powerful a rival as the Local Government.

The representations made by the Directors to Huskisson seeking definition of the conditions of the lease, resulted in a conference with Murray, Secretary of State for the Colonies, on 10 June 1828. The Report of the Conference records that Murray said:

he considered a business such as Coal Mining to be a sort of speculation with which a Local Government ought not to be encumbered - And, upon principle he thought that any business which could be conducted by Individuals would be much better managed by them than by Government.

Murray also indicated that in approving the grant of 500 acres of coal lands he was not giving the company a monopoly over coal production, as additional grants of coal bearing land could be made. The Directors replied, however, that they expected competition to be restricted to private individuals working coal on their own lands. The instruction issued to Darling in July 1828 endorsed the views of the Directors.

In the 500 acres now proposed to be granted, it is intended that the works, which have hitherto been carried on by the Government, be included, should the Company wish it; & this not as a matter of favor to them but on public grounds; for I am averse upon principle to the carrying on of works of this description as Govt. concerns.

46. Murray to Darling, 31 July 1828, HRA l,xiv, 273.
Murray confirmed the privileges attaching to the grant which gave the company a practical monopoly over mining for coal and other minerals. No company or individual could obtain rights over coal lands without the prior sanction of the British Government, "a sanction which would probably be granted, if the Company should avail themselves of their monopoly to impose an exorbitant price upon Coal, the product of their Mines". Murray explained that because the company would be involved in heavy capital expenditure for "a public benefit", they were entitled to a reasonable opportunity to reimburse themselves.

The company accepted two conditions, the first being the restraint on price and the second a requirement on quantity. The Crown retained the right to resume the lease "if the Company shall raise in any year less then 2/3rds the average quantity raised in the three years ending 31 Decr. 1828".

Darling's earlier refusal to discontinue government operation of the mine, caused the company's committee of management in the colony to give "every possible consideration" to the problem. Perhaps precipitately, although within their delegated powers, they decided to invite government to take over the establishment and machinery brought to the colony by the company on a cost reimbursement basis. The committee may have had some doubts about the acceptability of their decision to the Directors. In the despatch advising the action taken they indicated that they were 'aware of the responsibility they had taken upon themselves', but hoped this would suffice to ensure acceptance of the good faith of their decision.

In November 1827 the colonial committee was informed by the Colonial Secretary in Sydney that government was unlikely to be interested in their proposal. On the other hand, Darling explained his actions to Murray as due to a lack of understanding on his part that the grant of 500 acres was to include the mines and workings.

The Directors summarised their attitude in a despatch of 10 October 1828 to the colonial committee. Disapproval of the committee's approach to government was clearly intended.

47. Ibid, p.274. 48. Ibid.
50. James Macarthur and James Bowman to the Gov. and Dep.Gov. of Co., 26 May 1827. HRA. 1,xiv, 545.
51. Ibid.
52. Extract from Minutes of Ctee. of Management of the Co., 27 Nov 1827. HRA. 1,xiv,546.
53. Darling to Murray, 27 Dec 1828. HRA 1,xiv,538.
With reference to the Coal Mines respecting which the final arrangements between His Majesty's Government, and the Company have been so long pending. You will have learned by our Secretary's Letter to Mr. Dawson on the 29th December last ... that, from the date of our agreement with Earl Bathurst in July 1825, we have had no option, but to proceed; or, to abandon and set down as lost, the great expenditure incurred and to declare that the views and calculations which have encouraged our proceedings in this branch of the Company's undertaking were altogether founded in error. - But the unexpected opposition to our views has not tended to alter the first opinion we had formed upon that subject; nor has any fresh information obtained, or other circumstances produced that effect.  

The Directors stressed their desire not to oppose the wishes of Darling or to ignore the committee's recommendations, and for these reasons they had advised Huskisson of the company's willingness "to resign the Coal Mines into the Governor's hands". The Secretary of State had, however, declined to approve such an arrangement and the company was therefore, "compelled to persevere".

On 31 July 1828, more than three years after the negotiations had commenced, an agreement was finally concluded between the British Government and the company. This agreement granted to the company "in fee simple two thousand acres of the coal field at Newcastle upon terms fully explained in Horace Twiss's letter of 31 July 1828". These terms were identical with the conditions and privileges progressively nominated and agreed during the negotiations.

The facts relating to the negotiations between the company and Government concerning the Newcastle mines, in my opinion require qualification of the two main conclusions reached by J.W. Turner in his Paper, "The Entry of the Australian Agricultural Company into the New South Wales Coal Industry".

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55. Ibid., p.170. 56. Ibid.
The first of these conclusions is that:

The company's officers were later to assert that it was the British Government which asked them to undertake the management of the Newcastle mines, but the official records do not support this claim.

Insufficient recognition has been given in this conclusion to Bigge's findings and recommendations, and to Bathurst's support of them. Murray was later to state explicitly that he was "averse upon principle to the carrying on of works of this description as Govt. concerns". This observation was in accord with Government policy of the day to promote private capital and management. The admitted inefficiency of the Newcastle mines under the direction of the colonial government, and Brisbane's readiness to accept a suitable lessee, suggest that the British Government would willingly have ceded the operation to an individual or corporation with adequate funds to provide the upgrading needed, and able to assure continuity of engineering skills and management.

The time lapses between the company's first Proposals in April 1824, the granting of the Charter in November 1824, and the letter to Wilmot Horton concerning the mines on 31 March 1825, allowed considerable opportunity for discussion among Directors, Members of Parliament and officials of the Colonial Office.

The opening paragraph of John Smith's letter to Wilmot Horton in March 1825 suggests that the section of the Bigge Report of 1823 referring to the Newcastle mines had only recently been studied by the Directors. This implies that the company had been encouraged to give consideration to Bigge's recommendations that the mines should be leased as the means for improving their efficiency.

The second conclusion reached by J.W. Turner is that:

The Company displayed no reluctance about the project until October 1827 when its Directors offered to withdraw from the venture but were held to their commitment by the Secretary of State for Colonies.

No commitment in fact existed, as Darling had declined to observe an essential part of the terms of agreement reached in London. Darling advised the company's colonial committee that unless specifically instructed by the Secretary of State to terminate government coal production, he intended to continue in competition with the company. In view of the then strained

59. Murray to Darling, 31 July 1828. HRA. 1,xiv, 273.
relations between Darling and the Macarthur family, the company's offer to withdraw was logical. The Directors were anxious to avoid serious disagreement with Darling because of possible adverse repercussions on the company's operations generally in the colony.

The Directors were also seeking to support the colonial committee which had wide discretionary powers under the Power of Attorney received from the Court of Directors. This support was given despite the concern the Directors felt with the manner in which the colonial committee had handled so delicate an issue. This loss of confidence in the judgment of the committee was evident in the correspondence terminating their appointment.

The Directors' sensitivity to the company's situation in the colony was consistent with their offer to withdraw from the mine negotiations "in favour of the Governor". At the Conference on 10 June 1828 Murray rejected the company's offer, not because the company was endeavouring to avoid a commitment, but because of his determination that Darling should observe the instructions given by Bathurst in July 1826. Murray's despatch of 31 July 1828 to Darling requiring a full explanation "of the grounds upon which you had been induced to withhold from the Company possession of the Tract of 500 acres, which you were directed to place at their disposal", established that the company's offer to withdraw was made when negotiations were contingent upon firm definition of the terms of agreement.

Darling, Macarthur and the Company.

The issue of the lease of the mines to the company emphasised the adverse impact on the company of the animosity between Darling and John Macarthur. Immediately Darling became aware of the intention of the Secretary of State to approve the lease to the company he wrote a letter of strong opposition to the proposal. The opposition was based on "the great inconvenience" experienced by colonists because of a previous form of monopoly in coal production. Darling's strong objections, however, closely followed his attack on the Macarthur family in his despatch of 10 December 1825.

Opposition to the granting of the lease to the company was followed in May 1826 by trenchant criticism of John Macarthur in a despatch to the Under Secretary. Darling wrote that Macarthur was "naturally factious and turbulent",

60. Gov. and Directors to the Ctee. of Management, Sydney, L.No.16, 7 July 1829. The Macarthur Papers, ML. 1-46A.A.4317, p.262.
61. Bathurst to Darling, 26 July 1826. HRA.1,xii, 447.
62. Murray to Darling, 31 July 1828. HRA. 1,xiv, 272.
63. Darling to Hay, 3 Feb 1826. HRA. 1,xii,156.
64. Darling to Hay, 10 Dec 1825. HRA. 1,xii,83.
and that "he considers the accomplishment of his Plans as secondary to the subjugation of his opponents". Darling considered that "the want of Harmony in this Society" was due entirely to John Macarthur.

Darling's antipathy extended to people and projects associated with John Macarthur. He said of Archdeacon Scott that 'he never could recover his first mistake of connecting himself so intimately with the Macarthurs'. He criticised John Macarthur's association with the company by attacking the thousand projects he had in view for the aggrandisement of the Australian Agricultural Company. They all seem to have vanished, as the excitement, in which they were engendered, subsided.

Darling's opposition to the granting of the lease of the mines to the company reflected his deep dislike of the Macarthur family. This is revealed in the following portion of a despatch, written in May 1826:

As to Mr. Macarthur, he is now about to return to England. I cannot regret it, as I am satisfied his absence will tend to the Peace and happiness of the Colony. He is full of schemes and Plans; there is something almost whimsical in their variety and magnitude, though the enthusiasm which would render the whole World tributary to the 'Australian Company', will not I suspect find supporters among the cooler headed and less ardent Subscribers.

Darling's reply to Murray in December 1828, that he had supposed that the intention of leasing these Mines to the Company had been abandoned, from an idea that the monopoly of Coals might prove injurious to the public, was a somewhat unconvincing attempt to excuse his opposition to the decision of the Secretary of State.

Darling's term as Governor of New South Wales spanned the years 1825 to 1831. These were the difficult years of the company's establishment in the colony, made more complex by the strained relationships between the Governor and the Macarthur family.

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65. Darling to Hay, 1 May 1826. HRA.1,xii,255.
66. Ibid., p.256.
67. Darling to Horton, 26 Mar 1827. HRA. 1,xiii,190.
68. Darling to Hay, 2 Sept 1826. HRA.1,xii,523.
69. Darling to Hay, 24 May 1826. HRA.1,xii,327.
70. Darling to Murray, 27 Dec 1828. HRA. 1,xiv,538.
In July 1825 the Directors had advised shareholders of the agreement reached with the Government for the company to lease the mines at Newcastle. The Directors had then stressed that these mining operations would not interfere with the company's main object of producing fine wool. Coincidentally with the prolonged negotiations in London concerning the mines, Dawson was seeking lands on which to establish the company's pastoral undertaking.

The Port Stephens Settlement.

The company's intention to produce fine wool for export had been reaffirmed. Dawson had been selected as the company's chief agent in the colony because of his experience with sheep and knowledge of farming; and in their letter of instructions to Dawson the Directors emphasised the importance of his "agricultural knowledge" to the success of the enterprise.

Discussions with the Secretary of State on the subject of the Newcastle Mines began before Dawson sailed for the colony, and he would have been aware of the company's possible involvement in coal mining. Before the end of 1825, however, Henderson had been appointed to manage the Newcastle undertaking. Henderson was an experienced mining engineer who for the previous three years had been in charge of "the important Works at the Elgin Collieries in Fifeshire". Henderson's appointment and the Directors' emphasis on Dawson's responsibilities in agricultural matters, gave Dawson, as chief agent, only a general supervisory role over mining operations. The Newcastle mines were a distraction to Dawson but not a responsibility.

On 1 January 1826 Dawson, with a party which included Dangar, the assistant government surveyor, began the search for 'the most eligible district' for the grant of land. On the recommendation of the colonial committee Dawson first concentrated his investigations on the Port Stephens area. Although he had reservations about the suitability of this region for agricultural purposes, Dawson became satisfied that it was appropriate for the company's first settlement, "even if it should afterwards be found requisite to search for the remainder of the land in remoter districts". By 24 January 1826 Dawson had

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72a. Directors to James Macarthur, James Bowman and H.H. McArthur, 10 Dec 1824, loc.cit.,(Ch.2,Note 70).Gov. of Co. to Dawson, 3 June 1825, loc.cit.,(Ch.2, Note 72). Directors to James Macarthur, James Bowman and H.H.McArthur, 13 Jan 1826, supra (Note 34).
decided that Port Stephens should be nominated for the grant. In his report to the Directors he expressed his initial doubts, but emphasised the suitability of the harbour, and the splendid sheep pastures on the thinly timbered undulating land extending to the coast. The colonial committee, on Dawson's return from Port Stephens, informed the Directors that their favourable anticipations seemed likely to be realised, and that there can no longer be a doubt of the expediency of taking a portion of the grant at Port Stephens in order to secure to the company the great advantage of a fine harbour upon the direct line of communication with Liverpool Plains, and possessing good land, to no inconsiderable extent, in its immediate vicinity.

The steps taken to establish the suitability of the Port Stephens area appear to have been superficial, and the judgments hasty. Nor was the colonial committee consulted by Dawson before he reached his decision, although the committee also misjudged the country, of which they had no direct experience.

In view of the need for convict labour to enable the company to meet the employment conditions of the Charter, and to enable essential developmental work to commence, the colonial committee's despatch in March 1826 reporting the diminishing availability of convicts caused the Directors considerable concern.

The procuring and supply of government servants adequate to the demands of the company will, we fear, be scarcely practicable. Owing to the very small numbers that have of late arrived, instead of a surplus, there is so great a scarcity of prisoners that Mr. Dawson was unable to obtain any to accompany him to Port Stephens, and all persons are more or less inconvenienced by the want of labourers.

The labour shortage threatened the progress of the undertaking from the outset, and prejudiced the chances of success.

We should be sorry indeed to see the claims of the company brought into unequal competition with those of the settlers, the committee observed with political sensitivity.


76. Ibid.
Tahlee House.
The Company's first homestead, built in 1826.

Port Stephens from Tahlee House.
The Directors referred to these labour difficulties when reporting in January 1827, suggesting somewhat optimistically, that free emigrant labour should be readily available, and because of increasing unemployment in England, at wage rates favourable to the company. The company had, however, been able to obtain from the government 120 convict labourers, this being in excess of the number nominated by Darling to ensure compliance with the Charter.

In June 1827 William Barton was appointed Accountant and Secretary in Sydney, acting also as secretary to the colonial committee. This appointment by the Directors was to be the cause of considerable dissension in the company's colonial administration. Barton, as will be seen, contributed to Dawson's removal from office in 1828 and was himself dismissed by Sir Edward Parry in 1831, for his intransigence.

In the company's establishment stages, in which error and unprofitable operation were unavoidable, it was important to maintain the confidence of subscribers. The reasons prompting the formation of the company, and its investment potential, had to be restated whenever an appropriate opportunity occurred. The 1827 Directors' Report, therefore, provided information on decreasing wool production in Germany as an example of the reasons for founding the company, and as indicating that

if fine wool or any other article be in one country subject to enormous artificial expenses in its production, and in another country can be procured by the aid of nature alone, at little cost; provided the expense of transport shall not be materially greater in the one case than the other, the cheap natural production must in the end outvie the more costly artificial one in every market to which it can be brought.

By May 1826 Dawson had transferred the company's establishment of people and livestock from Cabramatta to Port Stephens. Dawson's reports on the Port Stephens area had been enthusiastic, and when repeated in the 1827 Report the good points were further emphasised, the suitability of the land selected being unquestioned. The proprietors were informed that Dawson had been absent from Sydney exploring the area for thirteen days, and that he estimated he had

examined at least three hundred thousand acres of land, of which no more than five hundred acres could prove unprofitable, and a maximum of one hundred acres appeared to be useless. The precision and confidence of these estimates, even recognising that Dangar was one of the exploration party, are surprising. The Directors described the grant lands at length, the types of country and the varying capacities for agricultural and grazing purposes. To have achieved so complete an assessment of so large an area in only thirteen days allows an impression that judgments were hasty, investigations superficial, and conclusions influenced by undue emphasis on favourable aspects. The haste was mainly due to Dawson's awareness of responsibility for the people and livestock in small and temporary accommodation awaiting the selection of a permanent location. That other areas were not investigated by Dawson before deciding upon the Port Stephens region could have been justified on the grounds that Oxley had commended the location, and that Dangar had endorsed his opinion. Although the members of the colonial committee had no direct experience in the area, they concurred in the selection and John Macarthur was enthusiastic about the location.

The despatches from the colony recording progress in 1826 assured the Directors that prospects were most favourable, and immediate steps were taken to ship additional sheep and cattle, and a further number of shepherds, farm labourers and artificers. The Directors endorsed the arrangements made for the first settlement on the shores of Port Stephens, and expressed considerable satisfaction with the company's success in obtaining greater numbers of convict labourers than had at first been expected.

An area on the frontage to the Stroud River had been selected for the development of an agricultural farm to supply the company's establishment with grain, vegetables and other farm produce, any surplus to the company's needs to be sold to other settlers. The demand for farm supplies for the establishment had increased steadily. By April 1827 the company was employing 301 men, including 204 convicts and 55 emancipists, with responsibility also for 80 women and children. Dawson reported that he was experiencing less difficulty than he had expected in managing the convicts, and that

it is not to be doubted that great benefits will be derived to the company's estate from their labour.\textsuperscript{84}

He had applied to the colonial administration for greater numbers of convict labourers than had been assigned to the company, his applications being rejected because of reduced arrivals from England. The company's repeated requests for convicts, both in London to the Secretary of State, and in the colony, were the cause of criticism and agitation by articulate settlers against what they conceived to be the inequitable influence of the company. The colonial committee had warned the Directors of the possibility of such criticism, and of the disadvantageous repercussions possible from general unpopularity. In the opinion of these settlers the company's influence had been shown in the conditions of the grant, and by the terms negotiated for control of coal production at Newcastle.

Livestock constituted a major and growing asset, and at the end of July 1827, sheep numbers, augmented by purchases and natural increase, had risen to 6,299, and cattle to 1,498. The condition of all livestock was stated to be good, the 1828 Report recording that numbers had built up so considerably that further importations from Europe had become unnecessary\textsuperscript{85}. This observation indicated support for the views of the colonial committee rather than of Dawson, who had indicated that suitable breeding ewes would be in short supply locally. The colonial committee did not share this opinion, and in March 1826 had informed the company that they believed

Mr. Dawson is in some degree mistaken as to the difficulty he anticipates in obtaining ewes. Several flocks have been disposed of this season to private individuals, and it is probable that after next shearing there will be quite as many in the market as in the infancy of the undertaking it would be prudent to purchase.... We cannot recommend the further purchase of English merinos, as better woolled animals than any we have yet seen imported may be obtained in the colony, at the same, or probably a lower, price.\textsuperscript{86}

The year 1827 gave the company and its officers their first experience of drought conditions. Dawson was confronted by new problems in addition to the pressures already surrounding him, and coincidentally with the Directors' concern with the committee's questioning of his management and judgment.

\textsuperscript{84}Ibid., pp.23-4.
\textsuperscript{85}Ibid., p.27.
\textsuperscript{86}Col. Ctee. to the Directors, 2 Mar 1826, L.No. 10, p.3. Archives ANU 1/12.p.61.
Persistent criticism of the company and its advisers in the colony, and of its preference for negotiations in London, added to the Directors' anxiety.

Dawson, as will be seen later, criticised members of the Macarthur family for including, what he claimed to be, an excessive number of aged ewes in the flocks sold to the company. The committee had referred their concern with this criticism to the Directors, seeking public refutation of what they considered to be an imputation of improper conduct by them towards the company. The Directors, having considered reports from Dawson and the committee, concluded that the evidence was -

abundantly sufficient to convince any unprejudiced person that in such transactions the Company have every reason to be well satisfied. - With the Court of Directors, that impression upon the mind has uniformly been sufficiently clear; and, had not insinuations which appear to annoy you been repeated by respectable persons and in public situations, the Directors would have deemed it perfectly needless to notice the clamor of interested individuals. 87

Clearly an unsatisfactory personal relationship had developed between Dawson and the committee. Dawson's letter of 11 October 1827 to John Macarthur aggravated the strain. Dawson had been criticised by the committee for the extravagance of his administration, whereas the Directors had stressed the need for the greatest care in expenditure and accounting.

The association of this criticism with the question of sheep purchases was bound to be abrasive.

As yours will be the last purchase of stock of any kind to be made this year and probably hereafter the Directors funds will have respite - comparatively - My real anxiety now is to take care of what we have got and to raise our own supplies of every thing the climate and soil will admit of in order to save the funds still more. 88

The colonial committee shortly thereafter decided to investigate the state of affairs in the company's Port Stephens settlement and to make a full assessment of Dawson's competence as the company's chief executive in the colony. James Macarthur was requested by the committee to conduct the investigation, and in December 1827 he embarked on the task.

The Dawson Affair.

James Macarthur was predisposed to criticism of Dawson's behaviour and management, both because of his father's antipathy to British trained agriculturalists, and because of the personal tensions which had been developing for some time between Dawson and the committee. John Macarthur wrote to his son John in January 1824 that he did "not recollect an instance of a qualified agricultural agent that has been employed in England and sent hither, who has proved trustworthy, or qualified". James Macarthur seemed determined to condemn Dawson's management with little or no regard for factors which may have contributed to error.

When reporting to the Directors in London in October 1828, James Macarthur said that Dawson's removal from office had earlier been considered desirable but that it had not been practicable. He emphasised the development of personal disagreement by stating that Dawson's suspension was not "caused by one or two isolated circumstances" but was due to -

.. a series of general misconduct ... terminating in wilful and perverse disobedience of his instructions, and contempt not only of the advice, but of the controlling authority of the Committee.

This strong condemnation of Dawson seems not to have been justified by fact, and completely disregarded the diverse and considerable difficulties of establishing the settlement at Port Stephens. James Macarthur also avoided the issue of whether the committee and its members individually had met their obligations to the company and to Dawson. No mention was made, for example, of Dawson's comment that "he was now convinced the Country immediately adjoining Port Stephens was not healthy for sheep".

James Macarthur placed his report before the colonial committee on 13 March 1828, and in October 1828, in person and on behalf of the committee, he presented it to the Directors in London. He concluded that the excessive losses of livestock were due directly to Dawson's misapplication of labour, and general...

91. Ibid.
mismanagement and neglect of the sheep. He criticised him also, for his disregard of the expenses of the establishment.

The situation of the grant, and the quality of the pastures are, so far as I have had the means of judging, highly favourable to the undertaking, and my opinion, therefore, of its ultimate success, if conducted upon proper principles, is unchanged. 94

The grant had been endorsed by James Macarthur as suitable for sheep, and in his opinion any problems were due to incompetent management. This conclusion, however, was called in question by the subsequent decisions of the Directors.

The colonial committee decided to suspend Dawson from his duties to allow the Directors to consider the evidence and determine whether his services should be terminated.

John Macarthur recognised the need for capital in the wool growing industry. He believed adequate provision was possible only through corporations. Not only would corporations increase the rate of growth in wool production, they would also provide some assurance that sale sheep would meet a satisfactory demand. He regarded the Australian Agricultural Company as the realisation of this need. His sons shared these views, and in 1824, John Macarthur, Junior, informed his brother James, that

the Company will purchase all good flocks that are for sale in the Colony, and will improve them, from time to time, by the finest that can be selected in Saxony or Spain. You have thus a demand for all you can raise for ten years to come. This increased demand must necessarily raise the price. 95

The Macarthur family was anxious that their production of pure-bred merino sheep should attract the premium prices they believed their quality justified. They assumed that the Australian Agricultural Company would be a regular purchaser. Dawson had been instructed by his Directors to heed the views and instructions of the management committee, and in the purchase of sheep he was obliged to accept their advice. Furthermore, the intention of the Macarthur family to sell to the company was known to, and approved by, the Directors in London 96.

94. Ibid., paras. 92,93.
95. John Macarthur Jnr., to James Macarthur, L.No.26, 14 Nov 1824. The passage quoted was added to the letter on 15 Nov 1824. The Macarthur Papers, ML. 1-45A. A.2911, p.221. See also, John Macarthur Jnr., to John Macarthur, 29 Nov 1824, ibid., p.231. "The Company will be desirous to purchase all the Sheep that are for sale having wool that is worth 2/- per lb. & must continue to do this for six or seven years & perhaps longer!"
The company's purchases of sheep from the Macarthurs became a major cause of friction. Dawson considered that an excessive number of old sheep was being included in the flocks made available to the company, and that the age of the ewes was the main reason for the poor lambings and high mortality rates. In June 1827 Dawson wrote to James Macarthur informing him that in future the company must confine its purchases to young sheep, adding somewhat tactlessly, that he was no longer disposed "to make the company's grant a burial ground for all the old sheep in the colony".

Sir Edward Parry, appointed the company's Commissioner in May 1829, was to report in November 1831 that, from his own investigations, he was satisfied that the large number of aged sheep originally purchased in the colony, and the wet season, were "sufficient to account for the unusual mortality".

Parry was shortly thereafter to reach the conclusion that the Port Stephens estate was not suitable for the production of fine merino wool and grain.

The Port Stephens estate lay between the Dividing Range and the coast, and was subject to damp coastal weather influences, while the eastern portions of the grant ran into swamp lands. The annual average rainfall at Stroud is 45 inches, and at Gloucester 38 inches, indicating the precipitation of moisture over the coastal plains and foothills. The rainfall pattern is consistent throughout the year, increasing the risk of foot troubles in merino sheep, and causing wool rot and discolouration in wetter years. Merino sheep in these climatic conditions do not thrive, and mortality, particularly among those with faulty mouths, would be high. The Port Stephens estate was not suited to the production of fine merino wool.

Oxley had recommended the Liverpool Plains as best suited to the company's objects, and while endorsing Port Stephens for part of the grant, he favoured the lower rainfall country to the west. Although the Port Stephens area was not directly known to the members of the colonial committee, experience at Camden should have warned of the probability of problems with merino sheep in a damp, coastal environment.

Dawson's experience of the behaviour of merino sheep in such conditions was negligible. He was attracted by the park-like appearance of the coastal

plains, and accessibility to a safe anchorage. Even had he foreseen the health problems with the sheep, which he later acknowledged, the limited availability of competent shepherd labour would have made impossible any effective and economic management programme.

In October 1829 Dawson published a defence of his administration. The Statement is an account of pastoral pioneering, of disciplinary problems with convict labour, of attempts to achieve efficiency with labour ignorant of sheep and agriculture, and of the complex demands of pastoral management.

Dawson wrote of his concern with the poor quality of convicts assigned to the company, and of the consequential increase in his magisterial duties.

The task was substantial in its diversity. Dawson may have concentrated unduly on problems of convict supervision and discipline, failing through lack of experience to perceive the urgency of the pastoral and agricultural problems confronting him. But he was not assisted in meeting these practical difficulties by advice from the colonial committee whose inspections of the estate, and meetings in Sydney, were too infrequent to be constructively helpful. This failure on the part of the committee was to be admitted by James Macarthur in his letter to the Directors in June 1829.

On 10 October 1828 James Macarthur discussed his report with the Directors in London. He confirmed his opinion that the grant was appropriate for the company's objects. Nevertheless, his comments on the lands in the grant were reserved, indicating a limited personal knowledge of them, which may have surprised the Directors in view of the unqualified assertions in his report.

The Directors, having delegated considerable authority to the colonial committee and having heard James Macarthur on the subject of his report on Port Stephens, felt compelled to endorse the committee's suspension of Dawson and to proceed with further enquiries. The Directors advised the committee that it is with sentiments of very painful regret that we find ourselves called upon to enter into an investigation respecting Mr. Dawson of a description so foreign from our anticipations in the commencement and up to a very recent period in the progress of our Enterprize.

101. Dawson to John Smith, 7 May 1826, loc.cit., (Note 73) p.3. - "There are few parts of England more beautiful to the eye".
On 16 January 1829 the Directors met to consider the findings of the committee appointed by them to investigate the Dawson matter. They resolved that Dawson's appointment should be terminated from 18 April 1828, the date of his suspension by the colonial committee. The resolution also expressed the appreciation of the Directors to the colonial committee "for the decision & sound judgment which they have displayed during the very embarrassing situation in which Mr Dawson's conduct had placed them", and to John Macarthur "for his able & gratuitous services to the Company, in having taken the chief direction of its affairs, regardless of personal inconvenience at a moment of extreme difficulty".  

The company's Fifth Annual Report in January 1829 traversed the Dawson affair, complimented the colonial committee on their 'prudent and decisive conduct' and gave assurances that no embarrassment had been caused to the company. The Report recorded that at 31 January 1828, sheep numbers had increased from 6,299 in July 1827 to 12,290, and cattle numbers had risen from 1,498 to 2,000. Horses, for which there was a strong demand, numbered 195. Sheep purchases and a good Spring lambing had doubled the flock within the year. Despite problems of communication, the dislocation of management, labour shortages and other difficulties impeding progress at Port Stephens, the Directors confirmed their confidence in the suitability of the grant lands. 

The Directors accepted the colonial committee's assurances on the suitability of the Port Stephens location. Dawson's observation to James Macarthur that 'he was convinced country adjoining Port Stephens was unhealthy for sheep', was not known to them. The persisting depression in the commercial and financial houses of London was probably the main influence behind the Directors' optimistic report to shareholders at this time, as maintenance of confidence in the enterprise, despite the disruption in the colonial organisation, was essential. But the decisions soon to be reached by Directors suggest that even in January 1829 some reservations existed among them concerning operations in the colony. 

On 9 January 1828 the survey of the Port Stephens estate was completed, and agreement reached with the Colonial authorities on all matters affecting the...
grant. Formal possession had accordingly been taken of an area of 1,048,960 acres, including 35,840 acres of unproductive sea-coast, and 320 acres reserved to the Crown.\footnote{Minutes of meeting at Port Stephens, 9 Jan 1828. Minute Book of the Col. Ctee., 30 Oct 1824-13 Feb 1829. The Macarthur Papers, ML. 1-46A.A.4314, pp.76-7.}

One small shipment of wool had been received in London from the Port Stephens shearing and had attracted favourable comment from British processors. The importance of the offering lay in the Trade's acceptance of wools grown in the Port Stephens area as being "superior in some of their qualities to all other kind of wools".\footnote{Directors' Fifth Ann.Rep., supra, pp.12-13.} While this observation reflected the Directors' satisfaction in having wool grown by the company available on the London market, evidence given to the House of Lords Committee on the British Wool Trade in 1828, confirmed that wools grown in New South Wales had an extraordinary softness which the manufacturers here so much admire, that they are sought for more than any other description.\footnote{H.Hughes, wool merchant, to House of Lords Ctee. on the British Wool Trade, 1828, in C.M.H. Clark, Select Documents in Australian History, 1788-1850 (Sydney, 1950) p.271. Hughes was an original Director of the Van Diemen's Land Co.}

Criticism of the company, confusion in its management, the assumption of the responsibilities of chief agent by John Macarthur for a brief period until ill-health forced him to leave Port Stephens, and the practical obstacles to progress, had combined to raise doubts as to the propriety of the investment.\footnote{Sir Edward Parry's Australian Journal, 27 Dec 1829. Vol.1.Archives ANU. M.32.p.6. See also, M.H. Ellis, John Macarthur (Sydney,1955) pp.512-14.} The anxieties of the Directors were further increased when James Ebsworth, appointed to succeed Dawson, shortly after assuming office, resigned.

The Directors were concerned that following John Macarthur's withdrawal from the superintendence at Port Stephens, the company's interests had been left without competent supervision. Their despatch to the committee in April 1829 notified their intention to make an immediate appointment in England, and urged that the committee in the meantime ensure the efficiency of the company's establishment.\footnote{Gov. and Directors to the Ctee. of Management, Sydney, L.No.15, 7 April 1829 The Macarthur Papers, ML. 1-46A.A.4317, p.254.}

Three months later the Directors briefly advised the colonial committee that Sir W. Edward Parry, R.N, had been selected "to proceed to New South Wales, in the character of the Commissioner for managing the Company's Affairs in
that Colony". The Directors then gave formal notice of the transfer to Sir Edward Parry of the powers previously delegated to the committee of management:

... to him we have given a Power of Attorney, revoking all other Powers with reference to the important Charge he has undertaken ... we have to request that all the effects and Documents in reference to the Company's Affairs will be placed by you in his Possession.116

The Macarthur Contribution.

The Minute Book of the committee of Management in Sydney was opened on 30 October 1824 and closed on 13 February 1829117. The reasons for the Directors' decision to abandon the arrangements made in good faith in July 1824, were mainly stated by James Macarthur in his letter of 27 June 1829 to the Governor of the company118. This letter is in two parts. Firstly, it is a defensive explanation of the reasons for the inadequacy of the committee's attention to the interests of the company; secondly, it again seeks to justify the committee's decision to suspend Dawson.

Having commenced his letter with a reference to the appointment of Sir Edward Parry, James Macarthur then gave notice of his resignation from the committee, but in doing so, I feel anxious to bring under your consideration, a short statement of the circumstances which led to the formation of that Committee, and the difficulties with which they have had to contend.119

In explanation of these difficulties, and to protect the committee from criticism, Macarthur said that the duties were "laborious and inconvenient to persons situated as we were in the Colony". The loss of time in attending meetings in Sydney made frequent and regular meetings impossible. For the same reason it was "still more difficult for any of its Members to visit Port Stephens".120 Macarthur had made clear that the committee were not prepared to accept the inconvenience of visiting Port Stephens to assist, by advice and discussion, the adjustment of Dawson and his establishment to strange conditions. The failure of the committee to become fully acquainted with the grant lands by

116. Gov. and Directors to the Ctee. of Management, Sydney, L.No.16,7 July 1829, ibid., p.262.
117. Minute Book, supra, (Note 111).
119. Ibid., p.265.
120. Ibid., p.266.
121. Ibid., p.267.
visiting Port Stephens, was said to be due to the confidence they had in Dawson, until November 1827, "from his previous reputation, and the high testimonials transmitted to us by the Court of Directors". As an explanation tendered to an experienced and influential Court of Directors in London, this observation was clearly inadequate.

Macarthur said that during his investigations at Port Stephens in December 1827,

the doubts I had previously entertained of the efficiency of a board of Colonial Proprietors, acting gratuitously, and of their competence to discharge the duties of a Committee of Control were fully confirmed, and upon my arrival in England, I not only represented this very strongly to my brother, and pointed out the impossibility of my continuing to act upon the Committee on my return to the Colony, but also stated that the other Members agreed with me in thinking, that some new arrangement was essentially necessary.

The initiative for this letter may well have been the discussions James Macarthur had with the Directors in October 1828. He doubtless sensed an undercurrent of criticism of the committee, increased by the Directors' distaste for the task thrust upon them of making a judgment on Dawson's competence, on evidence supplied by others whose capacity for dispassionate assessment had become doubtful. They could well have asked how James Macarthur could write of the committee's growing lack of confidence in Dawson, because of a series of indiscretions, when no member of the committee had inspected the estate or livestock in the year 1827 until November.

James Macarthur referred to the concern of the committee with criticism in the colony because of the relationship of the three appointed members, a position aggravated by Captain King's absence and Archdeacon Scott's 'unforeseen and unavoidable retirement'.

... the Committee was not only exposed to observations from the near connexion of the Members with each other; but was in reality rendered less efficient than was originally contemplated.

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122. Ibid., pp.267-8.
123. Ibid., p.268.
124. Ibid., pp.265-6.
125. Ibid., pp.266, 269.
James Macarthur said that he felt obliged in giving notice of his resignation to ensure that his 'conduct and motives were fully understood, and placed on record'.

But the letter is an admission of failure by the committee, and a request to the Directors to protect the members of the committee from criticism in the colony by an appropriate reference in a public statement or Report. As will be seen, the Directors graciously complied.

Although the colonial committee did not satisfy the objectives of the Directors who appointed them, the Macarthur family was mainly responsible for the formation of the Australian Agricultural Company. John Macarthur in 1803 recognised the need for corporate funds to expand the pastoral industry, but his attempts in 1804 to establish a company to produce fine wool in New South Wales failed. His unchanged opinions were later placed before Commissioner Bigge, and appear to have had some influence on the Reports of 1822 and 1823. Bathurst accepted Bigge's conclusions, and in 1824 new impetus was given to the concept of corporate investment in the production of fine wool in the colony.

Had John Macarthur Jnr. not been resident in London, however, in the years 1823 to 1825, the idea of a joint stock company with this main object may not have been well received. John Macarthur Jnr., having political ambitions, had close personal associations with Members of Parliament and access to the Secretary of State for the Colonies. The composition of the original Court of Directors was doubtless due in large measure to his personal standing in political circles. He convened the meeting in April 1824 from which the Proposals for a wool growing company in the colony were submitted to Bathurst.

But the first five years of the company's operations in the colony were marked by disappointments and uncertainties. The Directors were disappointed by the failure of the colonial committee to provide the status and advice which was expected from them. The personal friction between Governor Darling and the Macarthur family encouraged criticism of the company among the colonists generally. The termination of Dawson's appointment was distasteful to the Directors, and damaging to the company's standing both in the colony and in London. Establishment costs had been high and income negligible, and the seasons had been poor or drought affected. The shareholders were apprehensive about the prospects for the company, and were to question whether the speculative venture should be terminated.

126. Ibid., p.269.
John Macarthur had seen his hopes for a pastoral company realised, but he was disappointed by his inability to influence corporate policy as he would have wished. His intense dislike of Dawson was probably due to his recognition of the truth of Dawson's observation:

... till we cease to be purchasers and become sellers of old Ewes ... it is in vain to expect the same results as upon long established Flocks where the old and most unhealthy are annually sold off, and the flocks kept at a certain standard of age and constitution. 127

The decade from 1831 to 1840 was a period of fluctuating fortunes in the colony of New South Wales, fortunes which were mirrored in the development of the Australian Agricultural Company.

At the beginning of the decade continuing depression in England restrained recovery in the textile industry and held prices for colonial wools at low levels\(^1\). The constraints in colonial administration were evidenced by the proclamation in October 1829 of the boundaries of the Nineteen Counties, although the limitation was to have little influence as pastoral expansion gained momentum\(^2\). By 1831 the recovery in pastoral conditions, increasing numbers of free British immigrants, and the revival of the flow of British capital into the colony, combined to lift the depression in New South Wales and set the stage for "the great pastoral boom of the next ten years".\(^3\)

Predominant among the causes for recovery was the improvement in pastoral conditions. The devastating effects of drought were forgotten, and increasing numbers of British immigrants were encouraged to invest their capital in sheep and move out beyond the official boundaries.

By 1835 the value of wool exported from New South Wales was more than eight

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times the figure for 1830, as shown in the following abbreviated table: 4

<table>
<thead>
<tr>
<th>Year</th>
<th>Weight</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1830</td>
<td>899,750 lbs.</td>
<td>£34,907</td>
</tr>
<tr>
<td>1835</td>
<td>3,893,927</td>
<td>299,587</td>
</tr>
<tr>
<td>1840</td>
<td>8,610,775</td>
<td>566,112</td>
</tr>
</tbody>
</table>

The prosperity in the colony resulted both from the inflow of new British investment capital and from increasing earnings from wool exports. But the boom caused problems. Labour shortages, high wages and prices, and widespread dealing in land, created a speculative basis for development which depended upon a continuation of good seasons and high wool prices.

The summer of 1838 brought the beginnings of change as drought once more enveloped the colony, and wool prices declined. Repercussions multiplied, aggravated by a "sharp fall in British investment". 5 The main cause for the change in fortune was, as Gipps explained to Lord John Russell in 1840, that a calamitous drought had then for a considerable time afflicted the Country. 6

The decade, having enjoyed substantial prosperity in the mid-1830s, ended with depression and the prospect of harsh financial adjustment for the extravagant speculator 7. The doubts and instability of 1830 were revived.

The Directors of the Australian Agricultural Company met the shareholders in January 1830 with an unhappy background of uncertainty, and with the need to report not only on the impact of severe drought conditions, but also on the breakdown in the supervision of the company's affairs following Dawson's withdrawal 8. The Directors said that in practice, it had been found that the members of the colonial committee were unable to give to the company's affairs the time and attention necessary to restore and maintain order on the estates without serious inconvenience to their own affairs.

On the advice and with the full concurrence of the members of the committee, the function of the local committee of management had been concluded, and one person was to be appointed with executive authority over all the affairs of the company in the colony. The position of Commissioner in Australia had been offered to, and accepted by "that distinguished individual" Sir Edward Parry, who had agreed to the appointment for a term of four years 9.

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4. See Appendix 10, Export of Wool from New South Wales.
5. S.J. Butlin, op.cit., p.318.
6. Gipps to Russell, 10 Dec 1840. HRA. 1,xxi, 97.
Parry as Commissioner.

Sir Edward Parry, the son of a notable physician and experimental agriculturalist, entered the Royal Navy in 1803, and was appointed to the rank of Captain in 1821. After service during the Napoleonic Wars, the years 1818 to 1828 were almost wholly occupied with Arctic voyages and exploration. He was elected a Fellow of the Royal Society in 1821 and created a Knight Bachelor in 1829 for his exploration work. He resigned his commission as hydrographer to the Admiralty to take up the appointment as the company's Commissioner in Australia.\(^{10}\)

When first invited to accept this appointment, Parry declined, agreeing only when pressed to undertake the task for a limited period. His qualifications in agriculture were negligible, but he brought to his responsibilities great capacity as a leader and administrator. He engendered loyalty and discipline by his willingness to share with others the physical demands of exploration and pioneering work, and by his unceasing endeavours, with the assistance of Lady Parry, to improve the standard of living of the people in his establishment.

The Directors concluded their Sixth Annual Report by saying that although many unforeseen and unfortunate circumstances have occurred to impede, for a time, that progressive prosperity of the company's affairs as heretofore so fairly anticipated, yet the Court of Directors trust that by the close of the present year the beneficial effect of Sir Edward Parry's appointment will be manifest.\(^{11}\)

Parry reached Sydney on 23 December 1829 and immediately waited on Governor Darling. Before departing for Port Stephens, which he reached on 9 January 1830, he met John Macarthur and James Bowman, who were critical of the grant and the establishment. Macarthur indicated that in his opinion the Port Stephens site was "very bad", and in explanation of his earlier favourable reports said that they arose from his having been deceived by the accounts of others, and from the deception always used by Dawson and others, of taking people cautiously over a particular

line of good country which gave a good impression of the grant.\textsuperscript{12}

Parry recorded that Macarthur
drew a comparison between the company's stock and his own,
in numbers not very dissimilar, and said that he had only
one son and one clerk to do it all, while the company had
an enormously expensive apparatus.\textsuperscript{13}

Macarthur's criticism was unduly influenced by his allegations of mismanage­
ment by Dawson, and was based on a comparison of widely differing situations.
The Camden property had been occupied for many years, essential improvements
were well established, and the lightly timbered, undulating pasture lands
facilitated the control of livestock. Macarthur's assertion that his son
and a clerk did all the work was clearly a convenient exaggeration, and
presumably referred only to administration, excluding regular practical
work of all descriptions.

Commissioner Bigge had included the following comment on John Macarthur's
pastoral activities in his 1822 Report:
\begin{quote}
He now maintains, upon his estate at the Cow Pastures,
between 90 and 100 convicts, who are all employed in the
management of sheep or cattle, or in cultivating as much
grain as may be requisite for his own consumption.\textsuperscript{14}
\end{quote}

In 1811 John Macarthur employed 39 shepherds to tend his flock of 22,814 sheep.
The average number of sheep for each shepherd was 585, and the largest flock
consisted of 836 sheep\textsuperscript{15}. The instructions given to the superintendent of
government stock in 1813 nominated a flock maximum of 350 for breeding ewes
and up to 500 young mixed sex sheep\textsuperscript{16}. Atkinson, writing in 1826, said that
'sheep were kept in flocks of about 300 each having a shepherd'\textsuperscript{17}, and a
reference occurs in a letter from Brisbane to Bathurst in 1824 to "two flocks
of sheep of 300 each".\textsuperscript{18}

The number of shepherds required depended on the composition of the flock,
the type of country on which the sheep were running, and the experience of

\begin{itemize}
\item \textsuperscript{12} Sir Edward Parry's \textit{Australian Journal}, 28 Dec 1829. Archives ANU. M.32, p.7.
\item \textsuperscript{13} Ibid., p.8.
\item \textsuperscript{14} Rep. on the State of the Colony, 1822, pp.161-2.
\item \textsuperscript{15} The Macarthur Papers, ML. 1-45A.A.2967. Not paginated.
\item \textsuperscript{16} Instructions for the Superintendent of Government Stock, 1 June 1813.
HRA. 1,vii, 742-3.
\item \textsuperscript{17} J. Atkinson, \textit{An Account of the State of Agriculture & Grazing in New South Wales} (London, 1826) pp.74-5,80.
\item \textsuperscript{18} Brisbane to Bathurst, 24 July 1824. HRA. 1,xi,331.
\end{itemize}
Booral House.
The homestead headquarters of farming operations at Booral and Stroud; built in 1833.

Stroud House.
The Commissioner's residence completed in 1832. Stroud was the centre of the Company's administration.
the shepherds. The Port Stephens grant lands carried timber and scrub making adequate supervision of even small flocks difficult. The company's flock had a preponderance of breeding ewes, and on the basis of the examples of flock size stated, an average flock of about 250 sheep for experienced shepherds would have been justified. The company's records indicate that in March 1828, 93 inexperienced shepherds were employed with a flock average of about 200 sheep.\textsuperscript{19}

The need for experienced shepherds was mentioned in evidence to Select Committees on Immigration in 1835 and 1840. In 1835 evidence was given that "the present proprietors of sheep are, in many instances compelled to increase each flock of sheep to 800 or 1000 in place of 400 as formerly".\textsuperscript{20} Assuming that 80 shepherds were needed and employed by the company in 1830, the remaining employees numbered about 300. These included the Newcastle colliery establishment of artisans and mine workers, leaving few more than 200 for administration, surveying and building of roads, exploration, the construction of wharves, stables and shearing sheds, farming activities, and the provision of improvements essential to a community, including houses, barracks, warehouses, schools and churches.

The company may have been attempting to progress too rapidly in circumstances new to management, but for the tasks to be undertaken with predominantly unskilled convict labour in difficult country, the establishment appears to have been adequate and not excessive.

On the eve of his departure from Sydney for Port Stephens, Parry had another long conversation with John Macarthur who repeated his assurances of every possible assistance and advice, and also his belief, often before expressed, that the company's affairs were by no means irretrievable if proper measures were taken. The principal of these measures he considers to be: a large portion of good land in exchange for some of the present grant; a considerable reduction of the expenses of the establishment which is much too splendid; and a proper control over the affairs and company's servants at Port Stephens, most of the latter being idle and worthless. The coal

\textsuperscript{20} Select Committee on Immigration, 16 June 1835. V & P (L.C,NSW) 1824-1837, p.308. See also, V & P (L.C,NSW) 1840, p.327.
mines they all consider as only to be worked with profit by cheap and simple means, and by convicts, with only one free overseer of active habits and good principles.\textsuperscript{21}

By mid-1830 Parry had reached the conclusion that between 200,000 and 300,000 acres of the initial grant was unsuited to the objects of the company, and he had initiated steps to abandon this portion immediately suitable replacement country was located\textsuperscript{22}. The unsuitability of the country and the prolonged drought conditions, seriously affected the livestock. The sheep suffered heavy losses, later shown to be about 29 per cent of the flock. The year 1830, nevertheless, produced 155 bales of wool which were sold in London for net proceeds of £3,612.

The Directors reported that as all income, which exceeded £10,000 or about £1 per share, had been expended on improvements to the estate, in tending the growing flocks and herds, and otherwise in furthering the objects of the company, this sum had been capitalised as part of the joint stock capital of the company\textsuperscript{23}. They explained their wish to place before the shareholders a comprehensive financial statement indicating the asset backing of the company's shares, as the problems and adjustments in the organisation in the colony were known to have caused some misgiving. The meeting of shareholders was adjourned from 1 February to 22 February 1830 to enable the statement to be completed for the period of 6\frac{1}{2} years to 31 December 1830\textsuperscript{24}.

The progress of a company depends on the manner in which the funds available for use in its operations are applied, on the balance of investment between capital growth and income. 'Funds Provided' are the funds from all sources for use in the company's day to day activities, constituting the liabilities of the company, which its operations are required to service. These funds are 'Represented By' the items on which they have been expended, being the company's assets in all forms.

\begin{itemize}
\item[22.] Parry to the Directors, 26 July 1830, pp.4-5. Archives ANU, 78/1/9. pp.638-9.
\item[23.] Ibid., p.12.
\end{itemize}
The detail, tabled in February 1831, is summarised hereunder:

**Funds Provided.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instalments on Shares received in London and New South Wales.</td>
<td>£207,616. 0. 0</td>
</tr>
<tr>
<td>Instalments on Shares receivable in New South Wales.</td>
<td>2,819. 0. 0</td>
</tr>
<tr>
<td>Various sums received as income, including net wool proceeds £7,255.2.4, added to Joint Stock Account.</td>
<td>10,000. 0. 0</td>
</tr>
<tr>
<td>Sundry receipts including advances on the company's account.</td>
<td>8,283.11. 8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£210,435. 0. 0</strong></td>
</tr>
</tbody>
</table>

**Funds Represented By.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages paid in England.</td>
<td>£4,398.14. 9</td>
</tr>
<tr>
<td>Furniture, printing, law and office costs.</td>
<td>3,924.18. 9</td>
</tr>
<tr>
<td>Pension fund investments account Sir Edward Parry.</td>
<td>3,600. 0. 0</td>
</tr>
<tr>
<td>Livestock purchases, freight and costs:</td>
<td></td>
</tr>
<tr>
<td>Sheep.</td>
<td>£68,262. 5. 3</td>
</tr>
<tr>
<td>Stud Account.</td>
<td>10,775.10. 2</td>
</tr>
<tr>
<td>Cattle.</td>
<td>15,528. 0. 5</td>
</tr>
<tr>
<td>Stores for the estate.</td>
<td>53,353.13.11</td>
</tr>
<tr>
<td>Salaries, including costs of travel from Europe to Port Stephens.</td>
<td>44,083.16. 4</td>
</tr>
<tr>
<td>Purchase two vessels.</td>
<td>3,091.10. 0</td>
</tr>
<tr>
<td>Survey fees.</td>
<td>3,833. 2. 3</td>
</tr>
<tr>
<td>Sundry expenses at Port Stephens.</td>
<td>6,291.10.10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£228,718.11. 8</strong></td>
</tr>
</tbody>
</table>

This statement of the company's finances reflected nothing of the human struggle with nature and of contention with government which corporate pastoral investment in the colony involved. Parry, in his daily recording of
The Parish Church at Booral.
Built in 1833.

St. John's Parish Church, Stroud.
Completed in 1833.
The headstone in the foreground records the death in 1871 of Emma, wife of George Ogden, Surveyor, A.A. Co.
weather patterns, showed the preoccupation of all settlers with rainfall; the heat and fires of summer; drought and pasture shortage; prolonged heavy rain and flood. He wrote of the dedication of Lady Parry to the improvement in conditions of all living on the company's estates; of her instruction of the women; of her efforts to provide clothing; and of her unceasing endeavours to cure illness, and improve standards of hygiene and health. Parry was disconcerted by the depressed standards of those for whom he was responsible, and he applied himself to providing the means for moral and social education, particularly among the children who lacked instruction in essential disciplines. He and Lady Parry frequently visited the cottages to read the Scriptures to those unable to read themselves, and particular attention was given to the building of schools at Stroud and Carrington. Parry persevered in the hope of impressing upon the people the importance of their religious and moral duties.

Dishonesty among the company's employees, the unreliability of some, such as Barton, in positions of trust, and doubts on the correctness of the opinions expressed to him by the colonial committee, seriously concerned Parry in his endeavours to bring into reasonable order the administration which, under Dawson and Barton, had fallen into disarray.

Barton initially resided in Sydney, but on the appointment of Parry as Commissioner and the closure of the Sydney office, he moved to Port Stephens and established the company's office there. While competent in his duties, he was ill-tempered and determined to act with independence and authority. Under Dawson's administration this situation had become aggravated. Dawson was mainly at Port Stephens, whereas Barton was seldom away from Sydney and the influence of the colonial committee. In his failure to assist the hard-pressed Dawson in maintaining the company's books of account, he had been disloyal to his superior. Dawson mentions the problems with the books of account in his defence, as he was criticised for having permitted them to fall into arrears. He had reported the problem to the colonial committee. James Macarthur had replied that no-one expected him to perform the impossible, and that

so long as you are convinced there is no improper

25. Parry's Journal reveals his preoccupation with the problems of climate and the discomfort and grief of people. Of his references to the work of Lady Parry, those on pp. 179, 183 and 375 of Archives ANU. M.32. are typical.
27. Ibid.
consumption of stores, the mere balancing of the books is of no great importance.\textsuperscript{28}

Parry had been alerted to the probability of obstructive tactics by Barton who had expected to succeed Dawson. John Macarthur in one of his early meetings with Parry, said that he regarded Barton as a dangerous man although a good accountant\textsuperscript{29}. Barton immediately incurred Parry's displeasure by his unwillingness to divulge factual accounting detail. He obstructed Parry's investigations "with that determined mystification of the simplest subject", until Parry in an outburst of frustration wrote of the unsuitability and untrustworthiness of so many of the company's employees\textsuperscript{30}, that attempts to restore order and discipline were being thwarted. Parry regarded Barton as the main source of this indiscipline, and in reporting his dismissal he said that

\begin{quote}
in truth I never knew so unprincipled and disgusting an attempt as that to which I now allude. In any land but this, such an attempt would have met with its deserts; but here, truth and honesty are of little or no avail.\textsuperscript{31}
\end{quote}

With Barton's influence removed relationships between management and staff were greatly improved. Valuable time, money and human effort had been dissipated in these unproductive incidents, which did little to enhance the company's reputation, particularly in a community ready to be destructively critical.

The London Secretary of the company advised Barton by letter on 20 December 1831, of the termination of his appointment, to which Barton replied that the charges on which the decision had been based, were "conceived in malice, and in a misunderstanding of official duties".\textsuperscript{32} Barton's \textit{Memorial and Justification}, published on 30 June 1832, was a resentful criticism of Parry and of his administration of the affairs of the company in the colony\textsuperscript{33}. It was intended to damage the company's reputation, and to raise doubts in the minds of shareholders about the capacity of the company's direction and management. Following so soon after Dawson's dismissal, shareholders did evidence concern about the security and profit prospects of their investment, which

\begin{itemize}
\item \textsuperscript{28} Dawson's Statement of Services, p.20.
\item \textsuperscript{29} Parry's Journal, 28 Dec 1829. Archives ANU. M.32.p.10.
\item \textsuperscript{31} Ibid., 30 July 1831, L.No.53, p.3. Archives ANU. 78/1/12. p.217.
\item \textsuperscript{32} The Memorial and Justification of Mr. Barton (London, 1832) pp.35-6.
\item \textsuperscript{33} Ibid.
\end{itemize}
drew carefully worded comment in reply from the Directors.

The Directors' Report in January 1832 outlined the company's difficulties, and admitted that the experience of seven years had served to prove that the extent of problems obstructing success had been far greater than anticipated. Reasons of climate, pasture and costs, had proved Port Stephens unsuited to sheep, although the damaging impact of drought followed by heavy rain was particularly mentioned.34

Parry considered that of the greatest importance to the well-being of the company was the location of alternative suitable country. He had explored the area northward from Port Stephens, and reported that the only success, if so it can be called, consists in having discovered a tract of tolerable quality and fair extent, to the northward of Liverpool Plains, totally inaccessible from the company's present estate, and one hundred and thirty miles distant from the Hunter about Maitland, which is the nearest navigable water. I fear that our hopes are at an end in that quarter.35

He then directed his attention westward to the Bathurst area, about 150 miles south-west of Port Stephens, where suitable country was thought to be available. The urgency of the search for land with grazing and farming potential was emphasised by the failure of the company's grain crops in 1830, and the resultant need to purchase grain for the use of its own establishment. At 30 April 1831 609 persons were dependent on the company, comprising 462 male employees and 147 women and children. Providing beef to this increasing establishment was the main reason for the reduction in cattle numbers in the year to 30 April 1831. Additionally realisations from wool were disappointing. The drought during most of the growing period had caused lighter cuts, while the weather change late in the season had produced tenderness, and excessive vegetable fault. These factors also contributed to substantially lower prices.36

Prospects reported in January 1832 were far from encouraging. The main object of the investment, the production of fine wool on a low cost basis, appeared to be under challenge by both natural and human factors. The Directors acknowledged 'the serious and un-looked for disappointments' and

advised having instructed Parry to reduce the rate of expenditure within the limits of income which could reasonably be expected. Such a limitation on expenditure, while appearing to be logical and therefore affording some comfort to shareholders as limiting inroads into capital through operating losses, could not be reasonably applied in a pastoral undertaking. The vagaries of seasons and markets make precise projections of income from rural production extremely difficult.

Disbursements in 1831 had been heavy, and had included a considerable and necessary outlay to improve the efficiency of the coal mines. The company informed the Secretary of State in April 1832 that more than £15,000 had been expended in building "a very complete colliery establishment", but that, based on the colony's annual consumption of about 4000 tons, the price of 8/- per ton did not cover costs of production. Parry was optimistic about profit prospects for the Colliery, anticipating growing consumption of coal in the colony, due in part to the requirements for two steam-ships already operating there and the probability that two more would be added to the fleet. This limited optimism provided small relief for the Directors and shareholders who could discern few reasons justifying enthusiasm for the future. Nor was the atmosphere in the colony conducive to optimism, as the consequences of prolonged drought had restricted sales of livestock, for which only a limited demand at low prices existed. This so aggravated the shortage of funds that Parry informed the Directors he had deemed it expedient to defer publishing the notice of the company's latest call on shareholders, "as payment is at this time totally out of the question in New South Wales". The general shortage of funds, the impossibility of settling livestock sales for cash, and "the trouble, vexation and expense which attend all barter transactions in this country", also influenced Parry to cancel the offering of rams in Sydney, and to pass in unsold the forty offered at Maitland. The persisting depression created a sufficient threat of unemployment temporarily to ease pressures on labour and to restrain the usually militant shearers. The Port Stephens shearing in the spring of 1831 was free of trouble with the rate of shearing greatly improved, occasioned partly by very favourable weather, and even still more by the circumstances of every shearer, both free and

37b. Gov. of Co. to Goderich, 6 Apr 1832. HRA. 1,xvi,615.
39. Ibid.
THE ESTATES OF THE AUSTRALIAN AGRICULTURAL COMPANY 1855
to corporations, and official endeavours to contain the boundaries of settlement, had caused his failure to achieve the company's most important object.\textsuperscript{43} The Surveyor General had opposed the granting of the Liverpool Plains selection to the company, despite the understandings reached in 1830. His main objections, in Parry's words, were that

\begin{quote}
the just claims of future settlers will be disregarded, and also that the settlers who have now got their herds there, that is as mere squatters, would find a difficulty in getting feed for them elsewhere.\textsuperscript{44}
\end{quote}

Action by Directors to overcome this unexpected obstruction to an immediate grant of the area selected to replace the Port Stephens lands, was reported in some detail in January 1833.\textsuperscript{45} The company wrote on 16 November 1832 to the Secretary of State stating the company's case for the granting of substitute land, emphasising

\begin{quote}
the promises given by Sir George Murray to select 600,000 acres of land in two allotments in exchange for a similar extent to be given up of their original selection near the sea-coast.\textsuperscript{46}
\end{quote}

The response to this letter was disappointing, merely saying that as no report had been received from the Governor on the subject no judgment could be made on it.\textsuperscript{47}

The Directors, therefore, waited on Lord Goderich to elaborate the facts already stated: that the company had been established for eight years; that more than £250,000 of capital and income had been expended, much being of benefit to the colony in general; that the company's former agent had made the first selection of one million acres without adequate examination; that much of this area had proved unsuited to the company's objects; that application was consequently made to His Majesty's Government and permission given, to exchange, under certain conditions, a portion of the original selection, to the extent of 400,000 to 600,000 acres, as confirmed in a despatch from Sir George Murray to Darling on 21 April 1830.\textsuperscript{48} In this letter Murray had

\textsuperscript{43} Ibd., 4 June 1832, L.No.80, p.2. Archives ANU. 78/1/12. p.736.
\textsuperscript{44} Ibid.
\textsuperscript{46} Gov. of Co. to Lord Goderich, 16 Nov 1832, in Ninth Ann. Rep., pp.4-7.
\textsuperscript{48} Murray to Darling, 21 Apr 1830. HRA. 1,xv,429.
briefly outlined the objections raised by the company to certain portions of the grant, and concluded:

... being convinced that the Company's just interests require some relaxation of the first arrangement, I have consented to allow them, on the Conditions herein-after expressed, to take other land to the extent of from 4 to 600,000 Acres, in substitution for an equal quantity of the land objected to. 49

Goderich expressed the view that the arrangement so made constituted a contract, and that the present government remained responsible for its fulfilment 50. Goderich had asked whether the Directors knew why Governor Bourke had refused one of the selections. Their reply was based on the argument of the colony's Surveyor General as reported by Parry. The Directors stressed that a few individuals or squatters had cattle or sheep on the lands selected for the company, a grant for which had been denied, although these persons had no legal right to locate themselves there, the land being outside the legal boundaries of the colony. Despite his sympathy for the company's case, Goderich declined to take any initiative indicating that he would await Bourke's comments on the company's submission.

An addendum to the Directors' Ninth Annual Report informed shareholders that Goderich had advised having now received submissions from the government in New South Wales, which had enabled His Lordship to determine upon ordering that the two new locations of 600,000 acres as selected by Sir Edward Parry shall be immediately given up to the Company, and that instructions to this effect had already been directed to Bourke 51. Parry, on reading the instruction to Bourke, expressed great satisfaction that the government had, after long negotiation, directed the transfer to the company of the two selections he had made, one in the Liverpool Plains and the other on the Peel River 52. Parry, even though rebuffed by Bourke in June 1832 when endeavouring to expedite approval of the substitute lands,

49. Ibid.
51. Ibid., p.21.
had continued to support the objective of a settlement in the Liverpool Plains despite its relative isolation and inadequate natural water provisions. He based his support on the health of the stock; on the possibility of rearing three lambs in two years; on the much improved character of the wool produced; and on the economics of production. Parry contended that thirty per cent fewer shepherds would be required than at Port Stephens, achieving increased production at lower cost.

Increasing labour costs caused concern as convict labour became less available and the proportions of free and emancipist employees rose. The original concept of producing wool on grant lands utilising low cost labour was proving to be impossible in fact. Attached to the Journal of James Macarthur dated 21 December 1827, was a schedule of wages paid at Port Stephens which exemplifies this problem:

<table>
<thead>
<tr>
<th>Free men.</th>
<th>£50 per annum.</th>
<th>Allowed flour and meat.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpenter.</td>
<td>25 &quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>Ploughman.</td>
<td>20 &quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>Sheep Overseer.</td>
<td>30/40 &quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>Shepherd.</td>
<td>25 &quot;</td>
<td>&quot;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emancipist.</th>
<th>£30 per annum.</th>
<th>Allowed flour and meat.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheep Overseer.</td>
<td>35 &quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>Blacksmith.</td>
<td>£70 &quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>Sawyer.</td>
<td>70 &quot;</td>
<td>No provisions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prisoners.</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Laborers.</td>
<td>)</td>
<td></td>
</tr>
<tr>
<td>Carpenters.</td>
<td>)</td>
<td>Flour, meat, sugar, tea, tobacco,</td>
</tr>
<tr>
<td>Bullock Drivers.</td>
<td>)</td>
<td>and 2/- per week.</td>
</tr>
<tr>
<td>Shepherds.</td>
<td>)</td>
<td></td>
</tr>
</tbody>
</table>

The company was reasonably assured that the adjustments to the grant would be effected without delay, but during 1833 no action was taken in the colony to give possession of the substitute lands to the company. The need for additional grazing lands had become urgent, as poor seasons had persisted and Port

Stephens estate was overstocked. As an interim measure and in advance of authority to occupy the new selections, the company was permitted to utilise about 40,000 acres as relief country, and some 6,000 sheep were immediately transferred from Port Stephens 56.

During 1833 Parry suffered recurring ill-health which prevented him undertaking arduous journeys and overseeing the practical running of the company's estates 57. Although invited to continue as Commissioner beyond his agreed term, he declined, and on 31 January 1834 the Directors announced that the term for which Sir Edward Parry was engaged as Commissioner for managing the colonial affairs of the company has expired, from whose zeal, integrity and general services, the company have derived great advantages. 58

Lt. Col. Henry Dumaresq, who had resided in New South Wales for some years, was appointed to succeed Parry as Commissioner. Parry arrived back in England on 1 November 1834. He drew great satisfaction from the Directors' observation in their Tenth Report, that under the generally favourable aspect of the company's affairs they had every reason to hope that they would be able to declare a dividend from operations in 1834.

Lt. Col. Henry Dumaresq was the eldest of three brothers who emigrated to Australia following the appointment of their brother-in-law, Sir Ralph Darling, as Governor of New South Wales in 1825. From 1825 to 1831 Dumaresq acted as Darling's private secretary, except for the years 1826-27 when he filled the appointment of Clerk to the Executive Council. At this time his interest in the Australian Agricultural Company and its objectives was stimulated, and it seems likely that he visited Port Stephens with James Macarthur in 1827. From 1831 to 1834 he lived on his property, St. Heliers, near Muswellbrook, and in 1834 took up Saumarez station near Armidale.

Dumaresq was appointed in anticipation of Parry's departure, and for some weeks before assuming duties as Commissioner, he was a guest at Tahlee House becoming acquainted with the company's operations. He was dogged by illness during his term of office, and immediately after appointment he was absent from duty for some months. Seasons and markets, however, were favourable,
The Liverpool Plains.

Warrah country, southward to the Liverpool Ranges.

The Peel River Estate, looking east across Goonoogoonoo Creek to the Liverpool Ranges and Port Stephens Cutting.
and the foundations laid by Parry formed the basis for successful consolidation under the guidance of a strong leader with personal experience in pastoral production.\(^{59}\)

Shortly after his return to London Parry presented a comprehensive report to the Directors, in which he said, that of the various matters which had required his attention in the colony, the selection of new lands for the company was certainly the most important. Indeed, I consider it to have been the vital point on which the company's prosperity entirely turned.\(^{60}\)

He expressed the opinion that no similar extent of land in New South Wales could be found equal in value to the locations which had been assigned to the company beyond the Liverpool Ranges, whether for grazing or farming purposes, and he emphasised that the ability to run sheep in healthy, open country, would substantially reduce costs.\(^{61}\)

The company's survey established that the Warrah estate in the Liverpool Plains comprised 249,600 acres, and the Peel River estate 313,298 acres, leaving 437,102 acres in the company's possession at Port Stephens. The magnitude of the survey delayed occupation of the new selections which, being outside the recognised limits of the colony, could not be the subject of government survey.\(^{62}\) The company, however, having received grants of the two selections, occupied them although with considerable inconvenience from the squatters who could not be removed until the colony's legal boundaries encompassed Warrah and the Peel River estate. Unrestricted title to these lands was not finally confirmed until August 1846.\(^{63}\)

Dumaresq, aware of the Directors' concern at the criticism of the company in the colony, waited on the Governor seeking his consideration and interest in the affairs of the company. The Directors had the impression that equitable decisions were not necessarily forthcoming where the affairs of the company were concerned. They felt that deliberate obstruction had been shown in the


\(^{61}\) Ibid.


\(^{63}\) Confirmed by Act 9 and 10 Vic, cap. cccxi, a Local and Personal Act, declared Public and to be judicially noticed. Private Bills were numbered in Roman figures.
inordinate delay in granting possession of land outside official boundaries, and because of the earlier intrusions by squatters who appeared to hold the sympathy of colonial officials against the interests of bona fide applicants for grazing rights and legal possession. Furthermore, the company's requests for convict labourers had been casually treated, necessitating repeated representations to the Secretary of State in London. The influence of the company in London was a major cause for unpopularity in the colony, and particularly among colonial government officers. But this antipathy to the powerful corporation was shared by individual settlers who conceived it as prejudicial to the interests of the smaller man, as possibly denying to the squatter what he had fought nature to win. Insulated from reality by distance and official attitudes, the settler was disinclined to recognise the benefits arising from the substantial investment of British resources.

The Labour Problem.
The company's failure to obtain adequate numbers of convict labourers seriously hampered the development programme, increased costs and delayed the effective use of improvements in producing income. The company was committed to substantial capital expenditure, and the loss in holding costs increased as completion and utilisation were delayed.

In 1835 the question of labour provision was referred to the colonial authorities in London and Sydney, and correspondence passed between the Colonial Office and Bourke, who was resisting pressures to treat the company more liberally. Glenelg finally expressed his wishes to Bourke in the following terms:

I am well aware of the general demand for convict labour in New South Wales, and of the difficulty you experience in meeting that demand, but if, as the company state, their claim to convicts has not met with that attention which has been shown to applications of a like nature from private settlers, it does appear to me that the company have some ground of complaint. Without, therefore, shewing any undue preference to the company in this respect, I should wish that they should receive the full number of assigned servants to which they are entitled, and which it may be practicable to grant to

64. Evidence to Select Committee on Immigration, 16 June 1835, loc.cit., (Note 20).
them without prejudice to the just demands of individuals.\footnote{65}

The Executive Council in Sydney was at the same time, giving unfavourable consideration to the company's position. The Council meeting in August 1835 referred to the proceedings on 11 June 1835, when the assignment of convict labourers and mechanics to the Australian Agricultural Company had been discussed\footnote{66}.

Comparative figures sought by Council had been prepared by the Board of Assignment from applications made from the beginning of 1834, by five of the largest individual settlers in the colony, and these were also laid on the table.

The following statistics are extracted from those Returns.

<table>
<thead>
<tr>
<th></th>
<th>Aggregate of Five Settlers.</th>
<th>Australian Agricultural Company.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acres</td>
<td>187,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Acres cleared</td>
<td>30,500</td>
<td>800</td>
</tr>
<tr>
<td>Acres in tillage</td>
<td>2,250</td>
<td>550</td>
</tr>
<tr>
<td>Horses</td>
<td>690</td>
<td>360</td>
</tr>
<tr>
<td>Cattle</td>
<td>11,700</td>
<td>3,000</td>
</tr>
<tr>
<td>Sheep</td>
<td>90,000</td>
<td>46,000</td>
</tr>
<tr>
<td>Servants - Free</td>
<td>204</td>
<td>128</td>
</tr>
<tr>
<td>- Convict</td>
<td>330</td>
<td>312</td>
</tr>
</tbody>
</table>

Members considered the statistics and concluded that the company, in comparison with the five settlers each of whom was entitled to seventy agricultural labourers and mechanics, had been very adequately supplied from the numbers at the disposal of the government. The decisions again emphasised the political hostility in the colony to corporate influence and land ownership, as on the figures alone without regard for differing circumstances, the company's applications for labour were rejected. Large land holdings were regarded as prejudicial to the rights and interests of future settlers, even though corporate funds were facilitating the colony's general development.

In December 1838, the Governor of the company wrote to Glenelg to answer criticism particularly concerning treatment of convict servants and their association with aboriginal women\footnote{67}. The company stressed that the last two Commissioners had been sensitive to this problem and had endeavoured to

\footnote{65. Lord Glenelg to Bourke, 19 Aug 1835. HRA. 1,xviii, 83.}
\footnote{66. Executive Council Min. No.17 of 22 Aug 1835. HRA. 1,xviii, 132-3.}
\footnote{67. J.S. Brownrigg to Lord Glenelg, 22 Dec 1838. HRA. 1,xix, 745-7.}
implement the instructions given to them.

We have every reason to believe, that our newly appointed commissioner, Captain King R.N. will be equally as zealous as his predecessor in using every effort to improve the morals of all placed under his control. 68

The company contended with justification, that it was not reasonable to make comparisons between the numbers of servants assigned to it and to individual settlers. The individual usually had a small number of servants under his direct personal control, and within areas of influence of magistrates with power to enforce regulations. In comparison, the company faced great difficulties in maintaining adequate discipline within its establishment.

Our assigned servants are congregated in large numbers in three extensive locations, two of which are without the limits of the colony, and where our supervising officers have not those aids in support of their authority to which we have alluded. 69

Brownrigg submitted that the complaints made against the company and its officers, were clearly based on hearsay and not on fact, and that such general accusations could only be refuted by general statements. 70

Brownrigg spoke of the harm which summary withdrawal of station hands would cause, and emphasised that it was impossible to replace lost or withdrawn

68. Ibid.
69. Ibid.
70. Ibid.
labour other than by bringing free labour into the colony from Britain, an expensive and unsatisfactory operation. He said that the result of an arbitrary withdrawal of labour would be "disgraceful and ruinous", and he requested Glenelg to intercede to prevent such action by the colonial Governor.

The threat was confirmed in Grey's reply to Brownrigg, which indicated agreement with the Governor's action, and emphasised that the intention to withdraw convicts was subject only to proof of negligence on the part of the company's officers in charge of the District. The company's endeavours to obtain sufficient labour to permit progress in the pastoral programmes of clearing and development and in the plans for improving the efficiency of the Newcastle mines, were hindered by three circumstances. First, the colonial administration had been prejudiced against the company by personal antipathy to the Macarthur family and by the colonists' hostility to what they considered to be undue corporate influence with the Secretary of State. This prejudice was reflected in the unwillingness of the Executive Council in 1834 to recognise the unusual labour problems confronting the company in its development and supervision of large pastoral areas at Port Stephens, in the Liverpool Plains and on the Peel River, and in the upgrading and management of coal production at Newcastle. Assignments of convict labour to the company were insufficient to enable the diversity of tasks to be undertaken economically. Dawson, Parry and Brownrigg appear also to have been justified in their several comments that the company received "an undue and unfair proportion of the worst and most depraved characters". Second, free immigrants were disinclined to accept employment in isolated areas when competitive offers were available in Sydney. New arrivals were eagerly sought and Sydney was the main recipient. The company's experience with indentured labour was also only partly successful. Recruiting skilled labour, including shepherds and mechanics, in Britain was a costly method of attempting to meet requirements. The results with indentured colliers selected in England were more satisfactory, but the higher wages of free labour increased the costs of raising coal.

The third circumstance affected all employers as the pastoral prosperity of the mid-1830s created an increasing demand for a diminishing supply of labour. Immigrants with capital arrived in increasing numbers not to augment the

71. Grey to Brownrigg, 17 Jan 1839. HRA. l,xix, 753.
labour pool but to add to the speculation in sheep and wool growing, and in land dealing.

The urge to move out with flocks of sheep on to cheap grazing land drained the already over-taxed supply of labour. Wages and prices rose, and efficiency in pastoral operations fell. Wages, and the associated costs of maintaining employees and their families, were a major charge against variable pastoral income. Low cost assigned labour was essential to profitable operation by the company. As costs increased the company's capacity to generate profits from which to fund further capital expenditure was reduced.

Corporate Development.

Throughout his term of office Parry had contended with the problems and consequences of drought. Dumaresq was fortunate to assume the responsibilities of Commissioner with the benefit of a good season, healthy livestock, improving demand for the company's surplus livestock, and sound runs at his disposal. Prospects were encouraging, and in August 1835 enthusiasm for the investment was stimulated when the company declared its first dividend, at the rate of fifteen shillings per share, representing a yield of 2.83 per cent on the paid-up capital.

In February 1836 the Directors reported with some confidence concerning both the pastoral and coal mining operations. They spoke with enthusiasm of the potential of Warrah and the Peel River estate, advising shareholders that when in a position to enforce uninterrupted possession of these locations, the company will enjoy every pastoral advantage which the colony of New South Wales affords.

The continuing labour shortage alone cast shadows over the prospects of progress and profit, an aspect on which the colonial committee had at the outset, sounded notes of warning, as the assurances of cheap convict labour given by government did not reconcile with the reduced numbers reaching the colony. Dumaresq, having met with little success in his representations to officials in the colony, had urged the Directors to approach the Secretary of State, well knowing that such action could aggravate antagonism to the company. This risk was relatively unimportant as the shortage of labour was already proving damaging to the company's interests. The matter was discussed with Glenelg who agreed to direct Bourke to assign to the company,

73. Schedule of Wages at Port Stephens, 1827, supra, (Note 54).
76. Glenelg to Bourke, 19 Aug 1835. HRA. 1,xviii, 83-4.
as soon as possible, 150 convicts in addition to the number already employed, and to allot 50 more when needed, and when possible without prejudice to the interests of private settlers.

The company's Thirteenth Annual Report provided more information than had been customary, due perhaps to the Directors' pleasure in reporting progress in the investment of whose success they had, on occasions, almost despaired. Now they could show improving profits in the company's regular activities and were able to maintain the dividend of 15/- per share established a year earlier.

Livestock was in splendid condition, the net increase in numbers, after allowing for natural increase, sales, deaths and slaughterings, represented in the following table, being based on figures in the company's Annual Reports:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep</th>
<th>Cattle</th>
<th>Horses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1827</td>
<td>6,299</td>
<td>1,498</td>
<td>—</td>
</tr>
<tr>
<td>1828</td>
<td>12,290</td>
<td>2,000</td>
<td>195</td>
</tr>
<tr>
<td>1830</td>
<td>21,365</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1831</td>
<td>20,724</td>
<td>1,951</td>
<td>384</td>
</tr>
<tr>
<td>1833</td>
<td>31,442</td>
<td>2,803</td>
<td>422</td>
</tr>
<tr>
<td>1834</td>
<td>36,615</td>
<td>2,924</td>
<td></td>
</tr>
<tr>
<td>1835</td>
<td>55,695</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Demand for store sheep and cattle had improved with the season, and the company had decided that all surplus stock available should be sold at a regular annual auction sale.

The area of 582 acres under cultivation on the company's estates was small, and this continued to cause uncomplimentary comparisons to be made by colonial officials between the achievements of the company and of individuals. The Directors, however, claimed, and with justification, that more extensive improvements and clearing of land on the company's estates have hitherto been retarded by a scarcity of convict labour.

The Thirteenth Report recorded encouraging progress in the mining and selling of coal in Newcastle, and quoted the following sales statistics:

<table>
<thead>
<tr>
<th>Period</th>
<th>Sales in Tons.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To Government.</td>
</tr>
<tr>
<td>26th Sept. 1831 to 31st Dec. 1832</td>
<td>2,265</td>
</tr>
<tr>
<td>1833</td>
<td>1,347</td>
</tr>
<tr>
<td>1843</td>
<td>1,407</td>
</tr>
<tr>
<td>1835</td>
<td>1,862</td>
</tr>
</tbody>
</table>

77. Parry to the Directors, 27 Oct 1832, loc.cit., (Note 42).  
The company's balance sheet at 31 December 1835, printed with the Directors' Thirteenth Annual Report, is summarised hereunder:

### Funds Provided

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Stock Account, amount of 15 Instalments, £26.10.0 per share on 10,000 shares</td>
<td>£265,000.00</td>
</tr>
<tr>
<td>Revenue Account, balance</td>
<td>42,388.81</td>
</tr>
<tr>
<td>Reserved Fund, being 10% on the first dividend as required by Clause 41 of the Act of Incorporation</td>
<td>£500.00</td>
</tr>
<tr>
<td>Ditto, second Dividend</td>
<td>750.00</td>
</tr>
<tr>
<td>Interest on Reserved Account</td>
<td>1611.00</td>
</tr>
<tr>
<td>Bank drafts drawn but not paid</td>
<td>£2,172.12.10</td>
</tr>
<tr>
<td>Bills payable</td>
<td>2,040.00</td>
</tr>
<tr>
<td>Dividends not paid</td>
<td>705.15.00</td>
</tr>
<tr>
<td>Sundry items</td>
<td>474.11.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£314,047.80</strong></td>
</tr>
</tbody>
</table>

### Funds Represented By

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlay of capital from formation to 31st December 1834 in purchase of livestock, machinery, implements, stores, salaries, wages and sundry disbursements</td>
<td>£295,179.72</td>
</tr>
<tr>
<td>Bills drawn from Port Stephens not yet allocated</td>
<td>5524.10.6</td>
</tr>
<tr>
<td>Port Stephens stores and account</td>
<td>2009.17.4</td>
</tr>
<tr>
<td>Store Account, value of stores on hand in the colony at 31st December 1834</td>
<td>4825.910</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£307,539.410</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of unsettled personal accounts in New South Wales</td>
<td>3102.15.9</td>
</tr>
<tr>
<td>Cost of investments in the Reserved Fund</td>
<td>1266.11.0</td>
</tr>
<tr>
<td>Sundry items</td>
<td>471.14.6</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>1629.16.10</td>
</tr>
<tr>
<td>Petty cash</td>
<td>37.51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£314,047.80</strong></td>
</tr>
</tbody>
</table>
Included in the detailed statement of accounts is an item reading: "Forfeited share account. Proceeds of 195 shares sold by auction on the 26th February 1835 - £6,956.10.8d." This represents a sale price of £35.13.6 per share, compared with the paid-up value of £26.10.0 per share. The investing public, therefore, on the limited basis of this one recorded sale, valued the company at £356,750 and placed a premium of £9.3.6 on each share; substantial in view of the uncalled liability of £73.10.0 per share and the somewhat uncertain twelve years investment history. The undisclosed reserves, however, represented by the equity in land, the potential in the coal mines, and the difference between the purchase price and the market value of livestock, were doubtless considered by the market in assessing a fair value for the shares in February 1835.

Confidence and enthusiasm continued. In January 1838 the shareholders were assured that prospects were more promising than at any period since the company was formed, and that improvement in all activities could be assumed. The labour shortage had been partially overcome by the assignment of additional convicts in response to Glenelg's instructions. Limited progress had been made in the completion of improvements including the store at Stroud and the shearing shed at Tellighery, an outstation of the Port Stephens estate. The sale of surplus stock in March 1837 realised over £8,000, although the price of 31/- per head received for 4,000 ewes, was considered disappointing and "attributed to the accounts then recently received from England of the great depreciation in the price of wool". The company's clip had, however, already justified the hopes held for the new selections, the lower rainfall, drier winter months, and softer herbage, improving the health of the sheep, which had produced wool bulkier, sounder and of better quality, than had been clipped at Port Stephens. Net realisations from wool had steadily grown from £7,017 in 1833, to £13,790 in 1836, and £22,229 in 1838. Sales of coal also, were encouraging, increasing from 12,646 tons in 1836 to 16,083 tons in 1837.

At the close of 1837, the company's establishment of employees was 691, excluding women and children dependent upon the company. The distribution of the work force was as follows:

84. Ibid., p.10.
<table>
<thead>
<tr>
<th></th>
<th>Free</th>
<th>Ticket of Leave</th>
<th>Convicts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural establishement</td>
<td>44</td>
<td>52</td>
<td>464</td>
</tr>
<tr>
<td>Colliery establishement</td>
<td>9</td>
<td>-</td>
<td>122</td>
</tr>
<tr>
<td></td>
<td>53</td>
<td>52</td>
<td>586</td>
</tr>
</tbody>
</table>

The difficulty in assessing the adequacy of the establishment lies in evaluating the competence of assigned labour, and an assumption seems justified that more men were needed to compensate for lack of experience and capacity. This was particularly evident in the collieries, compelling the company to recruit experienced free mine workers in Britain. Whether the financial situation justified the employment of so large a number in the agricultural and general operations of the company, taking into account the capital cost of housing and the regular cost of rations for the men and their families in dispersed locations, is questionable. However, the progressive restriction in labour availability, and a sequence of three good years from 1836, avoided the need to seek an answer.

The dividend for 1837 was maintained at 15/- per share on unchanged capital. Perhaps it was the modesty of the dividend which prompted the Directors to report that, notwithstanding the large sales of company livestock during the year, including 4,845 sheep, the value of livestock and other property in the colony at the end of 1837, excluding land and the coal mines, had risen by £22,399 to £209,238.

In March 1838 Dumaresq, who had long suffered from war wounds, died unexpectedly. In four years as the company’s Commissioner he had successfully built on Parry’s pioneering work, and had achieved marked progress in the company’s affairs. Captain Phillip Parker King, R.N., the eldest son of the third Governor of New South Wales, was appointed to succeed him, but as he was unable to assume these duties immediately, J. Edward Ebsworth acted in the appointment until April 1839.

**Investment Performance.**

The Report of the Directors in January 1840 marked a downturn in the steady progress of the company, and again the fundamental cause was a serious deterioration in seasonal conditions. From the end of 1838 the colony entered a drought period, and the resultant shortage of water and pasture caused heavy stock losses throughout the colony; the cost of provisions increased, and demand for livestock dwindled. Losses in livestock suffered by the company.

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87. Ibid., p.12.
were stated to have been lower than the average among smaller settlers; a significant observation suggesting that the benefit of large areas was being seen as essential for pastoral production if the vagaries of season, the recurring cycles of abundance and drought, were to be economically negotiated. Not only was the company faced with livestock losses and the additional costs of endeavouring to keep stock alive, but also with a very depressed livestock market; the losses to the company were, therefore, both in capital assets represented by livestock, and in income. The annual sale at Maitland on 6 March 1839, reflected the drought situation, 6,000 ewes realising only 18/6d. per head. The Directors recorded that the prices for the sheep are lower than on former occasions, but taking into consideration the distressed state of the colony from the excessive drought, and the scarcity of labour, with the prospect of the cessation of the transportation system, the sheep sold as well as could be expected under the circumstances.

Coal mining prospects were, however, reassuring, and in 1839 the company purchased 2,000 acres of coal bearing land adjacent to its existing Newcastle holdings. The Directors later admitted that the purchase was not entirely a matter of choice, as they had reason to believe that other parties in the colony intended to gain possession of the land with a view to raising coal in the immediate vicinity of the company's mines. Considerable antagonism existed in the colony to the company's preferred position at Newcastle, expressed by Bourke in 1836 in a despatch to Glenelg, in which he asserted that our land abounds in coal and iron, the two great primary objects of importance under circumstances such as we have contemplated; but, of the first of these, without the aid of which the second is useless, the present regulations have deprived us, and doomed us to submit to a monopoly in favour of the Australian Agricultural Company, and the possessors of land under the system of grants.

The company had acted to forestall prospective competitors, and was able to maintain its preferred situation until 1847. The cost of the additional

89. Ibid., pp.9-10.
90. Ibid., pp.15-16.
91. Bourke to Glenelg, 2 Sept 1836. HRA. 1,xviii,523-4.
2,000 acres was £6,000, and this was met by a call on the proprietors of 12/- per share.\textsuperscript{92}

In January 1840 the shareholders were informed that the value of the company's assets in the colony, excluding land and the coal mines, had risen to £238,279, an increase of 13.8 per cent in twelve months. The Directors went further than previously by giving an indication of the probable minimum value of the assets excluded from their figure. They said that it would be evident that, by excluding the land and the mines, the valuation statement did not represent the real value of the assets of the company.

Now, although the Directors purposely abstained from affixing to them any determinate value, lest they should mislead the proprietors, they deem it but right, in justice to their interests, to state that the company's agricultural grant comprises 1,000,000 acres and that the minimum price at which government sells any land is 12/- per acre, while the coal mines, comprising a grant in fee of 2,000 acres of coal field, now in active operation, with an increasing demand for their produce, are daily becoming of greater importance.\textsuperscript{93}

The Directors also published a profit and loss statement, for the year to 31 December 1838, the first occasion on which operational detail had been fully disclosed:

\begin{tabular}{lrl}
Surplus of revenue in 1837. & £11,214.16. 7 \\
Dividend for that year, 15/- per share, and 10 per cent to be added to the Reserved Fund. & 8,250. 0. 0 \\
Carry forward from 1837. & £2,964.16. 7 \\
\end{tabular}

\textbf{1838 operations.}

Revenue realised in New South Wales from livestock, coal, produce, rents, etc. & £19,555. 3. 1 \\
Revenue realised in England from sales of wool and hides, office fees etc.. & 7,985. 1. 3 \\
\textbf{223 bales unsold, estimated.} & £27,540. 4. 4 \\
\textbf{Total revenue:} & £30,952.13.10

\begin{tabular}{l}
93. Ibid., p.18.
\end{tabular}
Deduct management expenses:

New South Wales. £14,446.15. 9
England. 2,427.17.10 16,874.13. 7

Leaving the sum of: £30,952.13.10

which, added to the 1837 surplus, totals: £14,078. 0. 3

representing the surplus profits available for distribution to proprietors. Upon this statement Directors recommend a dividend of 30/- per share, payable on 31 January 1840, requiring: £15,000. 0. 0

which with the Reserved Fund of ten per cent: 1,500. 0. 0 makes the sum of: £16,500. 0. 0.

The 1838 net operating profit of £14,078 represented a yield of 1.6 per cent on the Directors' valuation of assets, including rural land at 12/- per acre and the Newcastle land at £6,000; a yield of 5.9 per cent on the Directors' valuation of assets, excluding land and coal mines; and a yield of 5.2 per cent on the paid up capital.

During 1839, 17,116 sheep and 232 cattle were sold, indicating increased sales to lessen the stocking rate in the dry period, and the progressive acclimatisation of the breeders, both sheep and cattle, on the country of Warrah and the Peel. Realisations from these sales were £17,543\(^\text{94}\), a result disappointing in comparison with prices recently obtained, but better than those shortly to be available in the colony. These livestock sales were mainly responsible for the increase in income in 1839 to £41,118, of which £29,502 was earned in the colony. Expenses, however, increased by 25 per cent to £21,001, leaving available from the year's operations £20,116. The Directors recommended that from this surplus a dividend of 35/- per share be paid, representing a distribution at the rate of £6.4.6½ per cent on the paid up capital of the company\(^\text{95}\).

Extending the references to the assets of the company made in their Report in January 1840, the Directors in 1841 attributed a value to the company's properties of 8/6d. per acre, compared with the reserve on Crown lands of

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\(^{95}\) Ibid.
12/- per acre. On this basis the estimated values of the company's assets in New South Wales at 31 December 1839 were:

- Value of 1 million acres of land at 8/6d. per acre: £425,000.
- Coal mines, including steam engines and plant: 100,000.
- Other assets, including livestock and improvements: 238,328.

£763,328.

The Directors commented that on an outlay of £310,817, this assessment of the value of the company's asset backing must be "considered by the proprietors at large as a very satisfactory state of their affairs". Based on the profitable pastoral years from 1836-40 the Directors' estimate of land value was doubtless justified, but very shortly thereafter, the depression in the colony arising from the 1838 drought reduced land values in many instances to nominal figures.

The Directors' emphasis on the increase in value of the company's assets was of particular significance. In 1835, eleven years after its formation, the company paid its first dividend. When operations began in the colony in 1825 subscribers to the venture were aware that dividend prospects were well in the future. John Macarthur Jnr. had, in November 1824, observed to his brother James that the availability of capital in Britain would "account for the anxiety to make investments even in undertakings which only hold forth the promise of distant profits". Nevertheless, in the early 1830s the shareholders had questioned whether the investment might not be unacceptably speculative.

At the same time, as will be seen, the shareholders of the Van Diemen's Land Company and the Canada Company were questioning the security of their respective investments and for the same reasons as had caused doubts on the prospects of the Australian Agricultural Company. In the establishment of these companies substantial capital expenditure was necessary to prepare the means for producing income. Regular calls on the shareholders for additional funds were unavoidable to meet both developmental expenditure and operational costs. The Directors endeavoured to satisfy shareholders

96a. Ibid., p. 19
96b. See Ch.6, pp.182-6.
that prospects remained sound by frequent references to the estimated growth in asset values.

In 1835, when the Australian Agricultural Company paid its first dividend of 15/- per share, £26.10.0 per share had been called, giving a dividend yield of 2.83 per cent. The dividend of 35/- per share in 1840 represented a yield of 6.36 per cent on the capital then paid-up of £27.10.0 per share. The investor could only have regarded these returns as unduly modest unless they were supported by prospects of real growth in asset values.

In January 1840 the Directors estimated that the company's assets had reached a value almost 2½ times the total of funds provided. To the individual shareholder appreciation of asset backing was valuable to the extent that it was reflected in the market value of the shares. In 1840 the Stock Exchange quote was £41 on paid-up capital of £27.10.0. This compared with the Directors' estimated asset value of £76.6.7 per share. Shareholders were therefore, able to sell their holdings with a capital gain of 49 per cent on their investment. The other option open to them was to hold the shares despite the uncertain dividend prospects, calculating that as the colony developed the market might lift the traded price closer to the Directors' estimated asset value. As experience was to prove, financial policies in pastoral companies, including the determination of distributions to shareholders, must necessarily be conservative. Substantial reserves are required to allow recurring downturns in income and profitability to be overcome without serious impact on the company's operations and continuity.

In 1840 income increased due mainly to the improved season and higher prices for livestock. Higher labour costs, however, avoided any improvement in net profit as shown in the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1838</td>
<td>£30,953</td>
<td>£16,875</td>
</tr>
<tr>
<td>1839</td>
<td>41,118</td>
<td>21,001</td>
</tr>
<tr>
<td>1840</td>
<td>50,194</td>
<td>31,049</td>
</tr>
</tbody>
</table>

Between 1838 and 1840 income increased by 62 per cent, whereas the costs of earning this income rose by 84 per cent. Despite the increase in production the net yield on funds employed had declined.

Livestock numbers had been well maintained, the variations reflecting changing seasons and related market situations:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep</th>
<th>Cattle</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837</td>
<td>76,003</td>
<td>3,996</td>
</tr>
<tr>
<td>1838</td>
<td>85,647</td>
<td>4,604</td>
</tr>
<tr>
<td>1839</td>
<td>85,027</td>
<td>4,989</td>
</tr>
<tr>
<td>1840</td>
<td>79,961</td>
<td>5,187</td>
</tr>
</tbody>
</table>

In January 1842 the Directors provided explanatory information on the composition of sheep numbers, as follows:

Sheep. On hand at 31 December 1839. 85,027

In 1840, lambs weaned. 19,391

104,418

From December 1839 to December 1840:

Sheep sold - 14,481
Sheep slaughtered - 5,606
Casualties from age, disease and accident - 4,370

24,457

On hand at 31 December 1840: 79,961

This table is of particular interest in showing that the losses of sheep, excluding sales and slaughterings, represented only 5.1 per cent of the opening stock figure, a remarkable result when the problems of the time are contemplated, particularly the impact of marauders and predators. Today a mortality rate of 5 per cent in sheep would be acceptable. Parry's observations on the probable effects of large areas of healthy country on livestock production had been proved by experience. The company's wool clip had increased from 155 bales in 1830, to 537 bales in 1840, and in this latter year, sales of livestock were also substantial and profitable, net realisations being £21,498.

Sheep and Wool Production.

The Directors regularly reported on the numbers and condition of the livestock whereas references to income from wool were generally brief. This was probably due to the influence of income from sales of livestock, and particularly of sheep, on the profit figures which fluctuated with the changing seasons. Returns from the annual sales of surplus sheep were affected by the state of the wool market in London, but more directly by seasonal conditions in the colony and the strength of demand for store

100.Ibid., p.6.
101.Ibid.
102.Ibid., p.8.
sheep and particularly for breeders.

Both income and costs in the sheep and wool industry were influenced by changes in the season. An unsatisfactory season for wool growing, whether excessively dry or wet, directly affected the quantity and quality of wool produced, and consequently the prices paid. A short, tender wool with dust and vegetable fault, the product of a poor season, will bring a lower price although demand for wool is unchanged.

The constitution and health of the sheep, the season and the competence of management, all contribute to the income received from wool, from lambs, from the sale of surplus sheep and from the disposition of the carcase as meat or tallow. The costs of production, which are also affected by seasonal variations, apply to the sheep as an asset with four avenues of income, but it is not possible so to allocate costs that the net profit in wool production or the real net return from surplus sheep sales can be determined.\[^{103}\]

In November 1824, John Macarthur Jnr. advised his brother James that "the plan of sending out large flocks of sheep ... is abandoned by every one".\[^{104}\] Increasing demand for sheep, therefore, had to be met from breeding in the colony, and the better quality sheep realised higher prices.

The Macarthur Accounts for the year to 30 April 1832 indicate how significant wool income was to their results for that year:\[^{105}\]


I feel that the observation on p. 114 that "it would seem that the returns from wool did not generally cover the current costs of producing and marketing it" overlooks the impossibility of apportioning costs to the several sources of income. Any generalisation is in any case difficult to substantiate because of the variables of season, location of the run, type of sheep and management competence. I concur, however, with the comment on p. 118 emphasising the risks of overcapitalisation in the sheep and wool industry which is dependent upon the vagaries of the season. With a run of several good seasons profits were assured despite increasing costs. In a drought, income and progeny could be minimal, yet costs could increase through attempts to save breeding flocks.

\[^{104}\] John Macarthur Jnr. to James Macarthur, 14 Nov 1824. loc.cit., (Note 97) p. 221.

\[^{105}\] Macarthur Accounts, Year to 30 April 1832. Dated 8 May 1832. The Macarthur Papers, ML. 1-45A.A.2971, not paginated.
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Salaries &amp; Wages. £500</td>
<td>£4000</td>
</tr>
<tr>
<td>Implement, Materials &amp; Stores. 750</td>
<td>£4000</td>
</tr>
<tr>
<td>Freight, insurance, etc. 500</td>
<td>£4000</td>
</tr>
<tr>
<td>Quit Rents. 200</td>
<td>£4000</td>
</tr>
<tr>
<td>Sundry disbursements. 100</td>
<td>£4000</td>
</tr>
<tr>
<td>Travelling Expenses. 20</td>
<td>£4000</td>
</tr>
<tr>
<td>Postages. 10</td>
<td>£4000</td>
</tr>
<tr>
<td>Turnpikes. 20</td>
<td>£4000</td>
</tr>
<tr>
<td>sundries. 100</td>
<td>£4000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£6,000</strong></td>
</tr>
</tbody>
</table>

Income from ram sales of £150 was substantially below that in 1825 when at one auction sale John Macarthur sold 50 rams for £905. The drought in the colony from 1826 to 1828 and the persisting financial difficulties in Britain had slowed down the movement of capital into New South Wales. This was reflected in sheep sales until 1834, when the season improved and demand for livestock grew as increasing numbers of immigrants joined the ranks of the squatters and put their money into wool growing.

The growth of demand for sheep in the period 1834-37 was directly related to the rate of geographical expansion in the colony. In 1841, with "the apparent exhaustion of opportunities for profitable expansion into new areas", the demand for store sheep collapsed. The effect on the company was immediately apparent, and as will be seen, the Directors in their Nineteenth Annual Report advised the shareholders that the value of livestock sales, which in 1840 had been £21,498, fell to £5,985 in 1841.

The company's colliery operations had made satisfactory progress. Prices fixed in 1836, at 8/- per ton to the government and 10/- per ton to the public, were increased in 1840 to 10/- and 13/- per ton respectively, these increases being necessary to meet higher operating costs caused by the unavoidable need to employ free labour. The labour shortage was acute, and in January 1840 the Directors reported that, as the Commissioner had failed in his endeavours to procure from the convict population men qualified for the

109. Ibid., p.317.
working of coal, the company had engaged in Scotland and Wales, thirty-seven colliers and a blacksmith\textsuperscript{111}. Sales continued to expand, from 12,646 tons in 1836, to 17,220 tons in 1838, and 30,555 tons in 1840. The growth rate encouraged the company to provide a more efficient sales service, arrangements being made to establish a depot at Miller's Wharf in Sydney\textsuperscript{112}.

Increasing pressure on wages in the expansionary years between 1836 and 1840, was the cause of constant anxiety to those requiring rural labour, and the termination of transportation to New South Wales in 1840 aggravated the problem. In 1835 Dumaresq had also illustrated to the Colonial Secretary the effects of the demand for tradesmen in the towns on wages for employees in the collieries, stating that

\begin{quote}
Until lately, a Blacksmith was employed at the Rate of £100 per annum. Our Bricklayer and Carpenter at present receive 5s. (five shillings) per day each; at the above wages we are unable to retain them; and it has been found impossible to replace the Blacksmith.\textsuperscript{113}
\end{quote}

Official references to wages emphasised the trend, which adversely affected the colony's two main industries\textsuperscript{114}.

Production in the company's planning had been based on grant lands, where costs of development would not be great, and on the availability of low cost convict labour. The limited numbers of convicts in fact available for assignment to the company proved a restraint in all its activities. Attempts to compensate for labour shortages were made through improved efficiency; requests were persistently made to government for larger assignments of convicts. The company was also compelled to increase the number of sponsored free migrants in its efforts to maintain an adequate labour force.

The company had taken action to replace convict labour on the estates with free immigrants, even before receiving advice from the Secretary of State in 1839, that the system of assigning convicts for private service was to be discontinued\textsuperscript{115}. In 1839 the labour supply had steadily deteriorated, both in numbers and quality, and the 'few families of respectability and

\begin{itemize}
\item 113. Dumaresq to Macleay, 10 Aug 1835. HRA. 1.xvii, 134.
\item 114. 1832, HRA. 1,xvii, 300
\phantom{1832}, HRA. 1,xviii, 516-17.
\phantom{1832}, HRA. 1,xxii, 294.
\end{itemize}
good character' selected by the company from among recently arrived immi-
grants did little to meet the need. The Commissioner had been unable to
procure free labour within the colony, and at the same time was confronted
by an increasing rate of withdrawal from the company's service as convicts
obtained their tickets of leave. The company had in 1840 attempted to con-
tain the growing deficiency by engaging about one hundred labourers in
England, but these efforts to solve the problem were largely fruitless.
Of the labourers so engaged, many had "proved to be worthless characters,
and unfit for the duties they undertook to perform", and a considerable
proportion

had absconded or refused to ratify the agreements entered
into by them, on various frivolous pretences, and the few
that still remain in the company's employ, are useless as
shepherds, and in general so careless and insubordinate,
as to render their retention not desirable.\footnote{117}

Despite this unsatisfactory experience the need for labour was so pressing
that a further fifty shepherds and tradesmen were selected in Britain. The
Directors reported that "the greatest possible pains have been taken in the
selection of these individuals".\footnote{118}

The Directors recommended a dividend of 35/- per share for the year 1840,
but they warned that considerable demands would fall on the company in the
year ahead. More prudent would have been a lesser dividend and an increase
in reserves. Reduced income and a substantial increase in developmental
expenditure raised the probability of suspension of the dividend for oper-
ations in 1841, or even of a call for further capital.\footnote{119}

The ominous signs of depression which had first appeared in 1839 intensified
in 1840. The conjunction of drought and reduced pastoral income, the short-
age and high cost of labour in the pastoral and coal industries, and the
diminishing availability of capital, restrained expansion. Commercial
enterprise in all forms became stagnant as the depression worsened.

\footnote{116} Directors' Seventeenth Ann.Rep., p.10.
\footnote{117} Directors' Eighteenth Ann.Rep., p.5.
\footnote{118} Ibid.
\footnote{119} Ibid., pp.16-18.
5.

VAN DIEMEN'S LAND
COLONY AND COMPANY, 1825-1840.

There cannot be a greater proof of the estimation in which this island is held, than the rapidity with which the colonization of it has advanced, and the eagerness with which the fertile portions of its land have been sought after and settled.¹

Had the proposers and the initial directors and secretary of the Van Diemen's Land Company²a lacked confidence in the potential of the island colony, and in the future of the British wool textile industry, their persistent endeavours to obtain a Charter for the company would not have been sustained. The personal characteristics of Edward Curr were apparent in the determination with which the company worked to overcome the obstacles placed in the way of its formation.

From 12 May 1824 until 10 November 1825 the company's research and negotiation continued. The Secretary of State required to be convinced that so large a selection as 500,000 acres could be located in the island "distinct and at a distance from" the settled areas, and that the quality and quantity of wool likely to be produced in Van Diemen's Land would make a significant contribution to the colony's progress. Agreement had also to be negotiated with the Australian Agricultural Company on the restrictions to be observed by the Van Diemen's Land Company in the purchase of sheep in Europe and in New South Wales²b.

Bathurst had the difficult task of reconciling with one another, his inclination to approve the proposals, his concern with the financial

²a. See Appendix 3.
²b. See Ch. 2, Notes 88b,89,95,109.
consequences of the speculative boom in London, and the position of the Australian Agricultural Company to whom certain assurances and privileges had already been granted.

The prospective benefit of corporate capital for opening up the waste lands of the colony and the compromise agreement between the Directors of the Australian Agricultural Company and the Van Diemen's Land Company, persuaded Bathurst in June 1825 to support the passage of the enabling Bill through Parliament.\(^3\)

Late in November 1825 Curr assumed the appointment of chief agent for the company in Van Diemen's Land. His persistence and aggressiveness which had contributed materially to the gaining of Bathurst's support for the enabling Bill, were immediately to bring him into conflict with the colonial administration in Hobart.

The First Yearly Meeting of the Van Diemen's Land Company was held on 7 March 1826, and in their Report the Directors provided statistics to support their confidence in the prospects of the island colony. Population had increased from 1256 in 1810 to about 12,000 in 1823; the number of sheep had risen from 3070 in 1810 to 170,391 in 1821; the value of imported merchandise had increased from £47,256 to £112,982 in the six years to 1822.\(^4\) The Colonial Times in editorial comment on 4 November 1825 welcomed the formation of the company and the contribution its "prodigious Resources" would make to the progress of the colony and its people.\(^5\)

The Directors expressed to the shareholders their confidence that the company would "obtain possession of a sufficient tract of land to realize all the advantages held out by this highly favoured country".\(^6\) But as we shall see, the conditions finally accepted by the Directors in London confined the company to isolated lands which were either unsuitable for sheep and wool production, or so heavily timbered that the costs of improvement were unacceptably high.

In addition, the concept of extensive corporate land holdings conflicted

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3. Pearse to Bathurst, 12 June 1825, loc.cit., (Ch.2, Note 148).
   HRA.I,x,578, quotes the 1821 sheep figure as 170,381.
5. Colonial Times, 4 Nov 1825, in Minutes of the Van Diemen's Land Company (Hobart, 1826) p.16.
with the opinions of the colony's administration and settlers. The aim of local authority was to restrict expansion to small agricultural farms within limits which would allow supervision by government and avoid the corrupting influence of prolonged isolation. Concentration and limitation coincided with the requirements of a penal settlement, where policies were influenced by the threats that escaped convicts and aboriginals posed to isolated settlements.

The reasons for opposition to substantial corporate landholdings in Van Diemen's Land were the same as those which confronted the Australian Agricultural Company in New South Wales. The smaller settlers feared that large holdings would make future farm development impossible and that prices for livestock would be raised above their capacity by the competition of corporate pastoralists. They feared the influence which a large company based in London could exercise upon the Secretary of State, and their suspicions resulted in opposition to large holdings in general, disregarding the need for capital in the development of the colony. As in New South Wales, the attitudes of the established settlers could not be disregarded by the colonial administration in Hobart, and the company received little encouragement in the provision of land and labour.

Sorell had advised Bathurst in April 1825 that the north-west quarter of the island seemed best suited for the company's grant. The reasons for this advice were not given, but Sorell probably assumed that the north-west contained sound grazing and farming country which could be opened-up by the capital of the company, whereas government and individuals lacked the financial capacity to undertake the task. Sorell's views on the value to the island's economy of the company's investments, and on the improbability that such capacity for opening-up the island's resources could come other than from subscribed capital, were symptomatic of a conflict in attitude between avoiding alienating to the company explored and proved lands, and a recognition of the need for capital to stimulate economic progress.

8. Compare Henry Melville, The History of Van Diemen's Land, 1824-1835 (Hobart, 1835) George Mackaness (ed.1965) p.176. -"The theme is that of the absence and denial of justice, and of real freedom, because of administrative autocracy".
The definition approved by the Secretary of State, clearly excluding the company from the established farming and grazing lands of the old settlements, was conveyed to the company on 15 April 1825:

The Van Diemen's Land Company will receive their grant in the north-west district of the island; bounded on the north by Bass's Straits, on the west by the ocean, and on the east and south by lines drawn from either shore, so as to afford the necessary depth of country; within that district they will be at liberty to select any ungranted land at their own discretion. These lands, however, must be in one continuous and unbroken tract, approximating the form of a square, as near as may be compatible with preserving a clear and well defined natural boundary. The whole quantity of useful land, that is, of land capable of being used in pasturage and tillage, to be contained in this square, is 250,000 acres. Whatever useless and unproductive land may be included in order to complete the square figure will be granted to the company gratuitously."

On 18 April 1825 Curr had accepted this definition on the company's behalf. The Van Diemen's Land Company, whose original plans 'took every precaution to make it a sound and not a speculative enterprise', was therefore, to select its grant from remote and unexplored land of unknown capacity.

The Land Grant Discord.

The company's difficulties in defining the grant lands and proceeding with its establishment, were caused in part by government's limited understanding of the problems to be faced in the north-west quarter. The problems were aggravated by unclear instructions from the Colonial Office and by Edward Curr's tactless persistence and overbearing attitude. Curr wrote and signed the letter accepting Bathurst's definition of the region for the company's selection. In August 1825, he wrote a further letter to Bathurst in which he referred to the region as being "several days journey from the inhabited districts". Bathurst repeated the definition

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11. Curr to Bathurst, 18 Apr 1825. CO. 280/1. PRO.230, p.72.ML.
to Arthur who reasonably deduced that only the extreme north-west of the island was available for the company's selection. But the definition was not precise in fixing the eastern limits of the location. Bathurst further instructed Arthur that the region should be reserved until the company had made its selection, and that every assistance should be given to the company's officers in making the survey and valuations. In his letter of 12 September 1825 to Arthur, Bathurst confirmed the exclusion of the company from lands in the north-east, indicating that the quit rents had been fixed on "the principle of their lands being marked out in one continuous tract in the north-west part of the island hitherto unexplored." Bathurst again referred specifically to the company's exclusion from "districts more adjacent to the cultivated parts of the island." Acknowledging these instructions, Arthur intimated as his understanding that the pursuits of the company would be mainly pastoral, and that their need for convict labourers would be limited. He emphasised that applications already held from settlers for labour greatly exceeded numbers of convicts available. He urged an increase in shipments to ensure that "with the augmented means of employment, the number of prisoners sent out would be proportionately increased, so as to meet the demands of all." At this early stage Arthur had mentioned the probability that the company's requests for convict labour would not be fully met, despite the conditions attaching to quit rent. Arthur predicted that differences of view were inevitable in the selection and measurement of the company's grant. In April 1826 he informed Bathurst that a question had already arisen concerning the construction to be placed on the definition of the Colonial Office, and that although there was room for doubt, he had

consented to waive it in favour of the company, upon the assurance of Mr. Curr that it was Your Lordship's intention to extend to them the privilege of selection along the whole northern coast from Port Sorell to Cape Grim. I fear a difficulty will arise in determining what land is to be considered available to the company, and what may be rejected.

13. Bathurst to Arthur, 2 June 1825. HRA.III.iv,271. See also, 12 and 13 Sept 1825. HRA.III.iv,355-60.
15. Ibid.
17. Arthur to Bathurst, 4 Apr 1826. HRA.III.iv,358.
Arthur suggested that points of disagreement on location, area and substitution for lands rejected, might have been avoided had double the agreed area been made available, on the principle applicable to individual settlers whose surveyed selection included the good land and the bad. Disagreement between government and company, both on the provision of labour and definition of the grant lands, was unavoidable.

Bathurst had proposed to Arthur that Curr be accepted for membership of the Legislative Council of Van Diemen's Land, his experience as a merchant and financier being of value to the colony. Arthur accepted Bathurst's suggestion and on 3 December 1825 proclaimed Curr a member of the Council. This had unfortunate consequences as Curr, being an adherent of the Roman Catholic faith, on his arrival in Hobart in March 1826, declined to subscribe to the Declaration and take the Oath of Supremacy. Arthur permitted Curr to take his seat in the Council waiving the need for conformity, but he referred to Bathurst for a ruling. Bathurst confirmed that members of the Legislative Council were not required by Section 32 of the Statute 4 Geo. iv, cap.96, to subscribe to the Declaration and take the Oath. While this ruling ended official consideration of the matter, Curr's relationships with the colonial administration and the directors of the company had been prejudiced. Added to the apprehension of officials and settlers about corporate land holding, these personal antipathies were distinctly unhelpful to the effective establishment of the company.

The location of the grant became an issue in June 1826 when Curr wrote to Arthur informing him that a settler had intruded within the boundaries of the region reserved for the company's selection. The Acting Colonial Secretary, replying for Arthur, disputed the correctness of Curr's assertion and said that the Lieutenant Governor had carefully read again the whole of the correspondence on the matter in an endeavour to establish "the precise situation in which their land was to be chosen".

The despatch referred to Curr's submission of 31 August 1825 to Bathurst, in which he had nominated the part of the island in which the company's lands were to be located as "the extreme north-west corner, several days journey from the inhabited districts, and so far as was then known, inaccessible by land". Bathurst's reply to that submission had caused

Arthur to question
whether it was not His Lordship's intention
to confine them to the particular tract pointed out
by yourself in so special a manner.\(^{23}\)

Curr responded in a very lengthy despatch stating his understanding of the arrangements\(^{24}\). In the atmosphere then prevailing, this despatch was unwise and not designed to achieve cooperation from either Arthur or Bathurst. The cause of the misunderstanding was general lack of information on the north-west of the island when negotiations with Bathurst were commenced. No-one then involved had direct knowledge of the region which was largely unexplored. Conclusions were based on assumptions, the most significant being that land suitable for grazing sheep would be found well to the west of the established settlements. Curr stated emphatically that in his understanding every reference to land for selection by the company commenced at Port Sorell. This assertion, however, is not supported by the correspondence between the company and the Secretary of State culminating in Bathurst's definition of 15 April 1825\(^{25}\). Furthermore, Curr apparently discussed the matter with Wilmot Horton, whose memorandum to Bathurst on 31 August 1825 suggests that he had no doubts that the definition applied to "isolated lands in a corner of the Island"\(^{26}\). This description could not reasonably have been applied to lands adjacent to Port Sorell.

The explanation may possibly lie in the comment by Directors to the First Yearly Meeting of the company in March 1826, drawing attention to 'the rapidity with which the colonization of the island had advanced'.\(^{27}\) Fertile farming and grazing land surrounded Port Sorell and settlers would have preferred the fertile northern section of the island. Perhaps the proximity of the settlements to Port Sorell and the rate at which they had expanded had not been understood in London.

Curr concluded his long despatch of 27 July 1826 to the Acting Colonial Secretary by saying that:

difficulties and disappointments of this nature,
occuring in the early stages of the company's operations

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25. Bathurst to Curr, 15 Apr 1825, supra, (Note 10).
27. Directors' First Yearly Rep., 7 Mar 1826, supra, (Note 1).
in the colony, must amount to a degree of injury which His Excellency would not willingly inflict. 28

Arthur acknowledged Curr's submission, but declined to accept his interpretation 29. In December 1826 Bathurst received a further despatch from the company's managing director, and in reply again stated that the lands adjacent to the settled regions south of Port Sorell were clearly excluded 30. Bathurst said that "the north western angle of the island was the quarter originally designed for the company's settlement". 31

In December 1826 Curr, having accepted that he would not succeed in selecting land near Port Sorell, requested that the company be granted a two year lease over 10,000 acres of Crown land west of the River Ouse, to serve as a depot for livestock being driven to Circular Head. The Executive Council, although apprehensive that temporary occupation might lead to permanent possession of an area proximate to the settled districts, finally agreed that the request was not unreasonable and should be granted 32.

Curr again antagonised the colonial administration by his attitude to the definition of lands suitable for grazing and farming. He contended that heavily timbered country should be excluded and that land not producing herbage was not 'useful land' within the definition of April 1825 33. Arthur rejected this view on the grounds that the grant had been approved to allow the company's capital to be applied in providing access to waste lands and in converting forest to pasture. Curr's interpretation would have required a grant many times the proposed 250,000 acres. To avoid prolonged argument Arthur referred the conflicting views to the Executive Council for decision 34. The Council resolved that as Bathurst had originally declined to grant 500,000 acres, believing such an area to be excessive, there was clearly no intention to grant some five times that quantity 35.

Because of Curr's persistence Arthur felt obliged to make further reference to Bathurst for direction. Arthur's despatch of 13 March 1827 carries the

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30. Managing Director of Co. to Bathurst, 18 Dec 1826. HRA.III,v,475.
32. Executive Council Minutes, 1 Dec 1826. HRA.III,v,528.
34. Executive Council Minutes, 15 Apr 1825, loc.cit., (Note 10).
inference that in his opinion Curr was seeking, without justification, to vary an agreement the objects of which were fully understood by him.

Arthur said:

It is obviously the interest and aim of the company to secure the utmost possible extent of pasture land. From their sheep, they will derive a quick return without any great outlay of capital, and, so long as the natural herbage of the country shall afford sufficient pasturage for their flocks, they will doubtless abstain from any cultivation, beyond what is necessary for the supplying of their establishments, and thus defeat an object which it appears to me to have been Your Lordship's peculiar intention in encouraging the enterprise of Van Diemen's Land Company to advance, the cultivation of the waste lands of the colony.36

Before Bathurst received this despatch he had again instructed that the company had no rights of selection near Port Sorell. He agreed that further consideration would be given to the matter only should the land south and south-east of Cape Grim prove unsuitable for grazing purposes. He rejected the proposal that the company be granted land at Western Port on the mainland, as this would infringe the arrangements made with the Australian Agricultural Company. The despatch concluded with a criticism of Curr, which doubtless was made known to the Directors in London. Arthur was advised, that

in all your dealings with him, it will be scarcely safe to accept his interpretation of your instructions, in any case where you may conceive it to be at variance with their spirit and intention.37

In April 1827 Bathurst advised Arthur of his advice to the company that the altered circumstances in the colony had necessitated the withdrawal of advantages earlier promised in respect to the assignment of convicts. He confirmed that Curr's interpretation of useful land was unacceptable, and that 'His Majesty's Government cannot consent to extend their latitude of choice, to the injury of settlers'. He rejected any suggestion of compensation to the company because of the non-availability of convict

labour and the consequential impact on quit rent liability\textsuperscript{38}. Huskisson succeeded Bathurst as Secretary of State, and on 13 October 1827 he replied to Arthur's despatch of 13 March. He instructed Arthur to conclude the matter of the company's grant by giving effect to the following decision which had been conveyed to the company in London:

..to allow the company to break the 250,000 acres, of which the grant is to consist, into four or five allotments, to be selected within the limits already agreed upon, and having reference to the condition as to natural boundary and barren and unproductive lands, which are contained in that letter, it being to be understood, that the quantity to be allowed under these heads shall not exceed, in addition, one fourth or 62,500 acres, and that no one allotment shall consist of less than 50,000 acres.\textsuperscript{39}

The first four important years of the company's establishment had involved an over-concentration on unproductive negotiation concerning an agreement reached in 1825 in ignorance of fact. Huskisson's decision assisted to some extent in breaking the impasse, but the company still faced the problem of being committed to remote lands costly to improve. Unhelpful to the future of the enterprise were the animosity generated between the company and colonial officials, and the friction caused between Curr and his Directors. Curr's determination resulted in repeated representations in the 1830s seeking substitute areas for rejected land, but successive Secretaries of State refused to reopen the matter.

The Proposers of the company in May 1824 had recognised that for some years the return on the investment would be insufficient to allow payment of a dividend. They had then determined that distributions to shareholders would be recommended by the Directors only when justified by net profits after meeting all the costs of the establishment\textsuperscript{40}. The subscribers to the company were fully aware that the investment was one in which rapid growth would not occur, and that their capital would be committed to substantial establishment costs before the prospects for the venture

\textsuperscript{38} Bathurst to Arthur, 18 Apr 1827. HRA.III,v1,14-15.
\textsuperscript{39} Huskisson to Arthur, 13 Oct 1827. HRA.III,v1,251.
\textsuperscript{40} Directors' First Yearly Rep., 7 Mar 1826, in James Bischoff, \textit{op.cit.} (Note 1) p.99.
became clear.

The conditions of the grant were consistent with those applicable to the Australian Agricultural Company. A quit-rent was to be charged equal to thirty shillings per annum for every £100 of the value of the good and productive land within the grant, payment being deferred for five years from the date of the grant. On giving six month's notice in writing to the local government, the company could redeem the quit-rent in whole or in part, by paying into the Colonial Treasury a sum equal to twenty times the amount of the rent proposed to be extinguished. The value placed on the grant was 2/6d. per acre of good pasture and farming land, the quit-rent being £468.15.0 per annum, which at twenty year's purchase amounted to £9,575.

But the important conditions governing the assignment to the company of convict labourers were restrictive and unhelpful. They conflicted with the investment objective of producing fine wool on lands granted by the Crown and using low cost assigned labour. Adequate numbers of convict labourers were essential for the economic development of the land, as well as providing the means for creating a reserve fund against quit-rent payments. The conditions originally to apply were:

If the local government shall be able and willing to supply the company with convict labourers not exceeding the number of free labourers employed by them in their grant, the company may accept such convicts and employ and maintain them at their own expense. The employment and maintenance by the company of these convicts, will be allowed in payment of the quit-rent or purchase money: it being estimated that the government has saved £16 sterling by each convict wholly kept and maintained by the company for one year.

The number of convict labourers was, under these provisions, not to exceed the number of free men employed. As free labour was not readily available in the colony, and could not necessarily have been attracted to the northwest corner even if available, the company was compelled to recruit free labour in Britain. This was an expensive and unsatisfactory method for obtaining labour, as experience was to show. The process of assignment.

41. Ibid., p.107.
42. Ibid.
The Nut and Circular Head.
South-eastward from Highfield Point.

Highfield House.
Completed in 1829 as the Company's main residence and headquarters at Circular Head.
was controlled by the colonial administration in Hobart and the availability of convicts was uncertain. But a number of factors militated against assignment to the company, factors which Bathurst doubtless considered as among the circumstances justifying the withdrawal of the earlier assurances, and notified in his despatch of 18 April 1827 to Arthur. Arthur's policy of making substantial grants in the settled areas had increased the demand for available labour in the regions able to contribute most immediately to export income. These areas, being readily accessible, could be supervised from Hobart and reasonably protected from the depredations of escaped convicts and aboriginals. Convicts assigned to the company's remote location would be beyond the control of the administration. Furthermore, labour assigned to the undeveloped grant lands would be involved in the task of converting forest to pasture for some years before benefit would accrue to the colony. The company was, therefore, faced with the unavoidable cost of bringing free labour from Britain to undertake the basic tasks of development. The results for the company were adverse, as the progress of development was consequently both slow and costly.

Settlement at Circular Head.

In March 1826 the Directors announced that of the many pursuits open to the company under its Charter,

agriculture and pasturage have been selected for the present, as offering in the infancy of the establishment the most beneficial, and at the same time the least hazardous investments for the capital of the company.

The company's agents in the colony were accordingly instructed to confine their activities to the selection of lands and provision of shelter, and to bring under cultivation sufficient acres to provide subsistence for the establishment.

The company's main object was the production of fine wool, and sheep breeding programmes were to be adjusted to the new climatic and pasture

44. Bathurst to Arthur, 18 Apr 1827, supra, (Note 38).
47. Royal Charter, 10 Nov 1825. See Appendix 4.
conditions. The intention was to experiment with several breeds of sheep, keeping the flocks distinct, so that by experiments in cross-breeding and an attentive practice of those rules which experience has taught the most successful breeders of the Continent, a steady and progressive improvement may be insured. 49

Curr and Adey, appointed the first agents of the company in Van Diemen's Land, were assured by Arthur of his wish to assist the establishment of the company consistently with the interests of settlers generally50. Subsequent attitudes and decisions might, however, have suggested some indifference to the welfare of the company, and a lack of understanding of the difficulties to be overcome. During 1826 the agents assembled all available facts and information, and selected an area at Circular Head for the first establishment. Around this area, a peninsula of about eight thousand acres, Curr considered there was useful land although somewhat scattered. Half of the Circular Head area was considered to be good sheep country, being for the most part dry, open, grassy hills with a herbage of fine grass, trefoil, cinque foil and wild vetches, equal in the spring season to any English meadow.51

Curr considered the selection most suitable for the main homestead site and principal agricultural establishment. Late in 1826 the company's first chartered ship from England was directed to Circular Head, where the passengers and livestock were disembarked. On closer examination the country adjacent to Circular Head proved to be unsuited to the company's objects, consisting mainly of barren heathy plains and swampy forests unsuitable for sheep.

Early in 1827 Hellyer, the company's chief surveyor, directed an expedition southwards from Emu Bay, and after weeks of arduous climbing he and his party succeeded in scaling the mountain he named Valentine's Peak. He traversed the country to the south of the Peak, which was named the Surrey Hills, and north towards the coast through undulating country which appeared appropriate for the company's needs. This region he named the

49. Ibid.
Hampshire Hills. Hellyer's description of this country was confirmed by Fossey, another surveyor in the company's employ, who entered the region from the east, and described the Hampshire Hills as so admirably laid out by nature that it assumes very much the appearance of a noble-man's domain, both as to extent and good quality.  

With the exception of small areas at Circular Head and Cape Grim, the company's surveyors had been unable to locate land suitable for pastoral and agricultural development until the Hills regions were reached. The Hampshire and Surrey Hills were, however, several miles to the south of the limits within which the company was authorised to make its selections. A new agreement dated 31 December 1827 was, therefore, entered into with the British Government, which included two important variations from Bathurst's definition of 19 April 1825. The limits within which selections could be made were extended, and the company was permitted to select lands in three distinct locations at Circular Head, and in the Hampshire Hills and Surrey Hills regions. The restrictive conditions originally applicable to the company's rights of selection had been eased, but the districts to the east were still excluded.

During 1827 twenty-five bales of wool were shorn and shipped for sale in London. The sale of this wool in 1828 was the subject of an enthusiastic report that the sale results fully confirmed the expectations entertained as to the fitness of the climate and soil of Van Diemen's Land for the production of fine wool, and holds out the prospect that this main and most essential object for which the company was formed, will be fully realised.

So confident a prediction on so small a sample was scarcely justified, but it was indicative of the over-confident generalisations of the Directors which Curr did not endorse.

In 1828 Curr directed particular attention to developing the fixed improvements and cultivation paddocks at Circular Head; to surveying and forming a road from Emu Bay, through the Hampshire Hills, to the Surrey Hills; to forming another road from Launceston, in the settled districts

52. Ibid., p.11.
53a. Supra, Note 10.
54. Ibid., p.15.
to the east, to join the road running from Emu Bay to the Surrey Hills; and to establishing livestock outposts in the Hills, to permit the transfer to those holdings of sheep and cattle from Circular Head. The significance of communication to the progress of the company was recognised in this immediate attention to the surveying of roads, Curr appreciating the need for accessibility if labour was to be attracted to the company's employ and tenants to its lands. Equally important was the need for access to market outlets for the surplus production of grain and livestock from the company's estates.

The basic objective was to enhance the value of the company's lands and produce, but the benefit to the colony was substantial, extensive areas of good land along the lines of the surveyed roads being opened up for settlement. A small establishment was also formed at the mouth of the Emu River, thirty miles to the east of Circular Head, at the head of the road surveyed south to the Hills, and also to provide a second anchorage. Curr fully informed the Directors on his investigation of the Hills districts, extracts from his despatches being included in the 1829 Report. His report was assured and enthusiastic.

The internal affairs of Van Diemen's Land in 1829 were favourable to the company's progress. Values for land were advancing steadily and external trade figures had risen encouragingly, both factors indicating capital formation and growing prosperity. The company showed its confidence in future growth by making substantial purchases of locally bred improved sheep. The one matter of concern to the Directors was the delay in official approval of the grant areas.

The two major roads, east to west from Launceston to the Surrey Hills, and south to north from the Surrey Hills through the Hampshire Hills to Emu Bay, involving numerous bridges over the rivers and streams running northwards to the coast, were completed in 1831. In that year also the British Government approved grants of land on the originally agreed terms and conditions, and at the undermentioned locations:

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55. Ibid., pp.7-11.
56. Ibid.
57. Ibid., pp.11-13.
58. R.M. Hartwell, op.cit., p.34.
TASMANIA AND THE VAN DIEMEN'S LAND COMPANY'S LOCATIONS
Outstanding drafts, sundry debts, and arrears of pay to servants in the colony. £2,824. 5. 9½
Instalments on shares held in the colony. 375. 0. 0
Discount on bills received and premiums on bills. 792.13. 8
Gain on issue of stores. 357.14. 0
Sundry items. 144.19. 5. 4,494.12.10½
£76,282.17. 4.

Funds Represented By.
Property in Van Diemen's Land, including cash, stores, provisions, surveying instruments, tools, machinery, boats and sundry items. £16,376. 5. 0½
Livestock -
Sheep. £23,440. 3.11.
Cattle. 3,031. 7. 9½
Horses. 3,817.11. 5½ 30,289. 3. 2
Operating expenses, costs of management, wages. 12,264. 9. 1½
Exploring and surveying. 3,474.14. 9-3/4
Buildings, fencing and farming, less income. 10,573. 0. 2½
Southern and eastern roads. 3,305. 5. 0. 29,617. 9. 1-3/4
£76,282.17. 4.

In their Report of March 1831 the Directors were again optimistic. "The concerns of the company have gone on well with the exception of the loss of some lambs by severe weather and deep snow", adding reassuringly that this situation was unlikely to recur as "the shepherds by experience are better acquainted with the climate, and will provide adequate shelter during the lambing season". The stock returns were expected to show
substantial increases in sheep, cattle and horses, and additionally the miles of fencing completed, and the area brought under cultivation, were encouraging signs of progress.

Obstacles to Progress.

But the problems of isolation, inadequate labour and lack of security, retarded the development of the company's lands. Bushranging had been widespread, discouraging settlers from contracting their services or taking-up land in remote regions, as it was not possible for government to maintain adequate security forces. From 1826 onwards harsh control measures reduced the problem, although petty thieves survived for some years longer.

Equally difficult was the task of dealing with hostile aborigines who "continued their warfare with determination and effect". In 1828 the natives became most troublesome and the government proclaimed a state of martial law which was to result, within twelve months, in the destruction of an estimated two-thirds of the native population.

Despatches from Arthur to the Secretary of State revealed the hardening of official attitudes to the aborigines, until finally in 1830 the decision was taken "to capture them, with the least possible destruction of life, or to drive them into Tasman's Peninsula". Arthur was aware of the difficulties of controlling the natives and that no undertaking can be more arduous, under any circumstances or in any country, than to capture savages; and the difficulty is greatly augmented in this colony, the country being perhaps the most rugged on the face of the earth. Van Diemen's Land is perhaps unequalled by all other islands, for the salubrity of its climate and for the fertility of its valleys, but no country that I am acquainted with has so large an extent, in proportion to its area, of wild, unproductive, impervious, rugged mountains and dense forests.

These difficulties were mentioned in the company's 1831 Report, the depredations of the natives and bushrangers impeding development of the company's lands. The shareholders were, however, encouraged by advice that

64. Henry Melville; op.cit., pp.53-55.
65. Ibid., p.71.
the year 1829 was one of the most prosperous enjoyed by the colony. Increased numbers of convicts had arrived, and these were keenly sought by settlers and by tradesmen in the towns. The company, however, for reasons already mentioned did not benefit from increased assignments, and was compelled to engage free emigrants under contracts of service. In 1831 the company sent out with Joseph Milligan, a surgeon in the company's service,

4 shepherds from Scotland, 1 blacksmith from Yorkshire, 3 carpenters, 6 ploughmen, carters and agricultural labourers, mainly from Oxfordshire, six being married and taking their families with them.

But many more men were needed to open up the country granted to the company, it being impossible to procure labourers in the colony, either convicts or free, to the extent required, the demand for the former far exceeding the supply, and the wages of free labourers engaged there being very expensive.

The company, because of the isolation and inaccessibility of its lands, continued to be hampered by labour shortages and costs. Despite frequent submissions to local authorities the expected low cost convict labour was not assigned in the numbers urgently required. Notwithstanding the effect of the labour shortage on the rate at which clearing and improvement work could be completed, and on the competency with which the regular tasks were conducted, investors in the company were encouraged by the assertion that the increased value of the land alone would more than repay the capital raised, even the worst land having been made subject to a statutory reserve of five shillings per acre.

The unjustified assumption that the remote lands of the colony would attract buyers and settlers whatever the price, passed without question. This optimism was reinforced with the explanation that the company was looking to commodities other than wool to contribute to profits, although wool would continue to be the major source of income. Mimosa bark was in demand with tanners and a potential income earner. Some types of timber

68. Directors' Sixth Yearly Rep., p.16.
69. Ibid.
70. Ibid., p.19.
readily available in the colony, hides, tallow, wheat, oats and potatoes, were commodities with sales possibilities on the export market as well as within the colony.\footnote{Ibid.}

Of significance in the 1831 Report was the Directors' indication of their readiness to grant facilities to settlers and emigrants to purchase good livestock from the company on reasonable terms, as an encouragement to emigrants to fix themselves on the lands of the company, or their immediate neighbourhood.\footnote{Ibid.}

The need to establish population in the north-west, to provide market outlets for surplus production, and to encourage tenants and purchasers of land to move into the region to ensure a steady appreciation in land values, clouded the company's optimistic forecasts. Yet the 1831 Report concluded with unreserved and unjustified assurances which revealed the lack of understanding in London of the problems and obstacles to be overcome before profitable production could be expected. The Directors reported that:

every difficulty which has been opposed to them is overcome, and that in future each annual report will show the progressive prosperity of the company, and announce those profits which will amply remunerate the proprietors for their patience and the outlay of their capital.\footnote{Ibid.}

By 30 June 1831 the company was employing 131 free men, and was responsible for 22 women and 44 children. The company's responsibilities for the welfare of such an isolated community were recognised in the construction of schools and churches. The supervision of order and discipline was also among the onerous duties of the company's management.

The confidence of the yearly reports presented in London was not reflected in the despatches from Curr, who was daily meeting new problems in his endeavours to establish the company on a sound and profitable basis. The high cost of free and indentured labour conflicted with the earlier hopes of adequate low cost convict labour. Curr urged that wages being offered

\footnotesize{\begin{itemize}
\item \footnote{Ibid.}
\item \footnote{Ibid., p.20.}
\item \footnote{Ibid.}
\end{itemize}}
in England to prospective farm emigrants should be reduced within the company's capacity to pay\textsuperscript{74}.

Curr was sensitive to the heavy cost of management in the colony, and condemned the excessive cost of wages for indifferent performance. He described extensions being built to the store at the Hampshire Hills as "a new instance of profligate expenditure on a small scale united with wretched work".\textsuperscript{75} Laziness and carelessness, combined with inefficient supervision, were producing low grade performance at high cost; and coincidentally Curr had to meet a drought period which seriously affected the wheat crops at Circular Head\textsuperscript{76}.

Curr had been experiencing considerable difficulty in controlling and directing his staff. Communication was uncertain and delayed, particularly as he had to be absent for extended periods from his headquarters. He was concerned with his remoteness from direction in London, and with the unavoidable lapse of twelve months in time before he received replies to reports and submissions.

I have represented to the Court on similar occasions the very particular circumstances in which I am placed as regards the management of the officers in their service. If any of them be guilty of an insubordinate act, or of disrespectful conduct towards me, I can take no course whatever which will not be attended with unpleasant circumstances. If I overlook it, I certainly aggravate the evil; if I complain to the Court, the party complained of is placed in a state of hostility towards me for twelve months at least, and when the person is one whom I must necessarily see almost every day, the consequences are extremely unpleasant.\textsuperscript{77}

The difficulties of administration weighed heavily on Curr who by training demanded accuracy and attention to detail. Of even greater concern to him, however, was his growing conviction that the land granted to the company,

\textsuperscript{74} Curr to the Directors, L. No.113, 29 Jan 1830. Archives Tas. VDL. 5/2, pp.286-93.
\textsuperscript{75} Ibid., L. No.125, 25 Apr 1830. Archives Tas. VDL. 5/2, pp.324-35.
\textsuperscript{76} Ibid., L. No.119, 4 Mar 1830. Archives Tas. VDL. 5/2, pp.305-7.
\textsuperscript{77} Curr to the Directors, L. No.152, 4 Nov 1830. Archives Tas. VDL. 5/4, pp.52-60.
particularly Woolnorth, was unsuitable for the company's production objectives. Curr advised the Directors that although the company's grant was much inferior to his expectations, there was consolation in the thought that it comprised most of the useful land in the north-west quarter to which the company's rights of selection had been restricted.

Conditions in the Surrey Hills, at Woolnorth, and on the marshy coastal country adjacent to Circular Head, were unsuited to the production of fine wool and winter crops. Rainfall is spread evenly through the year, and although only 36 inches a year at Stanley, within fifty miles of Circular Head to the south and west, annual registrations exceed 60 inches. Cold unstable weather from the south-west drifts over the island carrying misty, sleety rains, in all seasons of the year. For much of the year sheep in the region are wet and cold, their health suffers, and wool growth is retarded. Continuous dampness induces dermatitis, discolouration of the fleece, tenderness and wool rot, and increases susceptibility to foot trouble, fluke and stomach worms. Merino sheep with a dense fleece and soft feet, will not thrive in such conditions, as the Australian Agricultural Company also found in the coastal conditions at Port Stephens.

Curr many times referred to the merits of dry land, and to the need for drainage work at Woolnorth, the company's awareness of the problem being shown by the early importation of three British breeds for experimental purposes.

The first sheep shipped by the company from Europe were Spanish merinos of the Negretta breed, selected from the large-framed migratory sheep in Spain. The British breeds, the Leicester, Cotswold and Cheviot, were hardy sheep capable of thriving in mountain conditions, and with strong, black feet. The wool of the Leicester was known to cross well with the shorter staple of the merino, while the dense fine wool of the Cheviot had characteristics appropriate for cross breeding. The three breeds had evolved under harsh conditions not unlike those of the north-west of Van Diemen's Land.

On 24 November 1830, in response to questions from the Directors, Curr

79. Ibid.
80. Australian Bureau of Meteorology; Rainfall Statistics, average for thirty years to 1960.
81. Wm. Youatt, Sheep: Their Breeds, Management and Diseases (London, 1837) p.156 et seq.
The Tamar Valley.
"Their lands almost cleared for them by the hands of nature". - Edward Curr.

The fertile Lake River flats.
The old settlements enjoyed a climate "where the most slovenly husbandry is but too well rewarded by the crops produced". - Edward Curr.
expressed the view that the prospects for tenants on the company's lands were unsatisfactory. His main reason was that little of the land was suitable for cultivation. He said that although parts of the Surrey Hills contained good arable country, the climate was suited only for the growing of oats. He stressed that the roads were so excessively bad that the costs of cartage would probably exceed the value of the production. Curr compared the problems of terrain, climate and isolation confronting the company on its lands with those of the settlers in the old settlements, who

have their lands almost cleared for them by the hands of nature, and under a climate where the most slovenly husbandry is but too well rewarded by the crops produced; and the country so easy of access to its coasts, that the making of roads, though desirable, is not quite necessary. 82

In this same despatch Curr mentioned the suspicion with which many colonists continued to regard the company, and he counselled caution before the company contemplated embarking upon "anything not in the direct line of their undertaking". 83 The settlers' hostility to corporate influence seemed to strengthen the determination of government to exclude the company entirely from the fertile farming and grazing lands of the established settlements.

The doubts Curr had expressed about the suitability of the grant lands for agricultural production, for the growing of wool and meat, and for the later settlement of tenants on small farms for intensive cultivation, were frequently emphasised. The Directors, however, failed, or were unwilling, to understand how important those doubts were. They optimistically reported on the excellent employee relations in the colony, as a result of which there was no need for a military presence on the company's estates; on the valuable geological discoveries which had been made, lime stone and excellent coal having been found in the Hampshire Hills; and said that it would be gratifying to the shareholders to know that they had made it possible for

industrious and united families, who with the utmost toil, were scarce able to support themselves at home,

83. Ibid.
to live in comfort and to enrich themselves in Van Diemen's Land. 84

Based on the company's balance sheet at 30 June 1830, the application of funds was as follows: 85

| Investment in land and improvements. | £30,050.13.1 |
| " sheep. | 30,717.2.8 |
| " horses. | 4,979.19.1 |
| " cattle. | 4,127.13.7 |
| " stores, furniture implements and machinery. | 15,479.10.11 |
| " ships. | 2,154.10.3 |
| Cash, bills and debts owing to the company in the colony. | £91,391.0.10 |

As with the Australian Agricultural Company, substantial expenditure was directed to the provision of non-income earning assets. The application of funds to fixed improvements and plant was possibly excessive, and had closer control of expenditure by management been possible, a better balance might have been maintained between funds expended on essential improvements and funds applied to sheep, wool and grain production. Increased net income would have contained the risks of over-capitalisation of the enterprise, and facilitated the land improvement plan. The remote location of the company's lands, and the scarcity and high cost of labour, contributed to the excessive commitment of funds to improvements not directly related to the earning of income. The Directors' decision in 1833 to encourage emigrants to settle on the company's lands aggravated the imbalance by necessitating further expenditure on non-productive facilities.

Reporting in 1832 the Directors again reassured the shareholders. They were informed that:

more money will necessarily be required, not to defray current annual expenses, but upon those permanent investments,
buildings and so on, which are required on all new and unoccupied estates, in order to make the land valuable, as well for cultivation by the company, as for tenants, or for sale. 86  

The Directors then informed shareholders that another call, not exceeding £2 per share, would probably be necessary to enable essential developmental work to proceed. This advice was followed by the encouraging statement that land was becoming scarce "particularly on the north side of the island, and each settler must come nearer to our borders". 87a  

Substantial land grants in the 1820s had placed Van Diemen's Land in an unfavourable position to promote immigration in comparison with New South Wales. The Directors evidently felt justified in making their statement as fertile land in the region of the old settlements had become less available, and settlers were forced to look further west.  

The best land had ceased to be public by 1830; there was no basis for a landed expansion; there was nothing comparable to the land beyond the nineteen counties which was to be had merely by squatting on it. 87b  

The Directors had reported in March 1831 that title to the grant lands should issue "in the course of a few months", facilitating the promotion of settlement. In March 1832 they reported the completion of substantial bridges at Weybridge and in the Hampshire Hills, designed to improve access to the company's lands.  

But although the Directors apparently felt justified in their comment on the movement of settlers westward, they had still not comprehended the commanding nature of the natural barriers between the old settlements and the company's lands. Curr's doubts on the productive potential of the grants were not heeded; the risks of over-capitalising the lands, which the Directors appear at least in part to have appreciated, were rationalised.  

Curr recognised that the disinclination of the Directors to persevere with endeavours to obtain better country, either in the north-east of Van Diemen's Land or on the Australian mainland, arose from misconceptions which late in 1830 he attempted to correct. 88  

The Directors believed that the grants approved would meet the needs of the company and provide the

86. Ibid., pp.28-9.  
87a. Ibid.  
basic resource from which the company could progress to a position of consequence and prosperity. Curr disagreed with this contention, asserting that the "present undertaking will eventually be moderately and fairly profitable, and my hopes go no further". He emphasised that this reserved opinion could well be optimistic, having regard for the difficulties confronting management in the colony. He was convinced that the capacity of the grant lands, both farming and grazing, would not permit the company to reach the position of influence once envisaged. He summarised his disagreement with the Directors in these terms:

The principles on which the company commenced were sound and judicious; there are some occupations much better in the hands of individuals than of companies, but I can undertake to say that the growth of fine wool on a very large scale can be managed as profitably by a company as by individuals, and I think even more so. In our case there is but one impediment to perfect success, but that is a most important one, it is that our lands are not sufficiently good.

Although Curr did not say that the corporate pastoralist had to ensure that the shareholders understood the need for a cautious dividend policy, this was implied in his criticism of the Directors for their "too sanguine expectations, which I have often endeavoured to repress". He suggested that the prospects for the company were substantially less assured than had been indicated in the company's public reports. He was concerned that the Directors were unwilling to seek substitute or additional lands on the mainland, stressing that despite the extent of the continent the useful lands would be quickly occupied, and that to secure any part of the most valuable country available in any location, no time should be lost. But the Directors having no practical knowledge of the land and conditions, did not respond to the logic of Curr's argument.

The unsuitability of the wet, cold conditions in the north-west of the island for depasturing sheep and producing wool, was again emphasised by the serious losses of ewes and lambs experienced in the Surrey Hills during the winter and spring of 1832. The company's flock was reduced by losses

89 Ibid.
90 Ibid.
91 Ibid.
92 Ibid.
from 9,334 to 7,169 sheep, a mortality rate of 23 per cent among the grown sheep apart from the total loss of the year's lambs. The Directors, however, did not accept that these losses were due solely to the severity of the season, criticising the superintendent of the district for his failure to recognise the need for supplementary feeding and to provide shelter for the lambing ewes. While the supervision of the sheep may have been inadequate, supplementary feeding required fodder reserves and labour both of which the company lacked. The Directors' observation was a further indication of their unwillingness to accept that Curr's conclusions, based on experience in the area, were probably correct.

The company's experiences with indentured servants had also been unsatisfactory. Much had been expected from this source of labour in developing the grant lands. But the validity of the company's indenture agreement had been questioned, and although considered enforceable by legal opinion in England, doubt had been created. Those wishing to breach their agreements were taking advantage of the technicality and absconding. The company, therefore, decided to amend the agreement to a form expected to benefit both company and servant, and under which remissions in the term of the contract, would be granted for 'industry and frugality'.

The Tenantry Scheme.

Curr insisted that isolation and insecurity deterred settlers from facing the privations of the north-west. But the Directors, seeing population as the solution to the company's problems, determined to increase their efforts to attract emigrants to the region. In March 1833 they stated their policy for promoting settlement through a scheme of tenantry on the company's estates. This intention was widely advertised despite Curr's requests that a conservative approach should be adopted to the encouragement of settler emigrants. Curr's advice was not accepted, and the Directors announced that they had long held the view that immediately the company's selections had been defined, it would be in the interests of the company to encourage settlers to their lands as tenants.

94. Ibid., p.16.
thereby bringing their large extent of country sooner under cultivation, and getting, as landlords, a fixed but increasing rental. 95

The Directors considered such arrangements would add to the company's prosperity and to the value of the lands. They informed the shareholders "that in the course of a few years their locations will be equal in value to those in other districts", 96 - but such observations were an expression of the failure of the Directors to comprehend the obstacles to progress. Isolation and climate were to impede the progress of the company and of those who became its tenants, but the promotion of the tenantry scheme revealed none of the reserve Curr had advocated. As though demanding the silent approbation of their officers in the colony, the Directors announced that they had arranged for a ship immediately to pick up emigrants as tenants to the company. Policy even at this stage had been oriented towards a landlord role.

With the Yearly Report in March 1833, the company published its "Proposals for the encouragement of emigrants as tenants to the Van Diemen's Land Company". The proposals were an optimistic invitation to become part of the company's undertaking. Risks and uncertainties abounded, but little was said of the element of chance. Emigrants having no capital were encouraged to settle as tenants. Those with capital were invited to purchase allotments of land from the company. All were assured that, whether or not they had capital to invest, they would "find good employment and attain comfort and respectability". 97

The proposals assured industrious farmers with capital of £100, that they could settle in Van Diemen's Land in attractive conditions, and see their families advance in the world. Those with larger capital were assured of success. The farms were to be of fifty acres and upwards, according to the means of the tenant. The advantages of company tenancy were commended, and particular emphasis was placed on the security those associated with the company would enjoy compared with others not so related. At the same time the company reaffirmed its intention to employ emigrants under the revised indenture provisions. Labour was essential for the preparation of land to receive tenants. To all free labour the deterrents of isolation,

95. Ibid., p.20.
96. Ibid.
insecurity and lack of communications, loomed large. An endeavour to counteract this handicap was made by an assurance that, on the expiration of the agreement, or before, if good conduct justified some remission of term, the indentured servant and his children could become tenants on the company's estates. Such a radical change in policy might have been expected to excite enquiry, some critical comment, from those who had invested in the concept of large scale corporate land ownership and pastoral production. The prospects of influence and profit, and of capital growth, the rewards for the successful management of risk capital, were to be replaced by the lower, more immediate, and relatively secure income derived from rentals. But tenants had still to be found, and rent became payable only after three years occupation of company lands. The policy change and the validity of the reasons prompting it went unquestioned.

Curr's despatches revealed an increasing frustration with the failure of the Directors to comprehend the diversity of the problems confronting his administration. On a number of occasions, sensitive to the readiness with which the settlers and the colonial administration seized upon any exaggeration, he had urged the Directors to be conservative in their public comments. He had criticised aspects of the Directors' Report of March 1832, and being asked to explain his comments he said:

that in framing such a report it should be borne in mind, that it is not only to be read by proprietors in England, but also by persons more or less conversant with our affairs here, and in the minds of the latter how bad must be the effect of anything like exaggeration, or, of what amounts to precisely the same thing, dwelling almost exclusively upon the bright side to the exclusion of the dark one.

The conflict of opinion, the difficulty of reconciling differences when months passed before reactions to propositions could be received, and changing circumstances in the colony, convinced Curr that he should visit London for direct discussions with his Directors. In January 1833 he wrote that during his absence from London of some seven years, a want of unity of purpose and actions has gradually grown up between the establishment at home and here.

98. Directors' Eighth Yearly Rep., p.16.
and is very liable to extend itself further, arising very much from the want on your side of local knowledge, a want which correspondence never will, I fear, supply.  

Curr arranged that J.H. Hutchinson should assume control in the colony during his absence. After meetings and discussions in London with Curr, the Directors reported to a Special General Meeting on 31 October 1833. This Report reflects Curr's influence, although little prominence was given to his opinions. The only direct reference to his views concerned further sheep losses at the Surrey Hills due to severe weather and the ravages of wild dogs.

The Directors agreed with Curr that until the Surrey Hills estate had been better prepared for the running of sheep it would be unwise to contemplate increasing the flocks there. No acknowledgment was granted to Curr, who for eight years had contended with unusual and unexpected problems, in isolated circumstances requiring decisions on his judgment alone. But the plan outlined by the Directors largely endorsed the opinions he had repeatedly expressed.

The Plan of 1833.

The plan was first, to extend the area under cultivation at Circular Head, diversifying grain production to include corn, and to establish an improved dairy; second, to expand the flocks of the most suitable imported breeds of sheep, particularly at Woolnorth and on Trefoil Island; and third, to discontinue the depasturing of sheep at the Surrey Hills, using that country only for cattle. The cost of implementing the plan was estimated to be £6,500, in addition to income earned in the current year and the succeeding two years. The objective was to cover expenses in 1836, and thereafter to achieve "a gradually improving and available surplus".

The Directors recommended the adoption of the plan, advising shareholders that its implementation would necessitate a call of £1 per share.

The Report concluded with the text of several resolutions to give effect...
to the plan, on the basis of which the Directors had no doubt "the present disappointments will give way to progressive improvement". But the resolutions, while possibly giving the impression of a soundly based and practical series of instructions, continued to overlook the company's basic problems in the colony. The objectives were to reduce expenses as far as practicable; to use the artisans and labourers effectively and economically; to pursue farming operations to the maximum possible extent, and to expand the areas sown to English grasses; and consistently with the main object of the company, to breed sheep and produce wool, to prepare and adapt country for the running of sheep by building fences and shelters, and by growing winter fodder. Thereafter, the remaining area of unappropriated land was to be prepared as rapidly as the labour situation would allow, for occupation by tenants of the company. Curr had, however, failed to explain that the deficiencies in the company's resources of land and labour would prevent full and effective implementation of the plan.

Whereas Curr's problems had so often been caused by excessive rain, wind and snow, Hutchinson, in his brief period of authority, had to contend with an extended dry period. The drought was aggravated by an invasion of caterpillars, failures in the crops of wheat, oats, turnips and peas, and an almost complete loss of seed from the established stands of English grasses. The loss of seed caused a year's delay in the development of the area under improved pasture and at a critical stage in the company's progress. Hutchinson's despatch to the Directors in December 1833 was a report of unfortunate events, providing an uncertain start for the company's recently announced plan.

The Reports of the Directors in the succeeding three years lacked the confidence of previous statements. Though not acknowledged, Curr's repeated representations had established the desirability of more reserved judgments. Following the two comprehensive Reports to shareholders in 1833, the Report in March 1834 was almost perfunctory, and proffered no further information other than that a saw-mill had been consigned to Circular Head. The observations on the 1834 harvest and the acreage under cultivation, however, revealed the concern of Directors at their inability to report progress under the 1833 plan. In March 1835 the Directors said that the

106. Ibid., p.7.
107. Ibid., p.8.
harvest had not been a success due to the general drought conditions, and because the total of 605 acres under cultivation was disappointingly small, so much of the limited labour available having been committed to building, fencing and road work. A year later, and despite the reservations expressed in the company's Report, a dividend at the rate of six shillings a share, or about 2½ per cent on paid-up capital, was declared. This may have been a reaction to growing doubt among the shareholders concerning the possibilities of success for the venture. The Directors may have felt that after ten years of optimistic forecasts and poor results, the shareholders should be given some encouragement to meet the further calls which would become necessary. At this stage and although funds were available in London from remittances of income earned in the colony, prudence should have dictated the conservation of funds.

The 1836 Report said:

it must be obvious, that in the earliest stages of the company's proceedings, a large outlay of capital and of labour was indispensably necessary for buildings, fences, drains, roads, stores and wages. Ignorance too, of the methods of cultivation, and of the species of livestock best adapted to the climate and soils, unavoidably created great losses and disappointments.

This belated recognition of certain of Curr's submissions was followed in the same Report by an indication that the Directors were questioning whether the lands occupied by the company were, in fact, appropriate to its objects. They informed the shareholders that after Curr had left England to return to Circular Head, they had discussions with the Secretary of State,

upon the subject of an exchange of a portion of their Woolnorth allotment on the eastern side, without diminishing its length, for 54,000 acres in the north-east quarter of the island.

Twelve months later the shareholders were advised that communication had been maintained with Lord Glenelg on this proposed exchange of land.

110. Ibid., p.6.
112. Ibid.
113. Ibid., p.7.
but that further discussion had been postponed as Arthur was shortly
expected in England, and Lord Glenelg wished to discuss the proposals with
him before making any decision. Two years later in their Report of
18 March 1839, the Directors regretted that the negotiation for an exchange
of lands had been "wholly unsuccessful". They said they had the
satisfaction, however, of stating that instructions had at last been
directed to the Lieutenant Governor of the colony to determine the
boundaries of the grant areas in accordance with the conditions already
agreed.

Unfavourable seasons continued to frustrate the plans of the company.
The heavy losses of sheep in 1833 had not been recovered, and a series of
hard winters had compelled the company to maintain conservative stocking
rates. The following livestock figures are as stated in the Yearly Reports:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep</th>
<th>Cattle</th>
<th>Horses</th>
<th>Swine</th>
<th>Deer</th>
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<td>9,334</td>
<td>561</td>
<td>93</td>
<td>112</td>
<td>7</td>
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<td>1832</td>
<td>7,169</td>
<td>1,290</td>
<td>143</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>1834</td>
<td>3,262</td>
<td>1,307</td>
<td>144</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1835</td>
<td>3,935</td>
<td>1,545</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1836</td>
<td>4,281</td>
<td></td>
<td>179</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The heavy mortality in the sheep and the increase in cattle numbers
confirmed Curr's assessment of the lands as unsuited for the breeding of
merino type sheep and the production of fine wool.

The high cost of developmental work caused serious concern. The
assurances given to the shareholders on the restriction of expenditure,
could not be justified even in the reduced improvement programme. The
difficulties encountered in draining the marsh lands at Woolnorth and
Circular Head placed unexpected demands on the company's resources of
funds and labour, and the expected benefits of increased production were
slow to be realised. Production of sheep and wool at Woolnorth had
been disappointing, and the company accepted that until the country had
been drained and English grasses had become well established, improved

115. Sir George Grey to the Gov. of Co., 20 Jan 1837, in Twelfth
117a. Ibid.
117b. See, Glenelg to Franklin, 30 June 1838, CO.408/14, pp.418-19. ML,
concerning convict labour and the substitution of imported labour
for assignment.
performance was not possible. Production in the Hills properties also was disappointing. Cattle had done reasonably well, but the rate of natural increase had been unsatisfactory. However, the Cheviot sheep which had been sent out in 1834 for experimental purposes had thrived, and appeared to be well suited to the harsh conditions.\(^\text{119}\)

The company had been careful to maintain the quality of the livestock, and its contribution to the sheep and cattle industries was widely, though at times grudgingly, recognised. The Directors were justified in recording that they continued

\[
\text{to receive the most flattering accounts of the estimation in which their several breeds of stock are held in the colony.}\(^\text{120a}\)
\]

The maintenance of quality in the livestock through regular and costly importations assisted the company to make sales despite the isolation of the grants, and in 1836 livestock sales realised £6,839\(^\text{120b}\). This income influenced the Directors again to recommend payment of a dividend of six shillings a share. They said they felt warranted in so doing as remittances and income received had placed the company's funds in a favourable position both in London and in Van Diemen's Land.\(^\text{121}\)

The company's Thirteenth Report in 1838 was a more comprehensive and informative document than had previously been issued. The objective may have been to encourage intending emigrants from England to seek association with a company which placed facts before its members. Whatever the motivation, the Report in its frankness went far towards correcting the former shortcomings concerning which Curr had made such critical observations.\(^\text{122}\)

Improvement work at Circular Head proceeded satisfactorily in 1837 mainly because of better discipline in the establishment. But the preparation of the deer park of forty-five acres for the reception of the deer, bulls and stallions, was an avoidable and unnecessary expense. Pasture establishment had expanded, but mainly in the limited areas of Circular Head, where many of the spots in cultivation are now about one half clover, which crop gradually follows the pasturing of

\(^{119}\) Ibid.
\(^{120a}\) Ibid., p.5.
\(^{120b}\) See Ch.4, pp.99-100.
\(^{121}\) Directors' Twelfth Yearly Rep., p.9.
\(^{122}\) Directors' Thirteenth Yearly Rep., 19 Mar 1838. References to Woolnorth, p.5.
stock on English and native grasses combined with clover, so that the latter will, in a few years, entirely supplant the native grasses, and mingled with rye-grass maintain six times the quantity of stock.\textsuperscript{123}

After the pessimistic reports on the performance of the sheep, particularly in the Hills and at Woolnorth, advice that the 1836 lambing had been more favourable than in any previous season, was encouraging. In the fine woolled flocks, 88 per cent of lambs were marked, and in the flock of improved sheep, 75 per cent; a remarkable improvement due to the removal of sheep from the Surrey Hills, closer supervision over the reduced number of breeders, and a favourable spring season. Demand for sheep and sale values had improved, the company selling Saxon rams up to £9.9.0 per head, Leicester rams for £10.10.0 per head, and Durham bulls at £100. On the other hand, when the company's 1836 clip of forty bales was sold in 1837, the wool market had weakened and the realisation was only £537\textsuperscript{124}. The detail of the weight of wool clipped per head and the gross return for a grown sheep were not recorded, but on reasonable assumptions it would seem that a grown sheep was producing about 2 lbs. of wool, which in 1837 realised on average about 15 pence per lb..

The theme of the 1838 Report was confidence in the company's prospects, and for the third successive year a dividend of six shillings a share was recommended. This dividend represented the modest yield of 1.7 per cent on the paid-up value of £17 per share. The Directors observed that they looked ahead with confidence to an increase in the amount of the distribution in each succeeding year\textsuperscript{125}. Curr's advice that projections should be avoided as changing circumstances could make their realisation impossible was disregarded\textsuperscript{126}. The Directors were persuaded by the encouraging results of three good years to be unwisely optimistic. They were doubtless influenced also by the need to improve the investment status of the company's shares in London. In June 1838 the company's shares were quoted on the London Stock Exchange at £11.10.0 compared with their paid-up value of £17. The shares of the Australian Agricultural Company with a paid-up value of £27.10.0, were at the same time quoted at £45\textsuperscript{127}.

The balance sheet figures available in March 1838 were for the period to

\textsuperscript{123} Ibid., pp.4-5.
\textsuperscript{124} Ibid., pp.7-9.
\textsuperscript{125} Directors' Thirteenth Yearly Rep., pp.10,12.
\textsuperscript{126} Curr to the Directors, 11 Sept 1832, loc.cit., (Note 100).
\textsuperscript{127} See Appendix 7.
31 December 1836. After ten years of operations in the colony the figures were indicative of the manner in which the investment was developing. Some expenditure was unproductive and this wastage of resources had aggravated the problem of longer term profitability. The assumed steady growth in land values in the colony distracted the attention of Directors and management from the consequences of over capitalisation of the enterprise. The problems were emerging of an investment with considerable asset backing and an unacceptably low dividend yield, meeting a depressed market rating. In the opening-up of rugged country in the north-west of Van Diemen's Land some unproductive expenditure was inevitable because of lack of understanding of the problems in the region, but experience failed to influence planning and action. Nor had the depressing recurrence of fluctuating seasons, markets and prices, been recognised as the cyclical companion of pastoral producers.

The source and application of funds in the colony at 31 December 1836, are summarised hereunder:

Funds Provided.
From the company in London, balance at 31 December 1835. £132,653. 9. 9
Sundry liabilities to London. 1,707. 8. 9
Outstanding drafts. 644. 0. 0
£135,004.18. 6

Less shipments of wool, hides. 5,391. 4. 1 £129,613.14. 5
Instalments, Numbers 1 to 8, held in the colony. 920. 0. 0
Balance exchange and interest accounts. 1,936.11. 0
Sundry items. 3,531.12. 6
£136,001.17.11.

Funds Represented By.

Investment in land.
- Survey costs. £4,861.13. 8
- Circular Head. 25,206. 6.11
- Hampshire Hills. 15,233. 0. 2
- Surrey Hills. 9,573.18. 6
- Emu Bay and road. 4,366.18. 9
- Woolnorth. 6,167.16. 8. £65,409.14. 8

Investment in sheep.
- " horses. £24,357.15. 2
- " cattle. 6,454.13. 9
- " deer. 4,263. 9. 3
- 75.12. 8. 35,151.10.10

Investment in ships, stores, arms, machinery, tools.
- 24,584. 6.11

Freight, employees' passage costs.
- 5,598.12.10

Cash, bills and debts in the colony.
- 5,257.12. 8 £136,001.17.11.

The segregation of the company's estates from the established and prosperous settlements in the eastern half of the island made the development of communications a vital need. Settlement and tenantry presupposed population. The company persistently sought the participation of government in the formation of access roads. In 1837 the colonial government agreed to construct a bridle-road from Launceston to Circular Head, which would have provided direct communication with the north-west of the island, facilitating access to the company's unappropriated lands.

Hopes for this bridle-road were, however, short-lived. Within the year the project was postponed because of the acute financial problems of the colony. This was a severe blow to the company whose decision to concentrate on a scheme of tenantry relied in large measure on overcoming the problems of isolation.

The deterioration in the economic situation of Van Diemen's Land from 1838 was due mainly to the substantial fall in wool prices and the

consequential decline in demand for livestock. The Directors reported in 1839 that news of the great fall in the price of wool in England in 1837, having reached Van Diemen's Land previously to the company's sale of stock in that year, and considerable pecuniary embarrassment having ensued amongst the colonists, the proprietors will be prepared for a correspondent falling off in the produce of that sale.\(^{130}\)

Net realisations from sales of surplus stock were only £2,181, almost £5,000 less than in 1836. The inability to recommend a dividend in 1839 was attributed mainly to this fact. The Directors warned that early recovery in livestock sales and prices could not be expected.\(^{131}\)

They gave notice that in the circumstances they may be compelled to make a call on shareholders to enable additional labour to be employed, to augment the flocks and herds, to meet operating costs, construct buildings, roads and fences, and to encourage tenants\(^{132}\). By stating that new capital would be required to meet current working costs the Directors acknowledged that the dividend distributions had been premature.

When the 1839 Report was prepared in London the trading figures in the colony for the year ended 31 December 1838 had not been received, but progress reports indicated that a profit was unlikely on the year's operations. The income and expenditure accounts from Circular Head, in due course revealed a deficiency of £471.4. 6, as follows:\(^{133}\)

<table>
<thead>
<tr>
<th></th>
<th>Income</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circular Head Estate.</td>
<td>£1,157. 4. 3</td>
<td>£1,496. 7. 5</td>
</tr>
<tr>
<td>Circular Head Farm.</td>
<td>1,600. 2. 1</td>
<td>1,130.10.10</td>
</tr>
<tr>
<td>Hampshire Hills Estate.</td>
<td>171.18. 4</td>
<td>744.18. 6</td>
</tr>
<tr>
<td>Surrey Hills Estate.</td>
<td>-</td>
<td>644.19. 2</td>
</tr>
<tr>
<td>Woolnorth.</td>
<td>452.12. 7</td>
<td>669. 6. 1</td>
</tr>
<tr>
<td>Dairy.</td>
<td>104.13. 0</td>
<td>35. 3. 8</td>
</tr>
<tr>
<td>Improved sheep.</td>
<td>539. 3. 3</td>
<td>1,092. 3. 1</td>
</tr>
<tr>
<td>Merino</td>
<td>1,942. 8. 4</td>
<td>942.19. 6</td>
</tr>
</tbody>
</table>

\(^{131}\) Ibid., pp.8-9.  
\(^{132}\) Ibid., p.9.  
\(^{133}\) Abstract of Produce and Expenditure Accounts in the Co\textsc{j}. Books for the year ended 31 Dec 1838. Archives Tas. VDL.205, not paginated.
Negretta sheep £245.12. 9 £224. 6.10
Leicester " 55. 5. 9 89.18. 3
Cotswold " 17. 5. 4 47. 6. 7
Cheviot " 9.13. 7 27. 4. 9
Cattle. 859. 6. 4 595.10. 2
Horses. 633.15. 7 564. 4. 3
Schooner Edward. 612. 3. 7 567.10. 2
£8,401. 4. 9 £8,872. 9. 3.

The reaction of investors in June 1840 was to depress the market price of the company's shares to £12. 5. 0, compared with the paid-up value of £17.10. 0. At the same time the shares of the Australian Agricultural Company were trading at £41 against a paid-up value of £27.10. 0. 134

The Landlord Role.

By March 1840 the Directors' one objective was to promote emigrants and encourage tenants. Disappointment at the continuing failure to produce the improving profits forecast, clear signs that the pastoral boom of the mid-1830s was on the wane, and an economic downturn in Britain, confirmed the Directors in their decision to seek a fixed income rather than hope for short term more speculative gains.

This policy would effectively pass to others the risks of seasons and prices, and make possible financial planning on which a satisfactory return to shareholders could be assured. This policy was enunciated in the 1840 Report. 135 The expansion of road communication between the company's several locations was explained and optimistic references were made to the potential of Woolnorth. Encouraging prospects for the timber industry were also mentioned, and particular reference was made to the blackwood forests of the Surrey Hills. 136 The Directors recorded that the company's establishment had increased to 203 persons, including 14 women and 31 children. An increased number of labourers continued to be the main need for the development of the company's lands. In a renewed effort to attract emigrants to its estates and its service the company offered conditions which were expected to ensure an increasing flow of settlers to the colony, and the gradual formation of townships on the company's estates. The theme

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134. See Appendix 7.
136. Ibid.
adopted by the company was that those who acted quickly would have wealth assured to them, whereas the tardy would have to contend with increasing competition from England and within the colony. The Directors referred to the effect the improving economic situation and growing population were having on the value of rural land and its produce, adding with misleading emphasis, that the recent order of the home government raising the minimum sale price of colonial land from five shillings to twelve shillings per acre, cannot fail in a proportionate degree to benefit the company's property.

In March 1840 the company published a comprehensive pamphlet to support its campaign. These "Proposals to Farmers, and other Emigrants possessed of small capital, as Tenants", detailed the formal provisions of the proposed tenancies, and the ways in which the company would assist tenants to become established on its estates. The Directors said that 128,000 acres had been reserved for occupation by tenants.

These lands would be leased in blocks of one square mile, or 640 acres, more or less, according to the capital and means of the tenant, at two shillings per acre per annum; for the first 2½ years this rental would be expended by the tenant on fencing and other permanent improvements, thereafter being payable in cash as due; leases would run for twenty-one years for the first twenty settlers emigrating from England under these proposals, these settlers also having preference in their selection of locations.

Further encouragement was given to settlers in a series of provisions to assist them in the process of establishment in Van Diemen's Land. To a family emigrating to a distant colony knowledge of support from a company headed by reputable people in London must have been influential. The company undertook to provide essential stores at moderate cost; to lend timber carriages for the use of tenants; to make available the services of the company's medical officers; to establish schools and churches as increasing population created the need.

Although Curr had finally agreed with the tenantry scheme, the reserve he had so often expressed, based on his conclusion that the grant lands were

139. Proposals to Farmers, supra.
140. Ibid.
141. Ibid.
largely unsuitable for intensive cultivation, made him a reluctant supporter. The prospect of substantial capital outlay to fund the scheme with no prospect of income for three years, caused concern to the man who had worked for fifteen years to establish the company on sound foundations with prospects of profit. Curr had expressed his opinions bluntly and at times with an insensitive lack of tact. He had not avoided criticism of his Directors when he believed that he was acting in the interests of the company. The Directors, on the other hand, had become concerned at the lack of progress on the company's estates, with the loss of confidence among the shareholders in the company's prospects, and at the recurring differences of opinion between the company's chief agent and the colonial administration.

The Directors' decision to terminate Curr's appointment arose from his refusal to accept their instruction to meet part of the cost of maintaining the Police Magistrate at Circular Head. For over two years this matter had been the cause of acrimonious correspondence between Curr and the local administration. The Secretary of State had finally felt obliged to repeat to the company the complaints received from the Lieutenant Governor about Curr's intemperate behaviour. The communication from the office of the Secretary of State said:

His Lordship trusts that the Company will immediately make provision for the payment of the demands of the local Government, and that they will take into their serious consideration the measures necessary for rescuing that Government from the embarrassment in which it is involved by the tone in which Mr. Curr conducts his correspondence with them.142

The despatch continued by stating that the maintenance of friendly relations with the company would be impossible if the company failed to take steps to protect the local government from "the repetition of such reproachful and injurious language as that of which the Lieutenant Governor complains".143

This formal rebuke coincided with discussions between the Directors and the Secretary of State in a further attempt to adjust the company's land grants. The Directors were seriously embarrassed by the despatch from the office of the Secretary of State, and the conjunction of these two events caused the complete fracture in relationships between Curr and the Directors. In May 1839 the Secretary of State rejected the company's submissions on the land

   PRO.882/3, p.2. ML.
   See also, Labouchere to Ewen, Sec. of Co., 8 July 1839, ibid., p.94.
143. Ibid., p.2.
grants, saying:

With regard to any addition to or exchange of the Company's Grant of Land, Lord Normanby cannot consent to resume the consideration of a question deliberately decided by his immediate Predecessor with a full knowledge of all the material facts and circumstances of the case.\footnote{144}

The Directors may with justification have linked the rebuke in March with the rejection of their submissions on land in May. The Secretary of State also declined to consider the matter of "the Bridle Road from the Company's Settlements at Circular Head to the settled districts of the Colony", as this was a local matter for decision by the Lieutenant Governor\footnote{145}.

Curr, although disappointed, was probably not surprised to receive early in 1841, a despatch from the Governor and Directors informing him that he was to be superseded in the appointment of chief agent for the company in Van Diemen's Land\footnote{146}.

The Directors' Report in March 1841 confirmed the changes in policy and the intention to concentrate on the scheme for tenants. At the same time the Directors announced that Edward Curr would be replaced by James Gibson who had spent seven years in Van Diemen's Land as an agriculturalist. The announcement clearly inferred that, in the judgment of the Court of Directors, Curr was not competent to continue as the executive in charge of the company's affairs in the colony. The Directors said:

It now becomes the duty of the Directors to inform the proprietors, that since the last General Meeting, they have considered it necessary for the future welfare of the company, that a change of management in the colony should take place, in consequence of which a despatch was forwarded to Mr. Curr apprising him that, after twelve months from the receipt of the said letter, the Court will have arranged for his successor to take the management.\footnote{147}

Curr had endeavoured to develop the lands entrusted to his management, having only the company's objects and progress in mind. The difficulties

\footnotesize{144. \textit{Labouchere to Ewen, 25 May 1839, CO. 408/17. PRO.882/3, p.50. ML.}}

\footnotesize{145. \textit{Ibid., pp.50-1.}}

\footnotesize{146. \textit{Gov. of Co. and Directors to Curr, L. No.207, 17 Sept 1840. Archives Tas. VDL.1/5. Not paginated.}}

\footnotesize{147. \textit{Directors' Sixteenth Yearly Rep., 29 Mar 1841, p.15.}}
caused by the land and the climate, of which he early became aware and on which he had fully informed his Directors, had been aggravated by the shortage and inefficiency of labour. Money was lost through unnecessary, and at times extravagant developmental work, but greater losses resulted from incompetent execution of essential improvements. Curr may have become so disillusioned that he tolerated inefficiency. But more probably weariness and disappointment, the physical and intellectual frustration of failure to convince his Directors and the local government of what, in his opinion, was beyond question, destroyed his incentive to surmount obstacles. He wrote in a moment of despondency that "this establishment is no longer my pride, and I look with increasing anxiety for my successor". 148

The 1841 Report dealing with operations in 1840, disclosed an increase in livestock numbers:

<table>
<thead>
<tr>
<th>Animal</th>
<th>1838</th>
<th>1839</th>
<th>1840</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheep</td>
<td>6,090</td>
<td>7,447</td>
<td>8,738</td>
</tr>
<tr>
<td>Cattle</td>
<td>1,612</td>
<td>1,840</td>
<td>1,988</td>
</tr>
<tr>
<td>Horses</td>
<td>182</td>
<td>213</td>
<td>225</td>
</tr>
<tr>
<td>Swine</td>
<td>95</td>
<td>91</td>
<td>80</td>
</tr>
<tr>
<td>Deer</td>
<td>11</td>
<td>16</td>
<td>21</td>
</tr>
</tbody>
</table>

The Directors estimated that livestock on hand at 31 August 1840 had a value of £45,493, despite adverse trends in the economy of the colony. The valuation, which placed £1 per head on all sheep and £15 on cattle, was optimistic, as sales were proving difficult to make at any price. The area under cultivation showed an increase of only 41 acres because of the diversion of labour from rural production to the building of improvements required for the expected inflow of tenants, and the clearing of land for cultivation 149.

Curr had reluctantly acquiesced in the tenantry scheme; Gibson had no reserve. He informed the Directors that in his opinion, the ultimate prosperity, not only of the company, but of every landed proprietor in the colony, depended on the rapid introduction of rural population, and that not until this had been achieved could the resources of the colony be effectively exploited and prosperity secured 150.

149. Directors' Sixteenth Yearly Rep., pp.8,13,16.
150. Ibid., pp.16-17.
Curr had to contend with deficiencies in two essential resources for profitable pastoral development - adequate numbers of low cost labourers and sound sheep runs\textsuperscript{151}. The company's Charter provided that the company should 'maintain...the like number of Convicts as they do of Free Labourers, should the Governor be willing to furnish them'. But the company experienced great difficulty in attracting free labour and, for reasons earlier stated, convict labour was not readily available for assignment to the remote north-west of the island.

The company's experience with indentured labour had also been discouraging, Curr being moved to write that

whenever skill or trustworthiness is required, it is not amongst these free men but amongst the convicts that we are obliged to look.\textsuperscript{152}

Curr was convinced that the major cause of the labour problem was the isolation of the company's grants, and that no matter what the source or quality of labour, until this deterrent had been overcome the company was obliged to pass to others the incentive of proprietary interest in the work done.

As Curr approached the end of his term of responsibility with the company, he wrote with greater assurance, as though he felt impelled by obligation to record his conclusions more positively, engrossing them for the benefit of his successors. He addressed himself to the problems of health in sheep, concluding that growth and constitution in all stock, but particularly in sheep, depended on extensive dry runs, low stocking rates, and an abundance of good water\textsuperscript{153}.

Curr left the company as the problems of economic depression in the colony were intensifying. He was pessimistic about the prospects for the company's migrant tenant scheme.

When I see, as in the cases of South Australia and New Zealand, the immense machinery of advertising, public meetings and so forth, which are indispensable in bringing such undertakings before the British public sufficiently to produce any amount of emigration, I see too plainly the great difficulties the Van Diemen's Land Company, will have yet to encounter.\textsuperscript{154}

\textsuperscript{151} R.M. Hartwell, \textit{op. cit.}, p.7.
\textsuperscript{152} Curr to the Directors, 13 June 1841, \textit{supra}.
\textsuperscript{153} Curr to the Directors, L.No.233, 15 July 1841. \textit{Archives Tas.} 5/6, pp. 34-9.
\textsuperscript{154} Curr to the Directors, 13 June 1841, \textit{supra}.
6.

CAPITAL AMIDST DEPRESSION.

THE SCOTTISH AUSTRALIAN INVESTMENT COMPANY

1840-1846.

The establishment of the Scottish Australian Investment Company in Australia coincided with the onset of an economic depression in the colony which left few unaffected. The main causes for the reversal from the boom conditions of the middle 1830s, were prolonged drought in the colony from 1838 and slump conditions in Britain between 1839 and 1842. As we shall see, the conjunction of these factors induced a series of consequential problems adversely affecting the colony's pastoral, commercial and financial development. Arriving in Sydney on 21 July 1841, Robert Morehead, appointed to direct the activities of the Scottish Australian Investment Company in Australia, was met by the discouraging prospect of general depression and financial hardship.

Morehead was at once confronted by the inescapable influence of climatic factors on the well-being of the colony, and by the consequences of drought on an immature economy dependent on pastoral exports and the injection of British capital. But Morehead had an unusual capacity for looking ahead, for assessing investment potential not only in the narrow perspective of the present, but more broadly against the optimistic probabilities of the future.

Despite the pessimism surrounding him, Morehead despatched an optimistic forecast to the company's head office in Aberdeen only ten days after his arrival.

This is destined to be a splendid country. Such a company as ours, judiciously conducted, will greatly benefit the colony as well as ourselves. We have arrived here at a very favourable time for making investments, as money is unprecedentedly scarce.  

Morehead sensed the potential of so vast a continent, in which the initiatives of people could be linked to a judicious application of capital, to discover, develop and utilise dormant resources in the agricultural and mineral fields. The depression he viewed as an inevitable incident in the cycle of growth, presenting opportunities as well as problems. Morehead's first optimistic reaction was followed a week later by the observation that the company would be well advised to lose no time in transmitting its capital to the colony, as opportunities abounded for the effective disposition of well secured funds.

The establishment of the company under a Contract of Copartnery placed heavy responsibility on the judgment of Morehead and his sub-manager Young. Their acts were legally the acts of the partners in all matters appertaining to the investment of the company's funds, and as defined by the Deed.

Under the terms of the contract, the company appointed and authorised certain persons to act for the partners. Clause v of the Rules and Regulations stated:

that all writings and vouchers shall be taken in the joint names of the manager, sub-manager, and such other officer or officers of the company abroad, and their successors in office, or in such other manner as the Board of ordinary Directors may, from time to time, appoint.

This clause precluded nominated officers from investing on their own account, and specifically provided that all investments in Australia standing in these names "shall be understood and held to have been made by them with the funds, and for behoof of, the company, and be the property of the company accordingly".

The Rules provided also, that the Directors could allot a limited number of shares of the capital stock to parties in Australia, and the related British colonies and settlements, who may apply for them, such shareholders then being eligible for appointment by the Directors as members of a committee of management in Australia, with such powers as may, from time to time, be entrusted to them. This form of corporate organisation required full

4. Ibid.
5. Ibid., Clause x.
confidence in the judgment and integrity of the officers appointed to administer the investment of company funds in the colony. Morehead was usually required to exercise his discretion having no opportunity for reference to his Directors, who became aware of a commitment only after it had been contracted. The Rules, however, prescribed the procedures to be followed to ensure that Directors were kept informed and would have opportunity to influence investment trends. They provided that to afford the ordinary Directors in Great Britain frequent and complete advice of all the transactions entered into in Australia by the company, the manager shall, besides his half-yearly balance and report, transmit monthly, to the Cashiers, a copy of the cash book, journal and trust book or books, kept for the company.6

Morehead observed this instruction with implicit care, and regularly reported on fact and opinion in the colony, in addition to despatching the company's statistical returns. He endeavoured to foresee investment probabilities, allowing opportunity to the Board to express opinions before commitments were finalised, although generally the decision had to rest on local judgment alone.

In their First Annual Report to the shareholders in December 1841, the Directors outlined the steps taken by them during the year to establish the company in Australia as a going concern. The shareholders were informed that of the calls to date totalling £25,341, the Board had resolved that £25,000 sterling should at once be made available to Morehead in Australia.7 This Report endeavoured to establish with the shareholders a feeling of involvement in the company's affairs. This was achieved by quoting extracts from despatches from the colony, reflecting the enthusiasm of Morehead and Young for the investment opportunities they felt existed for the company, provided adequate funds and prudent management were conjoined. Quantifying this potential, the Directors said that Morehead had informed them that loans on mortgage were being arranged with interest at the rate of 12½ per cent per annum, interest being payable quarterly, giving an actual yield somewhat greater than 13 per cent per annum. They referred also to loan applications from the Port Phillip region received at the company's head office in Sydney, and quoted Morehead as saying that prices of land at Port Phillip have risen too high.

6. Ibid., Clause xvii.
and must come down somewhat. I have no fear of its ultimate prosperity, but the price of land rose to such an exorbitant price, and money has been so scarce, that things were not in a satisfactory state in that district.\(^8\)

**Colonial Depression, 1841-43.**

The immediate opportunities for investment by the company were in part caused by the depression which had severely restricted credit in the colony. The commercial and financial slump and declining pastoral prosperity were among the main consequences of the drought which began in the summer of 1838. Unfavourable seasons do not suddenly appear and as quickly vanish. Losses of livestock and income on the one hand, and operating costs on the other, become heavier as the drought continues. Losses of livestock are equivalent to losses of capital as sheep and cattle earn income from a number of market alternatives. As the drought period extends both income and capital losses are aggravated. Costs, including charges on capital account, continue although income becomes negligible. Lambs and calves are not produced or do not survive. The numbers of stock for sale when demand revives are thereby severely reduced. Grain crops not produced have to be replaced by purchases elsewhere.

The longer a drought continues the more extended the time needed for recovery. Breeders have to be replaced before surplus stock are available for sale; sheep have to recover before a normal fleece is again clipped. Both the quantity and quality of production reflect the growing season. The consequences of the 1838 drought were therefore still apparent in the early 1840s.

After 1833 good seasons and rising wool prices, cheap land and the availability of assigned labour, attracted British capital to the colony\(^9\). Increasing production of wool realising high prices, infused further capital into a community disposed to speculate in land with no thought of the insecure financial foundation on which the colony's apparent prosperity was based\(^10\).

Numerous reasons were advanced for the economic problems which affected all sections of the community in 1841, and which influenced the growth of

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9. See Ch.4, pp. 99-100.
the colony during the 1840s. As later chapters will show, the two Australian pastoral companies faced serious financial difficulties towards the end of the decade, culminating in the adoption by their respective Courts of Directors of major policy changes.

New South Wales had experienced an economic slump from 1828 to 1831 caused by a combination of unfavourable pastoral conditions in the colony and depression in Britain. The widespread economic adjustments which became unavoidable in the colony in 1841 were again preceded by prolonged drought and by slump conditions in Britain. Between 1839 and 1842 England was faced with "widespread unemployment and its attendant misery" because of a conjunction of "poor harvests, depression both in home industry and in exports, and financial crisis in the United States". The effects on the colony were twofold. Firstly, wool prices fell and although production continued to increase, wool prices declined. In 1836 the average price for wool exported from New South Wales was 23.99d. per lb. In 1841 this figure had fallen to 14.8d per lb., a drop of 38.3 per cent. On the other hand the weight of wool exported had increased by 227 per cent. The pastoralist is able to adjust either to lower prices or the impact of drought provided costs remain reasonably stable. In 1840 the pastoralist had to contend with the combined effect of the consequences of drought, lower wool prices, a depressed livestock market and substantially higher costs. His margins of profit had been dissipated.

Secondly, the inflow of British capital became negligible. This reduced the demand for sheep and removed an important source of funds for speculative dealing in land. The prolonged drought and the slump in the pastoral industry were the main causes of the change from prosperity to depression. Prices, wages and land values fell, and sales of Crown Lands in New South Wales declined from £152,962 in 1839 to £11,297 in 1843.

A.G.L. Shaw, op.cit., p.49.

See also, Edward Shann, op.cit., p.105.

13. See Appendix 10, Wool Exports from New South Wales.

Lynnette J. Peel, Rural Industry in the Port Phillip Region, 1835-1880 (Melbourne, 1974) pp.31-2.
Edward Shann, op,cit., p.105.

15. See Appendix 14, Sale of Crown Lands.
Gipps to Russell, 14 Dec 1840. HRA. 1, xxi, 122-3.
In a letter dated 17 February 1842 to Aberdeen, Morehead discussed the depressed state of the colony. He said that the "derangement" in the commercial and monetary condition of the colony had existed for some time, being largely the result of "the extravagant and speculative spirit which is generally very prevalent in new and rising Countries". He criticised both people with little capital and those "of undoubted wealth" for entering into land deals well beyond their means, and for whom a small decrease in values resulted in bankruptcy.

When almost all are sellers and there are hardly any buyers, of course prices must fall. Foolish men, however, looked for nothing but a continued and rapid rise. Morehead said that the results of land speculation had been more serious at Port Phillip than in Sydney, as the speculators in the southern district had been "chiefly men of no or very little capital". But he regarded the "land buying mania" as in no way peculiar and not unexpected as a response to the inflow of funds in the early thirties.

Among other causes for the depression, Morehead considered the cessation of assignment of convicts to be equally as significant as the termination of the over-abundant flow of capital into the colony. The restriction on labour had increased costs of production at a time when increases in prices for wool and livestock could not be expected. He was critical also of excessive imports at high prices, although, as he observed "the home merchant is the chief sufferer for this".

Despite the problems and losses caused by the depression Morehead assessed them as the inevitable consequences of too rapid expansion in the 1830s. Even in February 1842 he perceived benefit arising from the enforced adjustments. The labour shortage was being overcome and wages had moderated; the land buying mania had ended; imports had been greatly reduced. He concluded that "altogether the Colony is in a much improved state".

Writing from Melbourne in September 1842, Morehead said that land values had been falling in the Port Phillip District for eighteen months and that

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17. Ibid., p.1.
19. Ibid., pp.2-3.
20. Ibid., p.3.
21. Ibid., p.3.
he expected the decline to continue.\textsuperscript{22}

There is a large amount of rottenness in this place and a complete want of confidence seems quite general.

My opinion, however, is that there is a decided progress towards a healthy state. I have great reason to congratulate myself on not having commenced making loans here fourteen months ago as a much greater revolution has taken place here within that time than was generally looked for.\textsuperscript{23}

In February 1841 Lord John Russell, Secretary of State for the Colonies, had expressed the opinion that the commercial embarrassment in New South Wales "is not a case which calls for any Legislative interference", and that "the evil can only be left to the natural course of events for remedy".\textsuperscript{24} But the distress continued as bankruptcies multiplied, wool income declined, and markets for livestock remained depressed. The average price for wool exported in 1843 fell to 12.9d. per lb, and prices paid for sheep in 1843 averaged between 5/- and 10/- per head compared with about £2.10.0 per head for ordinary flocks in the four years to 1839.\textsuperscript{25}

In 1843 the Legislative Council appointed a Select Committee under the chairmanship of Richard Windyey to investigate the causes of the commercial and financial collapse in the colony.\textsuperscript{26} The Committee concluded that "the present distressed state of the Colony is to be attributed to a combination of most of the causes assigned for it by the different witnesses".\textsuperscript{27} The causes were variously emphasised by the witnesses. Included were "the sudden stoppage of transportation" at a time when substantial expenditure had taken place on pastoral improvements in the belief that assigned labour would continue to be available; "an immense influx of money from England" after 1833 with its influence on speculation particularly in land; the assisted immigration scheme which had

\textsuperscript{22} Morehead to Stronach, 26 Sept 1842, p.3. L. Bk.1840-44, p.255.
\textsuperscript{23} Ibid., p.6.
\textsuperscript{24} See also, Gipps to Russell, 6 Oct 1840. HRA. 1,xxi,11-13. Gipps to Russell, 1 Feb 1841. HRA. 1,xxi,198-200. and Lynnette J. Peel, op.cit., pp.32-3.
\textsuperscript{25} Russell to Gipps, 16 July 1841. HRA. 1,xxi,429-32.
\textsuperscript{26} Wool prices - See Appendix 10. Sheep prices - See evidence given to the Select Committee on the Monetary Confusion, V&P (L.C,NSW) 1843, for example pp.617,620,623,628,636,651.
"drained a million of money from the colonists"; the progressive rise in
the minimum price of Crown land which had encouraged speculation; the
unexpected withdrawal of government deposits from the Banks in 1840,
compelling the Banks to call in advances and suspend credit; the fall in
the price of wool and the drought loss of two crops; the high cost of
labour; and the collapse of the Bank of Australia "with a loss to
shareholders, it is said, of £300,000".28

The Committee concluded that:

However brought about, it would appear by the evidence
that the evils of the present crisis have been aggravated
by the necessity which the different Banks of the Colony
have been under for the last two years, of materially
lessening their discounts on new transactions, and of
thereby diminishing the amount of their notes in
circulation, and the other accommodation afforded by
them to the public.29

The action of the Banks which denied credit facilities to the community,
combined with the cessation of capital inflow from Britain, reduced the
value of property to nominal levels. "Following the liquidity crisis of
1840, with its chain-reaction of insolvencies, came the end of the land
boom".30 But the fundamental cause for loss of confidence leading to the
range of consequences was the recurrence of drought in 1838. Accompanied
by a fall in wool and sheep prices and increasing costs, the drought
"accentuated the mistrust felt in England about the future of all the
colonies".31 Doubts about the stability of the pastoral industry, not
entertained since the early 1830s, had again emerged. Prices and costs,
pushed to artificially high levels by abundant capital, shortages and
speculation, declined as confidence in pastoral prosperity failed.

Morehead shared the views of W.H. Hart, Superintendent of the Bank of
Australasia who, in his evidence to the Select Committee, said he thought
"that in all countries, but more especially in young Colonies, there must
be over-speculation, which will produce periods of great excitement,
followed by those of corresponding depression, as has been, and is now the

28. Ibid. The references appear in evidence on pages 609,613,616-17,
620,632-33.
29. Ibid., p.609.
30. S.J. Butlin, op.cit., p.325.
See also, Michael Roe, "1830-1850" in A New History of Australia,
31. Edward Shann, op.cit., p.105. See also, Peter Burroughs, Britain
Despite the economic despondency in the colony the company entered its second year in an atmosphere of distinct optimism; the Directors and shareholders were enthusiastic and confident; the Cashiers, Stronach and Grainger, had been shown to be capable and of sound judgment; management in Australia had made an auspicious start; all associated with the company were well informed.

The Directors desired gradual development of the company's initiatives over a period of a year or two, "using as much as possible a wise economy in the general management of the affairs of the company", plans being accommodated to the actual position of the company as determined by the amount of capital employed. While accepting this approach, Morehead had indicated some frustration at the inadequacy of the funds transmitted to him, compared with the abundant opportunities he saw for prudent, and profitable investment. He implied that the Directors, in their knowledge of these opportunities, were showing some dilatoriness in calling funds. Responding for the Directors to this criticism, Stronach said that

had the whole £100,000 jumped to you at one bidding, it might have been more consonant to your wishes, but perhaps not ultimately so beneficial to the best and permanent interests of the company.  

The Directors' caution reflected the weakening of confidence in prospects for the colonies generally. In particular the pessimistic reports from New South Wales and the conjunction of problems caused by drought and land speculation, encouraged a conservative rate of increase in committed funds. Morehead was able to see the opportunities open to a company with funds available in a time of financial stringency. The Directors, however, were not convinced that Morehead's confidence in an early recovery from economic depression was justified.

Morehead was not infrequently to be involved in critical correspondence with the cashiers. He was a man of strong character and absolute integrity, whose life was dedicated to the advancement of the company he served. His conclusions and opinions were, therefore, expressed without equivocation,

34. Ibid., p.101.
and while he at times felt annoyance at the failure of the Directors to accept the considered judgments of management on the site of operations, he usually sought to cooperate with his head office direction. The mutual regard existing between Morehead and Stronach allowed many a storm to be weathered at less official levels. A minor disagreement had, for example, arisen over Morehead's dissatisfaction with his housing arrangements in Sydney. Stronach, surprised at the vehemence of Morehead's representations, replied,

I think you have given the matter undue prominence in your letter to me; nevertheless, I shall take every care that the proper effect only attaches to it, and use my utmost endeavours to ensure a proper understanding and settlement of this unexpected question vexata. 35

Investment Policy.

The Directors' suggestions to Morehead that a cautious and gradual approach should be observed in the early stages of the company's development, proved to be justified and timely. When the Board met in May 1842 the financial problems of the colony had assumed serious proportions, and the Directors decided to advise Morehead that they did not agree with lending funds on mortgage for periods longer than two years, or at the most two and a half years. 36

In September 1841, Morehead had confidently stated that he would not discount at less than 12% per cent.

In the case of lending money for a short period, I obtain about 15 per cent. I am highly satisfied with the securities I have taken. In many of the short loans, the personal security alone is quite sufficient. 37

But despite his confidence, Morehead observed that trade in the colony was depressed, and money scarce. He said that one of the more heartening signs of recovery was the increasing inflow of migrants, as the colony's growth had long been adversely affected by the acute shortage of labour.

Morehead's despatches in October and November 1841 reflected his continuing

35. Ibid., p.100.
confidence in mortgage lending. He repeatedly urged that further capital be made available for the development of the business on a conservative basis, as "some considerable time must elapse before the colony recovers from its present difficulties". In January 1842 Morehead was able to justify his confidence by reporting a net profit of between 14 and 15 per cent per annum on capital employed during the first five months of the financial year. This result was most encouraging, being achieved in the early period of establishment, and in a depressed economy.

Morehead used the opportunity to stress his viewpoint on several aspects of the company's affairs in which he differed from the Directors. Having reported the profit figures, he indicated his opposition to the Board's views on the restriction of loans to about two years, emphasising the need for substantially longer terms. He said that the need was for loans of at least five years. Again in November 1842 he opposed "the views of the Directors regarding loans for a longer period than two or three years".

The Directors had invited Morehead's attention "to the fact that long loans are discountenanced by every treatise of note among Bankers". Morehead's reply expressed the opinion that the lending activities of the company and the Banks could not be compared. Whereas the Banks had to meet obligations "indefinite as to time", the company had no similar limitations.

Explaining the opportunities for sound lending, he reported on negotiations which were almost finalised, for a loan on mortgage of £8,000, with security of the first order, and estimated to yield 16 per cent in quarterly payments. He asserted that loan arrangements such as this would continue to be available only if the funds were to be transmitted in reasonable time. In this way Morehead maintained pressure on the Directors to make further capital available to him, and he informed them that he was also buying a lease for £800, which will at least yield 15 or 16 per cent and probably more. Surely such transactions as these must satisfy the most sanguine and tempt the most prudent.

38. Ibid., 10 Jan 1842, in Directors' Circular to Proprietors, 8 June 1842, p.2. Bd. Min, Bk.1, p.111.
41. Ibid., p.3.
42. Morehead to Stronach and Grainger, 24 Jan 1842, supra.
The outlook in the colony, however, remained dismal. In June 1842 the Directors felt obliged to issue a letter of information to shareholders, correcting an over-optimistic report in The Times of 2 June 1842, which suggested that a revival of confidence in the colony was already evident. In July Morehead informed the Directors that the colony in its external relations is certainly in a more healthy state than it was a year ago; but internally it is in a wretched condition. As a whole there is no doubt the country will flourish. But many an overturn must yet take place among the settlers, and much property will change hands. A new race will rise up.

Morehead emphasised the need for immigrants if the colony was to progress, and he criticised the lack of logic in Imperial administration which allowed the labour shortage in the rural and coal industries to persist yet propounded a minimum land price of £1 per acre, which was universally considered too high. "I would not bid at the rate of 2/- an acre on unimproved forest land remote from Sydney". Morehead forecast that the government would not sell an acre of agricultural land in New South Wales for years to come. Gipps' objective was to ensure that land was not sold too cheaply, hoping thereby to reduce speculative land dealing. The result in fact was to stimulate the activity the regulation had sought to subdue.

Requests for loan funds continued to reach Morehead from widely separated regions of the Australian colonies, prompting him to observe:

It is a curious fact that though the Banks find there is hardly employment for their funds, the demand for loans on mortgage appears to be unabated. I continue to have pretty frequent applications though it is known I have been lending very little for some time back.

43. Directors' Circular Letter to Proprietors, 8 June 1842, p.3. Bd. Min, Bk.1, p.111.
45. Ibid., p.11.
47. Morehead to Stronach, 26 July 1842, p.13, supra, (Note 44) p.248.
Despite the despondency around him, Morehead remained optimistic. He confidently expected new sources of wealth to be discovered, both within and beyond New South Wales. He was convinced that agricultural progress would make the country the greatest source of food and fibre in the world, able with profit to the grower, to undersell its rivals. Morehead so looked to the future, but at the same time he warned that he did "not consider the bad times at an end yet". 48

Morehead was most critical of those publicly demanding a reduction in the rate of discounting from ten to eight per cent, and he reported with angry concern that a petition was being prepared for presentation to the Governor seeking an Usury Law to limit interest rates. He wrote:

This is, of course, an absurdity, and I have no doubt emanates from individuals desirous of borrowing their neighbour's money, on their own, the borrower's terms. 49

Morehead was one of a number of bankers in Sydney who met to discuss the propriety of lowering the rate of discounting, their decision being that change was neither desirable nor warranted. Morehead considered that the financial problems of the colony were in large measure the result of greed and foolishness.

There is no doubt that the great source of the present embarrassment of the colony, has been the laying out by a very large number of people, of large sums of money in perfectly unproductive purchases. Individuals who have acted in this manner, no doubt will feel a high rate of interest a great drain upon them, but their own imprudence, or folly, are to blame for this. 50

To keep the shareholders reasonably informed on the progress of the enterprise, the Directors issued a letter of information, dated 14 October 1842. As previously, this letter quoted extensively from Morehead's despatches, thereby bringing shareholders into direct contact with management in the colony 51. The Directors expressed their pleasure at the prospects of a favourable result in the first twelve months trading to 30 June. They said that the Manager considered the colony to be recovering from the

48. Morehead to Stronach and Grainger, 16 Sept 1842, p.5. L.Bk.1840-44, p.251. All pages in L. Bk. not numbered. The reference is to the nearest numbered page.
49. Ibid., p.4.
50. Ibid., p.4. See also Appendix 8, Insolvency Act.
depression, and that he was confident the "temporary disarrangement of its monetary affairs" would in time, be completely rectified. The demand for money had been great, the rate of interest high, and the opportunities available for investing and employing the capital of the company, had been favourable. The Directors in these encouraging circumstances considered they were justified in calling the fourth instalment of capital immediately.

Morehead reported in May 1842 that he found no scarcity of investments, with sound securities yielding 17 per cent per annum readily available. But Morehead was concerned that the Directors' publication of the exact text of his reports for the information of the proprietors might react adversely on the company and on his own status in the colony. In his despatch of 11 November 1842 he criticised the Circular to Proprietors issued in June 1842 as being possibly damaging to the company's progress. He said that:

In these times in this place, much tact and care is required in the Management of a Coy. such as this as there is a strong tendency to look with great jealousy on such Institutions which many people imagine - foolishly though certainly - are milking the vitals of the Colony.

Morehead advised the Directors that an over-confident report was almost certain "to produce a strong feeling of odium against us as making too high a charge for the use of our capital". Morehead urged that the Directors should be extremely careful in publishing the text of his reports to them, and emphasised that he regarded the Circular of June 1842 as likely "to produce a bad feeling towards us", and "as ill advised a publication as could have been made".

In December 1842 the Directors again reported confidently, expressing satisfaction with the company's results and optimism for the future. They disclosed a net profit at 30 June 1842 of £4,460, and recommended a dividend of 10 per cent on the first instalment from the time of crediting in the colony, and 10 per cent on the second instalment from the date of

52. Morehead to Stronach and Grainger, L.No.29, 17 May 1842, p.3, in Circular to Proprietors, 14 Oct 1842, p.3. Also L.Bk.1840-44, p.196.
54. Ibid., p.6.
55. Ibid., p.7.
payment in Aberdeen. The amount required for the dividend was £2,701, and the Directors also established a Reserved Fund of £1,500 sterling, subject to confirmation when final figures for the year had been received\(^{57}\).

A notice to shareholders dated 18 January 1843 provided a summary balance sheet of the company's affairs at the preceding 30 June, in the following form:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Balance Sheet at 30 June 1842, notwithstanding the comparatively small amount of capital then employed, shows a net profit, after deducting all salaries and expenses in the colony to that date of</td>
<td>£3,911 1 8</td>
</tr>
<tr>
<td>The profit derived at Home by the difference in exchange, and rate of interest on the first and second instalments amounts to</td>
<td>£549 12 7</td>
</tr>
<tr>
<td>Total</td>
<td>£4,460 14 3</td>
</tr>
<tr>
<td>The amount required to pay the dividend is</td>
<td>£2,701 14 0</td>
</tr>
<tr>
<td>Leaving at 30 June 1842</td>
<td>£1,759 0 3</td>
</tr>
</tbody>
</table>

These results encouraged public interest in the company, and at a Special General Meeting of the signatories to the Contract of Copartnery in March 1843, the Directors were authorised to use their discretion in the disposal and placement of the company's stock, the preference previously allowed to partners being waived\(^{59}\).

Morehead had quickly become identified with the colonial community, and his experience and judgment in commercial and banking affairs were recognised. His participation with representatives of the trading banks in discussions on the problem of the discounting rate in September 1842, was indicative of the standing he had quickly achieved. He continued to be optimistic, and he foresaw for Australia an influential future, in which the abundance of land would allow wool, meat and grain, to be produced with such economic advantage as to permit favourable trading in markets throughout Europe. Morehead was shrewd, cautious, optimistic, and confident in his assessment and judgment of fact. The development of the

57. Ibid., p.127.
company reflected his abilities and his character both in the early years of establishment and through his many years of management responsibility. Had he been denied the respect of so tolerant a man as Stronach in the Aberdeen office, his directness of expression and the tactlessness of many an assertion might have caused premature diversion of a career which contributed much to the progress of company and colony.

Morehead urged the Board to amend that section of the Contract of Copartnery which forecast earnings on capital employed of up to thirty and forty per cent.

This I think, ought to be removed without delay. Parties thinking of employing us as their agents on seeing such rates of profit referred to, would think us the most speculative and dangerous company in the world. The mention of such profits would also, I think, be apt to deter many sober, cautious people, from taking shares in our company.  

Morehead considered that this section of the Deed conflicted with the attitudes to sound financing that he had consistently commended, and that such references to rates of profit would associate the company with that greed and lack of prudence, which had contributed to the prolonged depression in the colony.

The potential of the island continent excited Morehead, and he anxiously encouraged his Directors to provide him with the means to expand the company's stake in its resources. He in no way sought to under-state the problems associated with the acute economic pessimism, but he perceived progress as the end result of lessons learned in adversity. He was convinced of growing interest in the development of the colony's natural resources, and of the effort to increase production of goods and services at reduced cost.

From all this, I feel assured that the present embarrassment and distress will have a most wholesome effect on the colony, and that when prosperity does return, it will be founded on a more solid and extended basis.

On a number of occasions Morehead recommended that earnings should be

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61. Ibid., 19 Dec 1842, p.5. L.Bk. 1840-44, p.274.
retained in the company to facilitate more rapid expansion. Favourable investment opportunities were regularly being presented from Adelaide and Port Phillip as well as in Sydney. Having perused in November 1842, a list of share quotations in an Aberdeen paper which had just reached him, he wrote immediately to the Cashiers emphasising that the shares of those companies paying large dividends of 10 and 12 per cent, were at a discount on the market, whereas companies with a more modest dividend history were attracting keen support, their shares being at a premium. He reiterated in strong terms, his opinion that funds should be retained and a modest dividend only paid,

as I feel convinced it will inspire confidence. Your American companies seem at a monstrous low ebb. I am sure you must now be convinced that a wrong system altogether has been followed in the management of too many of your foreign investment companies, and that we ought to profit by the experience.  

The Directors met in May 1843 to consider the profit and loss statement of the company's operations in Australia for the six months to 31 December 1842. The net profit achieved in that period was £3,287, and including the operations of the Aberdeen office, £3,423. The Directors declared a dividend at the rate of 10 per cent per annum on the three first instalments of the company's stock, this being equivalent to ninepence per share on the whole of the subscribed stock.  

Morehead, in despatches to the Cashiers in June 1843, stressed that since the commencement of operations in the colony, he had carefully kept expenses at the minimum possible. Costs pressed heavily on all companies and individuals owning sheep and cattle, as "in such establishments there is always an immense drain for wages and so on, even though there should be nothing coming in". The serious problems this had caused to many, whose inability to raise funds to meet working expenses was a main cause of the Liens on Wool Act, were well known, and Morehead suggested to the Cashiers that they should make clear to shareholders that this cause of financial ruin to many could not affect the company. The company had no costly liabilities, it owned no livestock which, while rapidly decreasing

64. Morehead to Stronach and Grainger, L.No.73, 23 June 1843, p.7. L.Bk. 1840-44, p.325.
in value required an increasing expenditure for its maintenance.

What I feel certain will be most likely to create uneasiness, is my holding Bank and other shares. On this subject, I am sure you will believe I have written with the most perfect candour, and have not shrunk from stating the full amount of detriment we are likely to suffer. 65

The Report to shareholders in December 1843 on operations for the half-year to 30 June 1843, provided evidence of the pressures which had confronted investments in the colony during a year of depression. For the first time the Directors mentioned the possibility of losses resulting from some investments, and the misgivings caused by this advice were not composed when the Directors added that the first loss to the company had arisen from the realisation of bank shares.

Some time after the Manager arrived in the colony, but before he had satisfied himself of the security of other investments offered, he purchased bank stock to the extent of £4,700. Due to the fall in value of the stock, and to the problems in the financial management of the colony, the Manager resolved to dispose of the stock at a loss. A loss of £521. 8. 0 resulted. 66

This loss was fully taken to account in the half-year to 30 June 1843, leaving a net profit for the six months of £2,437. The dividend was reduced to the rate of 7½ per cent per annum. Despite this disclosed loss, the reasons causing it, and the consequential reduction in net profit and dividend, the Directors remained confident. They regarded the company's position after so exacting a period, as satisfactory, particularly having the unqualified assurances of the Manager that the securities in which the company's funds had been invested were of "very satisfactory description". 67

The Directors were most concerned that a loss should have been incurred on colonial bank stock, and they resolved that thenceforth, company funds should not be invested in the shares, or stock, or otherwise, in any other

65. Ibid., pp.7-8.
67. Ibid., p.1.
company in the colony. Morehead, while accepting the Board's direction on the matter, was not in accord with it, believing that discretion should have been allowed to him. He expressed his disagreement by saying that

> we shall ere long, I trust, convince our canny country-men, that a foreign company may be so worked and managed, as to take its place, as regards soundness and profits, on a level with the most solid of their home-spun concerns.

The Directors' attitude was, however, understandable. Their investment experience in the colony had been short and influenced by the consequences of drought and the liquidity crisis. The failure of the Bank of Australia was a warning which they could not overlook. Their concern about the security of investments in the colony had already been expressed in their desire to avoid long term commitments. Investment in other companies in the colony passed the responsibility for direction and management of company funds to others over whom the company had no authority. The Directors wished to keep the company's investment policy firmly within their own control. In a copartnery the Directors were in the position of trustees for the partners, and they were keenly aware of the need to avoid speculation. Their instruction to Morehead followed logically from the financial instability in the colony for a period of about four years.

The early years of the company's establishment and growth were marked by persistent pressure from management in the colony for the provision of increased funds for investment. On the other hand, the Directors in Aberdeen frequently, and at times vehemently, intimated their concern that Morehead still seemed ready to disregard their requests that remittances from profits earned in the colony should be made with reasonable regularity to enable dividends to be paid on due dates, from profits received. Morehead, in the absence of further funds from Aberdeen, held funds generated from profits as long as possible for local reinvestment, making remittances of profit conform to a pattern of availability rather than regularity.

> I am quite satisfied the Board will not misconstrue my unwillingness to part with any of the funds now in my custody. I really cannot reconcile myself to sending

away what can at present be so well employed in this place.  

Exact references to amounts not remitted by Morehead do not appear in the records, but based on movements in the overdraft with the company's Aberdeen bankers, about £4,000 appears to have been retained from time to time for high yielding short term investment in the colony.

In April 1844 the Directors were obliged more expressly to invite Morehead's attention to the need for funds in Aberdeen, but they emphasised that remittances would be limited to the proportion of the earnings from investments necessary to pay dividends.

The Interest Rate Controversy.

The financial affairs of the colony had by mid-1843, fallen to their lowest ebb, and Morehead reported that matters continue to get worse here in their outward aspect, though all that is taking place is the development of the result of past misdoing. I believe that some over large failures are on the eve of taking place.

The inertia of despondency had descended on the colony, and reasons for the persistence of the liquidity crisis were keenly propounded and debated. The land system and regulations directed by the British Colonial Office were the target of concentrated criticism, crystallising into denunciation of the ineptitude of Imperial administration, which was conceived as a major obstacle to economic recovery. In August 1843 the blame was placed on the unpractical provisions of Lord Stanley's Land Act of 1842, and on the 'rapacious English capitalists', who had demanded exorbitant rates of interest from a gullible and capital deficient colonial community. In this atmosphere, William Charles Wentworth, enjoying the influence the official forum of the Legislative Council allowed him, attempted to win support for an Usury Bill designed to control rates of interest, but clearly intended to protect hard-pressed land holding colonists from their own lack of prudence during the preceding abundant years. Morehead was critical of

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70. Morehead to Stronach, 19 Mar 1844, p.2. L.Bk. 1843-47.
the newly constituted Legislative Council for its concentration on the subject of interest rates when the Council's Select Committee on the Monetary Confusion was hearing evidence from bankers, pastoralists, farmers, merchants and agents, on the various reasons which had combined to cause the depression in the colony. As a member of the Select Committee, Wentworth endeavoured to establish that excessive rates of interest were a major contributing factor. He put the following question to Mr.J. Lamb, Chairman of the Commercial Bank -

Suppose Judge Barton had succeeded in 1834, in applying the Statute of Anne to the Colony, limiting the rate of interest to 5 per cent., do you think we should have had the influx of foreign capital, which you admit to be one of the main causes of our present embarrassments?

Lamb replied that had interest rates been so limited, foreign capital would "most decidedly" have been denied to the colony, and that the benefits derived from that capital would also have been lost.

On 2 October 1843 Morehead published a critical statement to encourage more reasoned consideration of the place of capital in the community. He introduced the statement by saying that, being completely convinced of the grounds on which he had taken his stand, he was concerned to provide a more complete representation of the rights of the capitalist than had been expressed in the recent debate on Wentworth's Interest Bill. Morehead emphasised that the capitalist who lends money at an agreed rate of interest, does so for his own benefit, even as the borrower intends to profit from the use of the funds made available to him. Any attempt to interfere with the making of proper, and legal, financial arrangements between independent parties, Morehead regarded as "an infringement of the natural liberty of one or both parties to any exchange or bargain".

During the debate in the Legislative Council arguments had been advanced supporting the need for a statute to reduce the rates of interest charged in the colony. Morehead examined these arguments and cynically observed that the argument that such a law would benefit the borrowers of money, was completely countered by asserting that it would prove equally

73b. R.A.A. Morehead, Some words for and to the Capitalists and Shareholders in Banks and other Moneyed Companies (Sydney, 1843).
disadvantageous to the lenders of money.

It has been absolutely urged, as an accusation against the English capitalist, that he has sent his money for investment here in order to obtain a higher rate of interest than he can obtain at home. It seems perfectly absurd to state this as a charge against him, as it cannot be imagined what other motive could have actuated him. The capitalist, like anyone else, sends his goods to the dearest market. 74

Morehead strongly defended the role of the capitalist. He reiterated his opinion that lack of experience and prudence in the borrower were the fundamental reasons for the rapid increase in land values in the colony, and that the consequential over-valuing of real estate had been a primary cause of the prolonged financial illiquidity. English capital had become wary and less available, and the proposals to deny an equitable interest return to lenders would the longer withhold from the colony the resource it required most if progress was to be achieved. Morehead asked how anyone could with consistency, express the view that money had great value in the colony, while seeking to deprive the provider of money of some part of its admitted worth. 75

One of the more vulnerable arguments advanced in favour of an Usury Act for the colony, was that colonial borrowers were not capable of making proper judgments on what might be in their interests. Morehead was critical of this proposition, which he interpreted as meaning that borrowers were incapable of resisting the temptation to borrow money regardless of the terms. He referred to his own experience with colonial borrowers, which had convinced him that "if there is a risk of being over-reached, it is run more by the lender than by the borrower". 76

Morehead drew from his wide experience of financial affairs to emphasise the need for and cost of money in the emerging and developing countries. He quoted from an article in the Bengal Herald dealing with progress in Van Diemen's Land, which said that when regulation of prices was considered necessary, control of interest rates was logical, but that such restriction in colonies which must so obviously owe their prosperity to an influx of capital, and free competition,

74. Ibid., pp.2,4.
75. Ibid., p.6.
76. Ibid., p.8.
whose society is chiefly mercantile and trading, and
in the nineteenth century too, is a phenomenon which
even the power of selfishness in biasing the judgment,
cannot fully explain. 77

The need for capital to promote the development of the colonies had been
the main reason for the formation of the company, and Morehead visualised
the careful investment of British funds in Australia to benefit the
company's shareholders, the borrower in the colony, and the growth of
profitable trading between Britain and Australia. If the proposed
legislation to restrict interest rates were to deny an equitable and
commercial yield on funds lent in the colony, the flow of capital would
cease, and the potential of the colony would be denied to all prospective
beneficiaries. Morehead concluded his statement by questioning the
propriety of the proposed legislation. He referred to the sources of
funds available through Joint Stock Companies, emphasising the right
of the many small investors to assume that those entrusted with the use
of their funds would place them securely to gain the greatest possible
return 78.

Morehead had publicly, and unequivocally, stated his views, and had shown
a readiness to stand to his judgments and principles, an attitude not
always present among commercial and financial leaders of the time. He had
opposed precipitate moves to isolate the colony from the money markets of
the world by ill-advised financial controls and restrictions on capital
yields. To the extent that he assisted in influencing colonial opinion,
he made a significant contribution to the economic progress of the colony.
By the close of 1843 the interest proposals had been discarded 79.

The interest issue had burst on the political scene as the new Legislative
Council met for the first time in an atmosphere of despondency and change.
The colony, with a partly elected legislature, had advanced to the status
of a free community. Free immigrants and those granted tickets of leave,
were replacing the assigned convict labourer, and wages had risen so rapidly
that a new inflationary pressure had been superimposed on existent problems.

79. Report from the Select Ctee. on the Monetary Confusion, 28 Oct
Report from the Select Ctee. on the Insolvent Act, 8 Dec 1843.
V & P (L.C, NSW) 1843, pp.865-914.
Labour, a few years before in such short supply that progress had been retarded, had become redundant through excessive rates of immigration in the period of economic stagnation. The inflow of capital had become negligible, and the retardation of progress was seen in the widespread constraint on opportunity. Different and complex social attitudes had emerged, based on labour's belief that the interests of the wage-earner and the objectives of the provider of capital were fundamentally opposed.

Agency and Pastoral Lending.

Early in 1844 Morehead raised with his Directors the advisability of extending the company's activities into fields not directly involving investment of funds and with an assured earning. Changing attitudes to capital and to the earnings which might in future be permitted on money lent, had partly influenced Morehead's thinking, but he was also sensitive to the Board's reserve on the security of investment in real estate. In the interests of the shareholders he wished to extend the base of revenue producing activities, and by diversification to achieve some assurance of an annual dividend distribution. He therefore proposed that he be permitted to accept the agency in the colony for a large and reputable British insurance company, and also that an agency business should be established to handle the affairs and business of absentee colonists.

The investments already made provided a "solid basis of real, intrinsically valuable property, which must maintain a value so long as the colony holds together". But Morehead's confidence in the resources and capabilities of the country urged him to expand into broader fields. He counselled moderate dividends to retain funds in the growth activities of the company, subordinating immediate income to longer term capital gain.

The Directors appointed a Board committee to consider Morehead's proposals, meeting in July 1844 to receive and discuss the committee's Report. The Directors were keenly receptive to the prospects for the new avenues of business contemplated. In particular, the committee had recommended acceptance of the Manager's submissions for making advances against the proceeds of wool shipped to Britain for sale, expressing the opinion that

"this business may be gone into with great advantage and perfect safety". 83

The Directors endorsed this recommendation, and immediately considered the most effective handling procedures, including disposition of the wool to manufacturers on its arrival at British ports. The Cashiers were instructed to make appropriate arrangements with a mercantile firm in London 'of high and undoubted reputation', and if necessary, to make similar provisions in Liverpool and Glasgow. The firms so appointed by the company were to act as the consignees of all wool on which Morehead had made advances, and were also to be responsible for its sale, accounting in due course to the company for the net proceeds after deducting freight and selling charges.

Closely related in principle to the granting of authority to make advances against wool for shipment, approval was also given for the establishment of an agency business. As agents the company would execute agreements to act for absentees from the colony, "due care being taken to incur no other liability or responsibility than properly belongs to an agency business". 84

Morehead's keenness to become involved in agency activities was increased by expanding opportunities for the full management of property for absentees. He informed his Directors that one of the results of progressive economic and financial change in the colony, would be a substantial increase in the extent and value of land and real estate possessed by persons resident in Britain, or in other places outside the colony. Morehead believed this development would not disadvantage the colony in the longer term, and that on the contrary, benefit would accrue to the community 85. He advised the Directors that the conduct of local land lords was by no means generally professional, and that many properties were 'miserably mismanaged', particularly those yielding a rental. The conduct of the proprietors evidenced both waste and greed, some houses becoming derelict for need of repairs, while good tenants were driven out by excessive rental demands. Morehead believed that the loss to the colony of revenue so re-directed to overseas interests, would be more than compensated by the improved management of the real estate which would result from this change, and that

the colony may, on the whole, be made more productive

83. Ibid., p.170.
84. Ibid., p.171.
and flourishing by the transfer of a large amount of real property to absenteees having judicious resident agents. But whatever views may be held in regard to the effect likely to be produced in the colony by such transfers, that it must take place there can be no doubt.86

Speculation in real estate on borrowed funds, so prevalent in the latter half of the 1830s, had inevitable and distressing repercussions in the early 1840s. Financial stringency converted profitable property trading into a struggle by landowners to avoid a progressive increase in liabilities as prices fell and holding costs accumulated. In February 1842 Morehead informed Stronach that "the great mass of purchases were made for resale",87 and purchasers, having borrowed on a short-term basis in boom conditions, were endeavouring in slump conditions to restrict the rate of increase in their net deficiencies. They were compelled to neglect maintenance and to seek unduly high rental income.

Forced sales further depressed market values, and investors less affected by the consequences of the depression in the colony were able to acquire property with prospects of a reasonable investment yield. The longer term investor in real estate was able to look ahead to a recovery in values and capital gain. The speculator faced the losses arising from enforced sales on a buyer's market.

In 1843 the Legislative Council of New South Wales had taken the significant step of introducing legislation to authorise the giving and taking of preferable liens over wool and mortgages secured by sheep and cattle. Previously such forms of security had been impossible of execution as legal delivery of the security to the mortgagee was impracticable. The innovation was significant, as many settlers and squatters had their capital fully committed in livestock and were unable to borrow for other purposes, such as the construction of fixed improvements or the meeting of essential costs including shearing. The ability to borrow against livestock and the growing clip encouraged greater stability in settlement, and resulted in improved production of wool and livestock. For the squatter who usually occupied country under short term licence only, and whose only real assets were sheep and cattle, the means were now provided to arrange loans on

86. Ibid., p.2.
formal and registered security.\footnote{88}

The Liens on Wool Act, an innovation born of necessity, authorised the giving of preferable liens on wool from season to season, and the mortgaging of sheep, cattle and horses, without the requirement of delivery to the mortgagee. The Act stated that the measure was due to the "present depression of the farming industry", making essential the provision of formal procedures for borrowing funds on security of livestock and the growing clip, without parting with possession or management responsibility. A registered Wool Lien established that, in consideration for money lent, the whole of the wool clip from the sheep nominated, immediately shorn, became the property of the secured lender.\footnote{89}

The ability to arrange formal, registered loans against the growing clip, wherever the sheep were depastured, assisted the borrower and provided to the lender new and practical opportunities for the effective application of capital in the development of the colony's main export enterprise. Morehead's attitudes to agency business, and to lending policy generally, were influenced markedly by this development. In the two immediate aspects of agency business, the management of real estate for absentees and the provision of advances against wool for shipment, Morehead perceived the opportunities for regular earnings without placing funds at risk. In real estate management, earnings were derived from commission on rentals received or collected, on the value of real estate sold, and on contracts for repairs and maintenance. Advances against wool could be either on documents for wool shipped for sale in Britain, or secured by registered wool lien over the growing clip. Initially Morehead restricted loans on wool to the shorn clip shipped, or to be shipped, to Britain. The risk in such advances, therefore, related only to movements in the market, and by restricting the advance to a prudent percentage of the estimated net market realisation, the risk of a deficiency was negligible.

In meeting on 13 July 1844 the Directors resolved that a credit of £10,000 should immediately be arranged to allow Morehead to proceed in the making of

See Appendix 8.
\footnote{89} Liens on Wool Act. 7 Vic., No.3, 1843.
Wool Lien and Stock Mortgage Statistics, 1843-55, see Appendix 12.
advances against wool consigned for sale in England. They also endorsed the proposal that the Manager be appointed agent in Sydney for a British insurance company, to be selected, and instructed the Cashiers to investigate alternatives. The Report for the half-year to 31 December 1843, issued by the Directors on 20 July 1844, while again referring to the acute financial problems and general distress in the colony, assured shareholders that no losses had been sustained by the company, and that the capital of the company was well secured on sound assets. The disclosed net profit for the half-year was £2,465, from which payment of a dividend at the rate of 7½ per cent per annum, requiring £2,138, was notified to shareholders. In November the Directors discussed "with much satisfaction", the cooperation given by Morehead in remitting funds to Aberdeen sufficient to meet dividend payments. They were both pleased, and perhaps relieved, that Morehead should have acted so promptly in response to their last despatch on the subject by immediately remitting a further £1,000. The Directors noted that receipt of these funds had reduced the balance of overdraft with the Aberdeen Town and County Bank to £3,095. The Report of Directors on operations for the half-year to 30 June 1844 presented to the Annual General Meeting on 16 December of that year, for the first time carried the formal certificate of the company's Auditor, Mr. John Smith, Junior, Accountant of Aberdeen. Following the statement of dividend at the unchanged rate of 7½ per cent per annum requiring £2,124, the Auditor certified that the accounts had been properly kept and that the company's capital had been applied in a secure and advantageous manner. The closing months of 1844 and the early months of 1845 produced the first signs of returning confidence among business-men in the colony. The season had been favourable for pastoral and farming production, and wool prices in the main markets of England had improved. Labour was reasonably available for expanding rural activity, and an atmosphere of restrained optimism spread through the farming and grazing community. On the other hand, the general merchants, the banks, and the speculative entrepreneurs, remained depressed. Morehead deplored the inaccuracy of the reports published in

R.F. Holder, op.cit., p.129.
the British press on the state of the colony, and criticised *The London Times* which vacillated between undue optimism and unjustified pessimism with little understanding of the actual situation. Late in 1844 press reports appeared to which Morehead took the strongest exception. He believed that these reports on affairs in the colony had emanated from individuals who had suffered financial losses, possibly because of their own lack of wisdom, and who were seeking to protect their reputations from public criticism.⁹⁵

Morehead's confidence in economic recovery and progress was undimmed, although he was cautious in assessing prospects for the immediate future. He was convinced that the depression would eventually react to the benefit of the company, and he looked forward "with great confidence to an extension of our business and our profits."⁹⁶ In March 1845 Morehead reported an improvement in livestock prices. The rural producer then had the advantages of a good season, a better wool market, and the opportunity for disposing of surplus sheep and cattle at slightly improved prices. The improvement of up to 25 per cent in wool prices encouraged Morehead to expand the lending of funds to sheep and wool producers.⁹⁷

The average price for wool exported from New South Wales in 1844 was 11.43d. per lb, the lowest price since the drought affected depression year of 1830. But in the three years from 1842 to 1845 the weight of wool exported from the colony increased by 84.11 per cent. In 1845 the average price improved by 22.03 per cent compared with 1844, the growers receiving the double benefit of an increased weight of wool at an improved price. The following abbreviated table summarises these developments:⁹⁸

<table>
<thead>
<tr>
<th>Year</th>
<th>Weight of wool exported from New South Wales</th>
<th>Value</th>
<th>Average price per lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td>9,428,036 lbs.</td>
<td>£595,175</td>
<td>15.15d.</td>
</tr>
<tr>
<td>1844</td>
<td>13,542,173</td>
<td>645,344</td>
<td>11.43d.</td>
</tr>
<tr>
<td>1845</td>
<td>17,364,734</td>
<td>1,009,242</td>
<td>13.95d.</td>
</tr>
</tbody>
</table>

Morehead again requested the Board to supplement the funds available in Australia, to enable him to participate in the new investment opportunities appearing as the clouds of economic depression dispersed. The Board decided to appoint a committee from among their number to give proper consideration

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⁹⁵. Morehead to Stronach, 8 Nov 1844, pp. 1, 2, 4. L.Bk. 1843-47, not paginated.
⁹⁷. Ibid., 5 Mar 1845. L.Bk. 1843-47.
⁹⁸. See Appendix 10.
to the arguments presented, and also to consider specific proposals on the subject of a possible foreclosure of a mortgage over valuable property in the centre of Sydney. This property was bounded by George, King and Pitt Streets, and included the Victoria Theatre, and numerous shops and dwellings. Morehead urged the Board to give him authority to acquire the property, but while the Directors did not dispute the assessment of the security, they were concerned that the provision of £16,000, the sum needed to effect the purchase, would require the company to borrow to the limits permitted by the Contract of Copartnery.

The Board committee also considered Morehead's despatch of 25 January 1845 to the Cashiers, arguing the need for increased funding in the colony, and suggesting that capital be raised either by a placement of reserve stock, or by extending the company's borrowing limits.

The Directors recognised and appreciated the knowledge and competence of Morehead in all aspects of his responsibilities as Manager in the colony, and they were most anxious to avoid any implication of lack of confidence in his judgment. They were apprehensive, however, about the instability of financial affairs in the colony, and harboured some reserve about the longer term security of land investment, although careful in their expressed support of the Manager to avoid any hint of this concern. They were acutely conscious of the restrictions applied to the company's borrowings by the Contract of Copartnery, which expressly provided and declared, that no money, except only as is immediately hereinafter provided for, shall be borrowed by the company, or any of its officers, nor shall any investment or engagement be made or entered into, beyond their own paid up and proper tangible capital and means, and borrowed money, as aforesaid, at the time; but declaring always that it shall be in the power of the ordinary Directors for the time, to borrow money for behoof of, and on security of, the company, to any extent not exceeding one-fourth of the then paid up capital, whenever they shall deem it proper to do so.

100. Ibid., pp.212-14.
The Directors, although accepting Morehead's assessment of the nature and value of the security, endorsed the views of the Board committee. They declined to extend the company's borrowings to enable that portion of the mortgage over the particular Sydney real estate not controlled by the company to be acquired. After considering the report of the committee, the Directors resolved that the time was inappropriate to extend the company's commitments, but they endorsed the desire of the Manager to acquire the mortgage interest subject to this being arranged without recourse to company borrowings. The Directors recorded that they did not feel "justified or warranted in borrowing money at present under any circumstances". By the terms of this resolution the Directors agreed with Morehead's judgment on the proposal, and authorised him to proceed provided he was able to fund the purchase of the mortgage by appropriate adjustment of investments already held by him in the colony.

Morehead's strongly worded recommendation to the Board that some 10,000 shares should be placed among the existing shareholders of the company, was also shelved, the Directors deciding that no shares should be placed at par until circumstances justified a review of the financial position generally.

Operations for the six months to 31 December 1844 were reviewed in the Directors' Half-yearly Report dated 18 July 1845. A dividend at the unchanged rate of 7½ per cent per annum was declared. Reflecting their relief at the reports of improving prospects the Directors expressed satisfaction at being able to inform shareholders of continued improvement in the economic conditions of the colony, and of their favourable anticipations for the progress of the company. The Report mentioned that remittances from the colony totalling £5,280, recently received in Aberdeen, had placed Head Office finances on a very satisfactory basis for the payment of dividends.

The Directors informed shareholders of the consideration given to expanding the company's operations into new branches of business, which could be undertaken with propriety, and from which considerable profit should be derived. They made particular reference to utilising exchange, by drawing out money when drafts on Britain sold at a premium in the colony, and remitting money when such drafts could be purchased at a discount; to making

103. Ibid., p.216.
advances to settlers on shipments of wool and other produce consigned to Britain; and to agency business, and the management of property for colonial absentees. The shareholders were advised that these activities had been commenced, and that prospects were favourable for adding a secure source of income to that derived from interest payable on capital invested in mortgages.

Expanding Interests.

The improved conditions in the colony, financial and seasonal, had stimulated the Directors' enthusiasm for further investment and expansion in Australia. This was evident both in their endorsement of new operations and in their statement to shareholders that none of the reserve stock held by the company would be placed by the Board other than at a premium.

This was a period of considerable activity in the company, and the pressure on Directors resulted in the appointment of Board committees to consider matters requiring more time and attention than the Directors as a whole could apply to them. In September 1845 the Board met to receive and discuss a comprehensive Report from such a committee on several urgent matters.

One of the major items was the service contracts with Morehead and Young. The terms of these agreements were approaching maturity, requiring either that the terms and conditions be reviewed and amended as agreed, or renewed in their original form. The Cashiers informed the Directors that on 12 June 1845 they had written to Morehead expressing the view that there was little prospect of a favourable salary review, but inviting his opinion and comments on the possibility, and the equity, of extending the conditions governing his entitlement to commission to include the new business activities being developed. They had also directed Morehead's attention to the fact that the current agreement was due to expire on 1 February 1846, leaving little time for protracted correspondence on detail. The Board endorsed this action by the Cashiers, all Directors being a little apprehensive about Morehead's reaction, particularly as they had declined his proposal that he might with advantage have visited Britain during 1846.

The Directors felt that the recovery in the colony,
and the progress of newly undertaken activities within the company, required his presence in Sydney at that stage.

The Directors at this September meeting also considered the committee's conclusions on the Manager's proposals to invest some part of the company's capital in sheep. The committee had recommended that, based on the submissions from Morehead and from other information obtained by them from public and private sources, purchases of sheep on the company's account cannot fail to turn out advantageously, and to yield a much larger return from the capital employed in it than is derived from the present investments.

The Directors endorsed this conclusion, and granted authority for up to £10,000 to be appropriated, at any one time, for the purchase of sheep on company account.

Morehead was, however, unsuccessful in his recommendation that the company should acquire the substantial interest in Sydney real estate earlier referred for Board consideration. Although the company already stood in the position of second mortgagee, through the Manager, for a substantial sum, the Board agreed with the committee that the correct action for the company was to make every endeavour to sell the mortgage interest already held. The Directors discussed and deferred for further deliberation, whether or not it was appropriate and desirable to increase the funds at the disposal of the Manager, through an extension of Bank credit or otherwise.

Following this comprehensive survey of the company's affairs by the Directors, assisted by the carefully prepared Report of the Board Committee, the Cashiers wrote to Morehead in October 1845 commenting on the subjects reviewed and the decisions reached. The slowness of communication between Aberdeen and Sydney had been cause of some frustration to Morehead who felt that all sense of urgency was taken from his submissions. For this reason he had proposed that he visit Britain as this would enable him to

109. Morehead to Stronach and Grainger, 7 Apr 1845, pp.4-5. L.Bk. 1843-47.
110. Ibid., p.232.
111. Ibid., p.233.
112. Stronach and Grainger to Morehead, L.No.91, 27 Oct 1845. Filed, Various Correspondence, 1843-1869, with Foundation Documents - Early Correspondence. Acknowledged by Morehead in L.No.151, 20 Feb 1846.
have direct and beneficial discussion with the Directors and Cashiers. Stronach, sensitive to Morehead's thinking, with his usual tact made mention of prospective improvements in the means of communication in advising that the Directors wished the visit to be deferred.

We hope ere long to see steam communication established between this country and Australia, and that will do more to cure the evil of which you so justly complain in the slowness of the Government packets. The last letter you sent round by India came to hand in a very short space of time, but this is not by any means to be trusted as a route ensuring speedy delivery.\(^{113}\)

In a long despatch which ranged widely over the Board discussions references of importance were made to a number of operational aspects. The recent purchase of a property in Elizabeth Street, Sydney, was noted, and Morehead's attention invited to the fact that some of the Directors considered that investment in house property should not be increased for the time being. Morehead's tentative proposal that an area of about 1,000 acres of land at Bathurst should be acquired, drew the response that 1,000 acres of land at 12/6d. seems a low price from the description you lately gave us of the district near Bathurst, but land is so abundant in Australia that we cannot be supposed to form a guess of what any given number of acres may be really worth. If it is in an accessible position, and will grow anything at all, it surely must be a bargain to the purchaser at 12/6d. Of this you alone must be the best judge.\(^{114}\)

The several references to sheep purchases revealed the anxiety of the Directors about the security of this form of investment. So many pastoralists and squatters had suffered financially from drought, flood, and unexpected market depression, that the Board was inclined to regard such an application of company funds as speculative. Two observations by the Cashiers counselled caution in this business.

We notice the particulars of the purchase of 3,040 sheep. As you propose to go to work in sheep transactions, we have very great hopes that should the colony progress in the return to prosperity which has set in,

\(^{113}\) Ibid., p.1.
\(^{114}\) Ibid., pp.1-2.
you cannot fail to do well. It all depends like other branches of business upon good and careful management on your part; however, if that is wanting the result would be disappointing.

The second observation commended Morehead's cautious sheep trading, by noting that

you are following a very judicious plan in purchasing one good lot after another, disposing of one lot well before selecting another. It is possible the price may rise, but it is a far safer mode of buying them than taking all you intend to buy at once. We quite see that having sheep will tend to promote all your other business.\textsuperscript{115}

Morehead depastured lines of sheep purchased for the company either on the mineral bearing lands acquired by the company for later development and let under a short term grazing lease, the lessee supervising the company's stock, or on agistment with a reputable grazier. Although initially limited in volume, these purchases brought the company into regular contact with sheep and cattle owners with whom agency and finance business was promoted. Morehead replied to the observations from the Cashiers early in 1846, when he commented that

as regards the purchase of sheep for the company, a subject that seems to have occasioned the Directors some anxiety, you need not to be informed by me that in this business I have as yet done very little. I am of opinion that it is of importance to have our funds resting on a somewhat extended basis, so that a deterioration in value of one section may have its chance of being balanced by an enhancement of value in another.\textsuperscript{116}

The steady improvement in the affairs of the colony had encouraged the Board to reassert its confidence in the prospects for capital in Australia, both as an investment producing a satisfactory earnings yield and as a capital growth project\textsuperscript{117}. The Directors wrote their Report for the half-year to

\begin{itemize}
  \item \textsuperscript{115} Ibid., pp.1,2.
  \item \textsuperscript{116} Morehead to Stronach and Grainger, 23 Jan 1846, pp.2-3. L.Bk. 1843-47. Letter numbered 147.
  \item \textsuperscript{117} Rep. to Fifth AGM, 26 Dec 1845. Bd.Min, Bk.1, pp.244-46.
\end{itemize}
30 June 1845 in confident terms, and the Annual General Meeting of shareholders was informed of "the continued prosperity of this company under the able and judicious management of its officers abroad".\textsuperscript{118} The exchange and agency business, concerning which shareholders had previously been informed, was said to be operating satisfactorily and profitably. This had necessitated the establishment in London of a bank credit in favour of the Manager for his use solely in facilitating transactions in these aspects of the company's activities. The disclosed net profit for the half-year to 30 June 1845 was £2,272, the paid-up capital then being £58,884. The Directors maintained the dividend at the rate of 7½ per cent per annum, absorbing £2,208, the balance of £64 being added to the Reserved Fund which was increased to £1,565\textsuperscript{119}.

At this General Meeting of shareholders in December 1845, the Directors made mention of the duties of the Cashiers, and gave notice of their intention to propose that their remuneration should be altered from £25 for each half-year, to 2½ per cent on the company's net profit. As prescribed by the Contract of Copartnery, the proposal was noted, and the meeting agreed that it should lie on the table until the next General Meeting, when it would be placed before shareholders for formal sanction. This recognition of the influence of the Cashiers expressed the Directors' appreciation of the significant role they had played as the buffer between the formal requirements of the Board and the initiative and independence essential to successful operations in Australia.

The dividend based on results for the six months to 30 June 1845, was due for payment on 2 February 1846, and the Directors were reluctantly obliged to arrange for the company's account with the Bank to be overdrawn to enable payment to be made on the due date\textsuperscript{120}. The Directors were seriously concerned with this situation, and they recorded in the minutes that it was the decided opinion of the meeting that over-drawing on the Bank to pay dividends should be discontinued, being aware that this is one of the causes why the stock of the company has always stood heavy in the market.\textsuperscript{121}

The Directors recorded their regret that they had so often found it necessary to make reference to this matter, and they again instructed the Cashiers to write to Morehead stressing the absolute necessity for funds to

\begin{itemize}
  \item \textsuperscript{118} Ibid., p.244.
  \item \textsuperscript{119} Ibid., p.245.
  \item \textsuperscript{120} Bd. Min, 29 Jan 1846. Bk.1, p.247.
  \item \textsuperscript{121} Ibid., p.248.
\end{itemize}
be remitted to meet the liability to the Bank, and to provide for the payment of dividends from funds representing profits on operations within, and remitted from, the colony.\(^{122}\)

The recovery in the Australian economy was due largely to the return of sound woolgrowing conditions and to the improvement in market prices for wool. The colony was dependent on wool for export earnings. A steady increase in wool production was essential to the progress of the colony and to growth in overseas trading. Wool exports and economic development were directly related. Although the weight of wool exported from New South Wales fell in 1846 because of adverse seasonal conditions late in the year, the average price received rose from 13.95\(\text{d.}\) per lb to 14.85\(\text{d.}\) per lb. The value of wool exported in 1846 increased to £1,019,985, a rise of 58.05 per cent above export realisations in 1844, and 97.08 per cent higher than in 1841.\(^{123}\) The general revival of confidence provided the company with opportunities for expansion in varied fields. The year 1846 was one in which investigations and assessments of investment opportunities spread over numerous undertakings and in widely spread geographical regions. In May 1846 the Directors recognised that as the business of the company expanded greater involvement was being demanded of them than their other responsibilities allowed. A decision was reached to appoint a small Committee of Directors able to give more constant attention to the details of the business than was possible for the Board as a whole, meeting at a fixed time each week to hear correspondence and review the affairs of the company. The Directors appointed to the Committee, and the Cashiers, were granted appropriate remuneration "for the time and trouble so bestowed on the company's business".\(^{124}\) Reservation was expressed by some Directors on the powers granted to the Committee, but the obligation of reference to the Board permitted the arrangement to be confirmed at the Directors' meeting in July.\(^{125}\)

The company's operations in the half-year to 31 December 1845 again allowed the Directors to declare a dividend at the rate of 7\(\frac{1}{2}\) per cent per annum. The July Half-yearly Report referred with enthusiasm to the progress achieved in the new branches of business undertaken, and emphasised that the value of the company's investments and securities was undoubted, the only change being an increase in value "from which the capitalist may reasonably look to

\(^{122}\) Ibid., p.248.
\(^{123}\) S.H. Roberts, op.cit., p.257. See Appendix 10.
derive profit of large extent". 126

Mining Investment and South Australia.

The months immediately following the Report in July 1846 involved developments of considerable importance having impact on the company for years ahead. Among these developments were the extension of investment operations into South Australia, and the initiating of moves to establish a position in the mining industries. Morehead had visited Adelaide in April 1846 to investigate the potential of the mineral and mining industries in South Australia, and when advising the Cashiers of his intentions had sought an expression of Board views, in principle, on the subject of investment in this field. The Directors considered Morehead's despatch on 21 July 1846. They recorded in the minutes that, notwithstanding Morehead's advices and his visit of inspection to South Australia, any expression of Board opinion on mines and mining operations should be deferred until the results of the preliminary investigations had been made known to them 127.

Morehead reported favourably on his investigations in South Australia, causing the Directors in October, to direct preliminary and advance information to shareholders on the new investment opportunities for the company 128. The Directors said that since their last Half-yearly Report on the affairs of the company, satisfactory communications had been received from the Manager advising the Board of the purchase by him, on the company's behalf, of copper mineral land in South Australia. The purchase was from the government and was on most favourable terms.

Appreciating the advantages likely to arise from such an investment, the Directors lose no time in making you aware of it, in order that such of you as may wish to hold a larger stake in this prosperous company may now have a favourable opportunity of doing so. 129

The Board's Notice to shareholders advised that the investment consisted of an area of 347 acres of mineral bearing land immediately adjoining the established Burra Burra mine, which was located about ninety miles north of Adelaide and known as one of the most productive of the mines opened to that date in South Australia. The Manager had advised that the cost of this area

126. Morehead to Stronach and Grainger, 21 Jan 1845, p.2.
L.Bk. 1843-47, not paginated.
129. Ibid., p.1.
was £4,950. He expressed confidence that the purchase would prove to be extremely productive, and had advised that a plan was being drawn up to ensure the greatest possible return from the investment.  

The Directors finally informed shareholders that:

To obtain the requisite funds to pay for the purchase, and carry out the mining operations, and at the same time confer a benefit on you, the Directors have resolved to give off shares from the Reserved Stock, at par, to such of you as may thus wish to increase your shares to an extent not exceeding one-fifth of the number presently held by you, with right to the half-yearly dividend payable in August next.

This investment influenced the company's planning and expansion for some years with indeterminate benefits, and with the considerable disadvantage of diverting Morehead's initiative from other ventures. The property was known as the Bon Accord; the name proving, in the light of later problems surrounding the investment, singularly inappropriate.

The increased volume of advances against wool for sale in London, the company's probable entry into mineral shipment and the desirability of some form of presence in London, resulted in a Board decision to appoint a representative and agent for the company in that city. In October 1846, and only after prolonged discussion and consideration of all applicants for the post, the Board resolved to appoint Mr. W.O. Young of the Royal Exchange Building, London. Young was a brother of Matthew Young, sub-manager of the company in Australia.

The factors influencing the Directors in this appointment appeared in Young's letter of application, which showed ability, initiative, and an appreciation of the role contemplated for the company's representative in London. The letter dealt at length with a range of mining matters pertinent to the Board's consideration of policy for the Bon Accord, and was regarded by the Directors and Cashiers as a substantial and knowledgeable document. Young wrote, in part:

Should I be employed as agent for the company here,

130. Ibid., p.1.
131. Ibid.
I presume my duty would be to get consignments both of ships and goods; take charge of any consignment on which advances had been made, keeping the agents in Australia supplied with information of the state of the markets here, to guide them in their advances. As the mining operations begin to develop themselves, they will require supplies of blasting powder, mining tools and so on, all of which I apprehend would be despatched from this office; taking charge of all ore shipped from the colony here, or to Swansea, and seeing to the disposal of the same under the direction of the Board; managing the trans-shipment of the ore shipped to London.  

In his submissions on the Bon Accord proposal Morehead had expressed the view that it could prove advantageous to smelt on the Hunter River, and he had suggested that a ship should be acquired to convey ore from South Australia to the smelting site. Young tactfully proposed that samples of the ore should first be sent to Britain for assay, and that any decision on the Hunter River smelting concept, and the purchasing of an ore carrying vessel, would be premature until technical reports had been obtained and very carefully considered. Young supported his views with a comparative statement of costs and risks of smelting in Adelaide and on the Hunter River, and of shipping the ore for smelting in Britain, stressing the need for caution, and for substantial research, before conclusions were reached. Young observed that when Morehead had ascertained the quantity of ore he could raise and purchase to keep his furnaces and the ship fully employed, and after the services of a fully qualified smelting engineer had been obtained, great advantages could accrue from having the nearer, and certain market, of either China or India, where the demand is certain although the prices fluctuate.

The Board heeded Young's advice to proceed with caution in mining matters, and their extreme care might have caused them to discard opportunities which then appeared speculative, but which in the slightly longer term proved to be profitable and of importance to Australia's development.

The Annual General Meeting in December 1846, called to consider the company's

134. Ibid., p.271.
135. Ibid., p.272.
affairs and operations during the six months ended 30 June 1846, was informed that the appointments of Morehead and Matthew Young in Australia, had been renewed for a period of five years from 1 February 1846. The Directors recorded their pleasure that these two officers, whose services to the company had been so praiseworthy, had agreed to an extension of their contracts, and mentioned that their work had been appropriately recognised through well merited increases in salary, contingent however, on the maintenance of a dividend of seven and a half per cent. 136

The Directors informed shareholders that, in response to the Notice directed to them on 2 October 1846, 9,446 shares of the company's Reserved Stock had been placed and paid for. They also reported that the Balance Sheet for the six months showed a net profit on the business in Australia of £2,436, enabling the Directors, without recourse to the Reserved Fund, to declare a dividend for the period at the rate of 7½ per cent per annum. 137

The Report confidently referred to the potential of the mineral property purchased in South Australia, and repeated Morehead's opinion that quite apart from the links which the Bon Accord would establish with the young colony, it would benefit the company to extend its business generally "into that flourishing and advancing province". 138

In this atmosphere of optimism, shareholder support, and confidence in the management in Australia, steps were recommended by the Board Committee to promote the company and its achievements among the investors and financial houses of London, a subject fully discussed with Young, as the company's newly appointed London representative 139. In close collaboration with him the Committee had prepared a short advertisement "for insertion in some of the London newspapers, with the view of bringing the company into notice, and promoting the agency business there". The Committee also reported to the Board, their satisfaction in noting that a considerable number of shares had, in recent weeks, been transferred to new and influential holders in London, among them persons able to assist generally in the development of the company's interests 140. The promotion of the company among the financial houses of London doubtless strengthened the base of operations, but within

137. Ibid., p.1.  
138. Ibid.  
140. Ibid., p.297.
a few years it was to lead to the transfer of management control and direction from the founding city of Aberdeen to London.

The expansion of the company's activities was carried further by the finalising on 4 May 1847, of an agreement with The Colonial Life Assurance Company of Edinburgh, whereby Morehead and Young were appointed agents and representatives in Australia for this "large and reputable British based assurance institution". This brought to fruition a desire long held by the Directors and management that such an association should be established, and ended prolonged investigations by the Board Committee.

While The Scottish Australian Investment Company was expanding its interests both in Britain and the Australian colonies, controversy on land titles and constitutional issues involved the leading colonists in New South Wales. The early years of the new Legislative Council of New South Wales, established in 1842 with twelve nominated and twenty-four elected members, were restrained by the economic and financial crisis, and the preoccupation of so many with their own affairs. But as the fortunes of the colony revived, the forum for keen debate provided by the Council, accentuated the division of opinion between urban and rural interests, and between pastoralists and farmers. The uncertainties caused by widely differing attitudes strongly expressed, on issues such as land occupancy and security of title, directly influenced investment policies, and contributed to the company's decision to delay substantial involvement in pastoral production.

The Occupation Regulations introduced by Governor Gipps in April 1844 in an endeavour to contain the uncontrolled spread of grazing pursuits, proposed to limit holdings to twenty square miles depasturing no more than 4,000 sheep or 500 cattle. Abuses of the Regulations were to be regarded as serious offences. The keenest and most outspoken opposition developed to these provisions, and not until Gipps left the colony in 1846 was the hostility subdued. The subsequent legislation in 1847 providing for leases of land under terms which continued the confusion, was opposed by the smaller land holders, who saw in the lease provisions the perpetuation of generous concessions to a few wealthy land holders. Land administration directed from the British Colonial Office, effectively created sectional interests which confused the coordinated and beneficial progress of rural industries.

The Directors and management of the company, while sensitive to these

141. Bd. Min, 4 May 1847, Bk.1, p.300.
uncertainties in the colony, regarded them as symptomatic of a young and virile community, and their assessment of the longer term prospects for the colony was unaffected. The Half-yearly Report in July 1847, reporting on the affairs of the company in the six months to 31 December 1846, expressed the "great degree of confidence" held in the material benefits which were expected to accrue from the investments in South Australia. The Scottish Australian Investment Company, by directing its substance to the discovery and development of natural resources, had embarked on a significant period in its corporate history.

The main objects of the Canada Company nominated in the Prospectus of 1825 and the Charter of 1826, were the purchase of land in Upper Canada, the preparation of acquired land for occupation by settlers, and the disposal of farms by sale or lease. The company did not contemplate operating as a producer of meat or grain, but only as a developer of land for sale or lease to emigrants from Britain. The company was, therefore, not directly exposed to the uncertainties of seasons and markets, and was able to plan with reasonable prospects of improving income, and of control over the rate of expenditure on improvements and access. As developmental work progressed the rate of settlement grew, income steadily increased, and the balance of lands held by the company appreciated in value.

The company prospered, and in 1855 dividends paid to shareholders were £8 per share, representing a yield of 24.61 per cent on the paid-up value of £32.10. 0. In December 1855 the quote for the company's shares on the London Stock Exchange was £139.15. 0£a.

The progress of the Canada Company was in contrast with that of the two Australian pastoral companies. The Australian Agricultural Company and the Van Diemen's Land Company were established mainly for the production of sheep and wool on lands granted by the Crown. Continuing occupation of the grants by the companies, at least in major part, was intended. The heavy cost of providing access and essential improvements, the scarcity and increasing cost of labour, the destructive impact of droughts and poor seasons on pastoral and agricultural production, and depressed prices for surplus livestock, contributed, however, to a degree of illiquidity which compelled both companies to decide to sell part of their grant lands. But settlers were not easily attracted to the remote colonies of New South

See also, Appendix 7.
Wales and Van Diemen's Land. Being unable to sell sufficient land to overcome their financial problems, in the early 1850s both companies decided on forms of reconstruction.

In December 1855 shares in the Australian Agricultural Company, with a paid-up value of £19 following the reconstruction, were quoted on the London Stock Exchange at £28.10.0 per share. Shares in the Van Diemen's Land Company were quoted at £16.10.0, the paid-up value being £28.10.0 per share.

Among the objects nominated in the Prospectus of the Canada Company, the three which clearly defined the intended role of the company were the following:

i. To purchase the portions of the Crown and Clergy reserves and to make other purchases of land as may be found advantageous.

ii. To dispose of the lands, in the discretion of the Company, either to emigrants or to persons previously settled in the country.

vi. To prepare, by clearing the lands and by building houses, etc. for the settlement of persons and families to whom the lands are intended to be sold or let, as may be agreed upon.

The Directors of the Australian Agricultural Company were immediately interested in the land settlement objectives of the Canada Company and sought the opinion of their colonial committee on the application of the plan to the grant lands in New South Wales. In particular they requested the colonial committee to advise whether they thought "the Inclosure and preparation of Small Farms for the purpose of leasing them to Emigrants" would, either immediately or later, be beneficial to the company.

The colonial committee replied on 4 February 1826 indicating that they were giving consideration to the general question of leases and that they would write further in due course. Leases to settlers had been mentioned

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1b. See Appendix 7.
3. Colonial Committee to the Directors, L.No.9, 4 Feb 1826, para. 22. The Macarthur Papers, ML. 1-46A. A.4319, not paginated.
in earlier correspondence, but the replies of the colonial committee had not fully considered the matter because of the problems of accessibility to the grant lands and the high cost of preparing land for occupation by settlers.

Some years later the Directors of the Van Diemen's Land Company drew Curr's attention to the Canada Company's plans for the regular settlement of emigrants on their estates, and sought his comments. Curr replied in November 1830 when New South Wales and Van Diemen's Land were feeling the pressures of depression because of the drought from 1826 to 1828, and low prices for wool. He saw no grounds for comparing the Huron Tract with Van Diemen's Land.

Governor Darling had written to Huskisson in June 1828 advising him of "the long continued Drought, which has unfortunately been experienced" and which had "subjected the Colony to very serious inconvenience". Prices for wool exported from the colony had fallen from 11.75d. per lb. in 1828 to 9.31d. per lb. in 1830, reflecting both the drought in the colony and the financial depression in Britain. The Australian pastoral companies were at that time confronted by unfavourable seasons, depressed markets for wool and sheep, and increased capital expenditure on essential improvements.

Edward Ellice, M.P. was a Director of both the Canada Company and the Van Diemen's Land Company, and in the light of the discouraging experience in Van Diemen's Land it is probable that he invited his colleagues on the Court of the Van Diemen's Land Company to consider the shorter term investment policy implicit in the objects of the Canada Company. The emigration and settlement schemes of the two companies had, as will be seen, a number of similarities.

Ellice may have influenced the reference to Curr in 1830. Curr's reply to the Directors stressed the differences applicable to land development and settlement schemes in Upper Canada and Van Diemen's Land. In particular he emphasised that "the Canada Company's lands are as favourably situated and circumstanced as those of individuals in the same country". The

6. See Appendix 10.
7. See Appendix 6B.
company's lands in Van Diemen's Land on the other hand, were remote and inaccessible and unlikely to attract the attention of emigrants.

Returns to shareholders were achieved most quickly where the land assets, granted or acquired, were developed and the capital gain obtained by early resale, the company acting as a developer not exposed to the risks of rural production. Although investment in land in Australia also reflected capital gain, influenced by the extent of expenditure on essential improvements and access, the increment was theoretical if the land asset was to be held for pastoral production. The capitalisation of the enterprise increased, requiring a steady growth in production and net profit if dividend distributions to shareholders were to prove possible. The increasing capital commitment was unavoidable, but endeavours to achieve net earnings to justify the investment were subject to uncontrollable variables. Prospects for shareholders were long term, and linked to the probability of later reduction in capital employed by a partial realisation of improved lands.

Britain and Upper Canada.

By the Treaty of Paris in 1763, France ceded to Britain all interests in the thirteen colonies and Nova Scotia. France was thereby deprived of all territorial possessions in North America. In 1776 those portions of America which had previously owed allegiance to England, declared their independence. Britain's possessions in North America were thenceforth confined to those won from France in war.

From the beginnings of its undisputed authority in North America, the British Government approved the initiatives of private enterprise, whether corporate or individual, in the establishment of emigrants on new settlements. On a few occasions after 1815, government funds were provided to promote colonial settlement but as time passed and government intrusion became infrequent, private undertakings became dominant in the development of North American resources. Government assisted settlements had been expensive and land grants had operated inequitably, while Britain was still responsible for the costs of administration.

With these results in mind and one eye always on the rival land sale system of the United States, the government began to appeal to man's purely selfish

10. Ibid., p.780.
instincts by making his reward depend solely upon his own efforts.\textsuperscript{11}

In Canada, Britain had retained a vast extent of country which in trade, commerce and maritime influence, was of peculiar significance to the development of colonial power. The territory under British dominance was about four million square miles, stretching across the north of the American continent from the Atlantic to the Pacific Ocean. This was a region of fertile soil, equable climatic conditions, and vast resources. The lakes, rivers and tributary streams, provided the means for hydraulic power, transportation and access. The vast and valuable forests and agricultural potential provided Upper Canada with a fundamental need for colonial development - immediate income. Accessibility and income, in turn, attracted the requirements for resource exploitation - capital and labour.

The distinction between emigration, or the movement of labour without capital, and colonisation, in which migrants were accompanied by capital for the development of waste lands, was emphasised by Wilmot Horton on his appointment as Under Secretary of State for the Colonies in the 1820s. He regarded colonisation, so defined, "as the more effective answer to Britain's excess of population".\textsuperscript{12} Emigration unsupported by capital for development would merely result in transferring the problems of unemployment from Britain to the colonies. Attitudes to emigration had changed, and although some continued to argue that emigration would weaken Britain's industrial strength and wealth, experience had shown that migrant labour and capital provided beneficial stimulus to the colonial economy. This realisation of future possibilities, led to the formation of many private colonisation plans and, as the fever of speculation spread, to plans for the chartering of the land companies.\textsuperscript{13}

A system of emigration was accepted as likely to help Britain to adjust population to the rate of growth in agricultural production.

Domestic issues had prompted government to support the policy of assisted emigration, a policy consistent with the attitude of the British Government to North America and its importance to colonisation and Empire. At the end

\textsuperscript{11} Helen I. Cowan, \textit{British Emigration to British North America} (Toronto, 1961) p.113.


\textsuperscript{13} Helen I. Cowan, \textit{op.cit.}, p.83.
of the American War of Independence in 1776, which established the United States free of British domination, a large number of British loyalists took refuge in Canada. They settled mainly in the upper areas of the province, where land grants were made available to them. Upper Canada, lying south and west of the Ottawa River, was predominantly British in population, whereas Lower Canada, to the north and east of the river retained a strong French influence. The concentration of so large a number of settlers in Upper Canada and recognition of the independence of the United States, encouraged the British government to grant a Constitution to Canada. The Canada Constitutional Act of 1791 did not, however, prescribe the boundaries of the provinces of Upper and Lower Canada. A definition of the proposed boundary between the provinces was printed in a Parliamentary Paper while the bill was being debated, and was later issued in an Order in Council, being confirmed to Lord Dorchester in September 1791. By 1808 Upper Canada was estimated to have a population of 60,000, almost entirely British, and already in that year the agricultural potential of the province was being proved, as 186,708 bushels of wheat were exported to Britain.

Enthusiasm over Britain's military advances in Europe, its industrial strength and expanding Empire, were subdued by the doubtful fortunes of the struggle across the Atlantic which erupted in 1812 over rights of search of vessels on the high seas. The declaration of war sprang from a determination by the Americans to win freedom for the people in the northern part of the continent. Three attempts to penetrate into Canada were repulsed, but these defeats were largely balanced by victories at sea. In 1813 these naval victories were followed by vigorous attacks on land which cleared Lake Ontario, captured Toronto, destroyed the British flotilla on Lake Erie, and controlled Upper Canada. An attack on Lower Canada, however, failed and a combined British and Canadian force steadily forced the Americans from Upper Canada. In 1814 the struggle was renewed, and Upper Canada was again invaded. Victory over the French in Europe, however, allowed Britain to concentrate sea and land forces in Canada to conclude a war which previously had not been regarded seriously. After harsh campaigns peace was concluded by Britain and America in 1814, neither

force being anxious to continue what was an inconclusive contest. The ultimate failure of the effort to liberate the British North American colonies by war, was a measure of the military toughness of the British Empire, and of the strength of conservative forces within the British colonial system.\textsuperscript{17}

The Crown and Clergy Reserves.

In 1791 statutory authority was given for the Governor or Lieutenant Governor of each of the Provinces, Upper Canada and Lower Canada, to allot lands for the support and maintenance of a Protestant Clergy. The proportion of lands so allotted was equivalent to one-seventh of the total grants of land in a town or parish. These allotted lands were known as 'The Clergy Reserves'. Additionally other lands in the Province of Upper Canada were reserved for the use of the Crown and were named 'The Crown Reserves'.\textsuperscript{18}

The need to develop these unused Clergy and Crown Reserves was the basis for the proposals submitted to the Secretary of State for the Colonies in July 1824 by the Canada Company.

The Company's Prospectus summarised the proposals by stating that the original settlers were mainly emigrant families and refugees, and that those who had subsequently emigrated to that country were also, for the main part, lacking in resources. The country, denied necessary capital for development, had depended for its progress "on the manual labour of individual settlers".\textsuperscript{19}

These circumstances having been represented to Government, His Majesty's Secretary of State for the Colonial Department, desirous to encourage the introduction of Capital into the Colony, has agreed to dispose of the Lands reserved for the Crown, and the half of those reserved for the support of the Clergy, to the Company, in order to facilitate that great object. These Crown and Clergy reserves consist of two-sevenths (in lots of 200 acres each) of the lands granted by Government since 1791; they

\textsuperscript{17} S.D. Clark, Movements of Political Protest in Canada (Toronto, 1959) p.129.

\textsuperscript{18} Act 6 Geo.iv, cap.75. See Appendix 6A.

\textsuperscript{19} The Canada Company, Prospectus, 1825, p.2, \textit{supra}, (Note 2a) p.90.
intersect all the settled districts, and are, in many places, already surrounded by cultivation.\textsuperscript{20}

On 2 July 1827 an Act was passed to authorize the sale of part of the Clergy Reserves in the Provinces of Upper and Lower Canada\textsuperscript{21}. The preamble to the Act states that the Clergy Reserves had largely remained waste and unproductive "for the Want of Capital to be employed in the Cultivation thereof".\textsuperscript{22} The sale of certain parts of the Clergy Reserves was authorised provided the proceeds of sale were applied in improving the remaining Clergy Reserves or otherwise for the support of the Protestant Clergy\textsuperscript{23}.

Knowledge of Canada at the end of the eighteenth century was limited among the capitalists of Britain, and it was not the example of past emigration to the colonies but the availability of vast tracts of undeveloped, fertile and accessible land, which attracted both capital and people. From 1817 government had endeavoured to develop a more uniform policy for all the colonies, with the object of encouraging the development of waste lands more extensively in new regions suitable for the settlement of British people.

In Canada, the first initiatives came from government officials at York, later named Toronto, who were completely dissatisfied with the management and limited utilisation of the Crown and Clergy Reserves which absorbed two-sevenths of all the surveyed lands in the province. In the Provincial Parliament on 19 January 1824, the Lieutenant Governor stressed the need for action "to counteract the evils occasioned by unoccupied and neglected lands", in part a criticism of the ineffective leasing policy observed from the early years of the century, under which few leases had been taken-up, the rental payments on these few being in arrears\textsuperscript{24}. Effective use of the Crown Reserves was considered to be the only practical solution to the pressing financial problems of Upper Canada. The British government was unwilling to resume the financial burden for the province which in 1819 it had relinquished, thereby compelling the provincial government to consider ways in which the one valuable asset held by the Crown, the Crown

\begin{itemize}
\item \textsuperscript{20} Ibid.
\item \textsuperscript{21} Act 7 & 8 Geo.iv, cap.62, 2 July 1827.
\item \textsuperscript{22} Ibid.
\item \textsuperscript{23} Ibid.
\item \textsuperscript{24} Gazette, Provincial Parliament, York, 22 Jan 1824, in Galt Papers, Series 1, p.177.
\end{itemize}
Reserves, could become productive. By sales of the reserves it was estimated that the administration costs of local government could be funded. Such an application of the Crown Reserves for public purposes had become generally accepted by 1823.

The British government was receptive to any proposal which would result in lessening its financial obligations in Upper Canada, and many schemes for promoting emigration and settlement were submitted to colonial officials. Of the schemes presented by corporate groups, only three reached full maturity; the Canada Company, the British American Land Company, and the New Brunswick and Nova Scotia Land Company. Many others failed or did not commence.

The Canada Company.

The Canada Company had its origins in proposals for the sale of Crown Reserves to establish a fund primarily to satisfy proved and recommended Claims, for loss and damage, suffered by settlers loyal to Britain in the war with America. John Galt, a writer, and the founder of the company, was acting as an agent for the claimants in Upper Canada. In July 1821 he had written to the Treasury in London requesting the most liberal consideration of the Claims. He said:

For three years, My Lords, the inhabitants of Upper Canada, by the defenceless condition in which they had been left exposed to the whole brunt of the American force, displayed, as Your Lordships well know, the most heroic devotion to His Majesty's Government, under every temptation to revolt.

The protracted delays in settling the Claims caused serious concern to Galt, as he realised that the Provincial Treasury would be embarrassed if required to meet the amount of £256,000 involved. In 1823 he discussed with officials of the Treasury and the Colonial Office in London, schemes for the sale of land to establish a fund from which both the claims of his constituents, and civil list expenses in the province, could be met. These proposals were confirmed in writing on 16 December 1823.

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27. Galt to the Lords of the Treasury, 25 July 1821, in Galt Papers, p.108.
28. Galt to Wilmot Horton, and to the Chancellor of the Exchequer, 16 December 1823, in Galt Papers, p.233.
Galt found Bathurst and Wilmot Horton receptive to the suggestion that a company be formed to acquire the reserved land for development and settlement. Having obtained from Bathurst an assurance that the Crown would make available all the Crown Reserves and half the Clergy Reserves, Galt confirmed with the Secretary of State that, on reasonable terms, the funds needed to purchase the reserves would be provided. A further assurance was given to Galt that five commissioners would proceed to Upper Canada to establish the price at which the reserves would be available.

Following further discussions with his supporters, on 16 July 1824 Galt presented to the Secretary of State "An Outline of the Canadian Company", which emphasised that

the want of Capital sufficient to favour establishments upon a scale calculated to provide a surplus supply of produce for exportation, has been a great cause of the languid progress of improvement in Upper Canada.

Galt proposed that a Chartered Company should be established whose main objects would be to purchase the Crown and Clergy Reserves, to improve the land for settlement by families, to give immediate employment to immigrants on arrival in Canada, and to promote the general development of the colony.

The suggested capital of the company was £1,000,000, to be raised in 10,000 shares each of £100, with a deposit of £10 on each share. After prolonged negotiation, and frequent misunderstanding, particularly concerning the method of determining the value to be adopted for the lands, agreement was reached between Galt and the Colonial Office. The company was to be given the opportunity to buy all the Crown Reserves and half the Clergy Reserves in Upper Canada in the townships surveyed before 1824. Payments were to extend over fifteen years, the company taking possession each year of the land represented by the annual payment, but with no limit on the quantity taken-up.

When the commissioners submitted their report, which recommended that 1,384,413 acres of Crown Reserves and 829,430 acres of Clergy Reserves

31. Ibid., p.200.
32. Ibid., p.201.
33. Galt Papers, pp.201-3.
should be offered to the company at 3/6d. per acre provincial currency,\(^{33}\) opposition from the Clergy to the low valuation was so widespread that the Clergy Reserves were withdrawn from negotiation. In place of the reserves withdrawn the company received one area of one million acres, later increased by 100,000 acres, known as the Huron Tract, in the western part of the province, and for the same consideration as would have applied to the Clergy Reserves, £145,150. 5. 0\(^{34}\). As the Crown and Clergy Reserves were scattered over the province in areas ranging from 200 acres to 14,000 acres, the company's interests were far better served by having one area of country on which improvement work could be concentrated with the object of encouraging settlers. The Canada Company was a corporate coloniser not intending to remain as a permanent landowner, and with no objectives as a pastoral or agricultural producer. Land was to be acquired for development and disposition to migrants and others, by lease or sale.

On 27 June 1825 an Act was passed by the British Parliament authorising the Crown to grant a Charter of Incorporation to The Canada Company\(^ {35}\). The preamble refers to the Statute of 1791, 31 Geo.iii,cap.31, whereby the Governors and Lieutenant Governors of Upper and Lower Canada were empowered to make grants of Crown land for the support of the Protestant clergy. By 1825 these original provisions had become discredited, and were the subject of constant criticism.

The 1825 Act refers to the Clergy Reserves, stating that:

> It is expedient that means should be adopted for clearing and cultivating the said lands, and for that purpose His Majesty should be authorized to sell and dispose of certain parts thereof to the Company to be established as here mentioned.\(^ {36}\)

The preamble also refers to the Crown Reserves, and proposes that "His Majesty should be authorised to sell and dispose of certain parts thereof to the Company".\(^ {37}\)

The company was to be established with the objects of purchasing, improving

\(^{33}\) The Company Accounts at 31 Dec 1831 indicate that 3/6d. provincial currency was equivalent to 3/2d. sterling (approx).

\(^{34}\) Gerald M. Craig, op.cit., p.136.

\(^{35}\) Act 6 Geo.iv, cap.75. See Appendix 6A.

\(^{36}\) Ibid.

\(^{37}\) Ibid.
and then disposing of lands acquired under the Act, the Crown being authorised to sell and convey such lands to the company in fee simple and at agreed consideration. Purchases of Clergy Reserves were, however, confined to not more than one-half of the Clergy Reserves in Upper Canada.\textsuperscript{38}

The following table is based on statistics published in 1848, and although later in time, the figures are indicative of the progressive distribution of land in the Province:\textsuperscript{39}

\begin{table}
\begin{tabular}{|l|}
\hline
Originally surveyed in Upper Canada. 18,153,219 acres. \\
Appropriated and disposed of as follows: \\
For support of Protestant Clergy. 2,407,687 acres. \\
For education: \\
\hspace{1cm} King's College, \\
\hspace{1cm} Toronto. \\
\hspace{1cm} 225,944 \\
\hspace{1cm} Upper Canada College. \\
\hspace{1cm} 63,642 \\
\hspace{1cm} Grammar Schools. \\
\hspace{1cm} 258,330 \\
To, The Canada Company. 2,484,413 \\
Loyalists and various claims. 10,404,663 \\
Indian Reservations. 808,540 \\
Land remaining on hand. 1,500,000 \\
Unsurveyed lands in Upper Canada. 13,592,320 acres. \\
\hline
\end{tabular}
\end{table}

The Charter of Incorporation pursuant to the Act of June 1825 was not granted until August 1826.\textsuperscript{40} The delay was caused by the prolonged and acrimonious debates in Upper Canada on the valuations placed by the Commissioners on the Clergy Reserves.

The Charter authorised the formation of a joint stock company with nominal capital of £1 million sterling, comprising 10,000 shares each of £100. The first instalment of £10 per share was paid by subscribers prior to the request to Parliament to approve the enabling legislation.\textsuperscript{41}

\begin{flushright}
38. Ibid. \\
40. Charter of Incorporation, The Canada Co., 19 Aug 1826. \\
41. Charter of Incorporation, p.4.
\end{flushright}
The main objects of the company were:

To purchase, hold, improve, clear, settle and dispose of waste and other lands in the province of Upper Canada.

To make advances of capital to settlers on such lands.

To open, make, improve and maintain, roads and other internal communications for the benefit of the settlers.

To promote the cultivation of such articles as can be advantageously exported from the province.  

The Charter reflected Bathurst's concern that speculation should be contained so far as this was possible by regulation, and stringent conditions were included restricting rights to transfer the stock immediately following a call for funds.

After any call for money shall have been made and become due and payable by virtue of this our charter, no person or persons, bodies politic or corporate, shall sell or transfer any share or shares, which he, she, or they shall possess in the said stock of the said company, until the money so called for in respect of his, her, or their share or shares intended to be sold shall be paid; and until such money so called for shall be paid, any such sale or transfer of any share or shares shall be void.  

Provision was included for forfeiture of shares in cases of failure to meet properly authorised instalments, calls being limited to £10 at any one time, a lapse of at least three months between calls being stipulated.

Authority was given for the appointment of a Board of Commissioners consisting of two or more people resident in Upper Canada, to manage and conduct the affairs of the company in the province, within the limits of powers and regulations approved by the Directors from time to time. Legislation in 1828 extended these powers to permit the company's representatives in Upper Canada to execute legal conveyances of land.

42. Ibid., pp.6, 7.
43. Ibid., p.14.
44. Ibid., pp.18-19.
The company was empowered to purchase plant and materials necessary for the clearing, cultivation and improvement, of lands purchased, and to sell any goods consigned to them from their lands in satisfaction of rent or purchase money arising from a sale of land.\(^{47}\)

The company was permitted to acquire and hold lands in Great Britain and Ireland, provided the purchase value of all such holdings did not exceed £500. Land purchases in Upper and Lower Canada were limited to:

- such annual value only as we by any order or orders to be by us issued with the advice of our Privy Council may from time to time authorise and direct, and be made in conformity with the local laws and statutes in force in those parts of our dominions in which the land so to be purchased may be situate.\(^{48}\)

The Charter included an unusual provision, requiring payment of interest on instalments from the dates paid until January 1831. For that period the shares had the character of 4 per cent preference shares, the intention being mainly to reduce speculation in land shares in the company's formative years. This was justified by the assumption that demand for land would be considerable, and that as the company, by negotiation with the Crown, had acquired reserve lands favourably, sales should be immediately possible from which revenue would result to meet the interest liability.\(^{49}\)

After 10 January 1831, the half-yearly meetings of shareholders held in June and December were authorised to determine the rate of dividend justified, in addition to interest at the rate of 4 per cent per annum, but subject to a limiting proviso in the Charter.\(^{50}\) In determining the rate of dividend the shareholders were to have due regard for the debts and commitments of the company, and for all risks and contingencies affecting the assets and securities. They were specifically instructed that

- no dividend nor interest after the Tenth day of January, one thousand eight hundred and thirty one, be in any case paid out of the capital of the said Company, or otherwise than as a division of the whole or a part of the gains and profits of the said Company.\(^{51}\)

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47. Charter of Incorporation, p.37.
48. Ibid., p.38.
49. Ibid., pp.42-3. See also, Prospectus, p.3, supra, (Note 2a) p.91.
50. Ibid., p.43.
51. Ibid., p.44.
The Canada Company was established therefore, not as a producer or trader subject to the vicissitudes of season and commodity markets, but as a dealer in real estate, in a region well situated climatically for agricultural development, with an existing British population, and with no major problems of accessibility and communication. The company was to assume from the Crown responsibility for the development and settlement of Crown Reserves lying idle.

The company purchased 1,384,413 acres of Crown Reserves at 3/2d. sterling per acre, and the Huron Tract, by direction of the Crown, at 2/5d. per acre, a total of 2,484,413 acres for £348,680 sterling. The obligations to effect payment were on the basis of the terms originally negotiated with Bathurst, comprising annual instalments as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 1827</td>
<td>20,000</td>
</tr>
<tr>
<td>&quot; 1828</td>
<td>15,000</td>
</tr>
<tr>
<td>&quot; 1829</td>
<td>15,000</td>
</tr>
<tr>
<td>&quot; 1830</td>
<td>15,000</td>
</tr>
<tr>
<td>&quot; 1831</td>
<td>16,000</td>
</tr>
<tr>
<td>&quot; 1832</td>
<td>17,000</td>
</tr>
<tr>
<td>&quot; 1833</td>
<td>18,000</td>
</tr>
<tr>
<td>&quot; 1834</td>
<td>19,000</td>
</tr>
<tr>
<td>&quot; 1835</td>
<td>20,000</td>
</tr>
</tbody>
</table>

and thereafter, at the rate of £20,000 annually until the end of sixteen years from 1 July 1826. One third of the payments for the undeveloped lands of the Huron Tract could be retained for expenditure on public improvements, and £45,000 sterling was initially agreed for this purpose. The government accepted responsibility for surveying the Huron region. The progressive payment arrangement was favourable to the company as interest did not accrue on unpaid balances. This caused some antipathy to the company among those disposed to view it as an unjustified monopoly whose policies were opposed to the interests of individual settlers.

The colonial administration showed the same concern as was evident in the relationships between the two Australian pastoral companies and their respective colonial governments. The influence of the company's Directors

52. Galt Papers, pp.201-3.
53. Ibd.
with officials of the Colonial Office in London was regarded as prejudicial to local authority. The Governor of Upper Canada, Sir Peregrine Maitland, and his advisers,

viewed the arrangements with the Canada Company with more than a touch of suspicion. They were ready, as already suggested, to contemplate new plans for the Reserves, but they were rather out of countenance at the British government's swift proceedings, taken without benefit of any advice from York.  

The company had, however, accepted onerous contractual obligations to carry out improvements, particularly in the Huron Tract, and through such works to attract settlers to the province. Capital was Upper Canada's major need. Capital was regarded as a pre-requisite to the attraction of labour, but private capital would be attracted to a risk situation only if the prospects of gain and profit were evident. The criticism directed against the Canada Company was again not dissimilar from that levelled against the Australian pastoral companies. But in Canada the hostility to corporate holding of land was not as widespread, deepseated or persistent, as was the case in New South Wales and Van Diemen's Land. This was due partly to the objects of the Canada Company, which made clear that permanent holding of land was not intended, and partly to the immediate solution of Upper Canada's revenue problems by the annual payments to be made by the company to the Provincial Government between 1827 and 1842.

The intense desire for freedom in the disposition of land which characterised early settlement in Australia, similarly influenced the Canadian legislature and settlers. The Canada Company was criticised simply because its apparently preferred position had been negotiated with the Colonial Office. What they wanted was to take matters into their own hands and to devise a land policy based on the principle that the natural resources of the province were provincial, and not Imperial capital.  

John Galt, having been the initial secretary of the company, and one of the Commissioners directed to Upper Canada in 1825 to evaluate the Reserves to be offered to the company, became the first Superintendent, and in October 1826 proceeded to the province to inaugurate the company's operations.  

56. Lillian F. Gates, op.cit., p.175.
Galt worked with great energy and initiative; he planned roads, bridges and general lines of communication; in 1827 he established the township of Guelph; he worked assiduously to build a settlement potential which would draw emigrants from Britain. But Galt met two obstacles to progress. From the outset his manner and methods had been unacceptable to Maitland, who regarded "the high spirited novelist" as an unsound character. Galt also had to contend with Directors susceptible to suggestion by the Colonial Office, and ignorant of the problems and costs of preparing waste lands for settlement. Expenditure substantially exceeded income in the first two years of operations, and the Directors, alarmed lest the enterprise should fail, even contemplated ceasing activities and accepting the consequential loss. Land sales had commenced with the Crown Reserves from Ottawa to the St. Clair River. Galt had decided that:

- expenditure for the improvement of the reserves should be confined to the blocks of reserves, of which the company had seventeen, totalling 160,000 acres.
- a down payment of one-fifth was required from purchasers, the balance being payable in five annual instalments at 6 per cent.

During the first two years of its operations, the company paid the Crown £42,500 and additionally spent £35,000 on development works. In the same period land sales totalling £29,000 had been effected, but of the sale proceeds only £6,000 had been paid in cash. Expenses of administration both in London and in the colony also had to be met. Because of the pressure on the company's liquidity, an approach was made to the provincial government for temporary relief from annual payments, but this was rejected. Galt, who had come to be regarded by the Directors as "an extravagant visionary", was recalled to England in 1829, and resumed his literary interests. He was replaced as a Commissioner by Thomas Mercer Jones.

In their Half-yearly Report in December 1839, the Directors reviewed the earlier operations of the Company from their commencement in Canada in 1827. The particular objective at that time, was to publicise recent reports from

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60. [Aliquis], Observations on the History and Recent Proceedings of the Canada Company (Hamilton, 1845) pp.19-20. In Jan 1976 Public Archives of Canada advised that Aliquis had not been identified.
62. Ibid.
63. [Aliquis], op.cit., p.20.
the Commissioners on the impact of the company's work on settlement in the colony, Directors believing that

the success of the Company in producing those effects, is by no means sufficiently understood or appreciated, either in this country or in the Colony. 64

Although the Canada Company commenced operations in 1827, the year in which Galt took up the appointment as Superintendent, effective improvement work was very restricted until 1828. However, by the Spring of 1829, Guelph had been established with a population of 500 settlers, and the site for the township of Goderich on Lake Huron had been determined.

An office was established in Guelph, roads and bridges were constructed, and numerous buildings erected. 65

Thus was laid by a London commercial body the foundation of a system, which, as will be seen in the sequel, has produced beneficial results far beyond the expectations of the most sanguine. 66

The Directors referred to the problems in 1829 when the rate of expenditure had so substantially exceeded income that doubts had arisen among shareholders on the security of the investment. By the end of 1829 a decision had, however, been reached to continue efforts to achieve the objects of the enterprise. 67

At this same time, the Directors of the Australian Agricultural Company and the Van Diemen's Land Company were also considering in London, whether their respective problems of unsuitable country, drought, low income and high costs, did not justify a decision to wind-up the operations to avoid further losses. They too decided to persevere.

The operations of the Canada Company were described by a contemporary writer, as

an illustration of the beneficial working of corporate bodies in the distant possessions of the Crown, 68

and this was the object always before Galt. He had conceived the idea of

65. Ibid., p.7.
66. Ibid., p.7.
67. Ibid., p.8.
a corporation facilitating the settlement of British people in an
environment conducive to their success and financial independence. He
visualised loyal groups of industrious emigrants contributing to the
expansion of British trade, commerce and influence.

Immigration and Settlement.

The new Commissioners, in the early 1830s, adopted a much more vigorous
approach to the task of attracting migrants, and advertised widely in
Britain and Europe. Attention was centred mainly on the Huron Tract,
as the large, unbroken area, presented opportunities for effective and
economic development not possible among the dispersed Crown Reserves.
Agents were stationed at numerous points in Britain, at Quebec and
New York, to assist emigrants with pre-embarkation advice, and to receive
them on arrival in their new country.69

An official Report prepared in 1823, was reprinted to provide an authorit­
avative background on the climate, soil, natural production, and agriculture
of Upper Canada, with particular reference to timber, grain, fruit and
vegetables.70 The climate, compared with that of Great Britain, was
described as hotter in the summer months, though never oppressive;
rainfall was lower than in England, but more regular, falling mainly in
the spring and autumn; the winter was described as colder than in the
British Isles, but less felt by people because of its dryness, adding
that "in a country so overspread with timber there can never be a
deficiency of fuel".71

The Report emphasised the advantages of the climate, but it also drew
attention to less favourable aspects such as the long winter. These
climatic characteristics, however, were the reason for the abundance of
the diverse and valuable forests from which immediate income was derived,
and for the fur industry which was a source of substantial income with
little capital investment. The problems of communication and transportation
during the three months in the mid-winter season were treated somewhat
lightly.

It may be observed that the winter season is the most

70. Climate, Soil and Productions of Upper Canada. From an official
Report of an Agent of His Majesty's Government, laid before a
Select Committee of the House of Commons, in 1823, by His Majesty's
Under Secretary of State for the Colonial Department. Reprinted
in London, 1832.
71. Ibid., para 2.
favourable to land-carriage, as the roads then admit of sledding in all directions, which is a very expeditious mode of conveyance, and attended with but little draft; so that one horse or ox can, in this manner, easily draw double what he can upon wheels. 72

No mention was made of the probability that the water-ways would not be navigable in mid-winter. But this could have been regarded as unimportant, as the wheat harvest was completed in August and the important exportable surplus would have been shipped before the onset of the freeze.

The soil was generally described as equal to any in the world in fertility, and easily brought into cultivation. The nature of Upper Canada's climate and soil types assured heavy grain production, and the Report claimed that

there does not exist in any quarter of the globe, a country of the extent of Upper Canada, containing so small a quantity of waste land, either of marsh or mountain, yet there is not any deficiency of water. 73

The wide range of timbers assured income as forest lands were cleared, and the prepared soil was so fertile as not to require fertilisers. Gypsum, which was readily available in the province, was spread on some of the lighter, sandy soils, but in general fertilisers were not needed 74.

The same attention is not paid to the regular succession of crops as in Great Britain. After wheat, which is generally harvested in the month of July and beginning of August, rye can be sown on the same ground in the autumn to advantage; the rye crop is frequently laid down with clover or grass seed. 75

Such a rotational farming operation on soil not needing fertilisers, held out to farmers the prospect of low cost profitable production, and they were willing to trade the costs and problems of British farming for the apparently assured returns from grain production in Upper Canada.

The company's promotional campaign in 1832 was designed to stimulate interest particularly in the Huron territory 76. This area was described

72. Ibid., para 2.
73. Ibid., para 3.
74. Ibid., para 3.
75. Ibid., para 9.
76. Lands in Upper Canada to be disposed of by The Canada Company.
Canada Co. Memorandum, 1832.
as a tract of 1,100,000 acres, with a frontage of about sixty miles to Lake Huron, and stretching eastwards in the shape of a triangle. The region had direct navigable communication through Lakes Erie and Ontario, to the Atlantic. Emphasis was placed on the equable climate, fertile soils, accessibility and communications, and on the developing townships, which avoided the depressing impact of isolation which was so inhibiting a deterrent to the settlement of the north-west of Van Diemen's Land. The town of Goderich, which stood at the junction of the River Maitland with Lake Huron, was a most promising centre.

A considerable number of enterprising Colonists, and among them many possessed of capital, have sold their old cultivated farms and settled near Goderich, where there is a grist-mill, saw-mill, brick-kiln, tavern, etc; a considerable quantity of land has recently been taken up by them, at from 7/6d. to 10/- per acre.\(^{77}\)

The Company explained that the establishments at Goderich had been formed to afford facilities, encouragement and protection to settlers who felt disposed to purchase and improve lands in that district. The company had undertaken to apply £48,000 in the Huron Tract to the building of roads, bridges, wharves, churches and schools, and in the development of water communication, for the public benefit. Small settlers, with limited capital, were able to make progress in this region, as the soil was rich and lightly timbered, making economic production of wheat and other grains immediately possible\(^ {78}\). At a later stage the company found it necessary to extend beyond five years the periods during which payment for blocks purchased would be made, but as farming was the objective, and the prospects were favourable, the smaller settler was attracted.

Persons possessing small capitals will find the Upper Province the most desirable part of the Colony to fix themselves in, especially if they have large families. One hundred pounds on arrival at the spot, will enable an industrious person to support his family, because, in purchasing land one-fifth only is required to be paid down, and the remainder, with the advantage of

\(^{77}\) Ibid., para 8.

\(^{78}\) Ibid., para 18.
having roads and markets, can be made off the farm in time to meet the instalments, and in no one instance have the Company, since its formation, had occasion to resort to compulsion for any arrears.  

Through its agents, public notices and advertisements, the Canada Company developed an influential campaign in a community susceptible to the arguments promoted. The economic and political uncertainty in Britain after 1815, and the many factors related to expanding investment and overseas trade development, created a climate receptive to the concept of settlement in Upper Canada. The nineteenth century migrations were more significant than the translation of a relatively few people from a small island to sparsely inhabited countries seemingly with vast potential. Emigration and colonisation as a stimulus to commerce, industry, and foreign investment; as a provider of markets and raw products; as a fulfilment of the traditional pride and belief that Anglo-Saxons were destined to conquer the wilderness; and as a personal concern when every family had emigrant relatives, led to the subject becoming especially vital in the early Victorian era.

The company's notices carefully nurtured the theme of translation to a British community, in which the industrious would achieve financial independence. Taxes were minimal and tithes non-existent; and the quality of Canadian wheat had already assured its acceptance on the British market. The attractions far exceeded the uncertain benefits from more distant colonies in Australia and New Zealand. The reaction of people is evident in the following figures of emigrants sailing from the United Kingdom:

79. Ibid., para 15.
81. Lands in Upper Canada to be disposed of by The Canada Company, supra, (Note 76), para 18.
<table>
<thead>
<tr>
<th>Year</th>
<th>British North America</th>
<th>Australia/New Zealand</th>
<th>Year</th>
<th>British North America</th>
<th>Australia/New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1822</td>
<td>16,013</td>
<td>-</td>
<td>1840</td>
<td>32,293</td>
<td>15,850</td>
</tr>
<tr>
<td>1824</td>
<td>8,774</td>
<td>903</td>
<td>1842</td>
<td>54,123</td>
<td>8,534</td>
</tr>
<tr>
<td>1826</td>
<td>12,818</td>
<td>1,056</td>
<td>1844</td>
<td>22,924</td>
<td>2,229</td>
</tr>
<tr>
<td>1828</td>
<td>12,084</td>
<td>1,242</td>
<td>1846</td>
<td>43,439</td>
<td>2,347</td>
</tr>
<tr>
<td>1830</td>
<td>30,574</td>
<td>3,733</td>
<td>1850</td>
<td>32,961</td>
<td>16,037</td>
</tr>
<tr>
<td>1832</td>
<td>66,339</td>
<td>2,800</td>
<td>1852</td>
<td>32,873</td>
<td>87,881</td>
</tr>
<tr>
<td>1834</td>
<td>40,060</td>
<td>3,124</td>
<td>1854</td>
<td>43,761</td>
<td>83,237</td>
</tr>
<tr>
<td>1836</td>
<td>34,226</td>
<td>14,021</td>
<td>1856</td>
<td>43,761</td>
<td>83,237</td>
</tr>
</tbody>
</table>

These comparative figures significantly reflect the reactions of people to economic fluctuations, to droughts and financial depressions, to political and military tension, to the speculative attraction of gold, to the comfort of proximity to transport and markets, and to the fear of isolation and insecurity.

Unused and unoccupied land in any country constitutes a fundamental resource, a basic raw material awaiting utilisation, and unless something is done to prepare such lands, to provide access to them, and the means for transporting produce from them, they remain waste lands, unsaleable and unused. 83

Investment in unused land resources and on public improvements designed to make their utilisation economic and practicable, would usually have been recovered with considerable gains. But costs of development varied greatly, and land prices did not always reflect the total costs of improvement work. Values attaching to grain producing farms were generally higher than for grazing land, as the history of pastoral investment in Australia had been so unpredictable that the prospective gains related mainly to longer term appreciation in land values, and not to trading profits.

The Huron Tract presented few of the deterrents confronting settlers elsewhere, and the company effectively emphasised those aspects likely to

83. [Aliquis], Observations, p.23.
influence people already adjusted to the principle of emigration. The Huron Tract may be pronounced the most successful specimen of rapid settlement which North America has yet produced, and all owing to the wise exertions of the Commissioners, who neither spared labour nor expense in its accomplishment.  

The response to the company's campaign to attract settlers in the early 1830s is shown in the figures of land sales quoted by the Directors in their Reports of 1832 and 1833:

<table>
<thead>
<tr>
<th>Year</th>
<th>Crown Reserves</th>
<th>Huron Tract</th>
<th>Town Lots</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1831</td>
<td>84,182 11/-</td>
<td>14,490 7/6</td>
<td>-</td>
<td>98,672 £51,800</td>
</tr>
<tr>
<td>1832</td>
<td>89,779 11/4</td>
<td>25,025 7/6</td>
<td>£748</td>
<td>114,804 £60,252</td>
</tr>
</tbody>
</table>

Sales in 1830 46,063 4,880 50,943 85

Average prices and income figures in the above table are quoted in provincial currency. The price of 7/6 per acre in the Huron Tract was equivalent to about 6/9 sterling. The Profit and Loss Account for the year 1831 reflects the contractual agreement made with the British Government that the company's payments should extend over fifteen years, and that each year possession should be taken of land equivalent to the agreed annual payments.

Income.
Sale of 84,182 acres Crown Reserves, at average 9/11d. sterling per acre. £41,740
Sale of 14,490 acres Huron Tract, at average 6/9d. sterling per acre. 4,890
Sundry interest and other income. 3,970 £50,600.

84. Ibid., p.23.
Expenditure.

Cost of 84,182 acres Crown Reserves, at 3/2d. sterling per acre. £13,330

Cost of 14,490 acres Huron Tract, at 2/5d. sterling per acre. 1,750

Costs of management -
  London. £2,650
  Canada. 3,500

Commission and sundry costs. 6,150

Balance in favour of the company for 1831: £22,330

£28,270

£50,600

At 31 December 1831 the company had on hand unsold 420,000 acres of land for which 3/- per acre had been paid, the comparable figures at the end of 1830 being 323,000 acres at 4/5d. per acre. The year 1830 was a vital point in the company's progress, as previously finances had been problematical. That year immigration started to improve, and affairs advanced rapidly thereafter, as increased demand for land widened the margin between the price paid by the company and that received from its sale. In December 1831, £17 per share had been paid up on each of 8,915 shares, a total of £151,555. The net profit on the year's operations therefore represented a yield of 18 per cent on paid up capital.

Improving land sales, and the resultant increase in cash flow, had allowed the company to cover all expenses from earnings in the year. The average price of land sold had increased only slightly, the growth being in volume, but many of the sales had been made in new and more remote townships. These sales had particular importance in establishing sales values in areas beginning to receive settlers.

By the end of 1831 the population of Guelph had risen to 1,000, and the company reported the completion of a grain mill "to the great satisfaction of the increasing population." Guelph had been established in forest country only four years before, and the Directors reported that in 1831 more than 2,300 acres of land had been cleared for the plough.

Goderich had grown to 300 inhabitants, and communications by land and water

88. Ibid., p.10.
89. Ibid., p.8.
90. Ibid., pp.11,12.
91. Ibid., p.13.
had been established. Improvements during the year were mainly in the building of roads, bridges and mills, the expenditure in all cases being dependent upon the settlement potential of the area. The Commissioners had observed in a despatch to the Directors, that the price of land depends more on the facilities of communication and local advantages, than on the quality of the soil.  

Progress in the company's land activities was summarised in the 1833 Report as follows:

<table>
<thead>
<tr>
<th>Acres.</th>
<th>Sterling.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land originally purchased.</td>
<td>2,484,413</td>
</tr>
<tr>
<td>Land sold to 31 December 1832.</td>
<td>366,000</td>
</tr>
<tr>
<td>Land paid for and unsold at 31 December 1832.</td>
<td>460,000</td>
</tr>
<tr>
<td>Land remaining unpaid for and unsold.</td>
<td>1,658,413</td>
</tr>
</tbody>
</table>

Including the sum of £45,000 to be laid out by the company in improvements in the Huron Tract, a part of which has been already expended.

Amount produced by the sale of 366,000 acres. £168,812.

The Directors reported enthusiastically on the rapid developments in Upper Canada, which they attributed principally to "the great influx of settlers of all classes". The advertising campaign had been beneficial, and by 1832 this was being supplemented by the interest the increased volume of

92. Ibid., p.15.
94. Ibid., p.11.
land sales was creating in Britain among prospective settlers. Immigration figures for Quebec and Montreal revealed a favourable reaction to the company's efforts to expand the British population of Upper Canada 95:

- 1819. 12,907 immigrants.
- 1821. 8,050
- 1823. 10,258
- 1825. 9,097
- 1827. 16,862
- 1829. 15,945

To illustrate the effectiveness of the company's policies to attract emigrants and expand settlement, the Directors published a table comparing land sales by the Government Commissioners of the Crown and Clergy Lands, and by the company during the ten years 1829 to 1838 96.

<table>
<thead>
<tr>
<th>Year</th>
<th>Commissioners.</th>
<th>Canada</th>
<th>Immigrants.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1829</td>
<td>3,883</td>
<td>18,014</td>
<td>56,630</td>
</tr>
<tr>
<td>1830</td>
<td>6,147</td>
<td>34,705</td>
<td>50,943</td>
</tr>
<tr>
<td>1831</td>
<td>4,365</td>
<td>28,565</td>
<td>98,672</td>
</tr>
<tr>
<td>1832</td>
<td>10,352</td>
<td>48,484</td>
<td>114,804</td>
</tr>
<tr>
<td>1833</td>
<td>26,417</td>
<td>62,282</td>
<td>83,918</td>
</tr>
<tr>
<td>1834</td>
<td>8,891</td>
<td>59,526</td>
<td>70,931</td>
</tr>
<tr>
<td>1835</td>
<td>22,707</td>
<td>59,003</td>
<td>58,751</td>
</tr>
<tr>
<td>1836</td>
<td>7,923</td>
<td>63,440</td>
<td>90,332</td>
</tr>
<tr>
<td>1837</td>
<td>7,003</td>
<td>81,549</td>
<td>40,617</td>
</tr>
<tr>
<td>1838</td>
<td>2,627</td>
<td>11,174</td>
<td>15,718</td>
</tr>
</tbody>
</table>

The company's sales in this period exceeded those of the Commissioners by 114,259 acres or about 22 per cent. The Directors were justified in claiming that the figures were indicative of the success of the company's policies, but the direct comparison with the government agency was of little significance. Although the Commissioners had the support of government they were dealing mainly with small areas or allotments widely dispersed, and of which many were already the subject of lease agreements.

The company concentrated its development operations in the Huron Tract.

96. Ibid., pp.9-10.
Holding the land in fee simple the company was under no restraints in conveying title to settlers, or in negotiating lease agreements with options of purchase. The company's operations were concentrated, flexible and commercially directed. Private capital had demonstrated its effectiveness in promoting settlement and bringing waste lands into production.

Between 1830 and 1838 the population of Goderich expanded to 4,804 persons, occupying 1,934 houses and cultivating 14,993 acres\(^97\). The company's successful endeavours to attract settlers, which were for reasons of ultimate profit to the company as well as for the beneficial development of the colony, were met by competition from other agencies, particularly those seeking emigrants to the United States. Incentives were offered by the company, from time to time, to counteract these influences, such as the granting of free passage from Quebec to the head of Lake Ontario to families proceeding to the company's lands\(^98\).

Critics, and the company had many, would assert that development of the province would have occurred whether or not the Canada Company had been involved, as people were seeking new lands in which to settle, and governments would have been compelled to increase their financial commitment to the assistance of colonisation. Population pressures in Europe probably justified the argument, but the orderly settlement and development of the Huron Tract would have been retarded had the incentive of corporate gain and the initiatives of experienced commercial administrators, been denied to the enterprise. All joint stock companies owning, settling, colonising, buying or selling land, in the colonies of the British Empire were vulnerable to such criticism, as corporate domination was anathema to the settler enjoying a new and unexpected freedom. Profit was seen as the corporation's only object, involving the removal from the colony of part of its substance through the remittance of net income to the capitalists of London. The inter-dependence of capital and labour was not understood; the lender of money was an opponent not a partner. The company was criticised on the grounds that it "allowed settlers to accept too large a burden of debt, thereby remaining within the avaricious grasp of the company".\(^99\)

At the end of 1832 calls on shareholders had provided capital of £17 per

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\(^97\) Ibid., p.11.
\(^98\) Ibid., pp.12-13.
share on 8,915 shares, or £151,555. By 31 December 1839 instalments had increased to £32.10.0 on the same number of shares, providing £289,737. Results for the shareholders had not been encouraging, as the costs of development work necessary for the settlement of migrants continued to exceed cash returns. The Directors, requiring funds but wishing to avoid further calls on the shareholders, decided in 1839 to raise a sum of £20,000 on security of company debentures carrying interest at the rate of 5 per cent per annum. These funds enabled the company to meet the annual payment under the government contract and other developmental expenses. Notice was given of intention to seek a further £20,000 through a debenture issue in 1840, again avoiding the need to call on shareholders.

Civil Disorder, 1837-39.

In November 1837 political agitation and financial depression combined to cause widespread civil disorder. The disturbances began in Lower Canada and spread to Upper Canada, seriously retarding land settlement already adversely affected by the friction between the two provinces. Order and security were restored by the union of Upper and Lower Canada in 1840.

The Earl of Durham, Her Majesty's High Commissioner and Governor General of the North American Provinces, investigated the political, financial and social problems of the Canadian provinces. In January 1839 he presented to the British Government his Report on the Affairs of British North America, in which he urged the re-union of the provinces and responsible colonial government. The Durham Report has been commended for its vision, and criticised for its failure to provide facts and information not previously known, and for its lack of influence in the forming of British policy. The Report does, however, provide a comprehensive statement of fact, and emphasises the major problems requiring solution.

The Durham Report emphasised that the pacification of Canada depended to no

small extent on finding a solution to the problem of the Clergy Reserves acceptable to all parties. It referred to the "economic mischief" arising from the mismanagement of the waste lands reserved in the interests of the Protestant clergy, and to the error of the original appropriation of those reserves. Durham's proposition for an equitable solution of the problem was that all provisions in Imperial Acts relating to the Clergy Reserves and the funds arising from them, should be repealed, the local legislature being empowered to dispose of the funds derived from the reserves. The Constitutional Act of 1791 had seriously retarded logical and economic land utilisation, and settlers correctly claimed that the laws affecting real property were adverse to Crown alienations of land. Uncomplicated conveyancing provisions were essential in a new country depending for development on settlement and capital improvements. Durham sought to correct the control of lands through Clergy Reserves and to encourage production from waste lands. He stated that through the delegation of certain powers to a private company, settlement had proceeded with more regularity and rapidity than on the lands under the control of officers of the Crown. The work of the Canada Company in developing facilities for settlement was thereby officially recognised.

Durham declined to commend emigration on an extended scale as a cure for Canada's political disorders, because it is my opinion, that until tranquillity is restored, and a prospect of free and stable government is held out, no emigrants should be induced to go to, and that few would at any rate remain in, Canada.

Durham strongly supported a sound system of colonisation as providing the most effective barrier against a recurrence of civil disorders, and the proper means for opening up extensive regions for the benefit of British people. The mismanagement by which the resources of our Colonies have hitherto been wasted, has I know, produced in the public mind too much of a disposition to regard them as mere sources of corruption and loss, and to entertain, with too much complacency, the idea of abandoning them as useless. The experiment of keeping colonies

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105. Durham Report, p.64.
106. Ibid.
and governing them well, ought at least to have a trial, ere we abandon for ever the vast dominion which might supply the wants of our surplus population, and raise up millions of fresh consumers of our manufactures and producers of a supply for our wants.\textsuperscript{109}

Durham's most significant recommendations were those dealing with the requirements of a re-union of the provinces. Such a union gave prospects of solving Upper Canada's heavy financial burden, and while men with capital were still notably absent from the community, a British loan seemed likely, and funds would accompany the expansion of the railway companies. Society still appeared to be unformed and heterogeneous, following the heavy immigration of the previous fifteen years. Yet not long afterward an observer noted that the people of Upper Canada were neither British nor American, and that 'a national character [was] in process of formation'.\textsuperscript{110}

The Canada Company's Half-yearly Report in December 1839 indicated that emigration and settlement had been severely checked by the disturbances. Intending emigrants had been deterred from exposing their families to the turmoil in Canada and were encouraged to migrate to Australia, which in the years 1835 to 1838 was thriving. The Directors were, however, confident that the relative advantages of Canada would again prevail, as in all parts of Britain a disposition favourable to Canada was evident.\textsuperscript{111}

When order had been restored the Directors instructed the Commissioners to check the financial position of all persons indebted to the company for the purchase of land. The Annual Report in March 1841 referred to this investigation and indicated that between two and three thousand debtor accounts were involved, and that the security of all debts was undoubted.\textsuperscript{112}

This point was stressed in an attempt to re-activate migration to the company's lands, and to confirm that the colony had returned to stability under a responsible government. Agents were also instructed to emphasise the ease with which the journey to Canada could be made, and the modest costs involved. But particular point was made of the proximity of Canada

\textsuperscript{109} Ibid., p.118.  
\textsuperscript{110} Gerald M. Craig, op.cit., p.275.  
\textsuperscript{111} Directors' Half-yearly Rep., 31 Dec 1839, p.5.  
to the homeland. This was an emotional response to the emigration of people to the Australian colonies, and the appeal was effective. Settlers in Canada are not disconnected with their native land, but in consequence of the regular and rapid communication now kept up by the establishment of steamboats, every species of information is as easily acquired, and matters of interest, public or private, are as well known in Canada, and in as short a time, as they would have been formerly in distant parts of the British Isles.\(113\)

In March 1842 the Directors advised the shareholders of an increase in debenture borrowings to £88,300, bearing interest at the rate of 5 per cent per annum. Paid up capital remained at £289,737, being £32.10. 0 per share on 8,915 shares\(114\). The decline in the net returns from the company's operations was due mainly to a reduction of 10,000 acres in the quantity of land sold in the Huron Tract. Although new settlers were continuing to arrive, many were acquiring partially developed lands from old settlers. The campaign to attract migrants was again reflected in a strong profit recovery in 1842, shown in the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Operating Profit (sterling)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839</td>
<td>£14,730</td>
</tr>
<tr>
<td>1840</td>
<td>17,718</td>
</tr>
<tr>
<td>1841</td>
<td>11,010</td>
</tr>
<tr>
<td>1842</td>
<td>40,930</td>
</tr>
</tbody>
</table>

The improvement in 1842 was achieved mainly in the Huron Tract, where in 1841 sales were only 8,015 acres, whereas in 1842, a total of 72,668 acres was disposed of, 28,127 acres on the former five year purchase plan, and 44,541 acres under new lease provisions\(116\).

Based on the Directors' Reports, the table hereunder records sales of land by the company between 1839 and 1844:\(117\)

\(113\). Ibid., p.14.
\(115\). Directors' Ann. Reps., 1839-1842. The dividend paid to shareholders was at the rate of 6 per cent per annum.
\(117\). Directors' Ann. Reps., 1840-1845.
### Crown Reserves.

<table>
<thead>
<tr>
<th>Year</th>
<th>Acres</th>
<th>Av. Price</th>
<th>Provincial Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839</td>
<td>23,378</td>
<td>3/6d.</td>
<td>11,742</td>
</tr>
<tr>
<td>1840</td>
<td>25,534</td>
<td>12/2</td>
<td>18,004</td>
</tr>
<tr>
<td>1841</td>
<td>25,640</td>
<td>12/11</td>
<td>8,015</td>
</tr>
<tr>
<td>1842</td>
<td>37,477</td>
<td>12/11</td>
<td>28,127</td>
</tr>
<tr>
<td>1843</td>
<td>12,838.5</td>
<td>13/7</td>
<td>8,705</td>
</tr>
<tr>
<td>1844</td>
<td>15,729.5</td>
<td>14/9</td>
<td>12,941</td>
</tr>
</tbody>
</table>

### Huron Tract.

<table>
<thead>
<tr>
<th>Year</th>
<th>Acres</th>
<th>Av. Price</th>
<th>Provincial Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1839</td>
<td>23,378</td>
<td>2/8d.</td>
<td>13/5</td>
</tr>
<tr>
<td>1840</td>
<td>25,534</td>
<td>13/3</td>
<td></td>
</tr>
<tr>
<td>1841</td>
<td>25,640</td>
<td>12/6</td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>37,477</td>
<td>11/7</td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>12,838.5</td>
<td>12/1</td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td>15,729.5</td>
<td>12/9</td>
<td></td>
</tr>
</tbody>
</table>

#### The Land Leasing Schemes.

During 1842 the population of the Huron Tract increased to 9,000 persons, and in an endeavour to maintain this impetus the company instituted a leasing arrangement which extended the time for payment for the land purchased. The original basis was five years, and the leasing arrangements increased the attraction of the company's lands to migrants by leases of twelve years, and then of ten years. The Directors recognised the importance of steadily increasing population if land values were to rise, and the apparently more generous land purchase provisions were influenced by the fact that the 1842 result represented a yield of 14 per cent on the company's paid up capital.

In August 1841 *Fisher's Colonial Magazine* published a brief report on the Huron Tract designed to interest prospective emigrants.

The settlement of the country of Huron was commenced in 1828. Thirteen years ago it was an untenanted waste, and settlement has taken place gradually and progressively.

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118. The total purchase price of land was:
- 1,384,413 acres at 3/6d. per acre: £242,272, provincial currency.
- 1,100,000 acres, Huron Tract, for: 145,150

2,484,413 acres for: £387,422

Converted to sterling, £1 provincial currency being equivalent to 18/- sterling: £348,680 sterling.

8 May 1833, p.10.
29 Mar 1843, p.10.
Of 514 families who went on their land destitute of means, the present value of their stock and improvements is estimated at £90,486.10.0; of 61 families whose means were under £10 per family, their present value of stock and improvements is estimated at £10,424; of 254 families whose means were under £50 per family, their present stock and improvements are estimated at £40,526; and the value of property possessed by individuals who commenced with a capital exceeding £50 is estimated at £100,850. The same cheering indications of welfare and prosperity are to be met in most districts of Canada. All the elements of wealth and true greatness lie scattered in profusion around the Canadian colonists.\(^{119}\)

The Canada Company accepted that in the development of waste lands, where the purchase price had to be produced from the soil, the original provisions for payment over five years were too restrictive. Furthermore many settlers experienced in farming activities, were unable to provide the deposit of one-fifth of the purchase price payable on signing the contract. On 16 July 1842 the company advertised the introduction of plans to dispose of lands on the basis of longer term leases\(^{120}\). The first scheme provided for leases of twelve years duration, no deposit being required on occupation, all costs and charges being incorporated in the rental figure. At the end of the term of the lease, subject to the payment of all amounts due under the contract, the Deeds to the land were to pass to the occupier. The rates of rental under this scheme were in turn considered to be unduly onerous if the rate of settlement was to be sustained, and on 17 February 1843 the company advertised another plan based on leases for ten year terms\(^{121}\).

The ten year lease arrangements attracted favourable public reaction, because of the encouragement and opportunity given to the hard-working farmer with little or no capital. In 1847 Simmonds' Colonial Magazine reported that they had great pleasure in directing public attention to the


\(^{121}\) [Aliquis], Observations, op.cit., pp.30-3.
advertisement of the Canada Company in which a new method of disposing of their rich and valuable lands is laid before the agricultural interests of the Colony. The advantages of the plans proposed are obvious, and present to the poor, but industrious emigrant, a rare opportunity of settling himself in life with a certain prospect before him of independence, the unfailing premium on honest exertion.  

Under the ten year lease scheme, all charges were incorporated in the rental, which was equivalent to interest at the rate of 6 per cent per annum on the appraised value of the land. The tenant had the option of purchasing at any time during the first five years of the lease at an advance of 1/3d. per acre, and during the second five years, or for the full term of ten years, at 2/6d. per acre in addition to the assessed rental. A settler acquiring, for example, 1,000 acres at an appraised value of 10/- per acre, would pay rental of £30 per annum for ten years, or £300. At the end of the tenth year he could acquire the freehold by a final payment of £125, making the total payment for the land £425 over the ten year term. While most extolled the scheme, some were critical on the grounds that while the payment arrangement seemed to favour the tenant, the company controlled the major factor, the appraised value on which rental was calculated. Nevertheless, the lease scheme did enable an industrious and experienced farmer with no capital, to become the independent holder of the freehold on which he worked.

Significant to the success of the scheme was its basis in the production of good quality, high protein wheat, in a secure climatic situation which permitted the production of a second crop of another grain, such as rye, in each year. The area required for economic operation could therefore be limited, and as the soil was fertile yields were good. Compared with pastoral activity in Australia, wheat farming in Canada had the advantages of regular climatic conditions, fertile soil, modest preparatory costs, a substantial local market for the product, and nearby export outlets in the United States and in Europe. Wheat was to Canada what wool was to Australia—the foundation of economic independence.

Problems of nature had to be faced and overcome, and in some parts of Canada successful farming depended on the utilisation of early frosts.

The frost which threatens the wheat becomes also its salvation. It is under such conditions that the No. 1 hard Manitoba wheat, said to be the best wheat in the world, is grown. 125

Some heavy costs unavoidable in grazing enterprises are unnecessary in the preparation of farm lands for cultivation. Fencing in a predominantly farming district can be minimal and watering facilities for livestock are not required. Rural labour is usually scarce and expensive, and the attention needed by livestock and the improvements basic to their survival, involve a substantial labour cost. Livestock lost by incompetence, drought, fire or flood, represent a loss of capital; a crop failure is a loss of income in one year.

There is something of the temptation of gambling in wheat raising. With a good season, large crops, and a favourable price, the profits from a few hundred acres of wheat are large. The risk from frost, if faced with far sighted energy, does not seem to me so great as the risk from drought in Australia. 126

The leasing scheme introduced by the Canada Company was seen as beneficial generally to Western Canada, the name applied to the province of Upper Canada after the union of 1841. In particular it provided the means for migrants to be self-employed, and materially lessened the demand for employment so often associated with large scale immigration. New settlers, from the time of their arrival, could immediately commence farming operations on their own account.

We have seldom seen a plan so admirably calculated to ensure the settlement of wild land on terms at the same time highly encouraging to the settler and advantageous to the ultimate interests of the company, who deserve every credit for thus evincing their determination to pursue a liberal and enlightened policy in the disposal of their lands, which must be the means of attracting to this great agricultural Province a

126. Ibid., pp.23-4.
large portion of the surplus population of older and richer countries. 127

Of the 1,385,195 acres paid for by the company and remaining unsold at 31 December 1844, 155,892 acres were leased for a term of ten years. 128 The term of the original purchase contract with government having expired, the only amounts still to be paid by the end of 1844 related to certain provisions for improvements and 97,473 acres of waste land. The 1845 Report published the following reconciliation table: 129

| Land originally purchased. | 2,484,413 |
| Land sold to 31 December 1844 after deducting cancelled sales. | 1,001,745 |
| Land paid for and unsold to 31 December 1844. | 1,385,195 |
| Total quantity of land paid for. | 2,386,940 |
| Land remaining unpaid for. | 97,473 |
| 2,484,413 | 129 |
| Amount of purchase money for 2,484,413 acres. | £348,680 |
| Amount paid to 31 December 1844. | £295,000 |
| Amount paid for improvements. | 40,000 |
| Leaving unpaid. | £13,680. |

Of this sum of £13,680, £10,135 was the balance of the contractual arrangement with Government, and £3,545 the amount unappropriated of the Improvement Fund.

The Directors' Report of March 1850 summarised the progress of the company in the eleven years from 1839 to 1849, years in which the settlement activities of the company were progressively translated into profits to shareholders. The Report was fully detailed in Fisher's Colonial Magazine, 129

129. Ibid., p.10.
See reconciliation statement in Note 118, supra.
which commented, that

if there ever was any corporation or individual entitled to the praise of being a model landlord, the Company may well be justified in laying claim to that character.130

Particularly emphasised as favourable to settlement, were advances of capital made to tenants and the improvements effected by the company. The tenants, almost invariably, were able to realise during the ten year term a sum sufficient to purchase the freehold on which they had settled at the expiration of the period. The emigrant achieved his objective of land ownership, and the company, through the sale, promoted the value of the unalienated portion of the region.

Favourable public opinion of the company's schemes and administration, did much to ensure the steady flow of settlers to its lands, both from Britain and from within North America. During 1847, 1706 migrants settled on the company's lands in the Huron Tract, 1,005 being new arrivals from Britain, 701 transferring from other townships and districts in the Canadian provinces. In that year 73,000 acres of land were sold by the company, a clear indication of the rate at which the Huron district was being taken up by people of British origin.

The Directors' Report in 1850 referred to the company's position as a landlord, and as a seller of land as principal, a situation in which the conflict of interest could well have been claimed to have adversely affected either the settler or the shareholder. The company said that by careful administration and an avoidance of all but essential costs, the company had been able to meet its apparently conflicting obligations. The settler, through the assistance of the company, had achieved financial independence and the ownership of his land; and the shareholder, to whom the return at first was unattractive, was now receiving an equitable return on his investment, with improving prospects in the near future131.

The total of lands sold and leased in 1849 was 87,924 acres, comprising sales of:

1,920 acres of Crown Reserves at an average of 13/6d. per acre.
4,221 " in the Huron Tract " " " 13/1d. " "

3 town lots in Guelph, for £65.
10 " " " the Huron Tract, for £132.

Value of sales. £4,284.

and leases of:
16,542 acres of Crown Reserves, valued on average at 17/4d. per acre, and producing an annual rental of, £693.
65,241 acres in the Huron Tract, valued on average at 15/7d. per acre, and producing an annual rental of, £2,438
45 town lots in the Huron Tract at an annual rental of £27.

Rental contracted. £3,158.

The results of the company's operations in Canada for the year 1849, were summarised in an income and expenditure statement showing:

Receipts -
First payments on land sold. £4,259
Bills receivable. 8,989
Rentals. 8,415
Interest. 4,487
Transfer fees. 171
Timber cut. 185

£25,506.

Expenditure -
Costs of management:
In London -
Salaries, etc. £2,233
Income tax. 529

In Canada -
Salaries, etc. 4,805
Assessment and Road Tax. 1,979 £9,546

Net income: £15,960

The yield on paid-up capital was only 5½ per cent, but the dividend approved was at the rate of 6 per cent per annum. 132.

132. See Appendix 7.
Investment Outcome.

The Report reminded shareholders that the company was originally incorporated by Royal Charter, with the object of acquiring from the Crown certain large areas of land in Upper Canada and promoting the general settlement of the province, thereby increasing the value of those lands with a view to their profitable resale. The major objectives had not changed. The Directors were aware, however, that in providing capital for an enterprise in which profits lay in the distant future, it had been necessary, not only to provide funds for the purchase of land, but also to assure to shareholders the payment of an annual rate of interest on the capital subscribed as well as providing for current expenditure. For many years the total outlay necessarily substantially exceeded the income which could reasonably have been expected.

From incorporation to 1838, capital requirements were provided by calls on the company's stock, until such calls had reached £32.10.0 on each £100 share. In 1839 the shareholders endorsed the Directors' proposals to discontinue raising capital in this way, substituting the raising of necessary funds by the issue of 5 per cent Debenture bonds under the corporate seal. Debenture borrowings reached their peak in 1849 at £133,200. When the Directors' Report was published in March 1850 the debenture debt was the only charge on the assets of the company. The debenture funds had been utilised only in the purchase and improvement of land, a condition prescribed in 1839.

The Directors provided the following "General Statement of the Company's Affairs" on 31 December 1849:

### Funds Provided.

<table>
<thead>
<tr>
<th>Description</th>
<th>Sterling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital received from the proprietors to 31 December 1849, £32.10.0 per share on 8,915 shares of £100 each.</td>
<td>£289,737</td>
</tr>
<tr>
<td>Amount raised by the company on debentures.</td>
<td>133,200</td>
</tr>
<tr>
<td>Dividends due to proprietors.</td>
<td>£1,126</td>
</tr>
<tr>
<td>Interest due on debentures to 31 December 1849.</td>
<td>2,377</td>
</tr>
</tbody>
</table>

Amount deposited in London by sundry persons with the company for remittance to Canada. \( \£3,131 \)
Income tax due. \( 256 \)
Bills of exchange drawn on the company for money deposited in Canada for remittance to Great Britain. \( 1,163 \)
Sundry debts due by the company in Canada. \( 17,532 \)
Amount still to be expended of the Huron Tract Improvement Fund. \( 2,815 \)
Surplus. \( 962,470 \)

<table>
<thead>
<tr>
<th>Funds Represented By</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property in London.</strong></td>
<td></td>
</tr>
<tr>
<td>Cash at Banks. &amp; £2,927</td>
<td></td>
</tr>
<tr>
<td>Petty Cash. &amp; 39 &amp; £2,966</td>
<td></td>
</tr>
<tr>
<td><strong>Property in Canada.</strong></td>
<td><strong>Provincial Currency.</strong></td>
</tr>
<tr>
<td>Cash in Bank. &amp; 7,647</td>
<td></td>
</tr>
<tr>
<td>Debts due to the company. &amp; 13,053</td>
<td></td>
</tr>
<tr>
<td>Bills receivable bearing interest at 6 per cent and secured by mortgage on lands with the improvements thereon. &amp; 123,175</td>
<td></td>
</tr>
<tr>
<td>Interest due thereon. &amp; 56,634</td>
<td></td>
</tr>
<tr>
<td>Lands leased for 12 years at present value, with arrears of rent thereon. &amp; 69,000</td>
<td></td>
</tr>
<tr>
<td>Arrears of rent on lands leased for 10 years. &amp; 19,944</td>
<td></td>
</tr>
<tr>
<td>Cost of houses etc. belonging to the company. &amp; 6,392</td>
<td></td>
</tr>
<tr>
<td>Cost of London road, mills in the Huron Tract. &amp; 4,552</td>
<td></td>
</tr>
</tbody>
</table>
Stores etc. in the Huron Tract. 686
Expenditure on Goderich Harbour and Pier. 16,715
£317,798 £286,019

Land Leased.
424,888 acres leased for 10 years at an annual rental of £16,250, and which the lessees are at liberty to purchase on payment of, 324,633 292,172

Land disposed of.
907,888 acres for, 423,681 381,313 £962,470.

The Directors reported that in the eleven years to 1849, the money received in Canada amounted to £320,543, providing average receipts for the years 1839 to 1849 of £29,140, and for the five years, 1845 to 1849, of £31,932. Receipts of money had progressively increased as the settlers became established and were able to acquire the freehold from the company. To avoid the conclusion and consequential criticism that the sum of £320,543 had been withdrawn from the province because of the company's operations, the Directors said that in the same period, besides the sum invested by the company in the purchase of land, and improvements thereon, and the outlay for expenses, taxes and so on, a sum of £24,204 has been remitted to settlers and other persons established in the province. Of the sum of £320,543 so collected, £191,226 has been applied in dividends to proprietors. 134

Expenditure on improvements, and particularly on forms of communication and in otherwise providing incentives to settlers and tenants, had increased the rate of profitable disposition of land by sale and lease. The following figures refer to the same period of eleven years to 1849:

274,997 acres sold for, £166,167
87,266 " on 12 year leases for, 86,508

134. Ibid., p.319.
The annual rental accruing on the lands leased for terms of 10 years, was £14,625.

The Directors were anxious to emphasise the amount receivable for land already disposed of compared with the company's total liabilities. The Report, therefore, provided the following brief summary:

<table>
<thead>
<tr>
<th>Aggregate amount of sums receivable with interest, at 31 December 1849.</th>
<th>£546,224</th>
</tr>
</thead>
<tbody>
<tr>
<td>From which should be deducted,</td>
<td></td>
</tr>
<tr>
<td>Debenture debt.</td>
<td>£133,200.</td>
</tr>
<tr>
<td>Paid up capital.</td>
<td>289,737.</td>
</tr>
<tr>
<td>Leaving a surplus of,</td>
<td>£123,287.</td>
</tr>
</tbody>
</table>

The value of land sold to the end of 1849 was more than adequate to cover the company's liabilities, including repayment of subscribed capital, while 907,888 acres of land remained on hand, "the value of which at a modest 9/4d. per acre would amount to £381,313". To avoid any suggestion of unjustified optimism, the Directors mentioned that the debts to the company secured by land were undoubted, as the value of the security was improving through the industry of those occupying the land, and because of the rapid development generally of West Canada.

As it is now perfectly evident that Canada must rapidly progress in population and wealth, there can be no doubt that the value of the territory will continue to increase, and consequently that the company's claims must ultimately be realised, and the unsold lands produce as much or more than, the sum mentioned.

The company's contribution to land settlement in Upper Canada is demonstrated by the following figures:

<table>
<thead>
<tr>
<th>Population of Western Canada.</th>
<th>Assessed value of property for tax purposes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1828</td>
<td>186,345</td>
</tr>
<tr>
<td>1839</td>
<td>407,515</td>
</tr>
<tr>
<td>1848</td>
<td>723,332</td>
</tr>
</tbody>
</table>

135. Ibid., p.319.  
136. Ibid., p.320.  
137. Ibid., p.321.  
138. Ibid., p.321. The population figures and the statistics of acres cultivated in the Huron Tract are recorded on p.321.
In the Huron Tract, on which the company's activities had been mainly concentrated, progress had been more rapid than in the rest of the province. The figures of population growth and agricultural development in this district from 1834 to 1849 are of particular interest when contrasted with the struggle for survival by the pastoral companies in Australia in the same period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Acres cultivated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1834</td>
<td>2,594</td>
<td>3,766</td>
</tr>
<tr>
<td>1836</td>
<td>3,927</td>
<td>11,286</td>
</tr>
<tr>
<td>1838</td>
<td>4,804</td>
<td>14,993</td>
</tr>
<tr>
<td>1840</td>
<td>5,921</td>
<td>24,558</td>
</tr>
<tr>
<td>1842</td>
<td>7,293</td>
<td>34,407</td>
</tr>
<tr>
<td>1844</td>
<td>11,506</td>
<td>30,816</td>
</tr>
<tr>
<td>1846</td>
<td>14,983</td>
<td>44,747</td>
</tr>
<tr>
<td>1848</td>
<td>20,450</td>
<td>64,599</td>
</tr>
<tr>
<td>1849</td>
<td>26,499</td>
<td>73,595</td>
</tr>
</tbody>
</table>

The rapid increase in the population of the Huron Tract in 1848-49 was explained by the Directors as being mainly of old and experienced settlers who have disposed of their property in other parts of the province for the purpose of availing themselves of the advantages of soil and climate offered in the Huron Tract. 139

The Directors had maintained their policies of economy in administration and prudence in financial management. The 1850 Report made particular mention of two aspects of money control of significance to the shareholders. First, all debenture borrowings were represented by purchases of appreciating assets, and no part had been applied to operating expenses or dividends. Second, all working costs, including interest payments on borrowings, had been met from revenue collected from activities in Canada. This assured a gradual appreciation in the value of assets, and while limiting capacity for progressive dividend distributions in the earlier years, provided the means for both dividend and capital distributions in the longer term. From 1834 to 1853 the dividend was at the rate of 6 per cent per annum, but thereafter the rate increased substantially. In 1856 the balance of the debenture borrowings was repaid, while dividend distributions totalled £10 per share, a yield of approximately 30 per cent.

139. Ibid., p.321.
The Report in March 1850 reaffirmed the Directors' confidence in the performance of all outstanding contracts, and their expectation that from the maturing lease agreements income would steadily increase. In support of this contention a table was appended to show the quantities and value of land under lease, and the years in which the leases matured.

<table>
<thead>
<tr>
<th>Year of Termination</th>
<th>Acres.</th>
<th>£ Sterling.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1853</td>
<td>59,309</td>
<td>29,534</td>
</tr>
<tr>
<td>1854</td>
<td>55,244</td>
<td>35,379</td>
</tr>
<tr>
<td>1855</td>
<td>63,131</td>
<td>45,291</td>
</tr>
<tr>
<td>1856</td>
<td>27,747</td>
<td>20,028</td>
</tr>
<tr>
<td>1857</td>
<td>83,210</td>
<td>61,687</td>
</tr>
<tr>
<td>1858</td>
<td>55,111</td>
<td>41,386</td>
</tr>
<tr>
<td>1859</td>
<td>81,133</td>
<td>58,867</td>
</tr>
<tr>
<td></td>
<td>424,888</td>
<td>£292,172.</td>
</tr>
</tbody>
</table>

The confidence of Directors that contractual obligations would be met was expressed in these words:

> As the lands in question must have acquired great additional value through partial clearance and cultivation by the time the leases expire, it is not to be expected, nor even desired, that the occupiers should surrender to others the fruit of their industry. On the contrary, there is every reason to anticipate that the tenants will resort to every practicable expedient, rather than forego the benefit of largely increased value, which has resulted from their own exertions.

The Directors forecast that the effectiveness of the leasing scheme in conjunction with progressive realisations from land contracts, would provide an early opportunity for extinguishing the debenture liabilities, a result in fact achieved within six years. Progressive realisations from the remaining assets were thenceforth available for distribution among the shareholders.

142. Ibid., pp.322-3.
In April 1852 the company inaugurated a further plan to attract settlers to the Huron Lands. A company memorandum emphasising the advantages of the region, was widely publicised. The company invited the attention of emigrants, old settlers, and others, to the Huron Tract, in which about 240,000 acres of the company's original purchase of 1,100,000 acres, remained for disposal.

The land in the Canada Company's Huron Settlement is of the finest character, and of the description best adapted to the cultivation of Wheat. This Settlement possesses advantages which render it peculiarly eligible to every class of Settler; scarcely a bad Farm is to be found in it; it is well watered by living streams; and the climate is most healthy. 144

The company advertised that the land was offered for disposal on most advantageous terms with the options of a lease arrangement for ten years, or purchase for cash. Under the lease provisions rents were to be paid annually in February, and were calculated to approximate the interest on the cash reserve price at 6 per cent per annum. The cash price was, for most country, 15/- per acre, a few exceptional lots being valued at 20/- per acre. When negotiating leases the company reserved the right to require payment in advance of calculated rents for up to three years, thereby instituting a form of deposit on execution of the contract.

The peculiarity of the Company's leases is that under them the Company's settler has secured to him the entire benefit of his improvements and increased value of the land, as he is guaranteed the right of purchase of the land at a fixed price named in the lease, at which he may, at any time during the ten years, demand the Deed for the freehold. 145

The company included a further innovation "to afford every assistance to industrious and provident settlers", by establishing facilities for Settlers' Savings Bank Accounts, to which the settler could deposit funds in the care of the company, and receive interest at the rate of 6 per cent

144. Memorandum of The Canada Company inviting the attention of Emigrants, Old Settlers, and others, to the Huron Lands, amounting to about 240,000 Acres, being the undisposed of part of the original Block. Toronto and Goderich, 30 Apr 1852.
145. Ibid., p.2, para.8.
per annum. Funds could be drawn from the account at any time without notice, to meet "unforeseen misfortunes" or other needs. The benefits of the savings bank facilities were restricted to the company's lessee settlers during the currency of their leases. The objective was to encourage the settler, in his own interests, to save the funds necessary to acquire the freehold of land occupied, at the end of the lease term, or earlier. The company's interest was also being served by assisting the settler to assure completion of the contract on maturity, or at an earlier date.

The Directors' forecasts of increased repayments under lease agreements, and of substantial growth in net income available for distribution to shareholders, were justified by events. During 1855, company lessee settlers paid £43,205 on 55,204 acres, in advance of the maturity dates of their leases, for the purchase of the freehold of land occupied by them, and a total of 73,188 acres of leased land was converted into freehold, producing income of £54,454 sterling. Expanding net income enabled the Directors in 1855 to reduce the amount of debenture borrowings to £3,200, and to approve dividend distributions of £8 per share, absorbing £71,320.

Income for the year to 31 December 1855 was £129,438 sterling and expenditure on both London and Canada management was £9,241. The net profit on the year's operations of £120,197 sterling, represented a net yield of 41.5 per cent on paid up capital. The prices settlers were prepared to pay for land had shown a steady upward trend, Crown Reserves selling in 1855 for 27/9d. per acre, and lots in the Huron Tract for 28/4d. per acre. These sales justified the Directors in making provision in the Statement of Company Affairs at 31 December 1855, for the asset of 612,643 acres of unsold land at 22/9d. per acre. With this provision, the surplus in the balance sheet was £881,853 sterling, with paid up capital unaltered at £289,737, and debenture borrowing reduced to £3,200.

The earlier uncertain years of the company were forgotten by those who later sought to criticise its financial success. The patient shareholder was finally rewarded for his confidence in Upper Canada and in the objects

146. Ibid., p.2, para. 9.
148. Ibid., pp.7,8.
149. Ibid., p.9.
150. Ibid.
151. Ibid., p.6.
152. Ibid., pp.7,10.
of the Canada Company, but the value of the company's contribution to the development of the province remained the subject of divergent opinion.

Through its promotion of settlement and land development the company brought much needed vigour and capital to the immigration programme. The company was able to apply to the building of essential improvements, and particularly to the establishment of land and water communication, substantially greater capital than could have been provided by the impecunious Provincial Government. Canada was important to the British concept of Empire, and in facilitating the establishment of British people in this strategic outpost the company was encouraged to perform a national task. Colonisation programmes utilising British capital and labour were essentially speculative, and the investors, the risk taking shareholders, were entitled to be recompensed through the capital appreciation of the assets their funds had assisted to develop.

I do not blame the Company for doing their best in disposing of their lands at fair prices; but what is there meritorious in this? What disinterested benefits have they conferred upon Upper Canada? 153

Aliquis wrote in these words to the company's Commissioner in 1845, questioning the value of the company's contribution to the province and its community; and this was in advance of the years of substantial profits and distributions.

The company was criticised for poor planning and execution of improvements, and for selling its lands at excessively high prices. In the Huron Tract, where so many settlers had become well established and so many townships were flourishing, the company was accused by some of being "a powerful and tyrannical overlord", holding in its grasp the future of thousands of indigent farmers. Even the Legislature of United Canada was critical, because the company had concentrated its successful settlement operations in the Huron Tract, and had neglected the widely scattered Crown Reserves 154.

Joint stock companies pioneering the settlement and development of land in the colonies, whether as dealers in land or as pastoralists and agriculturalists, were confronted by the same narrowness of attitude - an acceptance of the need for capital to promote development and economic

153. [Aliquis], Observations, op.cit., p.45.
progress, but a reluctance to admit that capital so applied was entitled to reward for the risks taken. The company was tolerated while it performed tasks beyond the capacities of government and individual. But when speculation was translated into security and profit, arguments antagonistic to the power of corporate involvement were conveniently contrived to confine influences then seen as prejudicial to those who were, in truth, among the primary beneficiaries of corporate improvement programmes.

The Canada Company served shareholders, settlers, lessees, and the Provincial Government well, and having weathered early storms of doubts and financial stringency, performed effectively the role prescribed by its Charter:

And we do declare, that the said corporation shall be and is established for the purpose of purchasing, holding, improving, clearing, selling, and disposing of waste and other lands in our province of Upper Canada.

By 31 Dec 1951 all lands had been sold. On 12 Aug 1953 a resolution was passed by the members of the company placing The Canada Company in voluntary liquidation.

The decade 1830-1840 commenced with depression, progressed to a pastoral boom in the mid-thirties, and ended with drought and economic depression adversely affecting almost all in the colony of New South Wales. In these circumstances the Directors of the Australian Agricultural Company reported to their shareholders in January 1842. They warned that unusual demands would probably fall on the company in the year ahead. They were aware of the continuing and varied problems caused by the prolonged 1838 drought, and that the consequences would be reflected in the company's figures for some years to come. Wool prices had continued to fall and in 1844 were to reach the lowest level since 1830.

The recurrence of drought conditions in 1841, and the persistent financial illiquidity in the colony, prevented any recovery in demand for sheep. Breeding ewes, sold for 31/- per head in 1837, two years later realised only 18/6. In 1841, of 6000 ewes offered for sale by the company 500 were sold, and these brought only 15/- per head.

The decade had begun unfavourably, and it was strange that the Directors, who had the experience of drought depressed conditions from 1826 and again from 1838, and who had recognised the probability of a difficult period ahead, should in 1842 have recommended a substantial dividend instead of retaining funds in the company.

The problems then foreseen by the Directors persisted beyond 1850. They were to become aggravated by factors internal and external to the company. As will be seen, they resulted in financial reorganisation, and in a critical review of the company's operations by a shareholder appointed.

1. See Ch.6, pp.182-6.
3. See Appendix 10.
5. The Peel River Land and Mineral Company was formed in 1853.
Committee of Consultation\textsuperscript{6}.

**Government and Land Title.**

The enthusiasm of the proposers of the Australian Agricultural Company in 1824 was based on the availability of large tracts of Grant lands suitable for pastoral production, and on the assurances of Government that adequate numbers of convict labourers would be assigned to the company to enable essential access and improvement work to be completed at low cost. The capital investment in land would, in these circumstances, have been modest, with prospects both of capital gain and reasonable profits on the funds employed.

From the outset, however, the company was hindered by the shortage of convict labour in the colony, and by the need to employ free labour sent out from England. The cost of improvements essential to effective occupation of the Grant lands was substantially increased. In the early years of establishment in the colony income was restricted by drought, and expenditure greatly exceeded expectations. The shareholders were the company's only source of funds, and by 31 December 1835 fifteen instalments totalling £26.10.0 per share had been paid\textsuperscript{7a}. The pastoral boom in the second half of the 1830s avoided the need for further calls until the company faced the consequences of the drought which began in the summer of 1838. The undertaking had become over-capitalised, and was vulnerable to the effects of poor seasons on production and of reduced commodity prices on income.

The only means available to the Directors to lessen this sensitivity to season, prices and costs, was to reduce the total capital commitment by selling part of the Grant lands. The recovery of capital by sales of land would avoid the need for further recourse to the shareholders, and provide the funds necessary for improving the productive capacity of lands still held.

The depressed pastoral conditions in the colony in the early 1840s, which further aggravated the company's illiquidity, impressed on the Directors the need to sell some part of the company's landholdings immediately title had

\begin{footnotes}
\item[6] Committee of Consultation appointed in Jan 1857.
\end{footnotes}
been conveyed to them. The Directors would have been aware of the progress made by the Canada Company in encouraging emigrants to its settlements in Upper Canada\textsuperscript{7b}. They would also have known of the decision of the Directors of the Van Diemen's Land Company to concentrate on a Tenantry Scheme\textsuperscript{8}.

In January 1844, almost twenty years after the approval of the Grant, the Directors were able to inform the shareholders that the Title Deeds to the lands granted to the company at Port Stephens, the Peel River, Liverpool Plains and Port Hunter, had at last been prepared by the colonial government to King's satisfaction. The documents had been despatched to London "for the approbation and confirmation of Her Majesty's Secretary of State for the Colonies".\textsuperscript{9}

The documents were directed by Under Secretary Hope to the company on 9 August 1844, for consideration and execution\textsuperscript{10}. Brownrigg replied in December 1844 after the documents had been examined by the company's solicitors\textsuperscript{11}. He said that it was not possible to execute the documents in the form presented, as "much contradiction and confusion" would arise. The drafting of the documents by the colonial administration had failed to take account of the changes which had occurred in the twenty years since approval of the Grant area\textsuperscript{12}. The frustration felt by the Directors with this further obstruction to the sale of parts of the company's lands was evident in Brownrigg's reply.

\begin{quote}
Your Lordship is aware that the Royal Charter dated the 1st of November 1824...requires that the Land so granted shall be held under certain conditions all of which are fully enumerated - of these conditions some are temporary, others defeasible, and others have been effected by the altered Policy of the Government. - Yet now after a lapse of 20 years, all these conditions are inserted in the proposed Title Deeds, as if nothing had been done during all that time.\textsuperscript{13}
\end{quote}

Brownrigg asserted that the twelve conditions of the Charter had been met,

\textsuperscript{7b} See Ch.7, p. 253.
\textsuperscript{8} See Ch.5, p.173.
\textsuperscript{10} Under Secretary Hope to J.S. Brownrigg, 9 Aug 1844. Reference in CO. 201/351. PRO.361, at p.461. ML.
\textsuperscript{11} J.S. Brownrigg to Stanley, 20 Dec 1844. CO. 201/351. PRO 361, pp.461-8, ML.
\textsuperscript{12} Ibid., p.46T.
\textsuperscript{13} Ibid., paras. 8,9, pp.461-2.
the first condition being only procedural. The company was therefore, unable to accept any document which re-introduced those conditions unless specific reference was made to their prior fulfilment. Brownrigg emphasised that as the company had been in occupation of the lands for twenty years, the condition prescribing that the lands should not be alienated for five years from the time of the Grant was clearly inapplicable.

The eighth condition of the Charter prescribed that the company should outlay £100,000 on improvements. Brownrigg considered the requirements at length, as completion of nominated improvements had to be reported by the Colonial Surveyor General before the company was "at liberty to sell the lands granted by the Crown". The surveys could, however, be dispensed with and "power to sell given by a special License from the Secretary of State".

Brownrigg said that the fulfilment of the condition on improvements was "not susceptible of the clearest proof", but that even were this fact less clear than it is, the Australian Agricultural Company have the strongest claims to the favourable consideration of Your Lordship in consequence of their having been deprived almost from the outset of that full and continuous supply of Convict labour they were led to expect.

Enclosed with the letter to the Secretary of State was a copy of the latest valuations of the company's property, "at the present time exhibiting a very reduced scale in consequence of the deterioration of every description of Colonial Property". This document estimated the value of the company's property at £355,249, the value of improvements excluding plant and all improvements at Newcastle at £56,729, and the excess cost for the maintenance of convicts above the £100,000 required to extinguish Quit Rent, at £40,000.

14. See Appendix 2.
15. J.S. Brownrigg to Stanley, supra, para.8, p.462.
16. Ibid., para.10, p.463.
17. Ibid., para.11, p.463.
18. Ibid., para.12, p.464.
Brownrigg emphasised that when the Grant was approved the land was valueless to the Crown, but that it was important for the Government to be relieved of the expense of maintaining a large number of convicts. He said:

I can confidently assert that the Undertaking never would have been embarked in by the Australian Agricultural Company, or the Grant of Land accepted, but for the expectation held out to them of a constant and adequate supply of Convict labour, amounting at the time to a moral obligation on the part of the Government, to continue that source of supply of labour, independant of the pecuniary advantage to the State.\(^{21}\)

The Government's change of policy on transportation was damaging to the effective and profitable operation of the company. The unavailability of assigned labour compelled the company to ship out free or indentured labour at heavy cost, and usually with disappointing results. Investors had subscribed to the company assuming that the Government would continue its undertaking to provide low-cost labour in the colony. The change in policy affected their interests, and adversely influenced prospects for corporate pastoral development\(^{22}\).

Brownrigg informed the Secretary of State that for the twenty years of the company's operations in only eight had the Directors been able to pay a dividend to the shareholders. For the first ten years a dividend could not be recommended, and in the years 1842-43 distributions were necessarily suspended. "Total Dividends paid during the 8 years amount only to £8.10. 0 per share - of £30 paid up".\(^{23}\)

The Secretary of State was requested to grant a Licence to sell parts of the Grant lands, should he not be satisfied on the submissions made to him that the Title Deeds should issue free of all conditions. Brownrigg also urged that he dispense with the need for surveys. He stressed that, if surveys were required, the exercise by the company of its rights "to turn their property to the best advantage by the encouragement of Settlers on their Estates", would be indefinitely delayed\(^ {24}\).

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21. Ibid., para.18, p.466.
22. Ibid., paras.19-20, pp.466-7.
23. Ibid., para.20, p.467.
24. Ibid., para.22, p.468.
In January 1846 the Directors reported that the legal difficulties preventing completion of the Title Deeds had been caused by their defective preparation in the colony. The Deeds had, however, been revised and were in the hands of the Law Officers of the Crown for final approval. The Directors quoted the text of a letter from Under Secretary Stephen, dated 16 September 1845, advising that the Secretary of State had approved a licence for the "unrestricted alienation of 500,000 acres". This letter accepted the arguments earlier submitted by Brownrigg on the Grant generally, and more particularly on the subject of convict labour.

Further complex legal problems had still to be resolved before formal alienation of the 500,000 acres was completed. On 7 August 1846 the enabling Act passed all stages. The Directors reported progress to the shareholders in January 1847. They said that as the way had been cleared for obtaining title free of all conditions, they thought it their duty to press upon the Secretary of State, their claim to have the whole of the company's lands emancipated from all conditions, so as to admit of their dealing with their property as they please.

The Directors congratulated the shareholders on the successful conclusion to a complex legal situation which, for a number of reasons, had extended over more than two years, and had caused considerable anxiety to those associated with the company. They said that the company was now free to dispose of its lands without interference, a situation of "great advantage to the company in every way". Further reference to these protracted negotiations was included in the Directors' Report in January 1848. Shareholders were informed that the Secretary of State had now "liberally consented" to free the coal grant at Newcastle from all conditions, extending the right of alienation to all the company's mining and agricultural lands. The Commissioner had accordingly been instructed to arrange for the survey and sub-division of portions of the Grant most likely to attract the interest of purchasers or tenants from Britain or the colony.

27. Act 9 & 10 Vic., cap.cccI.
30. Ibid.
31. Ibid.
33. Ibid.
The Directors were convinced that the Port Stephens estate offered greater prospects for profit by sub-division and settlement than as a pastoral and agricultural enterprise. Having obtained title they proceeded immediately in their endeavours to attract emigrants. Their Twenty-Fifth Report spoke of an "extensive system of Colonization" and of "the importance of Emigration to the Colonies of the Mother Country". The Directors in such manner prepared the way for their observation that

the advantages offered by the Australian Agricultural Company are well deserving the notice of small capitalists with families, to whose attention the Prospectus has been especially directed.

A copy of the Prospectus, "Emigration to Australia", and of the Proposed General Terms and Regulations, was attached as an Appendix to the Directors' Twenty-Fifth Report. The introduction to the Prospectus was designed to attract emigrants at a time when Britain was confronted by serious financial, banking, and employment crises at home, and by political disturbances in Europe and Ireland.

The Australian Agricultural Company having at length received from the Crown the Title Deeds of its Grant of a Million of Acres, situated in the Colony of New South Wales Proper, and free from all Quit Rents, Imposts, and Reservations whatever, the Directors have come to the resolution of throwing open the Territory of the Company for sale, in allotments of all sizes to suit the views of capitalists, with privileges annexed of commonage for their sheep and cattle, on the Company's waste lands.

But in January 1850 the Directors had to report to the shareholders that despite their widespread endeavours to give the company's scheme publicity and to attract emigrants to Port Stephens, they had been unsuccessful. Only a "very small number of purchasers" proceeded to the colony, although the Directors still hoped that emigrants might be attracted to the company's

38. Prospectus, supra.
settlement\textsuperscript{39}.

Despite the failure of the company to attract any large number of emigrants to its estates, small sales of land were made from time to time. At the meeting with shareholders in January 1856 the Directors said that:

The development of the value of a territory such as this Company possesses at Port Stephens, must be the work of years, and dependant upon the means adopted to attract and concentrate population upon it... There is not perhaps, any part of Australia better suited for the location of an emigrant population than the district of Port Stephens.\textsuperscript{40}

Plans of the sub-divisions for the townships of Stroud and Carrington were annexed to the Annual Report. The Commissioner had been instructed to offer portions of the subdivisions at auction from time to time "to meet the legitimate requirements of purchasers at the best obtainable prices, rather than to hold back allotments under an exaggerated impression of prospective value".\textsuperscript{41} The essential needs were to ensure that the attractions of the Port Stephens estate were widely publicised, and to improve means of access overland and by sea, and in this the company had been encouraged by the increasing use of the road to the New England, particularly for the cartage of wool. Action had also been taken to improve the port facilities, including the establishment of a depot to enable large vessels to coal and "take in their cargoes in perfect security" in the North Arm of the harbour\textsuperscript{42}.

The protracted negotiations over the issuing of the Title Deeds clearly brought out some of the main issues of concern to the Directors and shareholders. The attraction of the original proposals in 1824 was the promise of Grant lands and low cost labour. Investors accepted that prospects of major financial benefits were somewhat distant, but they reasonably expected a modest dividend yield and capital gain as land values appreciated.

The significance of Brownrigg's letter of December 1844 to the Secretary of State\textsuperscript{43}, is not confined to the detailed argument in justification of immediate alienation by the Crown of the whole of the Grant lands including

\begin{itemize}
\item \textsuperscript{39} Directors' Twenty-Sixth Ann.Rep., 25 Jan 1850, p.12.
\item \textsuperscript{40} Directors' Thirty-Second Ann.Rep., 28 Jan 1856, p.31.
\item \textsuperscript{41} Ibid., p.32.
\item \textsuperscript{42} Ibid., p.34.
\item \textsuperscript{43} J.S. Brownrigg to Stanley, supra, (Note 11).
\end{itemize}
those at Newcastle. Of equal importance is the reason which prompted that decision - the decision of the Directors to convert some part of their lands into cash both for the benefit of shareholders and to strengthen the company's financial position.

The company, through its Governor, accused the Government of being in breach of undertakings to the company by its failure to provide assigned labour.

The Records of Your Lordship's Office will show how urgently from time to time the Company pressed for an adequate supply of Convicts and how constantly these applications and claims were made subservient to those of the Private Settlers by the Local Government even when Convicts were at its disposal.\(^44\)

Low cost convict labour was at no time available to the company in the numbers needed to bring so large an area of waste land into production. The company was compelled to ship out free and indentured labour at heavy cost, thereby adding substantially to the capital cost of non-income earning improvements, as well as to the cost of work necessary to the pastoral operation. The cost of land was, therefore, steadily increased, whereas the Grant lands had been expected to require only the stipulated capital commitment. The two important attractions of the investment, cheap land and low cost labour, had not materialised.

The company had become seriously concerned at the frequency and effect of poor seasons and economic depression in the colony. Although successive Commissioners were later to be criticised for mismanagement\(^45\), the resolution of the Directors to sell land proceeded from their conviction that pastoral production in the colony would continue to be a speculative investment, from which some part of the company's financial commitment should be withdrawn.

Coal and the Monopoly.

In 1828 the British Government had granted the company a practical monopoly over the production of coal in New South Wales by authorising exclusive privileges in the working of the Newcastle mines. The company, for its part,

\(^{44}\) Ibid., para.19, p.467.
\(^{45}\) Report of the Committee of Consultation, 2 Apr 1857.
accepted responsibility for bringing the mines to a state of operational efficiency not achieved under the direction of the colonial administration. Although the company insisted that the local government should discontinue mining operations in competition with the company, it "did not seek any restriction to prevent private individuals from working Coal which might be found on their own lands".

As the colony gradually recovered from the depression of the early 1840s, the company became increasingly concerned with the effects of growing competition from private individuals. The benefits of this competition to the community were strongly argued by interested parties before the Select Committee on the Coal Inquiry in 1847. Dr. Mitchell, among other witnesses, submitted that the entry of private individuals into the industry had resulted in cheaper coal to the consumer.

The Select Committee's enquiries included the operation of the Newcastle mines by the company, and King, as the company's Commissioner in the colony, gave evidence. King's statement was of particular importance as it traversed the negotiations between the company and the Secretary of State between 1825 and 1828, when the company was granted its privileged position in coal mining for a period of thirty-one years. The Select Committee's Report was tabled on 16 September 1847, but on 17 August 1847 the following Message was received from Governor FitzRoy:

"Perceiving that the question relating to the privileges granted to the Australian Agricultural Company, on their undertaking to work the coal mines at Newcastle, at present forms the subject of investigation by a Select Committee of the Legislative Council. The Governor desires to apprise the Council that he has been informed by the Commissioner for managing the affairs of the Company in New South Wales, that an arrangement has been made by the Court of Directors, with Her Majesty's principal Secretary of State for the Colonies, by which all existing privileges, both on the part of the Company and the Government, are to be given up, and without entailing any charge on the colonial funds."

46. See Ch.3, Notes 46,47,48.
47. The Macarthur Papers, ML.1-46A. A.4317, p.128.
48. Report from the Select Ctee. on the Coal Inquiry, 16 Sept 1847.
49. TBTd., p.346.
50. See Ch.3, Note 37.
The Governor has not yet received any despatch on the subject from the Secretary of State; but his Excellency thinks it right to lose no time in putting the Council in possession of the information which has been communicated by the Commissioner.51

Under the heading "Coal Monopoly", this Message was published in the Sydney Morning Herald on 18 August 1847. The press report comments that "The Message was received by the Council with repeated cheers".52 The hostility to the coal monopoly and to the company which enjoyed it, is apparent in this reaction among the colony's representatives.

In the following January the Directors informed the shareholders that the Secretary of State had agreed to free the coal Grant at Newcastle from all conditions. The observation to their shareholders that this extended "the power of alienation to the Company's Mining Property",53 was a significant reflection of the Directors' disenchantment with an investment demanding substantially greater capital and involving particular management problems.

The development of competition and the willingness of the Council to encourage private individuals to the detriment of the company's mining operations, were mentioned in the Directors' Report in January 1852. The Directors reported that a Petition had been presented to the Legislative Council of New South Wales, by a gentleman having Property contiguous to that of the Company, praying for a right to construct a Railway through their lands, for the purpose of conveying his coals to the Wharf at Newcastle.54

The Directors reported that regrettably this Petition had been granted, and that a Bill had subsequently passed the Colonial Legislature authorising the construction of the road. They believed, however, that the company's appeal for redress might result in some modification to the Bill, making its consequences less damaging55.

In August 1850 the Legislative Council received the Report of a Select

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52. Sydney Morning Herald, 18 Aug 1847.
55. Ibid., p.9.
Committee appointed to consider Mitchell's Tramway Bill. The Report concluded that Dr. Mitchell's proposals to establish a rail road through the Australian Agricultural Company's property to the Newcastle coal wharf seemed justified in the public interest, although infringing the rights of the company to uninhibited occupation of its lands. The evidence given by Mitchell to the Select Committee was significant in determining the attitude of the Council and of Lord Grey, and it turned on the question of whether the supply of coal to the colony was inadequate due to the absence of the stimulation of competition. Mitchell submitted that the supply of coal had not been equal to the demand for some ten years, and that there were no current expectations of the deficiency being made good because of labour difficulties. He contended that the existence of competition would have discouraged the company's miners from making wage demands and supporting them with industrial action, the result being beneficial to the public.

The Act "to authorize the introduction of a Tram Road from Burwood to the wharf at Newcastle", was assented to on 1 October 1850, despite the strong representations made by the company to the Governor in the colony, and to the Secretary of State in London. Brownrigg made representations to Grey in 1851 seeking his influence in modifying certain of the more objectionable sections of the Bill. In June 1852 he made further submissions to Pakington, then Secretary of State. He referred to his letter of 2 May 1851 to Grey, and to his subsequent interview with him on 3 July 1851, when he had submitted a series of objections to the legislation. Grey had considered that the representations did not justify "the extreme measure of advising Her Majesty, at once, to disallow an Act passed by the Colonial Legislature" claimed to be for the public benefit. Brownrigg said that Grey had agreed, however, with certain of the objections raised, and that he had undertaken to recommend that a Supplemental Act should be passed to modify the points of objection.

Brownrigg was incensed that a matter of such importance to the company should have been allowed to pass through the Council "in such manner as rendered it impossible for the Company to be even heard on the subject".

57. Ibid., p.432.
60. J.S. Brownrigg to Pakington, supra, paras.2,4, p.221.
61. Ibid., para.11, p.224.
He pointed out that no reasonable provisions had been made to protect the company from "injurious interference" with its works, and that, until raised by the company's Commissioner, even the matter of compensation had been overlooked.  

The representations resulted in the approval of an amending Act on 22 December 1851. This measure provided protection to the company by establishing penalties to which Mitchell would become liable should his tram road interfere with the company's coal workings and improvements.

The company had directed people, mining plant and machinery to Newcastle at very considerable capital cost. It had assumed a task which only a corporation could have attempted. During the 1830s when pastoral prospects were encouraging and asset values were steadily appreciating, the collieries, although a distraction to senior management, presented no major problems. Labour shortages alone caused concern to the superintendent at Newcastle, but in prosperous times the heavy expense of sending colliers out from Britain could be tolerated when consumers were able to pay higher prices.

This situation changed with the depression of the early 1840s. Evidence given to the Select Committee on the Coal Inquiry in 1847 suggested that as labour problems in the mines increased efficiency generally declined. The supply of coal lagged behind demand, yet the company was reluctant to commit the capital needed to modernise and mechanise mining operations. Similar evidence was tendered to the Select Committee on Mitchell's Tramway Bill in 1850, when Mitchell himself asserted that the supply of coal had not been equal to the demand for at least ten years.  

The pressures of private competition in the coal industry were compelling the company to consider a substantial commitment of capital to new machinery at a time of financial stringency both in Britain and in the colony. The Directors, who were keenly sensitive to the unsatisfactory investment

62. Ibid., para.13, p.225.
64. Rep. of Select Ctee. on Mitchell's Tramway Bill, supra, (Note 56) p.432.
65. Ibid.
performance of the company, were disinclined to go to the shareholders for funds, and had directly proposed alienation of the coal lands as an alternative. Brownrigg's reactions to the procedures observed by the Legislative Council in passing the Burwood and Newcastle Tramroad Act, were a further expression of the Directors' desire to be released from an investment which had developed into a problematical and capital consuming enterprise.

In these circumstances, the reference of the Shareholders' Committee of Consultation to the company's collieries was not surprising:

...the subject of leasing this part of your establishment, and thus securing to you a fixed annual revenue, without further indefinite outlay of capital, has had serious consideration on the part of your Directors and they are ready to entertain the first favourable proposal which may be made to them by substantial parties for a lease of your coal mines.

Although the company's relinquishment of its practical coal monopoly was greeted in the Legislative Council "with repeated cheers", the evidence given to the two Select Committees included submissions showing a broader appreciation of the company's role at Newcastle.

When they came here to work coal there was no other company or individual working it, therefore all that has been done in that matter has been done by them, and if the Colony has derived any advantage from the working of coal, it has come through them... The Company, irrespective of their peculiar privileges, were, no doubt, of great service to the Colony, whether they did well or ill, for they have sunk much capital.

The statistical records of the development of coal production in the colony show that the advantages of the coal monopoly had come to an end. The fact that the company took the initiative in surrendering their privileges suggests that the Directors had also reached that conclusion. The decision

67. J.S. Brownrigg to Pakington, supra, (Note 59), para.15, p.226.
69a. Select Ctee. on the Coal Inquiry, supra, (Note 48), evidence of William B. Clarke, p.351.
69b. See Notes 98,99 of this Chapter.
of the Legislative Council to facilitate the movement of coal across the company's lands to the Newcastle wharf, a decision the Secretary of State declined to vary, probably was "a measure required for the public benefit".  

Coal Production, Problems and Profits.

The company's main problems in developing coal production at Newcastle were the inadequacy of the labour available for the mines, and the pressure on costs of production due to the need to employ free colliers from England. Brownrigg, in his correspondence with Stanley in 1844, referred to the difficulties caused by the failure of the Government to meet its assurances to the company on the supply of convict labour. The company had been compelled to send out colliers from England, greatly increasing wages and costs generally. Additionally, the labour employed was of doubtful competence and, as will be seen, the militants among them caused industrial disagreement and loss of production further aggravating cost problems.

In the prosperous years of the 1830s increases in working costs could be recovered in higher prices, but the depression of the early 1840s adversely affected demand for coal. As a consequence the company "had been obliged very considerably to lower the selling price". In 1845 sales declined by 232 tons due to consumer resistance and increasing competition among producers. The Directors emphasised that the consequential need to reduce prices was the major cause of the fall in income. Prospects of improving demand for coal were, however, encouraging, because of the requirements of projects under consideration, or being developed, such as the extension of steam navigation from Britain to Australia. The Directors warned that although they were confident increased consumption would improve returns from coal production, competition was being encouraged and a revival of former prices could not be expected. Improved returns would depend on greater efficiency and larger volume. In 1846 the combined effect of reduced prices and some improvement in the economic situation increased sales by 10,707 tons and income by £2000.

In 1847 the company relinquished the privileges previously enjoyed at

70. J.S. Brownrigg to Pakington, supra, para.4, p.221. The company continued in coal mining until 1914 when its principal mine, the Sea Pit Colliery, was exhausted. The company then sold its remaining colliery at Maitland.
71. J.S. Brownrigg to Stanley, 20 Dec 1844, supra, (Note 18).
74. Ibid., p.9.
75. Ibid., p.8.
Newcastle, but despite increased competition its colliery activities made encouraging progress. A new and potentially valuable seam of coal had been located on the western portion of the company's land at Newcastle, and King reported with enthusiasm that

if the seam extends throughout the company's land, the supply will be more than equal to any demand that can be contemplated for many years to come.

The steady improvement in colliery production was interrupted in 1849 by industrial action initiated by the miners to support wage claims. The company's results indicated an appreciable increase in demand for coal, but unfavourable industrial militancy in reaction to this progress. The Directors reported that:

Owing to this sudden increase in the Trade, many of the Miners at the Company's Works had been induced to strike for an advance of wages.

A small wage increase was negotiated and the miners resumed work, but the pattern which was to be followed in future had been established. Direct industrial action was the method regularly employed in seeking higher rates of pay.

Sales continued to grow, and in 1850 reached 45,084 tons an increase of 11,694 tons on the previous year. The shortage of mine labour persisted, however, as a major limitation on production, and the company again attempted to supplement its labour force by promoting emigration. In 1850 a further 29 men were engaged in Britain for employment at Newcastle.

At the same time as representations were being made to the Governor in the colony on the matter of Mitchell's Tram Road, Blane was also again contending with pressures from the miners for increased wages. Blane had informed the Directors that he was anxious about the effect the mania for seeking gold might have on the miners, and in response to the latest wage demands he authorised an additional one shilling per ton to start the negotiations. He was determined to keep the men at work, and to protect the company by passing the added production cost on to the consumer. Having succeeded in

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81. Ibid., p.8.
82. Blane to the Directors, 27 May 1851, L.No.4, p.3. Archives ANU. 78/1/20. p.120.
confining the wage increase to one shilling per ton, Croasdill, the company's superintendent in Newcastle, reported to Blane that:

The extraordinary excitement caused by the gold mania is being heightened by the reports daily published, and therefore, although this aspect at present is such as not to give me any cause for alarm at being able to meet the demands, yet it is impossible to be guarantee for the result. I have further used my discretion in at once raising the price of coals to nine shillings per ton. 83

A further wage dispute occurred in June 1852. Blane informed the Directors of the continued industrial dislocation and of the reasons for it. He commented that higher wages,

instead of stimulating them to increased exertion to give us the means of meeting the large demand, has a contrary tendency, in enabling them to earn a larger amount of wages in less time, and passing more of it in idleness and dissipation. 84

So serious had the labour position become, that only a month later Blane warned the Directors that closure of the mines might become unavoidable 85. The press had blamed the company for the shortage of coal 86. This caused Blane to inform the Directors that the public are clamorous against the company, and as is always the case under excitement and panic, will not listen to reason....It is a most anxious crisis, and how it is to end no-one can predict 87.

Despite the obstacles to efficient coal production and a fall in production, the higher price resulted in substantially improved net income in 1852 88. In July 1853 the company engaged a further 50 colliers in Britain for employment in the colony, in yet another attempt to improve the labour position in the mines and on the coal wharves 89.

86. Sydney Morning Herald, 10 July 1852.
87. Blane to the Directors, 16 July 1852, supra.
89. Ibid., p.10.
Consistently with the objective of developing the mineral resources of both the Australian Agricultural Company and the newly formed Peel River Land and Mineral Company, the Directors engaged Frederick Odernheimer, "one of the most eminent men in his branch of science in Europe", to undertake a mineralogical and geological survey for both companies.

The increasing demand for coal and the consumers' acceptance of higher prices, beneficially influenced the net profit from colliery operations despite the militancy and indiscipline of mine labour. In July 1853 Captain Brownrigg, appointed to succeed Blane as Commissioner, reported to the Directors that:

> The men now employed in the mines have been proving very troublesome. It appears, that shortly after I had left for the Peel the miners struck for higher wages, and the demand was for 1/- per ton, the equivalent of about 3/- per day. Brownrigg said that the demand was resisted and the works brought to a standstill for three days, when he felt himself constrained to yield, rather than allow the mass of tonnage assembled in the port to suffer any greater detention than could be avoided.

Brownrigg added, that on a recent visit to the colliery he had been unable to make the miners comprehend that in exacting this exorbitant rate of wages, they were, in point of fact, acting against their own interests, as such a scale of remuneration was almost certain to raise a competition for it, and that an abundance of labour would shortly be drawn to the mines.

The attraction of the gold diggings proved Brownrigg wrong, but to overcome the labour shortage and vulnerability to wage demands, colliery owners were compelled to undertake substantial investment in machinery.

The Thirty First Report fully informed shareholders on the management problems at the coal mines. The lure of the diggings was such that the miners could not be contained within the bounds of reason. In May 1854 a

90. Ibid., pp.18-19.
92. Ibid.
93. Ibid.
further strike occurred lasting for three weeks. To overcome the miners' tactics successful efforts were made to recruit mine workers in Melbourne, the strike was brought to an end, and the "incorrigible and turbulent hands" were dismissed.\(^95\)

In July 1855 important new prospects in the company's coal mining operations were outlined in a Special Report on the Collieries.\(^96\) The potential of the company's coal mining operation had assumed a new significance. The Directors were anxious that shareholders should understand the probable expenditure that would be required to open out the extensive Coal fields at Newcastle, so as to place the Collieries in a state of efficiency to enable them to meet the increased demand for coal, and to compete in quantity and price with the produce of other Collieries in the neighbourhood.\(^97\)

Details of the company's colliery operations over six years were published in the Special Report, the following table being based on those statistics:\(^98\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Tons</th>
<th>Revenue</th>
<th>Price</th>
<th>Expenses</th>
<th>Net revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1848</td>
<td>34,381</td>
<td>£11,737</td>
<td>7/-</td>
<td>4/6</td>
<td>2/3</td>
</tr>
<tr>
<td>1849</td>
<td>33,390</td>
<td>10,543</td>
<td>6/6</td>
<td>4/4</td>
<td>1/11</td>
</tr>
<tr>
<td>1850</td>
<td>45,084</td>
<td>14,616</td>
<td>6/6</td>
<td>4/6</td>
<td>1/11</td>
</tr>
<tr>
<td>1851</td>
<td>45,642</td>
<td>17,894</td>
<td>9/-</td>
<td>5/4</td>
<td>2/5</td>
</tr>
<tr>
<td>1852</td>
<td>40,354</td>
<td>21,395</td>
<td>10/7</td>
<td>6/7</td>
<td>3/11</td>
</tr>
<tr>
<td>1853</td>
<td>43,518</td>
<td>36,315</td>
<td>16/8</td>
<td>12/9</td>
<td>4/1</td>
</tr>
</tbody>
</table>

A comparison between coal production and sales figures allows no firm conclusions, but the trends revealed are significant. As will be seen, the company's sales figure in 1855 dropped to 38,398 tons. This figure indicates an interesting trend in comparison with the statistics for coal production by all mines in the colony subsequently to the company's relinquishment of

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95. Ibid., p.23.
97. Ibid., pp.2-3.
98. Ibid., p.5.
its production privileges. The following abbreviated Table provides the figures for total coal production in the colony:\textsuperscript{99}

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Mines</th>
<th>Quantity Produced - Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1849</td>
<td>6</td>
<td>48,516.5</td>
</tr>
<tr>
<td>1853</td>
<td>13</td>
<td>96,809</td>
</tr>
<tr>
<td>1855</td>
<td>14</td>
<td>137,076</td>
</tr>
</tbody>
</table>

The Report emphasised the importance of the strategic location of the company's coal bearing property, and particularly its relationship to the surveyed routes of the Turnpike Road and Hunter River Railway to Maitland. These two means of transportation crossed the company's land, known as Platts, and ran to a principal terminus adjoining the company's wharf at Newcastle. The company was well placed to benefit from the industry's growth potential.

The proposals for modernising the pits and replacing horses with locomotives assumed a steady increase in tonnage raised, thereby reducing costs to the consumer by avoiding delays in shipping which had frequently been of several weeks duration. The prospects for the industry justified renewal of the lease at Miller's Point in Sydney as a depot to supply ocean steamers and the township of Sydney\textsuperscript{100}. The capital of the company was inadequate to meet these prospective investment demands. The cost in England of the machinery and engines now needed was estimated to exceed £18,000. The Directors informed shareholders that a call of £1.10.0 per share would be necessary, increasing paid-up capital by £30,000\textsuperscript{101}.

Newcastle was entering a period of rapid growth, and the company was advantageously situated both as a coal producer and as an owner of land. The strength of this position and the encouraging prospects for sales of real estate, influenced the company's decision to proceed with the expansion plans. Brownrigg was optimistic when reporting in September 1854\textsuperscript{102}, following publication in the colony of a Report by the Government Examiner of Coal Fields predicting a prosperous future for Newcastle\textsuperscript{103}. The local press also, had reported enthusiastically on the benefits which would be gained by all from the proposed rail link between Newcastle and

\textsuperscript{99} See Appendix 16.
\textsuperscript{100} Special Report on the Collieries, supra, pp.12-13.
\textsuperscript{101} Ibid., p.15.
Maitland, to be constructed by the recently incorporated Hunter River Railway Company\textsuperscript{104}.

Colliery operations produced net income of £8,204 in 1854, from sales of 43,940 tons\textsuperscript{105}. Although the sales figure had increased, net income declined, due to higher working costs. The substantial rise in wages for all classes of colliery labour, and the increased costs of materials, had seriously affected profit margins. Substantial expenditure had been undertaken to improve the pits and their efficiency, these costs being mainly charged against profits and not capitalised. The Directors' intention was to conserve capital to ensure capacity to continue with the investment programme and to contain the total capital commitment within estimates.

Coal prices rose so rapidly because of wage demands, that strong consumer resistance developed in the Autumn of 1854\textsuperscript{106}. Consumption fell and production exceeded demand, the position being aggravated by the opening of new collieries with improved machinery, and by imports of coal from England contracted during the period of expansion and shortages. The immediate result was a fall in price. Several collieries around Newcastle were closed and miners were thrown idle. The changed situation allowed employers to negotiate reductions in wages with beneficial impact on production costs. The consequential reductions in price revived consumer demand; consumption trends steadied, and then improved.

The effects of industrial dislocation on the operations of the collieries are apparent in the following comparative figures:\textsuperscript{107}

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1854</td>
<td>43,940</td>
<td>£44,302</td>
<td>20/2d.</td>
<td>16/5d.</td>
<td>3/9d.</td>
</tr>
<tr>
<td>1855</td>
<td>38,398</td>
<td>27,986</td>
<td>14/10d.</td>
<td>14/6d.</td>
<td>4d.</td>
</tr>
</tbody>
</table>

The technical reports submitted by Odernheimer confirmed the potential of the company's coal bearing lands, and recommended progressive mechanisation of the pits, concentration of the works, and closure of the isolated

\textsuperscript{104} Maitland Mercury, 20 Oct 1854, in Special Report on the Collieries, supra, pp.16-20.  
\textsuperscript{106} Ibid., p.21.  
collieries\textsuperscript{108}. His reports were critical of the lack of planning and direction in the development of the mines, and he urged the appointment of a skilled colliery manager to bring the workings to a state of operational efficiency.

The coal industry had experienced serious difficulties in 1855. The year opened with 15/- per ton as the price of coal on board at Newcastle; in March it rose to 17/6d. per ton; in July it receded to 13/6d and in August to 12/- per ton, at which average rate it continued to the end of the year\textsuperscript{109}. The effect of these fluctuations had been to reduce net profit from the company's colliery operations to £678\textsuperscript{110}. Additionally £9,213 had been expended on extensions to railway lines and other improvements, the Directors observing that:

These extensions have fallen heavily on so unfavourable a year as 1855, but the result has been favourable in respect to the first seven months of the following year, 1856.\textsuperscript{111}

The Directors reported the arrival at Newcastle of the engines and machinery, consigned at considerable cost, to allow the collieries to be concentrated and to permit better control of labour.

Great, however, as may have been the expense attending the accomplishment of this object, it is satisfying to find that the adventure has been made, as the company's competitors in the trade have not been behind-hand in making the like preparations.\textsuperscript{112}

In 1828 the company had been granted a practical monopoly in the operation of the coal mines at Newcastle. The agreement was reached despite the contrary views of Governor Darling and despite the hostility of the colonists to the granting of such privileges to a company based in London. Only a company with substantial capital resources, however, could have accepted responsibility for the efficient working of the mines, as the colonial administration lacked the financial capacity to acquire the plant and machinery essential to the undertaking.

\textsuperscript{108} Odernheimer's three detailed Reports presented in 1855 and in 1856, were appended to the Thirty-Second Ann. Rep.
\textsuperscript{110} Ibid., p.21.
\textsuperscript{111} Ibid.
\textsuperscript{112} Ibid. See also Appendix 16.
The company met its obligations by considerable capital expenditure on plant, by the employment of experienced and apparently well qualified mining engineers to manage the mines, and by promoting the emigration of free colliers from Britain to employment at Newcastle. The company's management was not necessarily always efficient, and the Odernheimer Reports were critical of the company's failure to keep pace with the machinery needs of modern mining. But because of the company's initial application to the task of bringing the Newcastle mines to a stage of reasonable operating efficiency, the colony enjoyed the benefits of a growing coal industry. The major beneficiaries of the pioneering coal mining developments undertaken by the company were the colonists, who so keenly opposed the company in its apparently favoured position as a producer of coal and a grantee of Crown lands.

Pastoral Operations and Management.

In 1825 the Directors explained to the shareholders that the coal mining commitment at Newcastle would not interfere with the company's concentration on its main task of producing fine wool for export.\(^1\)

The most significant factors in the colony's economic development in the 1830s had been the rapid increase in sheep numbers, and the ability of British wool merchants and processors to absorb the growing clip.\(^2\) Income from wool exports was the main source of capital to fund growth and economic self-sufficiency.

The only significant restraint on the pastoral expansion of the 1830s was the shortage of labour. This was recognised by the Legislative Council which, in October 1840, recorded that there exists throughout the colony, an urgent and increasing want of working hands, in every branch of industry; that there is ample employment for migrants, at highly remunerative wages, without the interruption in this mild climate, experienced in colder countries during the winter months; and that, even during the worst period of the past severe drought, no persons, able and willing to work, found any difficulty in procuring advantageous employment.\(^3\)

\(^1\) Rep. of Directors to Special GM, 21 July 1825. See Ch.3, Note 71.
\(^2\) See Appendix 10, Export of Wool from New South Wales. Appendix 11, Sheep and Cattle in the Colony of New South Wales.
The colony's labour problems were in part due to a concentration of available capacity in the towns, and in part to an understandable disinclination among newly arrived immigrants, whether free men or convicted persons, to submit to the rigours and isolation of work in remote locations. Skilled and unskilled labour was in demand in the more closely settled areas, but the labourer in the country and in the coal mines, found little attraction in the conditions under which he worked. The industries earning export income, wool and coal, on which economic progress depended, were usually short of their labour requirements. The advantages of emigration were regularly emphasised, particularly for the labourer with only his hands to invest.\(^\text{116}\)

The population of the colony had increased steadily during the 1830s. Development and expansion had, however, been restricted by the inadequacy of the labour force to do the work needed in the growing pastoral industry.

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Children</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1833</td>
<td>39,387</td>
<td>11,220</td>
<td>10,187</td>
<td>60,794</td>
</tr>
<tr>
<td>1838</td>
<td>57,485</td>
<td>18,000</td>
<td>22,427</td>
<td>97,912</td>
</tr>
<tr>
<td>1840</td>
<td>70,021</td>
<td>25,476</td>
<td>33,966</td>
<td>129,463</td>
</tr>
<tr>
<td>1842</td>
<td>76,528</td>
<td>35,762</td>
<td>47,599</td>
<td>159,889</td>
</tr>
</tbody>
</table>

While the financial depression which affected the colony in the early 1840s mitigated the immediate labour problem, new difficulties had been created. The Directors of the Australian Agricultural Company reporting in January 1843, reflected these new areas of concern, as well as stressing the continuing character of problems already encountered. The economic downturn had caused a surplus of labour in the towns, and the company had been able to obtain sufficient station hands locally, making further engaging of free labour in Britain unnecessary.

With the consequences of the 1838 drought still evident, the new decade started unfavourably. The year 1840 was very dry and it was followed in


1841 by severe drought conditions. Livestock losses were heavy and few lambs survived. The Directors were concerned both with the losses, which were considerably higher than previously, and with the substantial drop in income from livestock sales. The depression in the colony and the unfavourable season adversely affected demand for all livestock. The value of sales by the company, which in 1840 had been £21,498, fell to £5,985 in 1841. The Directors instructed the Commissioner that the high mortality rates among the company's flocks were to be fully investigated.\(^{118}\)

The Commissioner had reported the commencement of work at Stroud on the excavation of silos, or underground granaries "for the preservation of Wheat and Maize from the ravages of Fly-Moth and Weevil".\(^{119}\) The objective was to store grain from the surplus available in good seasons when prices were low, providing reserves for the support of the establishment in poor seasons, when because of scarcity prices were excessively high. The silos which proved effective storage units were completed at low cost, and were a successful experiment in practical grain storage and fodder conservation.

The depression in the colony had not abated as had been expected, and every endeavour was made to reduce the adverse impact on the company by strict control over rapidly increasing operating costs. The number of employees had been reduced despite the increase in livestock numbers.\(^{120}\) Captain King, the Commissioner, informed the Directors in December 1842 that convict servants were being granted their tickets of leave in increasing numbers, and were leaving the company's employ. The shepherds, however, were performing their duties satisfactorily. While there was no over-supply of labour, the company was for the first time for many years enjoying a reasonably adequate work force.\(^{121}\) King mentioned the range of economies instituted, and that he had made a considerable change in the issue of rations to families, by not allowing any to children under two years, nor to those above the age of twelve - in the latter case particularly it is unnecessary because they are old enough to maintain themselves.\(^{122}\)

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119. Ibid., p.5.


121. King to Gov. of Co., 26 Dec 1842, L.No.73, p.15. Archives ANU. 78/1/17, p.331.

122. Ibid.
A few months later King again reported steps taken to contain costs, referring to wage reductions applied to both shepherds and general hands. He observed that despite the action taken, the increasing number and proportion of free servants replacing convict labourers, and the steady increase in livestock numbers, made any reduction in expenses impossible. Control over expenditure severely curtailed improvement work, and farming activity was restricted to the requirements of the establishment. The Directors had pointed out to shareholders in January 1843 that the trend from part convict to wholly free labour would inevitably cause higher costs of production.

The health and constitution of the company's sheep were of great concern to the Directors. The investigation and report on the high loss rate was mentioned to the shareholders in January 1844. The investigation appeared to establish that the deterioration in condition and the excessive losses were due to the unfavourable seasonal conditions. The severe drought in 1841 had left the sheep greatly weakened. Heavy and continuous rain had followed, the unavoidable consequence being a substantial loss rate in sheep of all ages. Livestock on hand at December 1842 were 90,491 sheep and 5,265 cattle, the cattle numbers being most disappointing. Only 642 calves were branded in 1842, giving rise to the comment that:

The number of cattle branded in 1842 appears small with reference to the aggregate of the herds, which can only be accounted for by the difficulty experienced in mustering them. It is, however, hoped that future returns may display a more satisfactory result, as 90,000 acres of grazing land have been fenced in for cattle runs, by which means not only will the company's herds be prevented from straying, and be more easily mustered, but the inconvenience which has been felt from the herds of squatters getting mixed with those of the company will be obviated.

The reference to extensive fencing is of particular significance and successive Reports mentioned the beneficial effect on both sheep and cattle of the improved grazing control which fencing made possible. The progressive

123. King to Gov. of Co., 28 Apr 1843, L.No.79, pp.34-5. Archives ANU.
enclosure of substantial areas, even though within rough brush fences, made possible a gradual reduction in the number of shepherds, and in labour costs.\textsuperscript{126}

The colony continued in its depressed state in 1843, and although the Directors expressed confidence in early recovery and in future prosperity, they warned the shareholders that "until some progress has been made in the realization of these prospects, the Company must continue to participate in the evils arising from the prevailing stagnation".\textsuperscript{127} Demand for livestock remained weak and sales were effected only at "ruinously low prices".\textsuperscript{128} Because of the impossibility of selling the surplus sheep and cattle, arrangements were made for boiling down a certain number for tallow and hides, "reserving the prime parts of the Beef for salting".\textsuperscript{129} The English market provided an outlet for tallow, and boiling down established a value for livestock otherwise unsaleable. Fat sheep could yield 5/- to 8/- per head, and bullocks £3 to £4 per head.\textsuperscript{130}

Sheep losses in 1844 were 8,456, or 8.1 per cent of opening stock numbers, and an increase over the previous year.\textsuperscript{131} The season had, however, been very dry, and station labour had been so reduced as to make some increase in losses inevitable. In the circumstances the percentage of losses was not excessive. Sales of all types of livestock realised only £481, sale sheep numbering 277, the lowest figure for many years.\textsuperscript{132} At the end of the year 117,257 sheep, 6,959 cattle, and 850 horses were on hand.\textsuperscript{133} The 1843 clip had produced 730 bales weighing 184,002 lbs., and in 1844, despite the adverse growing season, 613 bales weighing 182,151 lbs. realised £17,376.\textsuperscript{134}

Losses of sheep in 1845 were again substantial, the total being 9,969 excluding sales and slaughterings. The reasons advanced were, that the increased numbers of sheep in the care of each shepherd made adequate supervision of lambing ewes impossible, and the sudden onset of cold and wet conditions at shearing.\textsuperscript{135} Cold, wet weather can cause heavy losses

\textsuperscript{126} See G.J. Abbott, \textit{op.cit.}, pp.100-7.
\textsuperscript{127} Directors' Twenty-First Ann. Rep., 28 Jan 1845, p.4.
\textsuperscript{128} Ibid., p.5.
\textsuperscript{129} Ibid., p.8.
\textsuperscript{130} S.H. Roberts, \textit{op.cit.}, p.246.
\textsuperscript{131} Lynnette J. Peel, \textit{op.cit.}, p.33.
\textsuperscript{132} Directors' Twenty-Second Ann. Rep., 20 Jan 1846, p.5.
\textsuperscript{133} Ibid., p.9.
\textsuperscript{134} Ibid., pp.5,7.
\textsuperscript{135} Ibid., p.13.
among newly shorn sheep, and the reasons given for the losses were justified. As will be seen, the reality of practical problems such as these, particularly with an inadequate labour force, were largely overlooked in the criticisms levelled at the colonial management in 1857. The heavy sheep losses were to continue. Losses reported for 1846 were 15,918 sheep against an opening stock figure of 124,205, representing the substantial percentage of 12.8. The Directors, in advising the shareholders of these losses, regretted having again to report such a large amount of casualties, far exceeding even those of the previous year; they are, however, solely attributable to an aggravation of the same causes which have produced on former occasions such disastrous results to the flocks, namely, the vicissitudes of climate, at all times most trying in the colony of New South Wales, but which have been so in an unprecedented degree during the season under consideration, alternating between excessive drought and consequent want of pasturage, or heavy rains, equally to be dreaded, more particularly at the critical period of lambing and shearing.

At the Annual General Meeting in January 1847 shareholders had expressed concern at the continuing losses of sheep, implying criticism of local management which appeared unable to benefit from the substantial practical experience which the company by 1847 had gained of conditions in the colony. The Directors were clearly concerned at having yet again, a year later, to report substantial losses. They included in their Report extracts from King's despatches to show that factors outside the control of management were the main cause of the problem.

Since the month of November we have scarcely had any rain; cold, dry winds; hot, dry, parching winds, have alternated through the year. What the sheep subsist upon, I am at a loss to think; there is not a vestige of grass, nor has there been any for the last four months. The sheep never were in worse condition for the approaching lambing.  

137. Ibid., pp.4-5.
As sales of sheep had been difficult to make and flocks had built-up, the problem was in part caused by overtaxing available pasture and watering facilities. Any prolonged period of excessive stocking would, in itself, produce drought conditions, and the recovery of pasture after rain would be retarded. In his despatch of 15 August 1846, King had reported the rainfall registrations at Tahlee on a comparative basis, and these figures, which are quoted hereunder, provide sound reasons for his pessimistic observation.

Mean quantity of rain for
the three years 1843-5 - 25.919 inches.
1846 - 9.973 " .139

In September, King reported that prospects for the lambing were poor, and that losses of ewes and lambs would be heavy140. Later in the month he reported that at last the pastures at Gloucester, on the Peel, and at Warrah, had been relieved by heavy rain, but too late to be of assistance in the lambing. He referred to the losses which had been caused by drought and the heavy rains which followed, and observed that the loss of stock of all kinds in the northern district is expected to be very great; and large although the company's losses will appear, they will be nothing compared to those of individuals.141

These observations emphasised the nature and number of the contingencies confronting any company or individual running sheep and cattle in New South Wales. Not only was the climate harsh and variable, but rural labour to contend with these conditions was inadequate. "The great number of casualties can hardly be a subject of surprise, however much they may be regretted".142

Reporting in January 1850 on operations during 1848, the Directors indicated that better control over the flocks had reduced sheep losses to 5.6 per cent - a loss rate which would be regarded as reasonable today in similar country. While able to report favourably on the health of all livestock,

139. Ibid. Also quoted in Twenty-Fourth Ann. Rep., supra, pp.5-6.
140. King to the Directors, 7 Sept 1846, L. No.144, p.2. Archives ANU. 78/1/18, p.766.
the Directors observed that "scarcely any market existed for the disposal of stock in the colony during the year", and that net proceeds from the sale of company stock were only £582.  

The company's organisation in the colony had been carefully and critically reviewed. Directors and management recognised that the uncertainty of seasons and income made control over all forms of expenditure essential. The Directors said that an important revision must be made of the colonial establishments, so as to bring them more in conformity with those of private settlers, and that the future management of the company must be regulated with more advertence to pecuniary returns, than have heretofore prevailed.

In April 1843 King had reported that the wages of a shepherd or common labourer were £20 per annum. From 5 August 1843 because of the depressed state of the colony and of the pastoral industry, the rate was reduced to £16/£18 per annum. In January 1847, although economic recovery was still tardy, FitzRoy informed Grey that ...

...in the course of the last two years the average money wages of agricultural labourers and shepherds in this portion of the colony, have increased progressively from £15 to £21 per annum.

The Directors admitted that despite their efforts "to inculcate economy on the Company's Servants in the details of management", between the years 1844 and 1847 expenditure in the colony had increased by £4500 and income had fallen by nearly £3400. The reasons given for the decline in income were the fall in wool prices and the absence of demand for livestock.

Severe economies were decided upon, including widespread retrenchment of staff, reduction in salaries, and a considerable decrease in the expenses of London Office. The office of Commissioner in the colony was abolished, and King retired from the company's service. This decision was apparently

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144. Ibid., p.19.  
145. Fitzroy to Grey, 30 Jan 1847. HRA.1, xxv, 333.  
147. Ibid., pp.19-20.
based on the assumption that senior direction in the colony was no longer necessary, as the problems delaying the issuing of land titles had been overcome, and routine direction of the pastoral and colliery activities could be entrusted to persons of lesser qualifications. King returned to his property at St. Mary's, and in 1850 he was re-appointed to the Legislative Council.

James Edward Ebsworth, who had been with the company from the time of the establishment of the settlement at Port Stephens, was appointed to superintend operations in the colony. His tenure of office proved to be short. Within the year Ebsworth advised the Directors that he wished to be relieved from the appointment after making-up the accounts for 1850. Ebsworth may have decided that the problems confronting the company were beyond his capacity to control. But by inference his precipitate action was a criticism of the Directors for their conclusions on the form of management supervision needed in the colony. He was probably aggravated also, by the absence of salary recognition for his increased responsibilities.

On two occasions Ebsworth had acted as Commissioner for extended periods. After Parry's departure Dumaresq was compelled, because of ill-health, to pass responsibility to Ebsworth for about five months until January 1835. Again on Dumaresq's unexpected death in March 1838, Captain King being unable to assume the appointment until April 1839, Ebsworth was appointed to act in the capacity of Commissioner.

Each year from 1840 the Directors had been obliged to inform the shareholders of some new problem affecting the smooth-running and profitability of the company. The regularity of the occurrence adversely affected investors who desired steady capital growth, and a reasonably assured annual dividend. With a paid-up value of £30 the London Stock Exchange quotations for the company's shares fell from £20 in December 1846, to £18 in 1848, and to £15.10.0 in 1850. The meeting of shareholders in January 1851 was informed of Ebsworth's unexpected resignation and that, as an urgent and immediate solution, the Deputy Governor of the company, Archibald William Blane, had agreed to undertake the supervision of affairs in the colony for a limited period. The Directors commented that they anticipated the most salutary reform and important benefits, both

150. See Appendix 7.
present and prospective, from Mr. Blane's mission. 151

Before the January 1852 Report was issued yet another unexpected factor, the discovery of gold, intruded new and dislocating influences into an already unstable situation 152. Blane was concerned that the gold mania would adversely affect the labour position in the colony generally. On 23 May 1851 he wrote to the company reporting the discovery of gold near Bathurst and warning that the repercussions for the company could be serious. He wrote again on 29 May 1851 advising that people were flocking to the spot in great numbers, and that serious apprehensions were entertained that there would be a general desertion of the flocks, and stock of all kinds, by the shepherds and the stockmen; and in the case of the company as owners of the principal coal mines, no little anxiety was felt by me, lest the miners should be tempted to abandon the works. 153

To counteract these influences, Blane instructed his superintendent of livestock, Philip Gidley King, son of the former Commissioner, to visit all the company's pastoral establishments to encourage the employees to continue in the assured employment of the company. Croasdill similarly, discussed the situation with the mines establishment at Newcastle. Blane instructed them to point out to the staff the risk of relinquishing permanent for precarious employment and doubtful success; the physical hardships which would have to be endured from exposure to the weather, in a very cold district, and at the beginning of winter; and the scarcity, poor quality, and high cost of provisions.

Blane, while concerned, did not view the labour position with the extreme alarm of most pastoralists. He felt that, although short term dislocation was inevitable, the consequences could quite quickly become favourable. It is useless to speculate at this time on the effects of passing events on the future prospects of the company, but should the abundance of gold be such as to attract a large immigration to New South Wales, we hope from the excess to procure labour at a more moderate rate than even

now, or that the increased demand for the necessaries of life will so enhance the value of stock as to compensate, in some measure, for any diminution in the production of wool. In the meantime, all progressive plans for improvement in colonisation, road making, and the formation of townships or shipping ports are completely unsettled.  

In January 1852 the Directors expressed the view that the impact of the discovery of gold in New South Wales and Victoria on the stability of the labour force, and on the colonial community generally, would be marked. They foresaw substantial benefits from the stimulus given to expansion, although in the immediate future "much distress, and loss to many, may be apprehended". The Directors considered that the increase in immigration which would follow the discovery of gold would result in substantially higher values for land and livestock. Despite the background of generally unfavourable seasons, declining wool prices, an absence of demand for surplus livestock, substantial sheep losses, labour inadequacies and rising costs, the company's sheep and cattle numbers were well maintained, as shown in the following Table:

<table>
<thead>
<tr>
<th></th>
<th>Sheep</th>
<th>Cattle</th>
</tr>
</thead>
<tbody>
<tr>
<td>1842</td>
<td>90,491</td>
<td>5,265</td>
</tr>
<tr>
<td>1844</td>
<td>117,257</td>
<td>6,959</td>
</tr>
<tr>
<td>1845</td>
<td>124,205</td>
<td></td>
</tr>
<tr>
<td>1846</td>
<td>111,496</td>
<td></td>
</tr>
<tr>
<td>1847</td>
<td>94,962</td>
<td>7,310</td>
</tr>
<tr>
<td>1850</td>
<td>113,452</td>
<td>8,711</td>
</tr>
</tbody>
</table>

The changing composition of the company's labour force emphasised the observation of the Directors in January 1850 on the contrary trends in income and expenditure, and the force of Brownrigg's submissions to Stanley in December 1844. The complement of employees at the end of 1850 was 465, compared with 511 in 1844, and distributed as follows:

156. Figures extracted from the Directors' Ann. Reps.
158. J.S. Brownrigg to Stanley, 20 Dec 1844, supra, (Note 21).
The company's Twenty-Ninth Report referred to the deteriorating labour situation in the colony, and to observations made a year before when the desertion of shepherds and labour in general for the diggings, seemed likely to have a severe and adverse impact on the production of wool and tallow. The extent of desertions had exceeded the fears then expressed, and had spread to the miners in the Newcastle collieries and to all employment, seriously affecting the company's undertakings.

The company had been actively seeking labour outside the colony, and the problems caused by so many persons leaving the company's service had been partly overcome by the employment of Chinese labourers. Blane, urgently needing shepherds, had brought eighty-seven Chinese into the colony. Much was expected from them, as they appeared loyal, industrious and well disciplined, but these hopes were only partly realised. Blane entered into a contractual arrangement with Francis Lodge, a ship's captain and trader, to obtain Chinese labourers from China. In September 1851 a formal agreement was signed under which Lodge contracted to deliver the Chinese to Port Stephens for £12 per man.

Blane's despatches at this period indicated his concern lest the company should become unable to compete effectively with the many and varied obstructions which continued to disrupt the best laid plans for progress.

In this country it is difficult to lay down any settled plan of proceeding, either in arable or pastoral pursuits, without any imminent risks of its being defeated .... Nothing
can contend against the prolonged droughts so often experienced in this colony.\textsuperscript{163}

Blane believed that the company should continue producing good quality wool, culling the old sheep each year for boiling down, together with as many of the aged cattle as could be reasonably fattened. He believed the prospects were good for the sale of horses to the Indian market. He urged that the company should press forward with the building of the road from the northern districts thereby establishing Port Stephens as a regular shipping port, with the beneficial consequences of attracting population to the township of Carrington. Blane hoped expanded sales of town allotments and farms would result, the income so gained reducing the company's liquidity problems\textsuperscript{164}. These factors favourably influenced consideration of prospects for Port Stephens, which, however, compared with Newcastle and Sydney faced considerable physical and economic disadvantages. Port Stephens was confined to New England as a base for port utilisation, and lacked the coal facilities of the ports to the south.

In March 1852 gold was found in the Tamworth district and on the Peel River estate. Blane considered that this provided an appropriate opportunity for the company to convert part of its lands into capital as had been unsuccessfully attempted at Port Stephens. By utilising part of the capital gain which had occurred during the company's occupation of the Grant lands, the financial pressures which were causing problems for the company could be overcome. As will be seen, the Directors agreed with Blane's submissions, and in December 1852 proposals were placed before shareholders for consideration\textsuperscript{165}.

Conditions in the colony continued to be discouraging. Blane advised the Directors that the defection of labourers from their employment and their migration to the gold fields, especially to Port Phillip, had produced perplexing difficulties, and had placed the company's pastoral and colliery interests in a critical position\textsuperscript{166}. The employment of Chinese as shepherds had been a disappointment, communication being a major difficulty. The

\textsuperscript{163} Blane to the Directors, 21 June 1851, L.No.8, p.7. Archives ANU. 78/1/20, p.158.

\textsuperscript{164} Ibid.


\textsuperscript{166} Blane to the Directors, 19 June 1852, L.No.31, p.3. Archives ANU. 78/1/20, p.564.
company employed 87 Chinese, and while useful as general labourers, few seemed able to adapt to unfamiliar duties and to the isolation of rural employment. Philip King, the livestock superintendent, advised Blane in June 1852 that European employees were leaving the company in substantial numbers, and that although Chinese were available to replace them, the substitution of the inexperienced for the experienced would result in greater livestock losses 167.

Ill-health at this time compelled Blane to inform the Directors that he was unable to carry on the administration of the company's affairs in the colony for more than a limited period. Captain Marcus Brownrigg, R.N. was appointed to succeed him 168.

Blane's despatches to the Directors expressed his deep concern that the continuing losses of labourers might bring the company's operations to a halt.

I have hitherto, borne up with tolerable composure against the daily defections from our ranks, but some of our best overseers and stockmen, who have been for years in the service, and have wives, and families growing up, or grown up, about them, are leaving us, and I can no longer stem the torrent.... Every effort must be made in England to send us help. 169

The weeks following the writing of this despatch were a period of anxiety for the company, aggravated by the critical illness of A.W. Blane who died on 6 November 1852. The most significant aspect of Blane's brief term of office in Australia was his recognition, based on knowledge and experience of financial affairs in London, of the improbability of developing assured profits sufficient to overcome the severe financial limitations under which the company was operating, unless assets which had appreciated substantially in value were in part realised. Such a policy would replace valuable assets contributing little to profits with available funds. The acceptance of Blane's conclusion was the initiative for the reorganisation of the company through the formation of the Peel River Land and Mineral Company in 1853 170a.

170a. See Notes 220,222 of this Chapter.
In January 1854 the Directors reported A.W. Blane's unexpected death to the shareholders. They had also to report the untimely death of the Governor of the company, J.S. Brownrigg. The Directors explained that the death of J.S. Brownrigg had left vacant the positions of chairman and managing director of the Peel River Land and Mineral Company, and that Count Strzelecki had been appointed to these posts. Strzelecki had become well known and recognised for his notable minerals exploration in New South Wales and elsewhere, and for his valuable scientific publications. In addition, Philip King was transferred from the position of Deputy Superintendent of the Australian Agricultural Company, in which appointment he was succeeded by J.C. White, to the separate responsibility of managing the Peel River Company. Captain Marcus Brownrigg who had earlier been appointed to succeed Blane as Superintendent, assumed full responsibility on Blane's death.

Brownrigg immediately appointed L. Dalhunty and D. McIntyre to value the company's livestock and plant for the purposes of division between the two companies. They valued 44,114 sheep, 270 cattle, and sundry horses and stores, for transfer at £27,896.12.7, and in their report complimented both companies on the breeding and quality of the livestock being sold and acquired. These comments were significant in relation to the critical controversy which arose in January 1857 over the constitution of the sheep, and the need for an infusion of new blood to re-establish characteristics said to have been lost through careless management.

The Directors' Report to shareholders in January 1855 was a comprehensive statement on all aspects of the company's operations. It was of particular significance as the last Report before the division of the assets between the Australian Agricultural Company and the Peel River Land and Mineral Company. The procedures adopted by the Directors in forming the new company will be considered later in this chapter.

The livestock statistics at 31 December 1853 are summarised in the following Table, the two preceding years being included for comparative purposes:

171. P.E. de Strzelecki, Description of New South Wales and Van Diemen's Land (London, 1845).
173. Ibid., p.7.
Sheep.

<table>
<thead>
<tr>
<th></th>
<th>1851</th>
<th>1852</th>
<th>1853</th>
</tr>
</thead>
<tbody>
<tr>
<td>On hand 1 January.</td>
<td>113,452</td>
<td>122,573</td>
<td>118,135</td>
</tr>
<tr>
<td>Lambs.</td>
<td>23,826</td>
<td>20,694</td>
<td>20,159</td>
</tr>
<tr>
<td></td>
<td>137,278</td>
<td>143,267</td>
<td>138,294</td>
</tr>
<tr>
<td>Sold.</td>
<td>1,503</td>
<td>2,792</td>
<td>7,766</td>
</tr>
<tr>
<td>Slaughtered.</td>
<td>4,176</td>
<td>4,416</td>
<td>4,363</td>
</tr>
<tr>
<td>Boiled down for tallow.</td>
<td>3,287</td>
<td>9,784</td>
<td>6,618</td>
</tr>
<tr>
<td>Casualties from age, disease and accident.</td>
<td>5,739</td>
<td>8,140</td>
<td>8,056</td>
</tr>
<tr>
<td></td>
<td>14,705</td>
<td>25,132</td>
<td>26,803</td>
</tr>
<tr>
<td>On hand 31 December.</td>
<td>122,573</td>
<td>118,135</td>
<td>111,491</td>
</tr>
<tr>
<td>Cattle.</td>
<td>9,196</td>
<td>9,095</td>
<td>9,331</td>
</tr>
<tr>
<td>Horses.</td>
<td></td>
<td></td>
<td>1,405</td>
</tr>
</tbody>
</table>

The annual sale of surplus livestock at satisfactory prices was essential if profits were to permit the declaration of dividends. The following Table clearly indicates the serious impact of poor seasons, economic depression and uncertain wool prices, on the company's income from livestock sales:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840</td>
<td>£21,498</td>
</tr>
<tr>
<td>1841</td>
<td>5,985</td>
</tr>
<tr>
<td>1842</td>
<td>2,612</td>
</tr>
<tr>
<td>1844</td>
<td>481</td>
</tr>
<tr>
<td>1848</td>
<td>582</td>
</tr>
<tr>
<td>1849</td>
<td>£431</td>
</tr>
<tr>
<td>1850</td>
<td>2,573</td>
</tr>
<tr>
<td>1852</td>
<td>3,677</td>
</tr>
<tr>
<td>1853</td>
<td>7,510</td>
</tr>
</tbody>
</table>

The company had persevered with Chinese immigrant labour, 54 being employed at the end of 1853 despite a turbulent year in relationships with them. In February 1853 the Chinese had objected to acting as shepherds, and had become so insubordinate that they isolated themselves from other company employees. In September 1853, however, Brownrigg was able to report that a marked improvement in the attitude of the Chinese had occurred. Brownrigg's report on personnel indicated the considerable difficulty being experienced in obtaining

176. See Ch.4, pp.130-1. Sheep and Wool Production.
labour of reasonable competence. He emphasised particularly the major problem of drunkenness among employees.

During my intended visit to Sydney, I shall make every exertion to procure shepherds; failing to obtain them, I shall have to fall back on the Chinese, and endeavour to induce even the most reluctant among them, who can best be spared from their present employments, to become shepherds.179

The year 1853 had been one of unprecedented difficulty with all classes of labour, and the shepherds had not escaped the excitement in the colony generated by reports from the gold diggings. So short had been station labour at the Peel River estate that the sheep had been shorn in the grease, insufficient hands being available to wash them180. Despite the problems of supervising the flocks the company had concluded that after the sale of sheep to the Peel River Company, it would be possible to carry substantially more sheep on the Port Stephens and Liverpool Plains properties, than would then remain. Brownrigg was instructed to prepare a full report on the subject. In the meantime, to hasten the up-grading programme, the Directors arranged for 25 Saxon rams, 26 Saxon ewes, and 10 Mecklenburg ewes, to be shipped to the colony. Additionally, twenty German shepherds accompanied the sheep to reduce the deficiency of competent shepherds181.

The close inbreeding of Saxon sheep to produce fine and super-fine merino wool, weakened the constitution of the sheep, and this loss of robustness was partly responsible for mortality problems in the Saxon based flocks at Port Stephens. An experimental attempt in 1841 to improve frame and constitution by introducing an English Leicester cross to the Port Stephens flock had been abandoned. The introduction of Mecklenburg ewes was a further endeavour to improve size and constitution, the Mecklenburg being a "merino meat sheep", with a combing wool of Saxon type. Small flocks of the breed still exist in Lower Saxony182. The company had decided to sacrifice some fineness in the wool to achieve other essential physical qualities in the sheep. Brownrigg's report to the Directors on appropriate

181. Ibid., pp.8-9.
utilisation of the Port Stephens country concluded that the property was appropriate for cattle but not sheep, and that only limited areas were suitable for grain production\textsuperscript{183}. The Directors accepted Brownrigg's assessment.

Although sales of the company's sheep had been extremely disappointing, prices received on the London market for the company's wool clips were well maintained and consistently higher than the average price for wool exported from the colony.

\begin{center}
\textbf{Wool Price Comparison}\textsuperscript{184}
\begin{tabular}{|c|c|c|c|}
\hline
Year & Australian Agricultural Co. & Average for wool exported from New South Wales. \\
     & Port Stephens. & The Peel. & \\
\hline
1842 & 23.13 & 20.75 & 15.16 \\
1843 & 24.25 & 19.63 & 12.95 \\
1844 & 23.25 & 22.00 & 11.43 \\
1845 & 23.00 & 21.25 & 13.94 \\
1846 & 24.50 & 14.84 & \\
1848 & 17.50 & 12.96 & \\
1850 & 20.38 & 11.96 & \\
1852 & 25.75 & 22.25 & 14.64 \\
\hline
\end{tabular}
\end{center}

The company's wool showed the quality of better breeding, and would usually have been efficiently washed and prepared. Some part of the wool exported from the colony would have been poorly washed, and in a dry season was probably baled in the grease. The price comparison therefore, requires interpretation. The price difference is, however, substantial and the company's clips were not as susceptible to market change as the colony's clip as a whole. This indicates that the quality of the company's clips was well maintained, a significant fact in relation to the conclusions of the Committee of Consultation in 1857. The Port Stephens clip, being grown in cooler conditions and on lighter pasture than the Peel River clip, would normally bring a higher price. The Port Stephens clip was also probably better washed, and in a normal season would carry less vegetable fault than wool grown on the heavier country. In the five years 1846 to

\textsuperscript{183} Capt. Brownrigg's Report, attached to despatch No.15 to the Directors, 30 Sept 1854. Archives ANU. 78/1/21, pp.716-22.
\textsuperscript{184} The average prices for the company's clips were reported in the Directors' Ann. Reps. The statistics of wool exported from New South Wales are recorded in Appendix 10.
North Arm Cove.
South-westward to Carrington and Tahlee Point.

Carrington Church.
Completed in 1846, it stands as an isolated reminder of the proposed Township and Port of Carrington.
an average price for the total clip only was reported.

In a further attempt to encourage settlement at Carrington, the Directors in 1854 decided to improve the new road from the northern districts of New England and the Manning River to Stroud. To increase public use of the road Brownrigg advertised "certain advantages to each dray laden with wool brought down during the current season over the company's new road, for shipment at Port Stephens". 185

Sales of land totalling £14,401 were reported to shareholders in January 1855. Of this total £4,579 was realised at Port Stephens and £8,341 at Newcastle 186. The Directors explained that these proceeds, together with the payment received from the Peel River Land and Mineral Company for livestock and plant, had provided the funds needed to pay the special dividend in July 1854 187.

The following year the Directors again referred to the endeavours made by Brownrigg to sell portions of land. The value of sales in 1855 was £2180, of which £1640 related to the sale of four lots at Newcastle 188. The statistics presented by the company to shareholders in January 1856 reflected the sale of assets to The Peel River Land and Mineral Company, livestock on hand at 31 December 1854 being reduced to 42,295 sheep and 9,570 cattle 189.

The new organisation immediately faced severe and prolonged drought conditions aggravated by widespread and destructive bush fires. Heavy and continuous rain broke the drought, but half the lambs born in the 1854-55 season perished 190. The livestock statistics for 1855 disclosed the purchase by the company of 10,555 sheep and 774 cattle. This was a departure from the normal policy of breeding requirements, and the Directors explained that 10,530 of the sheep were store wethers purchased at eight shillings a head for fattening at Warrah. Of the 774 cattle, 700 were part of a contract negotiated by Brownrigg to acquire a property on the Little Manning River as a link between two out-stations, the cattle being purchased

186. Ibid., p.19.
187. Ibid., p.20. Reference to the special dividend is made later in this chapter.
189. Ibid., pp.2-3.
for forty-five shillings per head. But rather surprisingly the Directors offered no comment on the high mortality among the sheep which had reached 19% per cent of opening stock.

Instability and indiscipline in the labour establishment were among the company's most persistent problems. Employees were deficient in number and competence, the company's uncertain profits being eroded by increasing wages and diminishing output. The problems caused by unfavourable seasons, both floods and droughts; by the inadequacy of available labour and rising costs; by an absence of demand for livestock and a weak wool market; by enforced economies and the increasing pressure of financial stringency - all combined to present an unpromising investment prospect to the shareholders.

Finance and Reorganisation

The year 1841 was affected both by economic depression in the colony and by drought. The company's net profit was only £3173, and the Directors recorded their disappointment that the result did not permit them to declare a dividend. They expressed the hope that:

The Proprietors will be satisfied, that if the finances of the Company are not at present in a state to justify the payment of a dividend, the Company is only participating, though to a much less extent, in the general suffering of the whole Colony, which no foresight on the part of the Directors could have obviated, but from which there are already some symptoms that the Colony is gradually emerging.

With the Nineteenth Annual Report the Directors included for the first time, a valuation of the company's property in New South Wales, dated 31 December 1841. The major items were:

- Estimated value of 1 million acres of land at 8/6d. per acre. £425,000
- Estimated value of the coal mines, land, buildings and machinery. £114,447
- Buildings. £30,411

192. Ibid., p.12.
194. Ibid.
Sheep. £131,398
Cattle. £33,664,
the total value of assets being estimated at £798,926.

Shareholders' funds at that time were £310,817, the growth in the capital value of assets being mainly represented by the assumed value of land. The basis of 8/6 per acre may have appeared a reasonable figure in comparison with the minimum price of 12/- per acre fixed by the Crown. But in 1841 land was almost unsaleable in the colony except at extremely low figures, and any value assumption was questionable. The Directors' assessment suggested that the investment had doubled in value and traders on the London Stock Exchange reacted favourably, the quotation being £40 against a paid-up value of £28, despite the discouraging profit disclosures.

In 1842 income from all sources was £38,389, but expenses amounted to £35,561 despite the discipline exercised over all costs. The net profit for the year declined to £2,828, and again the Directors had to inform the shareholders that they were unable to recommend a dividend.

The Directors omitted the valuation of the company's property from the Twentieth Annual Report. They said that the depressed state of the colony made the determination of realistic values impossible and that "an attempt to do so might only tend to mislead". The Directors indicated their intention to resume publication of the valuations in the Annual Reports "when the hoped for improvement of colonial affairs gives some apparent stability to the value of property".

The Directors' observations in 1844 were at least a partial admission that publishing the specific asset valuations in the previous year had been unwise. The comments were designed to correct any misconceptions which may have been caused as to the realisable values of the company's property. They also reflected the Directors' recognition of the difficulty of giving shareholders and prospective investors a fair and reasonable representation of the values of the company's diverse assets at a particular time. Realisable values of rural lands are sensitive to the vagaries of

195. Ibid., p.16.
196. See Appendix 7.
198. Ibid., p.21.
season and commodity prices, and to the economic circumstances of the community. The Directors as they prepared their Twentieth Annual Report were concerned that the depression in the colony should have been persisting, and that the restrictions on credit facilities continued to depress the demand for livestock and for land, both in the major towns and in rural areas.

The problem of rising expenditure in the colony was the cause of serious concern to Directors and management. In January 1846 the Directors reported that the revision of expenses in the company's establishment had achieved satisfactory results.

The programme of staff retrenchments had been implemented, and although no improvement has taken place in the sales of livestock, and there is still further diminution in the sale of coals, yet by the reduction in expenditure, the result of the company's operations for the year 1844 shows a considerable increase in the colony of receipts over disbursements, as compared with the three preceding years.

The company's results for the year to 31 December 1844 were summarised as follows:

Revenue realised in New South Wales from the sale of coal and livestock, rents, etc. £14,356.12.11
Revenue realised in England from sales of wool, tallow, hides, wood spokes, horns, etc. 17,806.11. 8

Deduct, Expenses of management:

New South Wales. £20,162.17. 3
England. 2,401.1.1 22,563.18. 4

Surplus Revenue for Year 1844: £9,599. 6. 3.

199. Ibid., p.21.
201. Ibid., p.4.
202. Ibid., p.15.
A dividend of £1 per share was declared, representing a rate of £3. 6. 8d. per cent on the paid-up capital of the company. The net profit for the year represented a yield of 3 per cent on funds employed, but only 1.2 per cent on the value of the company's assets as estimated three years before. Having deferred dividend payments for several years the Directors apparently decided to distribute the whole of the surplus, confident that the fortunes of the colony, and the company, would soon improve. Possibly also they were anxious about the continuity of shareholder support and the weakness evident in trading in the stock.

A year later the Directors spoke of the slow emergence of the colony from its years of financial hardship, although they discerned some improvement in commercial, agricultural and financial activities. The company they said, had "yet to reap the full extent of the benefit of a return to a healthy state".

The net profit in the succeeding two years, 1845 and 1846, was £8,283 and £9,742 respectively, the dividend being maintained at £1 per share.

The year 1847 in the colony was discouraging. Adverse influences in Great Britain and in the colony combined to depress the value of property, and trading in wool and sheep was inactive. A fall of 25 per cent in wool prices, rising costs and tardy economic recovery in the colony, had caused general distress and materially affected demand for all descriptions of livestock. The company's net profit fell to £1,758, and yet again the Directors had to inform the shareholders that the results precluded them from recommending a dividend.

The difficulties facing the company's operations were again traversed; recurring droughts and unseasonal rains, economic depression, the drastic fall in wool and livestock values, uncertainty surrounding values of real estate, and increasing wage levels. The shareholders could only endorse the Directors' decision to reduce the investment risk in the colony by realising some part of the assets.

203. Ibid., p.15.
204. See Appendix 7.
206. Ibid., p.11.
209. Ibid.
The following two years brought only modest improvement in the company's results. In 1848 net profit was £4,602 and no dividend was recommended. A year later the net profit figure was slightly lower at £4,231, from which a dividend of 10/- per share was paid, fully absorbing the surplus for the year. The unpromising results presented for several years doubtless encouraged this distribution, although prudence may again have prompted the retention of the funds in reserves.

Trading in the company's shares in 1850 reflected the sequence of disappointing years. Land values had remained depressed, raising doubts about the prospects for capital appreciation. Operational profits had fluctuated but had generally been unsatisfactory, representing a poor yield on the funds employed. The declining attraction of the investment was shown in the Stock Exchange quotations.

<table>
<thead>
<tr>
<th>Date</th>
<th>Paid-up value</th>
<th>Quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>June, 1841</td>
<td>£28</td>
<td>£40</td>
</tr>
<tr>
<td>June, 1843</td>
<td>£30</td>
<td>£19.10.0</td>
</tr>
<tr>
<td>December, 1846</td>
<td>£30</td>
<td>£20</td>
</tr>
<tr>
<td>December, 1848</td>
<td>£30</td>
<td>£18</td>
</tr>
<tr>
<td>December, 1850</td>
<td>£30</td>
<td>£15.10.0</td>
</tr>
<tr>
<td>June, 1852</td>
<td>£35</td>
<td>£16.10.0</td>
</tr>
</tbody>
</table>

The Directors reported with some satisfaction on operations in 1850; 678 bales of wool had realised £16,823, sales of livestock had improved to £2,573, and sales of tallow, horns, hides and skins had produced £2,121. These results had increased the net profit to £11,496, from which a dividend of £1.10.0 per share was declared. The balance sheet recorded the transfer of £5,000 from the dividend to the joint stock account, thereby increasing the working capital of the company. This transfer, with the transfers previously made from the revenue account and reserve fund, increased the paid-up capital to £350,000, or £35 per share.

The company's accounts for the year 1851 followed the improving trend in...
the colony, and were summarised as follows:\textsuperscript{217}

- Revenue realised in New South Wales -
  - Coal, Livestock, Rent. £21,967. 7. 9
- Revenue realised in England -
  - Wool, Hides, Tallow, Horns. 18,600. 7. 4
- Wool and tallow unsold, estimated to have a value of. 3,000. 0. 0

Deduct, expenses of management in
New South Wales. £25,955.16. 9
England. 1,861.2.1

Leaving surplus revenue
for 1851 of: £43,567.15. 1

£21,967. 7. 9
18,600. 7. 4
3,000. 0. 0

Although the general financial position had improved, income from the sale of livestock was still disappointingly low at £2,696\textsuperscript{218}. A dividend of £1.11. 6d. per share was declared, being at the rate of 4\% per cent on the paid-up capital\textsuperscript{219}.

The 1853 Annual Report recorded the discovery of gold on the company's Peel River Estate. In December 1852 a memorandum was circulated on the subject of the Peel River Estate, and included as an Appendix to the 1853 Annual Report\textsuperscript{220}. The Directors placed three alternatives before the shareholders, and requested that their views be notified to the company prior to the date set down for the Annual General Meeting. Of these alternatives the third was recommended. This provided that a new company should be formed under the auspices, and with the support of the existing shareholders, for the purpose of purchasing the Peel River property from the Australian Agricultural Company, and with the intention of developing all its resources, mineral and otherwise. In the first instance the new company would be subject to the same direction and management, but with distinct accounts, office and staff, to the extent deemed advisable. Every shareholder in the Australian Agricultural Company was to be entitled to take as many shares in

\textsuperscript{218} Ibid., p.7.
\textsuperscript{219} Ibid., p.12.
The Peel River homestead. The original homestead occupied by Philip Gidley King as manager of The Peel River Land and Mineral Company from about 1853. King was the first Mayor of Tamworth, and his original homestead is now located in the centre of the western section of the City.
sums have been expended on what is technically termed 'plant', and which, had it suited the feelings and wishes of the proprietors at the time, would legitimately have been included in capital account, thereby increasing your dividends, although involving the necessity of a corresponding augmentation of capital.\textsuperscript{223}

The sale of the Peel River property meant that the shareholders of the Australian Agricultural Company were repaid their original subscription, and an additional £15 per share. The company retained two valuable properties of more than 700,000 acres, the north bank of Port Stephens harbour, and extensive holdings at Newcastle. These included the plant and machinery already installed, a coal field of 2,000 acres of which only a small part had been worked, and an adjoining 6,000 acres purchased for its coal potential. To give effect to the proposals legislation was approved in June 1853, by which nominal capital was reduced from £1,000,000 to £500,000, the par value of each share being reduced to £25, instead of £100 as previously, with £17.10.0 paid.\textsuperscript{224} Uncalled liability was £7.10.0 per share instead of £65, and each shareholder held two shares instead of the previous one. This reorganisation improved the investment attraction of the shares, by widening the range of shareholders, and facilitating trading. Any shareholder not wishing to participate in the reorganised undertaking was allowed the alternative of receiving £50 for each share held in the original company and paid to £35.

These changes marked an important point in the company's development. Reassurance was given to the shareholders that their interests had been protected through the varying fortunes of twenty-nine pioneering years, although at times the persistent recurrence of adverse factors had raised doubts on the longer term security of the investment. The capital reorganisation was some recompense for the uncertain dividend history; confidence was re-established in the future of the investment. The proposals caused active trading in the company's shares on the London Stock Exchange. Prices rose to £84 per share for one parcel of 90 shares, and the official quotation at the end of December 1852 was £65 compared with the paid-up value of £35.\textsuperscript{225}

Arrangements were made for such of the company's livestock as could not be

\textsuperscript{223} Directors' Twenty-Ninth Ann. Rep., supra, pp.15-16.
\textsuperscript{224} Ibid., p.17. Act 16 & 17 Vic., cap.58, June 1853.
\textsuperscript{225} See Appendix 7.
safely carried at Port Stephens and Warrah to be transferred to the new company at prices to be fixed by experienced valuers, the sheep to be transferred after shearing in September 1853.\textsuperscript{226}

In January 1854 the Directors reported that net income from operations in 1852 was £23,314, and a dividend of £1.1.0 per share was declared, equivalent to a rate of 6 per cent per annum on the reorganised capital.\textsuperscript{227} The dividend, however, represented a rate of 3 per cent per annum on the capital structure when the profit was earned.

The Thirtieth Annual Report concluded with a summary of significant events in a year of reorganisation by the company. Most significant were the steps taken to implement A.W. Blane's recommendation that part of the company's investment should be realised to establish a more flexible financial basis for future operations.

\begin{quote}
Your Directors cannot bring this Report to a close without rapidly passing in review the occurrences of the past, one of the most eventful years in the annals of this Company, - most eventful, whether they regard the effect of the sale of the Peel River District to a separate Company; the passing of the Act through the late Session of Parliament, reducing the Capital, and altering the value and number of the Shares in this Company; the gradual development of the value of their properties, through the influx of Capital and Population into the Colony, arising from the discovery of its mineral wealth; or whether they bear in mind the loss the Company has sustained, owing to the decease, within a period of ten months, of your late Governor and Deputy Governor.\textsuperscript{228}
\end{quote}

In January 1855 the Directors reported on the affairs of the company in the year 1853, these figures being incorporated in the composite table hereunder covering the results of the five years 1849 to 1853.\textsuperscript{229}

\begin{footnotes}
\item[226] See Note 172, supra.
\item[228] Ibid., p.20.
\end{footnotes}
At 31 December -

<table>
<thead>
<tr>
<th></th>
<th>1849</th>
<th>1850</th>
<th>1851</th>
<th>1852</th>
<th>1853</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue realised in New South Wales from the sale of coal and livestock, and rent etc.

- 12,436
- 18,418
- 21,967
- 26,422
- 51,766

Revenue realised in England from sales of wool, tallow etc.

- 16,183
- 18,944
- 21,174
- 27,419
- 12,016

Wool unsold, estimated value.

- -
- -
- -
- -
- 6,835

Total revenue.

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>28,619</td>
<td>37,362</td>
<td>43,141</td>
<td>53,841</td>
<td>70,617</td>
</tr>
</tbody>
</table>

Expenses of management in:

New South Wales.

- 22,134
- 23,841
- 25,955
- 28,379
- 45,410

England.

- 2,254
- 2,026
- 1,861
- 2,148
- 2,546

Total Expenses.

- 24,388
- 25,867
- 27,816
- 30,527
- 47,956

Surplus Revenue.

- 4,231
- 11,495
- 15,325
- 23,314
- 22,661

In July 1854 the Directors declared a special dividend of £1.11. 6d. per share from the income received from the sales of livestock and stores to The Peel River Land and Mineral Company, and a further dividend of £1. 1. 0 per share was paid in January 1855 from the net profit resulting from regular operations in 1853.230

The finances of the company, past and prospective, were traversed, a table being included showing main sources of income during the eight years to 1853. This table, adjusted in form and omitting shillings and pence, is repeated hereunder:231

---

230. Ibid., p.20.
231. Ibid., p.11.
<table>
<thead>
<tr>
<th>Year</th>
<th>Wool-Bales Peel</th>
<th>Wool-Bales Stephens</th>
<th>Wool-Proceeds Peel</th>
<th>Wool-Proceeds Stephens</th>
<th>Tallow Sales</th>
<th>Tallow Income</th>
<th>Coal Net</th>
<th>Coal Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1846</td>
<td>269</td>
<td>315</td>
<td>5,596</td>
<td>11,437</td>
<td>1,205</td>
<td>4,097</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1847</td>
<td>271</td>
<td>195</td>
<td>5,671</td>
<td>5,423</td>
<td>2,482</td>
<td>4,361</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1848</td>
<td>316</td>
<td>207</td>
<td>8,317</td>
<td>7,109</td>
<td>1,535</td>
<td>3,876</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1849</td>
<td>330</td>
<td>254</td>
<td>7,780</td>
<td>7,983</td>
<td>1,753</td>
<td>3,239</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1850</td>
<td>355</td>
<td>323</td>
<td>8,519</td>
<td>10,013</td>
<td>2,111</td>
<td>4,363</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1851</td>
<td>383</td>
<td>337</td>
<td>10,819</td>
<td>10,977</td>
<td>89</td>
<td>5,550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1852</td>
<td>379</td>
<td>275</td>
<td>11,447</td>
<td>9,931</td>
<td>8,805</td>
<td>7,995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1853</td>
<td>226</td>
<td>274</td>
<td>6,835</td>
<td>9,348</td>
<td>2,351</td>
<td>8,968</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Directors drew attention to the proportion of income derived from the sale of wool and tallow from the Peel River property. They pointed out that in future, because of the sale of that estate, income from wool and tallow would be considerably reduced, but that this reduction would be largely offset by the growth in colliery operations and by sales of land. The Directors emphasised that the development of the colliery would involve substantial expenditure in the sinking of new pits, the provision of machinery, the extension of the railways connecting the pits to the wharf at Port Hunter, and the replacement of horses by locomotives 232.

The Balance Sheet of the reorganised Australian Agricultural Company at 31 December 1854 showed that of the £350,000 subscribed, £330,991 was represented by livestock and agricultural improvements, and by plant, machinery and improvements in the collieries 233.

The Directors reported to shareholders in January 1856 that net profit of £17,950 remained in the colonial accounts for operations in 1854 after charging colliery improvement costs and other capital items against income 234. They advised, however, that the expected remittance from the colony had not been received due mainly to the commitment of £13,119 in coal stocks at various ports. The Directors said that in these circumstances they were not in a position to recommend a dividend 235.

A year later the Directors reported that a loss had been incurred on operations.

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232. See Note 90, supra.
234. Ibid.
in 1855. This was due mainly to the expenditure of £27,309 on the colliery improvement programme and £6213 on the purchase of livestock\textsuperscript{236}. These two expense items together exceeded the call of £1.10. 0 per share from shareholders, which raised the company's paid-up capital to £380,000. As the loss of £4410. 9. 8 incurred on operations for the year to 31 December 1855, was the main reason for the shareholders' decision in January 1857 to appoint a committee from among their members to investigate the company's activities, a summary of the Income and Expenditure Account is subtended:\textsuperscript{237}

**Income and Expenditure for the year to 31 December 1855.**

**In the Colony.**

<table>
<thead>
<tr>
<th>Income</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coal Sales.</strong></td>
<td>£27,987</td>
</tr>
<tr>
<td>Launceston, coal.</td>
<td>79</td>
</tr>
<tr>
<td>North Arm, coal.</td>
<td>31</td>
</tr>
<tr>
<td>Net income from land sales, at Port</td>
<td></td>
</tr>
<tr>
<td>Stephens and Newcastle.</td>
<td>7,978</td>
</tr>
<tr>
<td>Livestock sales.</td>
<td>£11,343</td>
</tr>
<tr>
<td>Stallions' services.</td>
<td>26</td>
</tr>
<tr>
<td>Sundry rents.</td>
<td>1,143</td>
</tr>
<tr>
<td></td>
<td>48,587</td>
</tr>
</tbody>
</table>

**In England.**

<table>
<thead>
<tr>
<th>Income</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sale proceeds,</strong> 229 bales, 1855 clip.</td>
<td>8,071</td>
</tr>
<tr>
<td>Interest received.</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td>8,176</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income deficiency</strong></td>
<td>4,410</td>
</tr>
<tr>
<td></td>
<td>£61,173</td>
</tr>
</tbody>
</table>

The Directors explained that £9213 had been expended "in sinking New Pits, Buildings, laying Railways and other improvements", and that this amount had been charged to capital\textsuperscript{238}. They added that while the accounts had benefited


\textsuperscript{237} Ibid., pp.38-9.

\textsuperscript{238} Ibid., pp.24-5. See also Note 100, supra.
by £1600 from coal income carried forward from 1854, they were adversely affected by the purchase of livestock the profit from which would be realised in 1856.\textsuperscript{239}

Additionally certain of the expenditure on the Collieries debited against income could have been regarded as capital expenditure. The total cost of the livestock purchases was written-off against the year's income although the wethers and cattle had been bought for fattening and resale. At the end of 1855 only 3547 of the 10,530 wethers purchased, and 70 of the 700 cattle, had been sold and the proceeds credited to income.\textsuperscript{240}

By utilising realised profit in meeting these items of expenditure, the probability of further calls on shareholders was reduced, and funds were retained in the company increasing assets without further extending the capital to be serviced. In a predominantly pastoral enterprise this finance planning was prudent, and indicated the Directors' awareness of the unpredictability of seasons and commodity prices. But the shareholders, with no real understanding of the problems confronting the pastoral industry in New South Wales or of the susceptibility of coal prices to changes in demand, reacted critically to the Directors' Thirty-Third Annual Report. The Report failed to reflect the benefits expected from the reorganisation and provided unconvincing explanations for the operational loss in the year 1855.

The Committee of Consultation, 1857.

At the Annual General Meeting on 30 January 1857 the shareholders resolved to appoint a Committee of Consultation to investigate the company's administration. The findings of the Committee were to be reported as soon as possible to a Special General Meeting of Shareholders.\textsuperscript{241}

The significance of the Committee's Report lies not in its detail, much of which is arguable, but in the determination of the shareholders to justify their resolution of loss of confidence in the Directors and management. Despite their lack of understanding of pastoral and coal mining operations in the colony, the shareholders evidently considered that they were able and entitled

\textsuperscript{239} Ibid., p.25.
\textsuperscript{240} Ibid.
\textsuperscript{241} The Report of the Committee of Consultation, appointed by Special Resolution of the Proprietors at the Thirty-Third Annual Meeting of the Company, was presented to a Special General Meeting of Shareholders on 2 April 1857.
to influence company policy. The Committee said that before they commenced their discussions with the Directors,

the confessedly anomalous position of the Company required attentive study as well as explanation.

With a paid-up Capital of £380,000, and with a territorial possession extending over 690,702 acres, all granted to you by the Crown, without purchase, the last accounts presented to the Proprietors showed that in a flourishing colony, where the returns from all kinds of private property are unusually high, your investments of Capital had not only brought you no return, but had produced an actual loss, equivalent to several thousand pounds.242

This statement revealed the Committee's imperfect comprehension of the affairs they had been appointed to investigate. The company's lands were said to have been granted without cost. This assertion completely disregarded the heavy capital cost of providing access and essential improvements243, and overlooked the expenses incurred in the prolonged process of obtaining title244.

The colony had responded to the stimulus of the gold discoveries in 1851245; but the discoveries were not immediately beneficial to all. The aggravated labour problems of the pastoral and coal mining industries were reminiscent of the labour shortages of the middle 1830s. The company had at no stage enjoyed a stable, adequate and competent labour force in its pastoral operations, and attempts to solve the problem by employing Chinese immigrants had not been successful. Nor had mine labour been immune from the influence of the diggings. The company faced the problem not only of a shortage of mine workers but also of increased militancy among those remaining in its service246.

The Committee's criticism ranged widely over the company's operations from livestock husbandry in the colony to the intelligibility of the published accounts247. The Report, however, showed no appreciation of the dislocating

243. See Notes 44,45, supra.
244. See Note 13, supra.
245. See Appendix 15.
246. See Note 160, supra.
impact of drought, fire and flood; of inadequate and incompetent labour; of increasing working expenses; of lack of demand for surplus livestock; or of depressed prices for wool and coal. Most of these adverse influences on profit margins were not within the control of management, and only by prudently establishing substantial reserves was it possible for a pastoral company to overcome the uncertainties of season and prices. In their endeavours to maintain the support of shareholders the Directors had erred by not explaining more exactly the nature of the problems confronting pastoral and agricultural production in New South Wales.

The Committee's conclusion that the livestock were in "disastrous condition" and that considerable losses had thereby been incurred, was based mainly on the report of J.C. White, superintendent of livestock, presented to Captain Brownrigg in November 1854. White's opinion of the livestock was doubtless well founded, but his report was written in one of the most difficult years the company had experienced. Severe drought and widespread bushfires had been followed by prolonged and heavy rain. Substantial sheep losses resulted. White was concerned with the consequences of what he regarded as poor management of the livestock, but he also indicated that in his opinion Port Stephens was not suitable for sheep and wool production.

Possibly the flocks had been excessively in-bred, but Dalhunty and McIntyre, appointed to value the sheep in 1853, complimented both companies on the breeding and quality of the livestock being sold and acquired. John Deans, writing to his father in Canterbury, New Zealand, in June 1850, said that

"Every person that has seen the stock agrees in saying that they are the best that were ever shipped from the colony, and that it would be difficult to get as good from any other parties, than the Australian Agricultural Company, even in this country."

John Deans was then writing from New South Wales, and in July 1853 he again visited the colony for the purpose of buying a further 2000 sheep from the Australian Agricultural Company. The price asked on the station, 25/- per head, was considered too high, but in 1853 the company's sheep were still

248. See Note 163, supra.
251. See Note 173, supra.
attracting buyers.

The Committee, in its determination to criticise management, was inclined to isolate and over-emphasise particular points. The merino sheep were said to have "deteriorated in number and breed", size and constitution having suffered from in-breeding\textsuperscript{254}. But no reference was made to the introduction of Mecklenburg sheep in 1854 with the object of improving the physical characteristics of the sheep\textsuperscript{255}.

The Committee asserted that a complete muster of the cattle had not taken place since 1848, "in consequence of which neglect large numbers must have been irretrievably lost".\textsuperscript{256} A complete muster of the Port Stephens land was probably not possible even had sufficient stockmen been available, and the reference to losses was an assumption not statistically supported. The Committee further stated that fences had been permitted to fall into disrepair and that strange bulls had run with the company's herds and "affected the purity of the breed".\textsuperscript{257} The management problems in an area so extensive and with inadequate labour were not understood in London.

The Committee did not blame the Directors wholly for the condition of the livestock and the heavy loss suffered, "as it is obvious that the destruction of your livestock occurred through the neglect of your superintendents, and in defiance of the instructions of your Directors".\textsuperscript{258} The despatches of Dawson, Parry, Dumaresq, King, Blane and Brownrigg, did not support this contention, nor did the Committee understand the effect of the financial restraints under which successive executives in the colony had been compelled to operate.

Captain Brownrigg, who had been subjected to criticism by the Directors in their Half-yearly Report on 18 July 1856, was severely criticised by the Committee for the irregularity of his correspondence with the Directors\textsuperscript{259}. The Committee expressed their strong disapproval of Captain Brownrigg's decision to invest, without the authority of the Directors, "a sum of £4212 in the purchase of 10,530 sheep - the result of which speculation still continues in abeyance".\textsuperscript{260} To describe the purchase of wethers for fattening on the heavy feed available at Warrah as a "speculation" indicates the failure
of the shareholders to develop any real concept of the pastoral operations of the company in which they had invested. For the Committee to suggest that such a purchase of wethers for fattening and early resale should wait for many months whilst approval was obtained from London, emphasises the failure of the Directors to develop among the shareholders some understanding of the dependence of pastoral income on seasonal conditions.

The Committee referred also to the variable results of the company's collieries, but neglected to explain the influence on colliery profits of rapid changes in demand, prices, wages and increasing competition. They reported that the Directors had reacted favourably to the suggestion that the mines should be leased, "thus securing to you a fixed annual revenue, without further indefinite outlay of capital". They reported also, that the Directors agreed with their view that pasture lands not utilised by the company should be sold or leased. The Committee's comments suggested that they were unaware of the unsuccessful attempts to promote sales of portions of the grant lands after title was finally obtained in 1847.

The Committee said they could not hold out hopes for other than "meagre dividends for some time to come", but that the nature of the company's land assets and the mineral wealth of the colony, assured the long term development of the shareholders' investment.

...it rests with your Directors to permit that stake to assume, at an earlier or a later period, its just value in the market. If they adhere to their resolution of rigidly writing down all expenses, and suppressing those expensive establishments which have hitherto eaten into your resources, then, by judicious sales of land, and the introduction of a tenantry on your estates - as yet almost destitute of population - it appears to your Committee that a fixed and increasing revenue may be secured to the Proprietors, and the expectations which many of them had formed of the value of their property be yet realized, at no very distant date.

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261. See Notes 95,96, supra.
262. Report of Committee of Consultation, p.10. See also, Note 103, supra.
263. See Notes 27,34, supra.
265. Ibid., p.15.
The Committee of Consultation submitted their Report to the shareholders only two months after being appointed. The Committee's lack of understanding of the complex matters they were invited to investigate was revealed by the naivete of some of the conclusions reached, and recommendations made. They apparently assumed that the unsatisfactory financial results achieved by the company were the direct consequence of poor planning by the Directors, and by incompetent management in the colony. Their criticism was, therefore, unhelpfully destructive.

The concluding paragraphs of the Committee's Report indicated that, of the many problems which had concerned the company, the Directors' failure to explain the true characteristics of the enterprise to the shareholders, most nearly caused in the middle 1850s a loss of confidence in the investment more critical than that experienced in the early 1830s.
The Van Diemen's Land Company was formed to cultivate and improve the waste lands granted to it by the Crown, and in particular to develop wool growing and grain production in the north-west corner of the island colony. Among the company's objects the Charter authorised 'the sending out, and advancing money to, persons willing and desirous to settle upon their lands'.

The decision of the Van Diemen's Land Company in 1841 to concentrate on land settlement and tenantry, and to withdraw from direct agricultural and pastoral development, could well have been influenced by Edward Ellice, M.P, a director of the company. Ellice, who had substantial land and commercial interests in Lower Canada, was also a director of the Canada Company. Land settlement and the disposition of acquired land by sale or lease, were the main objects of the Canada Company. In its early years of establishment, heavy development costs and low income caused concern to the shareholders. But the later successes of the Canada Company in selling land to a steadily increasing population, allowed the company to realise capital gains to the advantage of the shareholders. The original planning of John Galt had, by 1855, been fully justified.

In the first fifteen years of its operations in the colony, the Van Diemen's Land Company under the management of Edward Curr, had been constantly frustrated by problems arising from the isolation and inaccessibility of its lands. The labour available to the company, both assigned convicts and free labour brought out from Britain, was inadequate to carry through the

2. See Ch.2, Notes 89,117,118,119.
3. See Charter; supra.
4. See Appendix 6B.
5. See Ch.7, pp.221-2,264-5.
initial work of development essential to the production of livestock, wool and grain.

The company was obstructed by the physical difficulties and climatic harshness of the north-west corner of the island. Lieut-Governor Arthur had written to Sir George Murray in 1830, that, no country that I am acquainted with has so large an extent, in proportion to its area, of wild, unproductive, impervious, rugged mountains and dense forests, and this description applied to much of the region in which the company's grant lands were located. The problems and costs of developing these lands for farming and grazing were to prove too substantial for the company to overcome.

A serious obstacle to progress was the unavailability to the company of assigned convict labourers in the numbers necessary to convert even small areas of heavily timbered country into pasture or farming land at reasonable cost. In March 1833 the Directors, concerned with the lack of progress in improving the grant lands and with the difficulty of encouraging people to settle in the isolated and insecure north-west of the island, first promoted a tenantry scheme as the probable solution to the company's problem.

Although the company shared, to some extent, in the pastoral boom of the mid-1830s, production of wool and grain continued to be confined by the related problems of insufficient labour and the high cost of improvements. But by March 1840 the Directors had firmly determined that the company should concentrate on promoting emigrants and encouraging tenants to settle on the company's lands. By this policy the Directors hoped to ensure a regular income, and to avoid the costs and risks of pastoral and agricultural production.

The company's shareholders were, at the same time, indicating their disappointment with the company's performance. In June 1840, the shares which had a paid-up value of £17.10.0, were quoted on the London Stock Exchange at

7. The experience of the Australian Agricultural Co. is discussed in Ch.4, pp.113,116,119.
9. See Ch.4, pp.99-100; Ch.5, p.170.
10. See Ch.5, Note 135.

The Directors were seriously concerned with the evident lack of confidence among shareholders in the company's prospects. This concern and increasing dissatisfaction with Curr's administration, resulted in the decision of the Directors to terminate Curr's appointment. By letter dated 17 September 1840 Curr was informed that he was to be superseded as the company's chief agent in the colony.  

Edward Curr's Administration.

Curr wrote his final despatches to the Directors in December 1841 and January 1842, on the eve of his retirement. His despatches gave full expression to the frustration born of lack of confidence in those responsible for forming policy, and indicated his disappointment at the unwillingness of the Directors to develop an influential pastoral enterprise.

The Court must bear in mind that they have steadily rejected every plan I have submitted to establish a depot for the sale of stock in Van Diemen's Land, by hiring or purchasing a farm in the settled districts. They must bear in mind that the company's estates are an island, for they are separated from, not joined to, the rest of Van Diemen's Land, by mountains and gullies which no one crosses, and which no one will cross to make purchases, even when the proposed bridle road is opened.

Curr further observed that,

Now this island is fully stocked as far as sheep are concerned, and the Court have to decide on the alternatives which present themselves. We must, on this, breed only the half of what we could breed, or we must open a market for the surplus, or we must ruin the whole stock by keeping an excess.

The absence of demand for sheep in the early 1840s because of financial stringency in the colony, carried with it distinct risks of an excessive build-up in numbers and overstocking.

Curr's arrogance was not readily tolerated by the colonial administration,

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11. See Appendix 7.
12. See Ch.5, Note 146.
14. Ibid.
and the abruptness of his manner was often interpreted as rudeness. His dedication to the interests of his company was, however, in part the reason for his replacement, as he had irked Arthur and the colonial officials in Hobart by his singleness of purpose and by his persistence. The Directors of the company regarded this personal friction as prejudicial to the long-term interests of the company. In particular they wished to avoid disagreement in the colony at a time when discussions were taking place in London on adjustments to the grant lands, and when decisions had been taken to pass the pastoral and agricultural risks to others. Curr's final prognostications were, however, to be proved correct. He had keenly criticised the Directors for lack of restraint in capital expenditure, and had drawn attention to the inevitability of substantial preparatory costs for the tenantry scheme, both in London and in the colony. These expenses created a severe financial strain on the company.

In March 1843 the Directors gave a clear indication of the differences of opinion which had developed between them and Curr. The original objective had been to build a profitable pastoral company, making lasting contribution to the economic growth of the colony. Curr adhered to this objective, and had stated that in the pastoral industry he considered a corporation to be as effective—and probably more so—as the individual farmer or grazier. Although the consequences of unfavourable seasons and depressed markets affected a pastoral company as they affected individual producers, the financial strength and resilience of a company allowed it to survive in situations beyond the lesser financial capacity of individuals. The strength of corporate funding was essential to the opening-up of colonial waste lands for productive purposes. The Directors, on the other hand, having determined upon a landlord role, asserted that

> it is difficult for a large body to compete profitably in the cultivation of land, or in breeding of livestock, with individual farmers.

Curr, although frustrated by diverse problems, had successfully initiated the opening up of the previously unknown north-west of the island. He had established the prospects for the region, and the conditions precedent to progress; he had effectively dispersed the thoughtless optimism of administrators and Directors; and he had pioneered trade in stud stock, grain,

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15. See Ch.5, Note 142.
potatoes and timber, with Port Phillip and South Australia. He had contended effectively with problems inevitable in a company directed remotely by persons with no practical experience in the colony or in the pastoral industry, and despite the hostility in the colony to corporate landholding.

Whether the company achieved its objects was a matter of indifference to the colonial administration. When Lord Glenelg in 1835 expressed concern that the interests of the colony might be prejudiced if the company were to fail, the Executive Council in Hobart responded that it was not aware that the colonists were likely, collectively or individually, to be affected by the success, or failure, of the Van Diemen's Land Company.¹⁷

Curr's observations in his last despatch to the Directors revealed the depth of his disappointment. He had foreseen influence and prosperity for his company in the production of wool, livestock and grain, but he had been thwarted by the indifference of the colonial administration to the company's problems, and by the apparent failure of his own Directors to understand the magnitude of the barriers impeding the company's progress.¹⁸

Curr said:

If the Court will reflect for a moment they must admit, that the hand which has held the helm for so many years, and piloted the vessel through so many years of difficulties and dangers, cannot be a very weak one, nor the head very defective which has contrived and constructed that vessel, adjusted its various parts, and regulated all its movements; nay, the singular circumstance of my being, I believe, the sole survivor of the hundreds of chief agents of the companies which rate from the memorable 1825, might alone have insured some respect to my opinion. How then, will the Court account to themselves for having practically for years, disregarded every word of advice I have given them? Yet, if they look into their affairs, they will find such to be the fact.¹⁹

On leaving the company in 1842 Curr settled on his station property near Heathcote on the mainland, and acquired further grazing country. He again

¹⁹. Ibid.
became involved in public affairs and worked for the separation of Victoria from New South Wales, being Chairman of the Separation League. On 13 October 1848 he was elected a member of the Legislative Council of New South Wales for the Electoral District of Port Phillip.20

Development in the Colony.

Growth in the economy of Van Diemen's Land depended upon steady expansion of pastoral and agricultural production, and upon the judgments, and abilities, of the small proportion of the population engaged in these enterprises. The well-being of the colony was keenly sensitive to those factors influencing sheep numbers and wool production. Van Diemen's Land was adversely affected by an unfavourable balance of trade rather than by imprudent speculation in real estate, which had contributed to the financial depression in New South Wales in the early 1840s.21 The shortage of capital and its high cost restrained growth, and retarded attempts to expand the development of natural resources. Land settlement was confined to the readily accessible regions between the mountains and the east coast, and constraints on expansion, such as applied in New South Wales, were not required. Stable settlement, with consequential emphasis on agriculture, largely avoided the difficulties and disputes associated with land occupation and title which marked pastoral expansion on the mainland. Land settlement in Van Diemen's Land bore little resemblance to the movement in New South Wales.22 In Van Diemen's Land settlement was influenced by the substantial grants of land authorised in the 1820s, and by the centralised control of government in Hobart. Both were facilitated by geographical limitation, and by the restrictions naturally imposed by the small total area of land available for pastoral and agricultural expansion. Land was the island's only known resource, and on its utilisation alone was progress possible. Labour was mainly convict, and in 1850 one third of the population was still of convict origin - an unsatisfactory source for rural labour, but less expensive than free men and adequate for those to whom it was available.

In 1820 the colony's population was 5,468 persons, of whom about one half were convicts, and the island grazed 180,000 sheep and 30,000 cattle, and

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21. Peter Burroughs, op.cit., p.332. See also, Ch.6, p.183.
farmed 10,000 acres. Thirty years later, when the population had reached 70,000, the island was running 1,750,000 sheep and 80,000 cattle, and was farming 170,000 acres\textsuperscript{23}. The dependence of the colony's development on wool production was a limiting economic factor, as export outlets for wheat and other produce were unpredictable. Pastoral and agricultural expansion was, however, possible in Van Diemen's Land despite labour problems and market insecurity, as usable land was readily available, and settlers required less capital for their establishment than on the mainland. The central regions between Hobart and Launceston were well suited to these enterprises, the climate being mild, and transport to the main ports and towns presented no difficulties. Cheap land was the dominant inducement to settlement, the pre-requisite to the attraction of capital and labour\textsuperscript{24}.

The Tenant Assistance Scheme.

The Van Diemen's Land Company had been faced with difficulties not experienced in the settled districts of the eastern part of the island. These difficulties significantly affected the cost of improved land. The location of the company's lands necessitated considerable expenditure on work designed to overcome the obstacles of isolation, inaccessibility and dense forests. The Directors confirmed in March 1841 that the particular difficulties of the north-west region made pastoral development unprofitably costly\textsuperscript{25}. They advised shareholders of their intention to change the emphasis of company policy from the development of the company's lands and the colony's natural resources, to concentration on a scheme of tenantry in which the company would profit from a landlord role, by capital gains on land sales and rents from lessees\textsuperscript{26}.

The labour available to the company had already been substantially diverted from work designed to improve income, to the clearing of land for cultivation, and to the construction of buildings necessary to receive an influx of tenants\textsuperscript{27}. Gibson, Curr's successor, had expressed the view that the ultimate prosperity of the company, as well as of every landed proprietor in the colony, depended upon the speedy introduction of a rural population to develop the country's resources, and to place agriculture on a firm and

\textsuperscript{23} R.M. Hartwell, \textit{op.cit.}, pp.11-12.  
\textsuperscript{24} Ibid., p.34.  
\textsuperscript{25} Directors' Sixteenth Yearly Rep., 29 March 1841, p.16.  
\textsuperscript{26} Ibid., p.16.  
\textsuperscript{27} Ibid., pp.17-18.
profitable basis. Curr too, had been aware of the urgent need for population in the north-west quarter, but he was more sensitive than Gibson to the obstructions the north-west placed across the path of population growth. The deterrent of isolation and the unsuitability of immigrant labour, left only the alternative which provided the incentive of direct interest for the person undertaking the developmental work.

When the Directors reported in March 1842, they were keenly aware of the financial depression in New South Wales, and of the effect this was having on the trade of the island colony and the availability of money.

Gibson's first report had not been received in London at the time of the Meeting, and the Directors said that their intention was to issue a full and critical survey of the company's operations when the report had reached them. Rather surprisingly the Directors said, that until Gibson's comments had been considered, "to enter upon the prospects of the company would necessarily be a matter of mere conjecture". This reads strangely in a report from Directors who had but recently taken policy decisions with the most far-reaching consequences for the future of the company.

The Report concluded with a confident assurance to shareholders that the Directors "notwithstanding the want of success hitherto, still entertain sanguine hopes of the ultimate prosperity of the undertaking".

The information provided in the Seventeenth Report did not support this assurance. The termination of the assignment of convict labourers, and the difficulty of procuring free labourers to replace convicts obtaining tickets of leave, had aggravated the problems involved in the management of the company's establishments. Additionally, experience with indentured servants had been most unsatisfactory. The Directors reported that the group which had reached Circular Head in February 1840, have with very few exceptions proved so disorderly, and so unequal to the duties for which they were engaged, as to render their retention in the service of the company a point for the serious consideration of the chief agent.

28. Ibid., pp.16-17.  
29. Ibid., p.16. See also, Ch.5, p.157.  
32. Ibid.  
33. Ibid.  
34. Ibid., p.6.  
35. Ibid.
The labour shortage had prevented any increase in the area of land brought under cultivation and had further retarded the general improvement plan. The following table demonstrates the decline in the limited number of convict labourers assigned to the company, and the substantial reliance on more costly free and indentured labour:

<table>
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<tr>
<th></th>
<th>1840</th>
<th>1841</th>
<th>1842</th>
</tr>
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<tbody>
<tr>
<td>Free labourers</td>
<td>78</td>
<td>65</td>
<td>85</td>
</tr>
<tr>
<td>Convict labourers</td>
<td>101</td>
<td>74</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>179</td>
<td>139</td>
<td>155</td>
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</tbody>
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The livestock report also, was far from reassuring. Drought conditions had caused considerable stock losses, and the shortage of water had necessitated shearing in the grease. Sales of produce, however, including livestock, timber, potatoes and turnip seed, improved from £3,433 in 1840 to £4,755 in 1841.

More heartening was the important advice that two surveyors had been instructed by the colonial government to proceed to Woolnorth to finalise the line of the adjusted boundaries, and that the survey of the road from the settled districts to the Surrey Hills was nearing completion. The rate of capital expenditure had, by direction from London, been increased to ensure proper reception of the expected inflow of migrant tenants, and at the same time remittances from the colony had been reduced. These factors made payment of a dividend impossible, and were noted in explanation of the call of £1 per share to meet drafts from the previous year.

With the Yearly Report in March 1842 the Directors published the company's proposals "to a limited number of approved Emigrants, possessing capitals of £400 and upwards, to settle as tenants on the Company's Lands". The company invited emigrants to lease company lands for seven years with the option of purchase at the end of the lease period. The scheme was similar to that offered by the Canada Company to intending British emigrants also in 1842, the main difference being in the term of the lease. The original

36. Ibid., p.11.
39. Ibid., p.5.
40. Ibid., p.12.
CIRCULAR HEAD 1843
leases offered by the Canada Company were for five years, but in 1842 the term was increased to twelve years.\textsuperscript{42}

The Van Diemen's Land Company's leasing scheme involved considerable preparatory capital outlay at a time when income from sales of livestock, wool and grain, was depressed. The company was also committed to further substantial expenditure in the early years of the scheme, and before any return on the funds so employed was received. The leases provided that tenants would not be required to pay rent in the first three years of occupation of the land, and that additionally they could borrow funds from the company to buy cattle. The cash resources to meet these commitments were provided by shareholders.\textsuperscript{43}

During 1842 survey work had been completed at Circular Head, preparatory to the development of the township to be known as Stanley. The demand for town allotments was encouraging, and building of a number of houses had immediately commenced. These houses, together with those already erected, were said by the Directors to have given the place the appearance of a village.\textsuperscript{44} Their preoccupation was still with population and concentrated farming.\textsuperscript{45}

Because of the inadequacy of the cultivation areas in size, fertility and location, the main farming area at Circular Head being exposed to winds from all quarters, the company had experienced total or partial failure of many of its crops, and as a result had been unable to meet the grain requirements of its own establishments.\textsuperscript{46} Gibson was also faced with poor returns from livestock sales, net proceeds for the year being only £661.\textsuperscript{47}

Significant numbers of livestock transported to Port Phillip and Adelaide for sale, also remained on hand, including 63 Saxon rams, 6 Leicester rams, 43 Saxon ewes, 20 Leicester ewes, a Cleveland stallion, 16 horses and 2 bulls.\textsuperscript{48} Not only had the proceeds of sale of these animals been denied to the company, but costs were also absorbing profit margins. Economic depression, financial stringency, severe drought in 1841 and the fall in wool prices, combined to restrict demand for livestock among mainland graziers. The market outlets across Bass Strait, successfully established by Curr, were temporarily closed to the produce of the north-west of Van

\textsuperscript{42} See Ch.7, p.253.
\textsuperscript{43} See Note 40, supra. See also, Directors' Nineteenth Yearly Rep., p.6.
\textsuperscript{44} Directors' Eighteenth Yearly Rep., pp.8-9.
\textsuperscript{45} Ibid., p.8.
\textsuperscript{46} Ibid.
\textsuperscript{47} Ibid., p.12.
\textsuperscript{48} Ibid.
Diemen's Land. Excluding the livestock awaiting sale on the mainland, the company in August 1842 had on hand 11,062 sheep, 2,228 cattle, 23 deer and 40 pigs.  

Gibson's early reports to the Directors were optimistic that the company's tenantry scheme would succeed. He was, however, reserved about the prospects for developing Woolnorth. After his first inspection of Woolnorth, Gibson felt that the potential of the property was limited, and that although production would increase, the cost of achieving this would be extremely heavy. The country was unsuited for the grazing of sheep, being damp and with coarse grasses, and in Gibson's opinion not more than one-quarter of the 100,000 acres in the grant area was immediately available as pasturage.

At this early stage of his appointment Gibson was also concerned with the expense of the establishments which the company was maintaining. His concern was the greater as livestock sales were difficult to make, and he was forced to draw further bills on London to meet operational expenses.

The Directors, in March 1843, again emphasised to the shareholders that the future of the company depended on the success of their efforts to establish a tenantry on the company's lands. They reported that:

Mr. Gibson looked forward to the time, when almost the whole of the available lands of the Company would be engaged by tenants.

The Directors had concluded that in pastoral and agricultural production, "a large body", which may be interpreted to mean a company or copartnery, could not compete profitably with individual farmers. This attitude was fundamental to their support of the scheme to assist tenants. The inadequate supply of low cost convict labour had substantially increased expenditure on essential improvements, and, therefore, the total of shareholders' funds to be serviced by unpredictable profits. Overcapitalisation, uncertain income and increasing costs, were the factors contributing to the concern of Directors and to the declining interest of investors.

49. Ibid., p.12.
51. Ibid.
53. Ibid., pp.4-5.
54. Ibid., p.5.
55. Ibid. See also Note 16, supra.
in the undertaking\textsuperscript{56}.

The failure of the Directors and shareholders to understand the nature of the obstacles discouraging the movement of population to the isolated north-west of the island, was again demonstrated by the critical statement of a Director of the company published on 17 May 1843\textsuperscript{57}. He criticised the Directors for maintaining an agricultural operation in a recently established and remote colony, and for speculating on an expensive and always precarious undertaking, and abandoning the far more profitable, and...encouraging prospects of a certain return of capital through the early settlement and vigorous improvement of their vast grants of land, by the encouragement and introduction of a respectable tenantry, who would have soon developed the internal resources of your estates.\textsuperscript{58}

The Director's criticism of other aspects of the company's administration, including the repeated trading losses in livestock\textsuperscript{59}, revealed an inability among those without direct knowledge of the island colony, to realise that the factors limiting the company's progress would also militate against the success of the tenantry scheme.

Fundamental to the attraction of tenants were improved land access to the north-west, and clear title to the company's lands. Completion of the government surveys was an essential pre-requisite to the issuing of title, and in March 1844 the company was able to report that the surveys of the Surrey Hills and Middlesex Plains properties had been finalised, and that the survey of Emu Bay and Circular Head was nearing completion\textsuperscript{60}.

At the same time, construction of the bridle road westward from Launceston had made some progress, but without a trafficable road from the settled districts to the north-west, access to the Surrey Hills and Hampshire Hills was so difficult as to deter purchasers and tenants\textsuperscript{61}.

\textsuperscript{56} In Dec 1844, the Australian Agricultural Co. informed the Sec. of State that the land grant would not have been accepted but for the assurances of Government that a "constant and adequate supply of Convict labour" would be available to the company. See Ch.8, Note 21.

\textsuperscript{57} Statement by a Director, London, 17 May 1843. The name of the Director does not appear on the Statement.

\textsuperscript{58} Ibid., p.1.

\textsuperscript{59} Ibid., p.2.

\textsuperscript{60} Directors' Nineteenth Yearly Rep., 25 Mar 1844, pp.5-6.

\textsuperscript{61} Ibid., p.6.
Implementation of the policies of sub-division, tenantry and sale, unavoidably involved expenditure far beyond normal operating costs. These demands compelled the Directors to call again on the shareholders for funds. The Directors said:

*It cannot, therefore, be a matter of surprise, that with such additional demands upon the company, and at a period of universal pecuniary embarrassment in the colony, the Directors found themselves under the necessity of calling upon the proprietors for the payment of £1 per share in order to meet the bills drawn by their chief agent.*

The problems earlier met by the company in its endeavours to determine the boundaries of the grants, although caused in part by Curr's uncompromising attitude and the indifference of local colonial officials, were again present in dealing with the assignment of convict labour. The variable and uncertain policies enunciated in Hobart were not the sole responsibility of local government, but the result of conflicting attitudes in London, Sydney and Hobart. Notice had been given that the practice of assignment was to cease. The company had, therefore, considered it prudent to send out in 1841, a large body of free labourers to make good the labour shortage which would result from the withdrawal of convicts. Subsequently the regulations were altered to restrict the termination of assignment to New South Wales, still permitting the practice in Van Diemen's Land, subject to nominated conditions. The high wages for free labourers added so substantially to the cost of improvements, however, that the merit of the Directors' plan was questionable. When reporting the action taken to maintain the labour force, the Directors indicated that most of the free labourers so engaged would be discharged at the end of their three years' engagement.

The new conditions attaching to the assignment of convicts were unduly onerous to employers in remote areas, and again the colonial administration appeared indifferent to the particular difficulties of attracting settlers to the north-west quarter of the island. Previously, assigned convicts

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62. Ibid., p.7.
63. See Ch.5, pp.138-142.
64. Directors' Nineteenth Yearly Rep., p.8.
65. Ibid.
66. Ibid.
could be procured for their food and clothing, but under the new regulations all were entitled to wages, the lowest rate being £9 per year in addition to rations. Gibson informed the Directors of the significant impact of these changes on the company's programme in these words:

All have the privilege of choosing their own masters after the 1st. September next, and many of them who are entitled to make their own terms demand as high wages as free men or those holding tickets of leave. Besides this, the hiring of them is clogged with such troublesome conditions to persons in our remote situation, that I have thought it more desirable and economical to limit your farming operations as much as possible, and to engage free men, especially as their ordinary rates of wages have been very much reduced.

Within a year the labour situation had completely changed, and although wages payable to free men had been reduced, the consequence of the change was that the cost of developmental work, particularly clearing timber, continued to be extremely high. In an attempt to overcome the problem Gibson had offered incentives to settlers to establish themselves on the company's lands, and he succeeded in attracting a fixed, though small, population, whose labour had opened up a valuable tract of country for farm production - but at considerable cost to the company. The expenses incurred by the company included the provision of stores and livestock to tenants who lacked the financial capacity to pay for them, and required assistance during the period of establishment. The alternatives which had faced the company were, either to act as the chief agent had done in supporting the tenants until they had become reasonably established, or to defer, or even abandon, the tenantry scheme.

Abandonment of the scheme would have ruined those relying on the company for support, and have committed the company to losses at least equal to the financial assistance granted to tenants. Equally damaging would have been the loss of confidence in the company, and the impact this would have had on the company's ability to attract tenants and settlers. The Directors said that:

In this emergency, the chief agent adopted, wisely as the Directors think, the alternative of drawing on

68. Ibid.
70. Ibid., p.7.
England for the requisite funds, and consequently his
drafts for the year ended 31st. December, 1843, amounted
to no less a sum than £11,177. 3. 8, and for the sub­sequent nine months ended 30th September, 1844, to
£8,956. 0.10, to meet which drafts the Directors were
reluctantly compelled to make the calls on the proprietors
for the two payments of £1 per share each, on the 28th.
October last and 6th. instant. 71

The Directors said that by taking these steps the problems which had
confronted the company had been overcome, and that the funds made
available to tenants would be more than represented by the improved value
of the lands they occupied 72. The fallacy in this argument was, that the
improved value of the land would be paid by purchasers only when the
problems of land access had been overcome. In the interim the funds
expended on improvement work were not reflected in the realisable value
of the lands nor in rates of rental.

Fifteen years earlier Curr had called in question the suitability of the
company's lands for growing sheep, cattle and crops, and he had urged
that action be taken to obtain exchange lands in the north-east of the
island, or to select grazing lands to the east of Port Phillip on the
mainland 73. The report of Surveyor Cannan, referred to by the Directors
in March 1845, also questioned the productive capacity of the company's
lands, but differed from Curr in expressing the opinion that develop­ment
of the region was essentially a task for individual farmers 74. His observ­ation
that the company was endeavouring "to force that from the country
which it could not yield", 75 was supported by the company's sheep figures
in 1842. With an opening stock figure of 13,796 sheep, deaths and
slaughterings totalled 4098 sheep, or 29.6 per cent 76. But whereas Curr
had only reluctantly accepted the concept of the scheme of tenant
assistance, Cannan gave it his unqualified endorsement 77.

The company's earlier attempts to obtain substitute lands more suited to
its objects had, however, failed. The colonial administration held that to
grant exchange lands in the north-east would be inconsistent with the

71. Ibid., pp.7-8.
72. Ibid., p.8.
73. See Ch.5, pp.159-160.
74. Report by Surveyor Cannan, in Directors' Twentieth Yearly Rep.,
pp.10-11.
75. Ibid., p.10.
77. Directors' Twentieth Yearly Rep., p.10.
prolonged negotiations between the company, Curr and the administration, and that selection on the mainland would be in conflict with the undertakings given by the Colonial Office in London to the Australian Agricultural Company. The matter, therefore, was not prosecuted further, probably in part because the Directors considered that Curr was overstating the case in support of his views, and in part because the Directors wished to avoid disagreement with the Colonial Office. But in March 1845 the Directors revealed their agreement, belated though this may have been, with Curr's views on the grant lands, when they reminded shareholders of the original objective of producing fine wool, and said:

In New South Wales nature presents tracts of many thousand acres, as well adapted to the feed of Sheep and Cattle as if purposely laid out by the hand of man; but in the North-West quarter of Van Diemen's Land, to which the Company's Grants were restricted by the Government, a considerable portion of the richest Land is either heavily timbered, or covered with shrubs and coarse grass, requiring manual labour to clear and cultivate, and therefore, ill-fitted for the maintenance of Flocks, in its natural state, or to remunerate an absentee proprietary. The Directors accordingly turned their attention to procure the occupation of their Lands by a Working Tenantry.

In this statement the Directors accepted that the grant lands were not suited to the economic achievement of the objects for which the company was primarily formed. They again referred to some of the factors which had caused them to decide that future policy would be oriented to the programme of establishing a working tenantry on the estates. The obstacles of isolation and access thereby became even more significant, and Gibson reported having made a new agreement with the colonial government to build a road from the settled districts directly to Emu Bay, by a route avoiding the difficult terrain of the Surrey Hills, but necessitating the construction of bridges over the Mersey and Forth Rivers. The expenses of construction of the road and bridges, were to be borne as to two-thirds by the local government from convict funds, and one-third by the company.

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78. See Ch.2, pp.45-7.
79. Directors' Twentieth Yearly Rep., pp.9-10. The disquiet of shareholders was shown in sales of shares at £4 compared with the paid-up value of £20. See Appendix 7.
80. Referred to in Directors' Twentieth Yearly Rep.
The year 1844 brought a slight, but encouraging, improvement in the wool market, as any such trend had a beneficial effect on prices offering for sheep in the colony. The importance of livestock realisations is shown in the following table of income from the sale of livestock:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1837</td>
<td>2,181</td>
</tr>
<tr>
<td>1838</td>
<td>3,491</td>
</tr>
<tr>
<td>1839</td>
<td>3,433</td>
</tr>
<tr>
<td>1840</td>
<td>4,755</td>
</tr>
<tr>
<td>1841</td>
<td>661</td>
</tr>
<tr>
<td>1842</td>
<td>1,510</td>
</tr>
<tr>
<td>1843</td>
<td>553</td>
</tr>
<tr>
<td>1844</td>
<td>1,119</td>
</tr>
</tbody>
</table>

In these depressed circumstances Gibson was under explicit directions to observe every possible economy in his management.\(^82\)

By 31 December 1845 the capital subscribed by shareholders had increased to £230,000, and the balance sheet of affairs in the colony showed an accumulated deficit in the profit and loss account at 31 December 1844, of £18,703.\(^83\)

From 1845 the company concentrated on promoting emigration and tenantry, but with growing concern at the cost of the scheme. Expenditure on capital improvements continued to rise with no off-setting rental income in the first three years of occupation, and with little prospect of improved income from livestock and grain.\(^84\) The Directors had decided that the funds necessary to develop the grant lands could not reasonably be called from shareholders. Capital expenditure on the tenantry scheme would be substantially smaller and should permit earlier distributions to shareholders. Tenantry was accepted as the solution to the financial pressures complicating the company’s position both in London and in the colony. Gibson, however, foresaw considerable difficulty in attracting tenants to Woolnorth, and he advised the Directors that favourable terms should be offered to a solvent tenant interested in the lease.\(^85\) The wish of the company to increase the population of tenants whilst containing expenditure, posed irreconcilable problems for management in the colony.

\(^{81}\) Directors’ Twenty-First Yearly Rep., 31 Mar 1846, p.16.
\(^{82}\) Ibid., p.6.
\(^{84}\) Directors’ Twenty-First Yearly Rep., p.7.
\(^{85}\) Gibson to the Directors, L.No.66, 27 Jan 1845. Archives Tas. VDL.5/7, pp.272-3.
and Gibson advised that distress would be caused if the Directors were to insist on receiving cash for purchases from the company's store.\(^{86}\)

Despite endeavours to contain operational costs and capital commitments, the company's policy became entangled with the problems of general financial stringency in the colony. Having embarked on the tenantry scheme, withdrawal was impracticable in the circumstances then obtaining. In March 1846 the shareholders were informed that so numerous and heavy had been the demands for working expenses, for the surveying of lands, for the construction and repair of roads and buildings, and for cash advances to the tenantry, and on the other hand, so small had been the returns, due to the inactive and depressed livestock market, that the only alternative available to the Directors was to make further calls on the shareholders to meet current expenses and unexpected bills.\(^{87}\) Advances to tenants for stores and supplies were the cause of increasing concern. In December 1844 advances totalled £3,000 and a year later little progress in repayment had been achieved.\(^{88}\) The unexpected and adverse concurrence of events had frustrated every hope of early advantage from the tenantry scheme.

The first signs of recovery from the financial depression became apparent to Gibson in July 1846, when he reported with some optimism on the reopening of the Sydney and Port Phillip markets to potatoes, wheat and barley, from Circular Head.\(^{89}\) But on the other hand, the 1844 wool clip of 81 bales realised net proceeds of only £1,600 on the London market; a disappointing return from the 11,800 sheep on hand.\(^{90}\) The company's records do not show the exact cuts per head for grown sheep and for lambs, but from the figures given it is reasonable to deduce that the grown sheep were cutting rather less than 2 lbs. of washed wool per head. These statistics again indicated that the company's lands in their natural or partially improved state, were unsuited to the depasturing of sheep and growing of wool, and that merino type sheep did not thrive in those climatic conditions.

At the close of 1844, livestock on hand comprised 11,893 sheep, 1,903 cattle, 296 horses, 31 deer and 21 pigs, and sales of livestock during the

\(^{86}\) Gibson to the Directors, L.No.71, 11 June 1845. Archives Tas. VDL.5/7, pp.287-92.

\(^{87}\) Directors' Twenty-First Yearly Rep., pp.6-7.

\(^{88}\) Ibid., p.7.


\(^{90}\) Directors' Twenty-First Yearly Rep., p.10.
year improved from £553 to £1,119. The township of Stanley had made good progress, twenty-one cottages having been completed and occupied.

The growth in the tenantry scheme had been slow, as the following statistics indicate:

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female &amp; Children</th>
<th>Total</th>
<th>Rented</th>
<th>Cropped</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841</td>
<td>11</td>
<td>3</td>
<td>14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1842</td>
<td>122</td>
<td>119</td>
<td>241</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1843</td>
<td>244</td>
<td>215</td>
<td>459</td>
<td>8,999</td>
<td>867</td>
</tr>
<tr>
<td>1844</td>
<td>272</td>
<td>292</td>
<td>564</td>
<td>9,411</td>
<td>1,294</td>
</tr>
</tbody>
</table>

The limited support in Britain, and in the Australian colonies, for the company's tenantry scheme was discouraging. Furthermore, many of the early settlers drawn from Van Diemen's Land were unsuitable as tenants. The sluggish productive response to the improvements financed by the company on the leased areas was also unpromising.

1848 - Land Title.

Considerable delay had occurred in defining the boundaries of the lands selected by the company and in completing the surveys. But on 30 March 1847 the Directors were able to inform the shareholders that the necessary steps had been taken for introducing a Bill into Parliament authorising the issuing of title to the company's grant lands. Over twenty years had elapsed since the company had made its first selections within the restricted limits in the north-west of the island prescribed by the Crown. Formal title to the lands was now essential to progress in the tenantry scheme, as the company required freedom to negotiate sales and leases, and to give title.

The lands to which the company was to be granted unrestricted title comprised:

91. Ibid., p.16.
92. Ibid., pp.9,14.
95. Compare the experience of the Canada Co. in the Huron Tract. See Ch.7, pp.263-4.
97. Ibid., p.6.
A year later in March 1848, the Directors informed the shareholders that the Act of Parliament establishing the company's title to the lands had been passed, and that the lands nominated would be conveyed to the company free of all quit rents and other restrictions specified in the Charter. On 27 July 1848 the Lieutenant Governor of the colony executed the title deeds giving the company complete authority over its grant lands. Registration of title in the Supreme Court in Hobart enabled the company to sell, lease or sub-divide, and to execute proper and enforceable documents to evidence any land transaction. But the benefits to the tenantry scheme from the company's ability to deal freely with its lands were counteracted by discouraging factors. Gibson was seriously disconcerted by the renewed bushranger activity in the north-west, and by the financial stagnation in the colony. These had brought such unfortunate publicity to the island colony that an early revival of immigration could not be anticipated. Gibson, nevertheless, held to his belief in the suitability of Van Diemen's Land for the smaller agricultural settler. He advertised the availability of company land in the Melbourne and Adelaide press, as he understood that many individuals with small capital are now arriving at those places, whose means will not enable them to purchase sheep or cattle stations, and they are of necessity compelled to turn their attention to agricultural pursuits, which it

<table>
<thead>
<tr>
<th>Location</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circular Head</td>
<td>20,000</td>
</tr>
<tr>
<td>Surrey Hills</td>
<td>150,000</td>
</tr>
<tr>
<td>Hampshire Hills</td>
<td>10,000</td>
</tr>
<tr>
<td>Middlesex Plains</td>
<td>10,000</td>
</tr>
<tr>
<td>Emu Bay</td>
<td>50,000</td>
</tr>
<tr>
<td>Woolnorth</td>
<td>100,000</td>
</tr>
<tr>
<td>Robin's Island</td>
<td>24,450</td>
</tr>
<tr>
<td>Walker's Island</td>
<td>1,720</td>
</tr>
<tr>
<td>Trefoil Island</td>
<td>255</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>366,425</strong></td>
</tr>
</tbody>
</table>

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98. Directors' Twenty-Third Yearly Rep., 31 Mar 1848, p.5. The relevant Act was Act 10 and 11 Vic., cap.57. (1847). The Australian Agricultural Co. also experienced long delays in the issuing of title to its lands. See Ch.8, pp.271-5.


is generally allowed cannot be followed with such advantage in any part of New South Wales as in this colony.\textsuperscript{101}

The problems of isolation remained, and again the company's hopes of direct land links with the older settled areas were disappointed by the government's decision not to proceed with the road between Launceston and Emu Bay.\textsuperscript{102} The Directors observed that, valuable as these extensive grants must ultimately prove, yet they regret to add that the expectation which they had entertained of their becoming so at a very early period, has been frustrated.\textsuperscript{103}

The delay in the construction of the road was caused mainly by the shortage of funds in the colonial administration and the unavailability of convicts for the road building gangs. But the decision was also influenced by a growing understanding of the difficulties of the terrain through which the road must pass, and of the barriers to settlement in the north-west.\textsuperscript{104}


The company had endeavoured to overcome the obstacles of isolation by offering inducements to prospective tenants, but the rapidity with which company funds were committed had not been foreseen. Assistance covered capital expenses and improvements to enable the tenants to settle on the land, and the progressive funding of stores and essential goods until income had been received. As rental was not payable for the first three years, the company was committed to heavy provisions with no income other than from its reducing agricultural operations.

Another and more significant factor in these efforts to attract tenants aggravated the company's growing liquidity crisis. Gibson had proposed that the most effective inducement to settlers to lease areas of the company's heavily timbered land, was an undertaking to purchase the tenants' produce at guaranteed prices. Assuming the agreement of the Directors he had extended this undertaking to the early tenants. The Directors endorsed Gibson's action but restricted the arrangement to the early settlers to

\textsuperscript{101} Ibid. \\
\textsuperscript{102} Directors' Twenty-Second Yearly Rep., p.6. \\
\textsuperscript{103} Ibid. \\
\textsuperscript{104} Ibid., pp.6-7.
whom the commitment had been made. This arrangement was made in 1843 coincidentally with financial depression in the colony. The result was that the company, having received the produce of the tenants into store at fair market prices, was unable to make sales at any price. The losses were, fortuitously, restricted by the slow progress in bringing timbered land into production. The Directors reported in 1847 that:

Those advances at one time reached £20,257.8.5, and from the tenor of the latest advices it would appear they still exceed £10,000, but the increase of the tenant population, and the rapid clearance of the land in their occupation, amounting altogether to 1,640 acres under the plough, lead to the belief that a great part of this debt will be liquidated in the course of the years 1847 and 1848. So great in fact, is the progress of cultivation, that the Directors would regard with some degree of alarm the prospective success of their tenants, were it not that the improvement in the markets of Australia holds out the expectation of remunerating prices for produce delivered to the company.

The Directors held the view that should mainland prices be maintained for the succeeding three years, which they regarded as a reasonable assumption, no further losses from over production by the tenants should be incurred, as in 1850 the current leases and all the company's relative obligations would terminate. The incentive provisions were based on assumptions of gradual production increases and steady commodity prices, overlooking the impact of seasonal variation on both volume of production and price. Trends contrary to the assumptions made placed heavy pressure on the company's financial resources, necessitating further calls on the shareholders for funds to maintain the company's solvency.

The company had instituted rigid controls over all expenses, and staff was retrenched wherever possible subject to the honouring of obligations to tenants and servants. But the liquidity problem persisted, and in March 1847 the Directors, however reluctantly, were again compelled to advise shareholders that expenditure continued to exceed income necessitating a

105. Ibid., p.7.
106. Ibid.
107. Ibid., pp.7-8.
108. Ibid., p.8.
further call of £1 per share\textsuperscript{110}.

The Directors' Report in March 1848 seemed merely to continue the series of depressing comments on events in the colony, and on their adverse impact on the company's operations\textsuperscript{111}. The company had undertaken to purchase the farm produce of its tenants at fixed prices in the expectation that,

the future prices which that produce would fetch in the Colonial markets might advance, so as to approximate more nearly to those fixed prices than they had hitherto done.\textsuperscript{112}

But this trend had been frustrated by a combination of factors beyond the company's control. Labour had been drained from Van Diemen's Land to New South Wales and the mines of South Australia, causing acute labour shortages in the company's establishment\textsuperscript{113}. The produce of the government's convict farms had become competitive with that of individual farmers, and had forced prices down to low levels, to the serious disadvantage of the company and settlers generally\textsuperscript{114}. Influenced by the widespread concern at the effect of the convict farms on supply and price levels, the government abandoned the scheme\textsuperscript{115}. Such unexpected influences discouraged the Directors from making even reserved comment on future prospects, as so many, and such varied fluctuations had occurred in the commercial and political affairs of the colony that longer term investment planning was impossible. The Directors felt themselves precluded from taking a sanguine view of the Company's concerns, notwithstanding their newly acquired power to sell their lands, and the prospects of improved markets in the Colony.\textsuperscript{116}

The large increase in the tenants' potato crop, which the company was obliged to purchase, was further cause for concern. In the preparation of virgin ground turnips or potatoes were grown for one or two seasons to break-up and aerate the soil. This was an essential preliminary to the production of grain, and was the cause of the large growth in potato

\textsuperscript{110} Directors' Twenty-Second Yearly Rep., p.9.

\textsuperscript{111} Directors' Twenty-Third Yearly Rep., 31 Mar 1848, p.7.

\textsuperscript{112} Directors' Twenty-Fourth Yearly Rep., p.6.

\textsuperscript{113} Ibid., p.7.


\textsuperscript{115} Ibid.

\textsuperscript{116} Directors' Twenty-Third Yearly Rep., pp.7-8.
production. The Directors were anxious to establish limits of liability, but variable production and the generality of the company's undertaking to its tenants, made definition of the contingent liability impossible\textsuperscript{117}.

Gibson had established in August 1847 that tenants and others were conspiring to obtain the benefit of the company's guaranteed prices for produce not eligible to participate in the scheme\textsuperscript{118}. The prices guaranteed by the company were not only higher than those obtainable on the open market, but covered the tenants' total production despite the depressed demand for rural produce. Several tenants delivered produce not grown on their own farms but raised elsewhere, and on occasions belonging to a tenant in debt to the company and attempting to avoid repayment. A case was finally brought to Court and determined in the company's favour\textsuperscript{119}. But the improper practices revealed had aggravated the company's losses, although no estimate was possible of the extent to which the company had been defrauded.

The company's production and price support plan had proved a serious impediment to progress and prosperity. It had been undertaken with sound objectives but with inadequate consideration of the consequences of adverse trends. The plan was speculative, and it failed. Gibson expressed the opinion that expenditure on the support plan was the only hindrance to the company's progress\textsuperscript{120}, although in this assertion he was unduly discounting the many obstacles to the movement of population to the north-west corner, and the particular problems confronting agricultural development in the region. The inflexibility of any production and price support plan carries the risk that, when two or more adverse factors occur at one time, be they season, commodity prices, absence of demand, increases in production costs, or general financial stringency, the guarantor will be under great stress in meeting his undertakings. Gibson, nevertheless, sought to justify the scheme on the grounds that inducements were essential if labour, tenants and purchasers, were to be attracted to the north-west where the costs of clearing timber and preparing new land were high, and years passed before a regular income from farming could be assured\textsuperscript{121}. In March 1849 the Directors concentrated


\textsuperscript{119} Ibid.

\textsuperscript{120} Gibson to the Directors, L.No.113, 16 Oct 1847. Archives Tas. VDL.5/8. Not paginated.

\textsuperscript{121} Directors' Twentieth Yearly Rep., p.8.
their Report on the support plan and their concern with various aspects of it.

The proprietors are aware, that in order to attract tenants originally to the company's lands, the chief agent agreed to purchase the produce which they might raise on their farms, at certain fixed prices, then below those current in the colonial markets; but that the Directors, considering this to be an impolitic stipulation, forbade him from entering into a like engagement with other settlers; and it has, therefore, been limited to the earliest tenants, with whom, moreover, the Directors desired him, if possible, to effect a commutation of their said privilege for renewed leases at a moderate rent.\textsuperscript{122}

The commutation proposals caused considerable ill-feeling among the tenants who contended that it was a device by the company to avoid contractual obligations. After prolonged negotiations the tenants agreed to concede their rights for potatoes, a major cause of the company's embarrassment\textsuperscript{123}.

The value of produce delivered to the company's stores under the production and price support plan was as follows:\textsuperscript{124}

\begin{center}
\begin{tabular}{|c|c|}
\hline
Year & Value (\textls{£}) \\
\hline
1844. & 5,293. \\
1845. & 7,888. \\
1846. & 9,873. \\
1847. & 12,550. \\
1848. & 14,445. \\
1849. & 8,825. \\
1850. & 6,703. \\
\hline
\end{tabular}
\end{center}

Deliveries in 1850 terminated on 30 September 1850, the date on which the contractual arrangement ended\textsuperscript{125}.

At 31 December 1849 the Tenants' Produce Account in the Colonial Books of Account was in debit £31,484.19. 7\textsuperscript{126}. The Directors drew attention to this balance in March 1851, and advised shareholders that the accumulated losses in the Profit and Loss Account, namely £23,097. 2. 2, had been written

\textsuperscript{122} Directors' Twenty-Fourth Yearly Rep., 30 Mar 1849, pp.5-6.
\textsuperscript{123} Ibid., p.6.
\textsuperscript{124} Directors' Twenty-Sixth Yearly Rep., 31 Mar 1851, p.17.
\textsuperscript{125} Ibid.
\textsuperscript{126} Ibid., p.20. In Dec 1850 the shares with a paid-up value of £29, were quoted at 10/-. See Appendix 7.
off in the Books of Account in London. The Labour Problem and Emigration.

The company's tenant assistance scheme and the production and price support plan had failed to attract settlers to the company's lands in the numbers expected by Gibson and hoped for by the Directors. Gibson was now confronted not only by deficiencies in the number and competence of the labourers available to him, but by increasing defection among the tenants, who were being attracted to better opportunities elsewhere and particularly on the mainland. The population of Van Diemen's Land, which had been relatively stable, had become in some measure discontented and mobile. Gibson informed the Directors that:

the unsettled state of society in Van Diemen's Land will, I fear, operate against an immediate accomplishment of the object, for it is unnecessary to remind you, that of late years there has been an extensive emigration from this colony.

This trend was a further obstacle to the company's attempts to attract tenants and purchasers of land, and it caused Gibson to make an urgent request to the Directors to promote emigrants with small amounts of capital. He referred to previous recommendations to the Directors that endeavours should be made in England to attract such emigrants to the company's lands. In September 1847 he said:

I would most earnestly advert to the subject as I think the state of affairs in Great Britain presents just now a most favourable opportunity for getting persons of this sort to emigrate.

Having placed his confidence in the tenantry scheme, Gibson was seriously concerned with the limited progress in land settlement. He considered that the poor standard of the tenants was partly the cause of the slow progress with developmental work, and he advised his Directors that

the place is much in want of a few residents of a superior description who would be an example to the

127. Ibid., pp.20-1.
129. Ibid. Compare with the experience of the Australian Agricultural Co., Ch.8, p. 276.
The Plough Inn, Stanley.
Built in 1840. To attract tenants and employees the Company provided facilities for worship, education and relaxation.

The Warehouse and Wharf, Stanley.
Completed in 1844, the Store is a memorial to the Company's ill-advised production and price support scheme.
rest of the community, and give a better tone to
the state of the society.130

But the fall in the price of wheat and further trouble with bushrangers,
provided a discouraging background to the renewed efforts by the company
in London to respond to Gibson's call for emigrants with capital and
capacity131.

Shortly after receiving the title deeds to the grant lands in July 1848,
the company issued a Circular in London with the object of encouraging
emigrants to settle on their lands132. The Circular announced that:

The Company are now enabled to offer for sale the fee
simple of every portion of their Lands in that colony,
without reservation or any restrictions whatever.133

Gibson's observations to the Directors had clearly influenced the wording
of the Circular, as the company's lands at Circular Head and Emu Bay were
said to have particular attractions "for farmers and artisans of industrious
habits and moderate capitals".134 The Circular concentrated on dispelling
any doubts prospective emigrants might have felt concerning the isolation,
inaccessibility and security of the company's lands, and the availability
of employment and social amenities135.

Possessing as the Company's lands do, the various
advantages of a fertile soil, and a fine climate, with
frequent and ready access by water to the neighbouring
markets, an abundance of live stock, seeds, farm
implements and stores for sale, and a large agricultural
population already located, it must be evident that the
newly arrived and inexperienced emigrant, can at once
commence operations, without loss of time, or unprofitable
outlay of capital.136

Some parts of the Circular justified the criticism expressed by Curr in

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131. Gibson to the Directors, L.No.117, 5 June 1848. Archives Tas.
132. Emigration. Circular issued by the Van Diemen's Land Agricultural Co.,
authorised by Geo. H. Howell, Secretary. (London, 1848)
Pamphlets, Vol.20, ML. 042/P.
133. Ibid., p.1.
134. Ibid., p.2.
135. Ibid., pp.3-5.
136. Ibid., p.5.
1832 of the Directors' unduly optimistic Reports at that time, for "dwelling almost exclusively upon the bright side to the exclusion of the dark one". But the optimism of the 1848 Circular failed to excite the interest of prospective emigrants. The following statistics show how depressingly slow progress in the tenantry scheme continued to be:

<table>
<thead>
<tr>
<th>Company's Servants.</th>
<th>Tenants.</th>
<th>Total.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1845</td>
<td>132</td>
<td>564</td>
</tr>
<tr>
<td>1846</td>
<td>120</td>
<td>616</td>
</tr>
<tr>
<td>1847</td>
<td>124</td>
<td>652</td>
</tr>
<tr>
<td>1848</td>
<td>108</td>
<td>711</td>
</tr>
<tr>
<td>1849</td>
<td>101</td>
<td>756</td>
</tr>
<tr>
<td>1850</td>
<td>65</td>
<td>843</td>
</tr>
<tr>
<td>1851</td>
<td>66</td>
<td>846</td>
</tr>
</tbody>
</table>

Despite the disheartening response the Directors remained convinced that the future of the company depended on a steady increase in the population of the colony, and the progressive settlement of the northwest corner. They said in March 1850, that they looked forward to the time when tenants will be found to take every description of farming operations off their hands, and when the whole of their Establishments will become, under leases, a source of permanent and increasing income.

The Directors' Twenty Fifth Report to the shareholders in March 1850 was of particular importance. For the first time the Balance Sheet was printed, allowing study by shareholders and the investing public. Previously the Balance Sheet had been placed on the table at the Yearly Meeting for perusal.

The Abstract of the Balance of the company's colonial Books of Account at 31 December 1848, and as printed in the March 1850 Report, is summarised.

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137. See Ch.5, Note 100.
138. Directors' Twenty-Ninth Yearly Rep., 17 Mar 1854, p.13. In comparison, the Canada Co. had by 1849 established a population of 26,499 on the Huron Tract, with 73,595 acres under cultivation. See Ch.7, p.264.
140. Ibid., pp.16-19.
hereunder:

Funds Provided.
Receipts from company, net of wool proceeds. £179,007.19.10
Debts, sundry liabilities. 9,079.15. 6
Instalments on shares held in Van Diemen's Land. 1,060. 0. 0
Leicester and Cheviot Sheep - amount at credit. 944. 3.11
Cattle - amount at credit. 2,134.15. 4
Provisions. 2,432.13. 7
Interest account. 1,171.11. 5
Exchange account. 607.12. 4
Rents. 4,088. 2. 2
Land sales. 380. 0. 0

Funds Represented By.
Investment in land, including survey costs. £107,306. 1. 1
Investment in sheep. 23,476. 2.11
" " horses. 5,706. 9. 6
" " deer. 163. 7. 3
" " shipping. 307. 1. 1
Value of farm machinery, surveying instruments, etc. 9,205.12. 1
Tenants' produce account. 23,395.11. 5
Law charges. 1,146.17. 2
Extraordinary expenses. 983. 8.11
Profit and Loss, balance at debit. 22,110. 9. 5
Wool account. 129.15. 0
Cash, bills and debts, in Van Diemen's Land. 6,975.18. 0


The Statement of Account for the company's London Office, for the twelve

141. Ibid., pp.16-17.
months to 31 December 1849, showed income of £11,926. 4. 10, including £2,104.14. 0 from the sale of wool, and expenses of £7,140. 0. 6, leaving a surplus of £4,786. 4. 4. The two significant items in the colonial accounts were the Tenants' Produce Account and the deficit in the Profit and Loss Account, as therein lay the causes of the company's financial problems. These matters were to be the subject of special consideration by shareholders in February and March, 1851 and March 1852.

In a report to the Directors in April 1850, Gibson made a nostalgic reference to the company's earlier ambitions. He said:

One of my chief objects has always been to keep the company in a position to benefit by any favourable change in public opinion towards this colony, and I have kept up at the Circular Head establishment, a stock of well-bred horses, sheep and cattle, that cannot be equalled in the island, a fact acknowledged by every visitor. I am sorry, however, to state that at present there is very little demand for any of them, excepting amongst the tenantry who are now the principal buyers; and had it not been for them, I would have found it impossible to sell one fourth part of the stock that has been disposed of during the last few years. 143a

The company's contribution to the livestock industry in Van Diemen's Land is well summarised by Gibson's observation, but thereafter pastoral and agricultural affairs became of decreasing interest to the company. Funds for improvement work and pastoral operations were severely curtailed, and growth concepts were abandoned143b. Gibson's observation also, immediately preceded the important meetings of shareholders at which action to improve the company's position was considered and determined144.

The Shareholders' Enquiry, 1851-52.

In view of the financial problems pressing upon the company the Directors called a Special General Meeting of shareholders on 26 February 1851. A report was made available to the meeting, based on information provided by

142. Ibid., pp.18-19.
Gibson, and dealing with the general financial position of the company; the probable future rate of annual expenditure in the colony, from which estimates the improbability of the farming establishments becoming self-supporting was apparent; and measures for the future management of the company.\textsuperscript{145}

The shareholders were critical of the Directors for not having acted sooner to close down the colonial establishments, and for their failure to take corrective action immediately the seriousness of the financial problems became apparent. In particular the shareholders were critical of the tenants' production and price support plan.

The Directors anticipated this criticism, and in their Report to the Special General Meeting, they said:

Before going into the question of future management, it may be well to remind the proprietors that the agreement to take the produce of the tenants for seven years, was entered into by Mr. Gibson in the hope that it might attract settlers to the company's land; and though this object has been in a considerable degree attained, the Directors regret to state that the total pecuniary loss arising out of the said agreement has been very heavy.\textsuperscript{146}

The Directors explained that the repeated calls made on shareholders in recent years had been mainly to meet the losses accumulating from the price support plan, and that a further call would have to be made to meet the remaining deficit.\textsuperscript{147} Although the company held bills received from tenants and purchasers of company lands, these were for the main part too long dated to be confidently relied upon as assets available to meet immediate payments.\textsuperscript{148}

The company's undertaking to purchase the whole of the production of the early tenants for seven years at fixed prices, caused losses in excess of those revealed by the balance sheet but impossible to estimate. Management was overwhelmed by the problems of storage and sale in circumstances of poor demand and low prices. The effort to establish the tenancy scheme

\textsuperscript{145} Rep. to Special GM of Shareholders, 26 Feb 1851, published at the front of the Directors' Twenty-Sixth Yearly Rep., 31 Mar 1851.
\textsuperscript{146} Special Rep., Directors' Twenty-Sixth Yearly Rep., p.6.
\textsuperscript{147} Ibid., p.6.
\textsuperscript{148} Ibid.
also distracted the attention of the reduced staff from the efficient
management of the company's own production of wool, livestock and grain.
Gibson's estimates of annual expenditure on the company's establishments
not unexpectedly indicated that, on the basis of production then applying,
the company's farming operations were uneconomic\textsuperscript{149}. This conclusion
had resulted in a recommendation by the Directors to the Special General
Meeting, that the company's establishments should be broken up as soon
as practicable\textsuperscript{150}. The shareholders accordingly resolved:

1st. That a committee consisting of one Director and
four shareholders be appointed to investigate the
affairs of the company with power to call for
officers, papers and documents for examination, and
if necessary to employ an accountant to assist them
in their labours. Three to be a quorum.

2nd. That this meeting concurs with the recommendation
of the Directors, as contained in the Report, that
the establishments of the company be as quickly as
possible broken up, and that only an agent or agents
be retained for letting and selling land, and
for receiving and remitting payments.

3rd. That the gentlemen to be associated with Mr. Gibson
in disposing of and winding up the farming
establishments of the company, be requested to
investigate the colonial accounts, and report there­
on.

4th. That the Report be received and acted upon.\textsuperscript{151}

Shareholders at the Special General Meeting had been outspoken in their
criticism of the production and price support plan and of the costs of the
company's colonial establishments. The Directors again referred to these
matters in their Report to shareholders on 31 March 1851. They explained
that until the agreement to take the production of the tenants had terminated,
the company's establishments were essential for servicing the needs of
tenants, most of whom were engaged in clearing, fencing and cultivating
heavily timbered land\textsuperscript{152}.

\textsuperscript{149} Ibid., p.7.
\textsuperscript{150} Ibid.
\textsuperscript{151} Special GM. Directors' Twenty-Sixth Yearly Rep., p.8.
\textsuperscript{152} Directors' Twenty-Sixth Yearly Rep., p.9.
If therefore, those establishments had been suddenly and prematurely dissolved, the tenants in all probability would have been so much embarrassed and discouraged, that they would, almost without a single exception, have signified their intention to abandon their respective farms at the expiration of the existing leases, and consequently would have claimed from the company, under their agreements, a large amount for their improvements upon the land, instead of themselves, on the other hand, becoming purchasers. 153

The company found itself in an intractable situation. The non-availability of funds in the colony meant, on the one hand, that sales of land were possible only on condition that the purchase money was paid in long-dated bills, and on the other, that sales of livestock could be effected only at unprofitably low prices. The company was so wedged into its policy of tenant promotion and support, that extrication appeared possible only by policies aimed at survival until the leases and agreements terminated. This involved closing down the company's production almost entirely, and minimising expenditure.

The company's solvency had been sustained only by recourse to the shareholders, and the Directors noted with concern the increasing proportion of unpaid calls. The Directors proposed to the Special General Meeting in February 1851 that consideration should be given to the forfeiture of all shares on which calls were unpaid, subject to the discretionary powers allowed to Directors 154. Further detail on outstanding calls was given to the Meeting in March 1851. The company's London Balance Sheet at 31 December 1850, showed subscribed capital as £280,000, representing twenty instalments totalling £28 per share on 10,000 shares 155. The amounts outstanding against these calls were: 156

<table>
<thead>
<tr>
<th>Instalment Number</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>£50</td>
</tr>
<tr>
<td>14</td>
<td>£50</td>
</tr>
<tr>
<td>15</td>
<td>£130</td>
</tr>
<tr>
<td>16</td>
<td>£100</td>
</tr>
</tbody>
</table>

153. Ibid.
156. Ibid., p.22.
Instalment Number 17, amount due £406.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>757.</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>1,104.</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>3,743.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>£6,340.</td>
<td></td>
</tr>
</tbody>
</table>

The resistance to calls for funds simply to keep the company operating, and in no way related to progress and profitability, was strong evidence of the dissatisfaction of investors with the performance and prospects of the company.\(^{157}\)

The Report of the Committee appointed by resolution of the Special General Meeting on 26 February 1851, was printed with the Directors' Yearly Report in March 1852.\(^{158}\) In the intervening twelve months action had proceeded in accordance with the resolutions of the shareholders, and the Committee commended the Directors for having "adopted measures for dispensing with the services of their present Chief Agent".\(^{159}\) The immediate objective nominated by the Committee was to reduce expenditure to "as low a point as possible", and to ensure that income in the colony was sufficient to meet all expenses incurred there, avoiding the need for drawing bills on the company in London.\(^{160}\) The Committee emphasised that, despite the need for the greatest economy, the property of the company had to be properly maintained to ensure that it ultimately realised its true value.\(^{161}\)

The discovery of gold and economic recovery in the colony, had materially altered the company's prospects during the twelve months of the Committee's enquiries. The Committee reported that:

> Although the emigration has not yet much increased from this country, the knowledge that labor of every description is much wanted, and that very high wages can be obtained, must, in the opinion of your Committee, soon increase the population in Van Diemen's Land, and consequently augment the value of all property there.\(^{162}\)

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157. See Appendix 7. In June 1850 the paid-up value of the company's shares was £28 and the quote on the London Stock Exchange was £2. In December 1850 the relevant figures were £29 and 10/-.


159. Ibid., p.15.

160. Ibid., p.16.

161. Ibid.

162. Ibid.
The Committee referred also, to the security of the bills given to the company by tenants for their land and livestock. Whereas some of these bills may previously have been doubtful, the Committee was able to report that they "are now paid as they fall due, or shortly afterwards, with comparative regularity".\textsuperscript{163}

The Committee reported that their investigation of the company's accounts and administration had been completely satisfactory\textsuperscript{164}. The Report was generally optimistic about the company's prospects, as the Committee considered that "the improved value of land in Van Diemen's Land, as well as all descriptions of stock must, from the present time, equally increase the value of all the Company's property".\textsuperscript{165}

The changed circumstances in the colony and the reassuring Reports of the Committee and the Directors in March 1852, brought a favourable reaction on the London Stock Exchange. The company's shares which in December 1850 were quoted at 10/-, in December 1852 were quoted at £22\textsuperscript{166a}.

Immediately after the Yearly Meeting in March 1851, Gibson had been advised of the decisions of the Directors and shareholders and of the action he was to take to give effect to those decisions. He was also informed that he would be assisted by a small local committee on which James Henty and Ronald Campbell Gunn had been invited to serve\textsuperscript{166b}. In September 1851 Gibson acknowledged these instructions, and confirmed that Henty and Gunn had accepted the invitation from the Directors\textsuperscript{167}.

The completeness of the change in policy was no more evident than in the Directors' advices to Gibson that, as the future duties and responsibilities of the chief agent would be so greatly reduced his emoluments would be diminished by an appropriate amount to be determined in due course, and also giving formal notice of termination of his service agreement\textsuperscript{168}. Gibson was, furthermore, instructed to give immediate notice of termination of employment.

\textsuperscript{163} Ibid.
\textsuperscript{164} Ibid., p.12.
\textsuperscript{165} Ibid., p.17. The Committee's Report, based on a year of investigation, was realistic and constructive. Compare Report of Ctee. of Consultation, Ch.8, pp.323-6.
\textsuperscript{166a} See Appendix 7.
\textsuperscript{167} Gibson to the Directors, 18 Sept 1851, in Directors' Twenty-Seventh Yearly Rep., p.7.
\textsuperscript{168} Directors' Twenty-Seventh Yearly Rep., p.6.
to all the company's servants excepting only the two schoolmasters\textsuperscript{169}. The company's livestock, which at 30 June 1851 comprised 6,179 sheep, 2,825 cattle, and 113 horses, were to be disposed of as soon as possible by sale or lease\textsuperscript{170}. Gibson had reported in July 1851 that the sound condition of the company's sheep and cattle, the improved prices for the limited numbers recently sold, the drought demand for meat in New South Wales\textsuperscript{171}, and the overall effect of the discovery of gold on people, capital and expansion, should cause an improvement in livestock values\textsuperscript{172}.

The immediate impact on the company of the discovery of gold in New South Wales and Victoria was adverse, but Gibson believed it would ultimately be of benefit in promoting sales of livestock and grain, and in the disposition of lands by lease or sale. In June 1851 he reported that, since the date of my last communication, the existence of extensive gold fields in the Bathurst district in New South Wales, has been ascertained, equal in richness to those of California, and the excitement which such a discovery has caused is most intensely felt throughout the colonies. What the ultimate consequences may be it is difficult to predict, but I think it will benefit Van Diemen's Land by the increased demand for all sorts of bread stuffs which it will cause in New South Wales owing to the vast influx of persons that may be expected in that colony when the intelligence of the discovery becomes circulated abroad\textsuperscript{173}.

Later in 1851 the gold diggings near Melbourne acted as a magnet to many in Van Diemen's Land who had become disillusioned by the limited prospects in the island. As people moved to the mainland the labour shortage in the island colony was aggravated, and the market value of property was adversely affected. Gibson remained confident that any consequential depression would be shortlived, as a rapid and substantial increase in the population of the Australian colonies was inevitable within the year, and then there will be a reaction, for all cannot take a share in gold digging, which is a most laborious

\textsuperscript{169} Ibid.  
\textsuperscript{170} Ibid., p.9.  
\textsuperscript{171} See Ch.8, Note 163.  
\textsuperscript{172} Gibson to the Directors, 12 July 1851, in Directors' Twenty-Seventh Yearly Rep., p.9.  
operation, and I may add, a most uncertain one. In their Report of March 1852 to shareholders, the Directors expressed the view that the only apparent effect of the gold discoveries on the company's property had been favourable. Prices for livestock and grain had improved, "and no instance has yet been mentioned of persons deserting their holdings for the purpose of seeking for gold".

Barriers to Settlement.

But the lure of gold and riches suppressed the stark realities of physical hardship. Many of the small farmers in Van Diemen's Land went across to Port Phillip to try their luck and dig for gold. The farmers were followed by general hands, and by the middle of 1852 farm labour was at a premium. Gibson reported that labour is very scarce, both at Circular Head and at Emu Bay, and I fear that much difficulty will be experienced by all the tenants in getting their potatoes to market, as but few working men are now to be had even at the high wages offered.

The discovery of gold at Bathurst and Ballarat aggravated the already pressing labour problem in Van Diemen's Land. The colony's Controller General of Convicts in his Report of January 1850, emphasised the effect the growing shortage of labour was likely to have on wage rates. This Report was submitted to the Lieutenant Governor a year before gold was found at Bathurst. The Report said that unless a full supply of labour is poured into the Colony in the course of the present year, the drain to California and the Australian Colonies and the increasing demand for labour in Van Diemen's Land, arising out of the steady improvement in the various branches of industry will be the cause of such a rise in the price of labour as will have a very injurious influence upon the interests of the Community.

176. Ibid., p.10.
178. Report of Controller General of Convicts, 1850, para.6. Included with despatch, Denison to Grey, 31 Jan 1850. C0.280/268. PRO.1273, p.7. ML. Refer Ch.8, pp.301-3 on the experience of the Australian Agricultural Co. at this time.
The 1852 Report of the company's Committee of Enquiry expressed confidence that the population of Van Diemen's Land would grow because of the particular attractions of the island\(^{179}\), and that interest in the company's lands would steadily increase\(^{180}\). The Committee therefore, recommended that "the greatest caution should be exercised by the Directors in the sale of land, and that a decided preference should be given to leasing on short terms, in preference to selling in fee".\(^{181}\) Gibson agreed with this policy, and he placed his confidence in the leasing of small farms\(^{182}\).

Woolnorth, however, presented the company with particular problems, the country being remote, cold and infertile. Gibson, although not optimistic about the possibilities of attracting a tenant, was able to negotiate a lease, subject to the company's acceptance of a term of fourteen years. The Directors, mindful of the Committee's opinions, raised objection to the length of lease proposed, but Gibson pointed out that at least three years would elapse before the prospective lessee could expect to receive any return from the property, and that the negotiations would lapse were a term of fourteen years not granted\(^{183}\).

Early in 1853 Gibson was again in some disagreement with the Directors. Having endorsed the Committee's views on short term leasing, the Directors would tolerate no variation to meet particular local circumstances. Gibson had approved and reported several small sales, the wisdom of which the Directors questioned. The Directors over-reacted to the prospects of population growth in the wake of the gold rush, and appeared to assume that the barriers to the movement of population to the north-west of the island had been removed. Gibson reported that these several small sales had been made with the full concurrence and approval of Mr. Gunn, and although I observe from the most recent instructions sent out by the Court, and the expressed opinions of the Directors at public meetings, that the company would prefer letting their lands, yet I cannot help thinking that when we are able to procure such

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180. See Note 162, supra.
purchasers, the company ought to sell, as it is so important to get a population upon their estates; more especially a respectable and resident one at Emu Bay, where the back land is almost valueless, except after the expenditure of much time, labour and money. In fact, it is only by drawing a proprietary population to this part of the island that company's lands will ever become of value. 184

This tendency to over-reaction was apparent also in the Twenty-Eighth Yearly Report, in which the Directors spoke of the great tide of emigration to the Australian colonies, of the tendency of such a population as it acquired wealth to extend in all directions, thereby assuring to the company as a possessor of lands, certain future wealth 185. The assumptions were not well-founded, and disregarded the physical barriers retarding settlement in the north-west quarter of Van Diemen's Land.

In accordance with the policy decisions of March 1851, the company withdrew from farming operations, and offered its livestock and much of its plant for sale. The following table shows the progressive withdrawal of the company from its pastoral operations: 186

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep</th>
<th>Cattle</th>
<th>Horses</th>
<th>Deer</th>
<th>Swine</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840</td>
<td>8,738</td>
<td>1,988</td>
<td>225</td>
<td>21</td>
<td>80</td>
</tr>
<tr>
<td>1842</td>
<td>11,062</td>
<td>2,228</td>
<td>n.a.</td>
<td>23</td>
<td>40</td>
</tr>
<tr>
<td>1844</td>
<td>11,893</td>
<td>1,903</td>
<td>296</td>
<td>31</td>
<td>21</td>
</tr>
<tr>
<td>1846</td>
<td>9,281</td>
<td>2,234</td>
<td>n.a.</td>
<td>53</td>
<td>78</td>
</tr>
<tr>
<td>1849</td>
<td>6,519</td>
<td>2,282</td>
<td>185</td>
<td>76</td>
<td>-</td>
</tr>
<tr>
<td>1851</td>
<td>6,179</td>
<td>2,825</td>
<td>n.a.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1852</td>
<td>5,719</td>
<td>2,761</td>
<td>80</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

In 1852 all the sheep and horses and 361 head of cattle, were sold, leaving on hand 2,400 cattle depastured on the Hills properties 187. The net proceeds of sale of the livestock and sundry farming plant amounted to £4,229, a disappointing realisation adding to the growing deficiency in the Profit and Loss Account in the colonial Books of Account 188. This

186. Extracted from Directors' Yearly Reps., 1840-1852.
188. Ibid., p.17.
was the disheartening conclusion to the company's original pastoral objectives, and to the company's contribution to the development of the wool and livestock industries in the island colony.

The Directors reported in March 1853 that rental income from the leasing of land, buildings, plant and machinery, had reached about £1,700 per annum, which was sufficient to cover the company's annual expenditure. Rental income was mainly from Circular Head and the area about Stanley, and from the township at Emu Bay, which had been named Burnie. Large areas of the grant lands in the Hampshire and Surrey Hills, and at Middlesex Plains, remained unlet and largely unoccupied.

The colonial Books of Account at 31 December 1851 included two interesting variations in individual balance items:

- Tenants' produce account. From. Dr. £34,885.14. 1
  To. Nil.
- Profit and Loss Account. From. Dr. £23,242. 1.11
  To. Dr. £61,375. 5. 8

No explanation was given in the March 1853 Report of the accounting procedures adopted to eliminate the balance of the "Tenants' produce account" from the colonial books and to account for any deficiencies in realisations of livestock and plant. In March 1851 the Directors had advised shareholders that the deficit in the Profit and Loss Account in the London books, namely £23,097. 2. 2, had been written-off. But it appears that a decision was made to transfer the debit in the "Tenants' produce account" to the Profit and Loss Account in the colonial books. The total deficit from operations in the colony thereby appeared in the one account to which all future income would be credited. The trend, however, continued to be adverse, and at 31 December 1852 the deficit in the Profit and Loss Account in the colonial books had increased to £61,450.12.11. The London Balance Sheet at 31 December 1853 showed that £285,000 had been called from shareholders, being £28.10. 0 per share on 10,000 shares.

189. Ibid., p.12.
190. Ibid.
192. See Note 127, supra.
194. Ibid., p.17.
The company's withdrawal from pastoral and agricultural production, and the restrictions on expenditure in the colony, had resulted in neglect of repairs and maintenance of improvements and plant. This matter had been the subject of specific reference in the Committee's 1852 Report. Gibson invited the attention of Directors to this situation in a reference to the condition of Highfield House. He said:

I think a tenant may perhaps be found amongst some of the wealthy residents at Melbourne. But it will be necessary to put the house in repair, as it has not been shingled or painted for the last eleven years, and from a faulty construction in the roof, the leads have been much damaged by the rain. In fact, it is by no means such a building as the Directors suppose it to be, and the out offices, having been erected of wood about eighteen years ago, are now in a state of complete decay. But these matters were brought under the notice of the Board some years ago.

As the number of sales and leases being negotiated increased and the company was required to execute documents under seal to evidence title, a procedural problem emerged. Company By-law xviii, approved by the shareholders at a Special General Meeting in 1827, provided that the company's seal could be affixed only under the authority of a resolution of the Directors and in the presence of two Directors. Authority to affix the seal could not be delegated to the Chief Agent in the colony. Gibson had earlier raised the matter with the Directors foreseeing the problems which were now arising. In October 1853 he advised the Directors that it would have greatly facilitated land sales if more of the deeds of conveyance had been sent out to the colony, to be held by the company's Chief Agent until the purchase was completed, as

...many of the farms were paid for long since. Changes of ownership too, have frequently taken place, and in these transactions the want of a title has been productive of serious inconvenience and loss to many parties.
The Directors mentioned this matter when reporting to shareholders in March 1854. They said in explanation, that previously applicants for land lacked the capacity to pay cash, and they were satisfied when buying on long dated bills, to receive title deeds on maturity of the bills. This allowed time for the documents to be executed in London and despatched to the colony. The discovery of gold had resulted in purchasers very often offering cash, and when they were informed that the title deeds had to issue from London, they were less inclined to proceed with the purchase. This impediment had acted as a curb to land sales in some cases. As the By-laws denied the Directors power to delegate the authority to affix the seal, a temporary procedure was adopted under which interim title was granted under the contract of sale. This established enforceable rights of occupation of the subject lands.

The Yearly Meeting of shareholders on 17 March 1854 dispelled another hope for the company's prosperity. The Directors announced that the specimens of rock from several of the company's properties had been assayed in London and had been found not to contain gold. The shareholders, however, approved the Directors' recommendation that "a distribution of ten shillings per share on the Capital Stock" of the company be made, requiring £4,362 based on 8,724 effective shares.

The barriers to the development and settlement of the company's lands remained. The discovery of gold on the mainland had aggravated the labour problem in the north-west corner of the island, and had prejudiced the company's emigration scheme. The high cost of labour and the accumulating operational deficit in the colonial Books of Account, had compelled the Directors to adopt a landlord role. This was intended to achieve regular income and to limit expenditure, thereby avoiding the need to draw further bills on London. "The future income of the Company must now be derived from the sale or letting of land".

The Gibson Report, 1854.

Between 1851 and 1854 the company endeavoured to give effect to the decisions made in 1851 and confirmed by the Committee of Enquiry in March.

200. Ibid., p.9.
201. Ibid.
202. Ibid., p.10.
203. Ibid.
These four years also brought substantial changes in the development of the Australian colonies, directly influencing the progress of the company's settlement plans.

The Directors, therefore, decided in November 1854 to call a Special General Meeting,

in order to convey to the Proprietors such information upon the Company's affairs as they have obtained from personal communication with their Chief Agent, Mr. Gibson who has lately come over to this Country.

Gibson was requested by the Directors to prepare a comprehensive report on the affairs and operations of the company, dealing particularly with "the present state of the Company's property in Van Diemen's Land, the best mode of making it beneficial to the Shareholders, and its probable value".

Gibson's report gave a brief explanatory statement on each of the company's properties, indicating the present stage of development, leasing or sale, estimating its potential, and making suggestions on the direction of policy in the immediate future. He referred to Woolnorth as the least valuable of the company's estates. No better arrangement could have been made than letting it on the terms the company have done, as it will revert to them, in an improved state, at the expiration of the lease.

His observations on the Surrey Hills recalled the original management difficulties in that location, and the heavy losses among the sheep. The elevated character of this tract of country, (most of it being 2,100 feet above the level of the sea), the consequent inclemency of the weather, joined to the difficulty of access from the rest of the colony, detract much from its value.

The report repeatedly mentioned problems of access and the need to promote population on the company's properties. Gibson observed that

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204. See Note 158, supra.
205. See Note 173, supra.
208. Ibid.
209. Ibid., p.8.
210. Ibid., pp.9-10.
regular steam communication with Launceston and Melbourne would do more to improve the value of the property at Circular Head and Emu Bay, than any other thing that I know of.211

Gibson considered that further substantial capital expenditure was unavoidable if the isolation and inaccessibility of the north-west corner of the island were to be overcome. He stressed that, if the Middlesex Plains and the Surrey Hills regions were to be attractive to settlers, bridges would have to be built across the Mersey and Forth Rivers to "enable stock and persons on horseback, to pass at all seasons of the year".212

Gibson's report concluded with an estimate of the value of the company's lands and improvements. He expressed the opinion that the aggregate value was "not less than £200,000".213 This assessment provided little hope of early capital gain from investment in the company. Recovery of the capital called from shareholders was possible from the sale of land and buildings only over a period of some years. The concern of shareholders was reflected in the London Stock Exchange quote in June 1855 of £13.15. 0 against a paid-up value of £28.10. 0 per share214.

The Yearly Meeting of shareholders in March 1855215 was an anti-climax following so soon after the Special General Meeting in November 1854. But the Directors encouraged shareholders with the comment:

There is a prospect, moreover, that Woolnorth and the adjoining extreme western portion of the island may become of more importance if the accounts of the new gold discoveries receive confirmation.216

The pieces of quartz which had given rise to these reports in colonial journals had been found at Macquarie Harbour, some 80 miles to the south of Woolnorth. The importance of such a find on the west coast of the island lay in the incentive it would have provided to people to move to the west of the mountain barrier between the company's lands and the established settlements. These hopes were short-lived. Gunn, who acted

211. Ibid., p.12.
212. Ibid.
214. See Appendix 7. In 1855 the calls on shareholders totalled £285,000, Gibson's valuation of the company's property was £200,000, and the market valued the company at £137,500.
216. Ibid., p.6.
for Gibson during his absence in London, reported in May 1855, that the gold at Macquarie Harbour was, I have every reason to believe, all a fiction.\textsuperscript{217}

Gunn commented that considerable sums of money had been spent in the unsuccessful search for gold, and that gold found at Fingal, the only diggings in Tasmania, had "not hitherto paid expenses".\textsuperscript{218}

The Directors' Yearly Reports tended to concentrate on matters concerning the revised policy of leasing or selling the company's lands\textsuperscript{219}. References to the season, to agricultural and pastoral production and commodity prices, matters which directly affected the company's tenants and influenced prospective purchasers of land, found no place in the abbreviated reports to shareholders. In their 1854 Report the Directors were apologetic about the brevity of their observations, explaining that:

\begin{quote}
The course of proceeding which has of late been adopted, in conducting the affairs of the Van Diemen's Land Company, and of which the Proprietors have been made aware, has necessarily reduced to a very few heads the matters which offer themselves as subjects for the Annual Report.\textsuperscript{220}
\end{quote}

The Directors' comments were confined to matters such as the progressive occupation of government lands adjoining those of the company and the beneficial effect on land values of these developments, and the increase in rental from £1 to £3 per acre for a farm of 300 acres near Highfield House\textsuperscript{221}. These routine references to the progress of the company in the disposition of its lands were seldom relieved by observations likely to excite interest in the company. The Directors' Report in 1853 had implied that considerable speculation had taken place in the company's shares following the discovery of gold at Bathurst and Ballarat and the optimistic Reports of the Committee and the Directors in March 1852\textsuperscript{222}. The change in the shareholding had been so substantial that the Directors gave "a short sketch of the Company's existing possessions" to assist the many new shareholders in their understanding of the company's affairs\textsuperscript{223}. The company's shares had fallen to the low point of 10/- in December 1850, 224.

\textsuperscript{218} Ibid.
\textsuperscript{219} See Note 203; supra.
\textsuperscript{220} Directors' Twenty-Ninth Yearly Rep., p.7.
\textsuperscript{221} Directors' Thirty-First Yearly Rep., 13 Mar 1856, p.6.
\textsuperscript{222} See Note 158, supra.
\textsuperscript{223} Directors' Twenty-Eighth Yearly Rep., pp.5-6.
and it is probable that longer term holders of the stock had become disillusioned by the company's performance and prospects, and had decided to sell to avoid the liability for further calls. Speculators purchasing at that time would probably have realised their gains on the improved market in 1852, the quote for the company's shares in December 1852 having risen to £22. As the detrimental effects of the mainland gold discoveries on the land settlement plans of the Van Diemen's Land Company became evident, the company's shares were again discounted.

The company's plans had been repeatedly frustrated by poor seasons, by depressed demand and prices for rural produce, by the scarcity and high cost of labour, and by the confusing reports about gold which kept land values tentative and unsettled. The problems of the isolation and inaccessibility of the company's lands remained, and although so significant to the company and so often emphasised by the Chief Agents in the colony, the magnitude of these barriers to the movement of population to the north-west seemed not to be fully comprehended by the Directors.

In 1825 the Van Diemen's Land Company had confidently embarked on the enterprise of settling people on its lands in the isolated north-west of the island, of establishing flocks of sheep and herds of cattle of outstanding quality in the region, and of developing farm production in an unknown quarter of the colony. The company's Directors, shareholders and officers, were encouraged by prospects of influence and profit, by the objective of long term contribution to the colony, the colonists and the shareholders.

But the limited potential of the island colony had not been appreciated when the company was granted lands in the unexplored, rugged north-west corner. The security and prosperity of the old settlements obscured a proper understanding of the costs and difficulties of developing inaccessible, heavily timbered, high rainfall country. Having no residual income from its pastoral and agricultural operations to meet the high and increasing expenditure on essential improvement work, the company was compelled to make calls on the shareholders to meet working costs.

The development of the company was disappointing to those most closely associated with it. The main obstacles to progress were the high cost of developing the grant lands for pastoral and agricultural production;

224. See Notes, 147,157, supra.
225. See Appendix 7.
227. See Ch.5, Note 148.
the unwillingness of government to approve alternative grants in the
north-east of Van Diemen's Land or on the mainland east of Port
Phillip; the withholding from the company of low cost convict labour
in the numbers necessary to the enterprise; the enforced reliance on
high cost free labour for initial improvement work; and the drain on
funds of the tenants' production and price support plan. But most
importantly, the conditions essential to the success of the investment,
cheap land and low cost labour, were denied to the company.

Henry Melville could well have been forecasting the troublous evolution
of the company, when in Hobart Town in 1835, he wrote:

The Van Diemen's Land Company, incorporated by an Act
of the British Parliament, became the subject of much
uneasiness to the Colonists, who were fearful that the
large capital and great influence possessed at home by
some of its shareholders, would ultimately be of an in­
jurious tendency to the Colony; but the time had shown
that the Colonists benefited therefrom, in that great
expansion has taken place in the Colony, and that the
breed of horses and cattle has been considerably improved
by the means of the Company. Whether or no the result
has been favourable to the shareholders, is not the
question - it is another affair, with respect to which
the writer will not presume to offer one single word.

228. See Chapters 2, Note 91; 5 Note 144; and Note 78, supra.
229. See Ch.5, Notes 16,38,40,69; and Note 178, supra. Compare
Australian Agricultural Co., Ch.8, Notes 18,21.
230. See Note 109, supra.
231. Henry Melville, The History of Van Diemen's Land. George
Mackaness (ed). p.60.
EXPANDING INTERESTS.

THE SCOTTISH AUSTRALIAN INVESTMENT COMPANY.

1846-1855.

The first five years of colonial investment experience in the Scottish Australian Investment Company were directly influenced by the causes and effects of the economic depression of the early 1840s. This experience convinced Morehead that

it is of importance to have our funds resting on a somewhat extended basis, so that a deterioration in value of one item may have its chance of being balanced by an enhancement in value of another.

The 1840s were adversely affected by the financial problems of the early years of the decade, and by the persisting problems of an unbalanced labour supply and a shortage of funds. The depression had markedly reduced voluntary immigration, and reinstatement of transportation to New South Wales to meet the need for labour, was keenly opposed. The wool growing industry, on which the progress of the colony depended, was seriously prejudiced. The 1847 Select Committee on Immigration reported that:

This want is daily increasing, and in the absence of any fresh accession of labourers by means of immigration, no alternative is presented to the proprietor of stock, but the partial, or entire, abandonment of it.

The Committee concluded that the cost of wages for incompetent labour could exceed profits from wool growing, and cause a fall in production.

The pastoral industry had provided the Australian colonies with capital producing exports, and the means for self-sufficiency. Until the discovery

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1. See Ch.6, pp.182-6.
4. Ibid., p.276. See also, Ch.4, p.132.
of gold in 1851, growth in the economy was essentially linked to wool, and was immediately affected by variations in seasons and wool prices. In 1847 the Australian colonies supplied one-third of the wool imported into Britain from all sources, yet the industry had not been particularly encouraged by government. Wool production expanded because natural conditions were suitable for merino sheep.

Official policy towards the Australian wool industry had been merely permissive - willing to see it develop, but tempered always by desire to maintain convict transportation, by hopes of ridding Britain of surplus population, by doctrinaire notions of land use, and by the unwillingness of investors to employ their funds in distant colonies of uncertain prosperity and doubtful stability.

In Britain, the Australian colonies were not favourably regarded as areas for investment. Not only had experience in them been disappointing, but additionally, pressures on funds at home were growing as political tensions developed in Europe. The disenchantment of investors with prospects in Australia was expressed in a despatch from Aberdeen to Morehead in 1849. After referring to the low market value of the company's stock, the Cashiers observed that,

> if we could even pay six per cent, and show that it was derived entirely from realised profits on the business, and that the company's affairs generally were in a sound and prosperous state, the stock would be viewed much more favourably than at present... We can assure you that the shareholders generally, would rather wind-up the concern than be satisfied with five per cent from investments on property so far beyond their reach.

The situation in Europe had created a demand for funds in the home market which assured a return of not less than 5 per cent, and without the risks which had characterised the unstable Australian investment scene. But

6. See Chapters 4, pp.131-2; 5, p.173; 6, p.183; 8, p.276; 9, 335-6. and compare with Ch.7, pp.253-7, concerning successful land settlement by the Canada Co.
7. Stronach and Grainger to Morehead, 18 Apr 1849. Unbound letter, Various Correspondence 1843-69. Foundation Documents - Early Correspondence.
despite the lack of British investor interest and the depressed commercial situation in the colony, Morehead was confident of growth in the company's business and profits. He felt assured that new and valuable resources would be discovered which would lessen the concentration of the economy on wool production, and through diversification of activities achieve greater stability.

Within the company's investments Morehead had sought the protection of a spread of interests; he had invested in real estate, particularly in Sydney; he had applied funds to sheep and wool production, as owner on the company's account, and as mortgagee; he had made advances on wool for shipment, and on well placed securities; he had leased or acquired lands thought to have mineral potential; and he had entered the fields of agency and insurance business. He was well placed to take advantage of progress, and well protected against risks he understood and respected.

Morehead was constantly on the alert for new and potentially profitable avenues of investment. In 1845 his interest had first been excited by reports of substantial mineral discoveries in South Australia, and he felt compelled to proceed to Adelaide to ascertain whether "things were as supposed or represented". He reported to Aberdeen that "British Capitalists were turning their attention to this new field for enterprise", and that if opportunities for sound investment existed then the company should be fully informed without delay. Morehead was, however, quick to advise his Directors that he was "not carried away by any mine hunting mania", but felt obliged, in the interests of the company, to test his "views and expectations".

Morehead was not seeking a rapid expansion of the company's interests, but wished to have the capacity to take immediate advantage of favourable new investment opportunities as they occurred. He was confident that the colony provided "a large and extending field" for profitable operation by "a miscellaneous Coy. such as ours".

9. Ibid.
10b. Ibid.
12. Ibid.
South Australia and the Bon Accord.

In April 1846 Morehead reported enthusiastically on his investigations in South Australia. He wrote from Adelaide that although he had expected to find a flourishing and productive settlement, he had been "very agreeably surprised by having my expectations...exceeded in a most remarkable degree". He made particular mention of the suitability of the climate and the soil for the growing of grain and corn. Morehead had decided that the potential of the Province justified the investment of capital by the company, and he believed that

the resolution I have come to to invest on account of the Company moderately and carefully in mineral property in this Colony will meet the approval of the Board.14

Morehead was impressed by the expansion of farming settlement based mainly on wheat production. Development in South Australia had been through small holdings and intensive farming operations, and the colony was considered to have the potential to become Australia's future granary.15 The developing and successful farming settlements of the Canada Company, though having physical advantages not enjoyed by South Australia, would have been known to Morehead, whose interest was not only in mineral prospects, but in opportunities for secure and profitable investment generally. Where population was relatively confined and stable investment in real estate was considerably more attractive, and capital growth with consequential profits would be the sooner achieved. The security was both appreciating in value and readily realisable.

Morehead was concerned that the base of Australian economic growth should be broadened, and that vulnerability to seasonal factors should be reduced by investment in diverse enterprises. He had reached Sydney at the commencement of the prolonged depression of the 1840s, and while appreciating the various contributing causes, he was sensitive to the relationship between prosperity in the colony and the vagaries of the season.16

South Australia presented opportunities for investment in mineral bearing

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14. Ibid., p.3.


16. See Ch.6, Note 15.
and agricultural lands within one hundred miles of Adelaide. In February 1846 Morehead had informed Stronach that "there seems now not the slightest doubt of the existence in enormous quantities of Copper ore of the richest description". Investment in farming enterprises, and particularly in wheat production, which had been unsuccessful in New South Wales, offered in South Australia prospects of more secure short term lending and favourable returns. Morehead conceived that South Australia would provide new opportunities for investment, which in Sydney had become constrained by the continuing impact of the depression years.

In Adelaide Morehead developed a close relationship with Alexander Elder, a son of George Elder, merchant and shipowner of Kirkaldy in Scotland. In 1839 George Elder and his sons Alexander and Thomas, decided to establish a business in the young colony of South Australia, and by July 1840 Alexander was operating in Adelaide, under the title A.L. Elder, as a general and commission agent, and metal broker.

The opening of the business coincided with the onset of financial problems and economic depression in the colony. Commercial survival was difficult with credit restricted, trade stagnant, and bankruptcy prevalent. Governor Gawler's policy of land survey and settlement to counteract the depression, proved effective, however, and by 1843, the wheat farmers, and to some extent the pastoralists, had established a basis for recovery. Mineral discoveries aided progress, the copper mines of Kapunda discovered in 1842, and Burra in 1845, bringing new immigrants and added revenue to the colony.

Elder's business prospered, and in 1843 he extended his interests to embrace pastoral holdings, acquiring a share in a special survey of 20,000 acres near Mount Remarkable. The agency operations were expanded to include the shipment of wool, and the granting of seasonal advances on security of the growing clip and against mortgage on livestock.

Morehead and Elder became associated through common interests and mutual respect. In January 1848 Morehead wrote to Elder confirming that the

Scottish Australian Investment Company intended to extend its operations into South Australia, and inviting him to bring investment opportunities of possible interest before the notice of the company. Morehead added that a suggestion from you in fulfilment of the above request will always carry additional weight with me when accompanied by an intimation of your willingness to take an interest with us in the transaction recommended.²¹

Morehead had earlier decided, that if the company was to become interested in investments in South Australia, local representation was essential²². Elder agreed to act as the company's agent, and Morehead confirmed the arrangement by writing that:

In placing our South Australian business in your hands I feel that I secure for my constituents as honorable and efficient an agency as could be procured in any part of the world.²³

Alexander Elder was recognised as a man of substance, and represented West Adelaide in the Legislative Council of South Australia from 1851 to 1853. He returned to London in 1853 to establish an independent shipping business²⁴. Apart from his particular interest in the Bon Accord investment, Morehead was firmly of opinion that it would be to the advantage of the company generally to expand its association with the new and flourishing colony²⁵. The Directors, in their Report to shareholders in December 1846, endorsed Morehead's views²⁶.

Morehead had been attracted by the conjunction of mining and farming, which seemed to provide the form of diversification he believed to be essential to progress. The Burra copper mine had been successfully established by private initiative, and in 1846 was producing copper ore commercially. The

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24. The First Hundred Years, 1839-1939, supra, (Note 19).
25. Morehead to Stronach and Grainger, 6 Apr 1846, supra, (Note 13).
mine had been proved, attracting new interest in the region, and as the Bon Accord property adjoined the Burra mine it was a reasonable assumption that the ore veins passed from one site to the other. The investment of £4,950 for a half interest in 347 acres so situated was considered by Morehead to be justified, and the Directors confirmed his action.  

In September 1847 the Directors considered Morehead's advices that arrangements had been made to commence mining operations at the Bon Accord, and reported fully to the shareholders in the following December. While hopeful that Morehead's optimistic expectations would be realised, they indicated that evidence of the presence of minerals had not, however, yet been received.

No opinion had, therefore, been formed of the value of the property, nor had the Directors decided whether to mine the property directly, or to sell or lease the mining rights to an independent company.

The initial exploration of the mine having proved negative, Morehead advised the Directors that mining operations had been discontinued, although hopes of ultimately finding ore below the water level had not been entirely abandoned. The Directors explained to shareholders that should the mining venture fail, the loss would not be great, and that if, as was still possible, the mine should succeed, the profit would be substantial.

Similarly, the amount at risk in the Mount Remarkable property was limited to £1,150. The Directors and shareholders were, however, concerned at the considerable investment in mining in South Australia which seemed unlikely to prove profitable, and could result in losses of capital. The presence of minerals in the areas of investment was not in doubt, but mining remained speculative because likely ore yields could not be reliably assessed before substantial establishment costs had been incurred, and because of the mobility of mine labour.

The decision to move into South Australia had been Morehead's alone, and the investments in the two mineral properties which were admittedly speculative, had been made without prior reference to the Directors.

Morehead was sensitive to his personal implication, and the continuing policy and practical problems of the Bon Accord venture became an absorbing challenge, a test of his judgment, not only of individual investments, but of his theories on diversification of resource exploitation, the initiative which had turned his interest to South Australia. Morehead's abilities were diverted from the more secure and immediately profitable investment opportunities in areas he knew well, to concentration on matters of which he knew less, with the object of achieving short-term profits from essentially long-term investments. Morehead was committed to protracted endeavours to extricate the company from speculative commitments without loss of status or capital.

Much of Morehead's time was absorbed by affairs in South Australia, as the nature of the company's commitments required his direct supervision. He was also gravely concerned at this time by his wife's illness, which caused him prolonged and serious anxiety. But he persisted with the South Australian interests as though determined to vindicate his judgment, and to justify the support and confidence of his friend Alexander Elder. The Directors finally indicated as their wish that Morehead should redirect his abilities to Sydney, where progress had been dormant during the Adelaide episode. But Morehead still maintained personal control of the South Australian investments, and not until 1853 were his energies freed from the mining involvements.

Exploration of the Bon Accord was resumed in mid-1849 as the matter could not be left without definition. The Directors were doubtful of the wisdom of further investment in the mine, but were determined to reach a decision on future action, preferably in collaboration with the other partners, but if necessary, independently of them. Although the exploration continued to be negative, Morehead remained outwardly confident of ultimate success. An alternative was, nevertheless, considered whereby the mineral areas would be worked under a rental agreement, allowing the company to participate in the production of the mine without being involved in capital expenditure and exposed to operational risks. Apart altogether from prospective mineral production Morehead considered the investment to be justified, as capital returns were expected from sales

35. Ibid., p.354.
and leases of building allotments in the township of Aberdeen, which was already extending on to the Bon Accord property. The Directors discussed the broad question of the company's involvement in South Australia in September 1849\(^{36}\), as they were concerned that Elder, who held Power of Attorney from Morehead, had also borrowed from the company the funds to acquire a one-third interest in the Bon Accord on security of a charge over that interest. This interest was held by Elder in joint and several partnership with George Hall of Adelaide. Morehead had also agreed to provide funds to A.L. Elder & Co., for advancing to pastoralists against future proceeds from wool and livestock. The principles to be observed in this type of investment appear to have been largely determined by Morehead, and were the subject of consideration each year. In March 1848 Morehead wrote to Elder advising caution and recommending that "the free use of the boiling down pot" be urged upon those borrowing against wool and livestock income\(^{37}\). Morehead continued by expressing the view that

...it will hardly be prudent this season to give or to receive in anticipation of the clip a larger advance than at the rate of 1/6 per sheep.\(^{38}\)

At the commencement of the 1848-49 wool season Morehead again counselled a conservative approach to pastoral lending, and informed Elder that our financial arrangements this year are such as to cause me to wish to limit our operations in your colony to temporary advances, that is, to loans to be repaid at next wool season, or at the latest by March next. I hope to have it in my power to meet your wishes as respects advances to wool growers in anticipation of the clip 1849-50. Our plan here is to make the advances, where anything at all is wanted, early in the season in two, three or four payments, each instalment being a round sum which is lodged in the Bank by the settler, and on it, and not on us, he draws his orders. I conceive it will suit you, and those dealing with you, to adopt the same practice.\(^{39}\)

Three months later, because of the disinclination of British capital to

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\(^{37}\) Morehead to A.L. Elder & Co., L.No.6, 8 Mar 1848. Aust.L.Bk, 1848-58, p.10. See also Ch.8, Notes 130,143.

\(^{38}\) Morehead to A.L. Elder & Co., 8 Mar 1848, supra.

\(^{39}\) Morehead to Elder, 1 Aug 1848. Aust.L.Bk, 1848-58, pp.49-50.
move to Australia  and the depressed state of the wool and sheep industry, Morehead advised Elder that, in this state of uncertainty, arrangements for pastoral advances in South Australia should for the time being, be made independently of the Scottish Australian Investment Company. Despite Morehead's close association with and respect for Elder, the Board decided in September 1849 that, while they desired the firm of A.L. Elder to continue as the company's representatives, the special agency fee of £100 per annum should be discontinued, as the arrangements otherwise made, including a favourable interest rate on borrowings to acquire the Bon Accord share and the commissions ordinarily allowed him, "afforded sufficient remuneration for his trouble". The Directors also decided that the company's financial commitments in South Australia had become so substantial, that it was essential to establish one of their own officers in Adelaide. Morehead could no longer be spared from his responsibilities in the head office in Sydney, and Matthew Young, the company's sub-manager, was approved for the Adelaide appointment. Various factors combined progressively to defer Young's transfer, and Morehead's direct supervision was, of necessity, continued.

In their Report to shareholders in December 1849, the Directors, by their concentration on the Bon Accord affair clearly indicated their anxiety about the investment. Arrangements were discussed and agreed with the North British and Australasian Loan and Investment Company of Aberdeen, also a holder of a one-third share, to explore the property extensively at their joint expense. John Dalley, an experienced mining engineer of London, was appointed to make this assessment of the Bon Accord's potential.

Morehead's annoyance with the Board's indecision on the matter of direct representation in Adelaide found expression in his letter to Dalley in October 1850. Dalley was placed in a position of some embarrassment when Young was not in Adelaide, as arranged, to meet him on arrival and instruct him on the further exploration of the Bon Accord. Morehead's

42. Bd.Min, 24 Sept 1849, Bk.1, p.359.
43. Ibid.
44. Ibid.
observation to Dalley that his own position was as embarrassing as that in which Dalley had been placed\textsuperscript{48}, was a reference to the Directors' inconsistency in deferring Young's transfer to Adelaide, although still determined to proceed with exploration of the Bon Accord despite Morehead's recommendations to the contrary. The Directors had become increasingly concerned with the commitment of capital to ventures in South Australia with little prospect of earnings in the short term, and with the distraction of Morehead from the favourable investment opportunities in Sydney.

On 9 April 1850 Alexander Elder met the Directors of the Scottish Australian Investment Company in Aberdeen. The main subject of discussion was the Bon Accord investment\textsuperscript{49}. The meeting was acrimonious and inconclusive, and a few days later Elder wrote to the Board,

that as your company and the North British have, without consulting your co-proprietors, determined to send out, and have engaged a mining agent at a salary of £800 a year to recommence mining operations at the Bon Accord, I must decline holding any further consultation on the subject of that property.\textsuperscript{50}

Subsequent correspondence, and reference to legal advisers, failed to resolve the matter, Elder moving to protect his position, while the two companies were determined to proceed with the Dalley plan\textsuperscript{51}.

As a possible solution the company offered to acquire the one-third share of Elder and Hall at the price they had agreed to pay for it, but this approach was rejected\textsuperscript{52}. In May 1850 the Cashiers were instructed to advise Morehead that "as Mr. A.L. Elder has assumed a hostile attitude to this Company and may endeavour to give trouble", nothing should be done which might strengthen his position\textsuperscript{53}. In particular, a conveyance of the share or interest to Elder and Hall was not to be granted\textsuperscript{54}.

The Directors reported in July 1850 that, notwithstanding a difference of opinion with the Bon Accord shareholders in Adelaide who apparently wished

\textsuperscript{48} Ibid.
\textsuperscript{49} Bd.Min, Bk.1, pp.408-9.
\textsuperscript{50} A.L. Elder to the Directors, 13 Apr 1850. Bd.Min, Bk.1, p.410.
\textsuperscript{52} Bd. Meeting, 17 Apr 1850. Bd.Min, Bk.1, p.411.
\textsuperscript{53} Bd.Min, 4 May 1850, Bk.1, p.417.
\textsuperscript{54} Ibid.
to sell the property, the arrangements made in conjunction with the North British would be proceeded with.\textsuperscript{55}

Morehead disagreed with the Directors' decision to continue with exploration of the Bon Accord, and took keen exception to certain of the Cashiers' letters which he regarded as "unhandsome, unfair and unjust".\textsuperscript{56}

The Committee of Directors appointed to review all aspects of the Bon Accord matter, recommended that an appropriate letter be sent to Morehead explaining the Board's position, with the object of removing "the unpleasant feelings which have originated in his mind", and of ensuring his cooperation in carrying out the Directors' plans for the Bon Accord\textsuperscript{57}.

Morehead finally arranged that the company should reacquire the interest held by Elder and Hall subject to retention by them of rights of lordship over a forty-fifth of the mineral produce of the Bon Accord mine\textsuperscript{58}. This adjustment in the partnership was advised to shareholders in November 1851\textsuperscript{59}.

Morehead's confidence in the investment potential of South Australia continued despite the early difficulties met in the Mount Remarkable survey and the Bon Accord mine. In February 1850 he wrote to George Elder, who was acting as Attorney for A.L. Elder during his absence in Britain, expressing the hope that he would soon be able to make further investments in "your flourishing, tho' certainly somewhat feverish colony".\textsuperscript{60}

But the friction which occurred between the Directors and A.L. Elder, and the unpleasantness which this caused in Morehead's relationships with his Board, had a direct influence on Morehead's attitude to South Australian commitments. Having negotiated a solution to the problem of the Bon Accord partnership, Morehead urged the Directors to dispose of the property without

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\textsuperscript{56} Rep. by Ctee. of Directors appointed to review the Bon Accord matter, 13 Aug 1850. Bd.Min, Bk.1, p.435.

\textsuperscript{57} Ibid., p.437.

\textsuperscript{58} Morehead to Stronach and Grainger, 19 May 1851, 18 June 1851. Bd.Min, 27 Oct 1851, Bk.1, p.505.

\textsuperscript{59} Circular to Shareholders, 26 Nov 1851. Bd.Min, Bk.1, p.514.

\textsuperscript{60} Morehead to George Elder, 28 Feb 1850. Aust.L.Bk, 1848-58, pp.134-5. Also ibid., 4 June 1850, p.144.
further exploration\textsuperscript{61}. The Directors decided, however, that the property should be explored as fully as possible within the engineering capacity available to Dalley, and in this decision they were supported by the North British.

There can be little or no doubt that, if the property shall be found to contain copper ore, great advantage will accrue to the shareholders of the company, as if found at all, it would be strange indeed if it did not partake of the very rich character of the abundant ore in the adjoining Burra Burra mine; but at the same time, it must be kept in view that, if this desirable result be not attained, some considerable loss will probably be sustained by the property and the operations carried on in exploring it. It is enough at present to put the contingency prominently in the view of shareholders.\textsuperscript{62}

A committee of Directors appointed to consider the reports received from Dalley, concluded, in support of Morehead's views, that endeavours should be made to sell the Bon Accord property absolutely for £25,000, or, as a less desirable alternative, to lease it, retaining royalty rights over the product\textsuperscript{63}. The Directors emphasised in their Reports to shareholders in February 1852, that the company was not contemplating actively entering mining operations.

The Directors are of opinion that the company should not engage in any mining investment with the view of working them for minerals, but that the manager may use his discretion in testing or exploring such mining properties as he has already acquired, or may hereafter acquire, for the purpose of again selling or leasing.\textsuperscript{64}

The shareholders endorsed the Directors' recommendation to dispose of the Bon Accord by sale or lease, and unsuccessful attempts followed to find an interested party in Britain. The Directors said that:

\begin{quote}
From the changes consequent on the more attractive
\end{quote}

\textsuperscript{63} Bd. Ctee.Min, 1 Nov 1851, Bk.1, p.508.
operations of gold digging in Australia, the copper mines in that colony are comparatively neglected, and can only be worked at an exorbitant expense.

All mining operations at the Bon Accord property are in abeyance, although it still continues to receive the anxious consideration of your Directors. 65

From a joint meeting with the North British on 31 July 1852, instructions issued that all exploratory operations should be suspended; that the steam engine on the site, being too small, should be sold; and that the service contracts with Dailey and his three mining assistants, should be terminated on equitable terms.

In November 1852 Morehead wrote at length to the Cashiers on the position of the Bon Accord investment in relation to the developments taking place in the colonies 66. He referred to the high cost of labour in South Australia and to the discovery of gold at Bathurst and Ballarat as the main reasons making a sale of the property at a reasonable price impossible. Morehead was confident, however, that in the near future mining in South Australia would again attract interest and in particular "so attractive a property as the Bon Accord". Morehead commented that Dailey considered "Twenty Thousand pounds might be obtained for the Property if sold subject to Elder and Hall's lordship of a forty-fifth". 67 But in November 1852 the problems of the Bon Accord had been aggravated by the discovery of gold, which had removed labour from the site and development incentive from the region 68. Copper mining in Australia aroused no interest in London or in the colony.

Some years were to elapse before the Bon Accord ceased to be a distraction to the company's management. On 20 April 1857 the shareholders finally sanctioned and confirmed the sale of the company's Bon Accord interest for £12,000 cash, and 8,000 shares of £1 in the Bon Accord Copper Mining Company Limited, paid to ten shillings, and a share in the royalty interests of the property 69.

67. Ibid.
68. Young to Elder, 12 Nov 1851. Aust.L.Bk, 1848-58, p.179.
The Directors regarded mining investment as speculative, and therefore to be avoided, but the case made out by Morehead for an expansion of the company's interests into South Australia, and into mining, persuaded the Board to endorse a move they always regarded with reserve, perhaps with some suspicion. Nevertheless, they supported Morehead's judgment, although concerned by his concentration on matters of extrication and recovery, rather than on positive investment action. Four valuable years were largely negatived, and the impetus which Morehead had given to the company in the difficult early 1840s had been suspended.

Morehead's return to imaginative direction in Sydney revived progress in the company, and from 1851 the emphasis which had been given to justification of the South Australian investment programme, was gradually superseded by the grasping of new real estate and pastoral investment opportunities in New South Wales, and by consideration of the means for segregating mineral interests within an independent mining organisation.

As these shifts in management emphases were emerging in Australia, basic adjustments in organisation and policy were overhanging the direction and administration of the company in Aberdeen.

Organisational Adjustment.

In the closing months of 1852 a lively interest had developed in the company's shares. When addressing shareholders in January 1853 the Chairman felt obliged to mention this, and to emphasise the achievements of the company, and of management, in the colony. His statement was similar to a customary first response to a threat of take-over moves by an outside party. He said that it was gratifying to reflect that during all the fluctuations in value of Australian property during the past thirteen years, a regular and remunerating profit has been realised and divided by this company, averaging on the whole 6-3/4 per cent per annum since the establishment of the company.

The Chairman reminded shareholders that the Scottish Australian Investment Company had been formed for the legitimate employment of capital in a developing colony, and that it had, under cautious direction and prudent management, provided to its supporters a steady return and secure investments.

71. Ibid.
The discovery of minerals, and particularly of gold, in Australia, had attracted the attention of Europe, and the interest directed to the company was, therefore, not surprising. Capitalists recognise not only the value of the real property which this company possesses, but they know how to estimate the importance of an established concern, trained by experience, and with working machinery on the field of enterprise, only requiring the stimulus of additional capital to anticipate in some measure, the exertions of more modern schemes.

The meeting was informed that influential parties in London had approached the company with the proposition that they purchase the whole of the company's properties and interests, and remove the direction and management to London. They had further proposed that the present shareholders be allowed to take up such interests as they might wish in any new or chartered company, of which the Scottish Australian would form the nucleus. The Chairman explained that the approach was tentative, and that whether the London parties would persist in this approach, or some variation of it, remained to be seen. The partners and shareholders would be kept fully informed on all developments.

The Report included a schedule of the freehold properties owned by the company at 30 June 1852, the object being to give notice to any parties interested in the company that they were dealing with an organisation holding valuable assets with an improving market value. Of the ten properties in New South Wales, four were located in the Hunter Valley with coal potential and sound grazing capacity; four were prospective copper ore producers near Yass; and two were fertile river frontage holdings just west of Sydney with sound prospects for early capital gain. The two South Australian properties were confidently expected to produce mineral yields similar to those of Kapunda and Burra Burra. The schedule referred to the location, nature and potential, of each property, given in shortened form hereunder:

1,195 acres. Land on the Yass River in a metalliferous district, on which gold had been found.

72. Ibid.
73. Ibid.
74. Ibid.
75. Ibid., p.3.
1,095 acres. Land near Primrose Valley, Yass district, possibly containing minerals.

1,093 acres. Land on the Murrumbidgee River near Yass, within a few miles of the Good Hope copper mine.

1,095 acres. Land in the Parish of Hexham, about 2½ miles from the River Hunter, having coal prospects.

2,312 acres. Another property on the Hunter River used for grazing.

2,550 acres. Another property near the Hunter, containing some very good land.

700 acres. Matavai Estate on the Nepean River. At present leased on favourable terms.

220 acres. Land on the Hawkesbury River, of good quality, and including a water mill.

330 acres. Land in and adjoining the township of Lochinvar, near Maitland, New South Wales.

1,000 acres. Share in the Mount Remarkable Survey, South Australia.

232 acres. Share of the Bon Accord mineral property, South Australia.

400 acres. Good Hope copper mine, near Yass, New South Wales.

On 18 January 1853 a delegation of the Directors proceeded to London to meet the interested parties, and to investigate other matters of importance to the company. On their report, which was considered by the Board early in February, the proposals to take over the assets of the company were rejected, but Directors agreed that urgent consideration should be given to establishing a specialist mining company with a wide range of shareholders, to develop the company's mineral interests.76

The delegation's report included an addendum by one of its members, John Ligertwood, urging transfer of control of the company to London. He considered that the company's shares would not achieve proper recognition on the London market until the management of the company had been transferred to a London Board.77

With these discussions in mind the Board met on 15 February 1853 to

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consider amendments to the Contract of Copartnery as affected by conclusions reached in London\textsuperscript{78}. The variations considered desirable indicate how fully convinced the Directors were that the interests of the company required transfer of domicile to London. Of the eight variations endorsed, four particularly reveal the Board's reasoning:

- That power be taken to hold Annual and other meetings of the company in Aberdeen or London at the discretion of the Directors.
- That power be taken to the Directors to name a Committee or Committees of their number in Aberdeen or London for the general management of the company's affairs, delegating such powers to them from time to time as may be considered expedient.
- That power be taken to give off portions of the company's fee simple coal and other mineral lands for the formation of new or separate companies in Aberdeen, London or Australia.
- That power be obtained by the Directors to make such arrangements as they may think proper for the transference of the management of the affairs of the company to a Board of Directors and officers in London, on condition that such arrangements shall be previously sanctioned by a General Meeting of shareholders, and that the present Cashiers be duly compensated for the loss of the office they hold under the present Contract.\textsuperscript{79}

The shareholders were called together on 2 March 1853 to approve the amendments to the Contract of Copartnery, and to hear a report on the most recent developments affecting the company's future organisation. The Report emphasised that the company had participated largely in the unprecedented advance in wealth and importance which had taken place in the last two years in property in Australia. Capital had been invested in property which had made significant advances in value, and particular reference was made to Morehead's purchases, at modest cost, of several mineral properties with considerable prospects\textsuperscript{80}. The Chairman said that the position and prospects of the Company, both in the

\textsuperscript{78} Special Meeting of Directors, 15 Feb 1853. Bd.Min,Bk.1, pp.600-1.
\textsuperscript{79} Bd. Min, 15 Feb 1853, Bk.1, p.600.
\textsuperscript{80} Special GM, 2 Mar 1853. Bd.Min, Bk.1, pp.616-17.
Colony and at home, have by recent events, been changed and improved to an extent far beyond what its promoters could have ever contemplated. It began as an Investment Company seeking only to lend or invest its capital for a fair average return, and to augment such profit by various subsidiary branches of business. It is now, however, possessed of large Tracts of Land, judiciously acquired by the Manager, which apart from their Agricultural value, have been found to contain Copper and Coal, and even Gold.\textsuperscript{81}

The shareholders approved the amendments to the Contract of Copartnery which authorised transfer of the company's domicile to London, agreeing that adjustments to the organisation of the company were necessary to "afford scope for more skill, enterprise and capital, than the present company was designed to supply".\textsuperscript{82}

During the months of April and May discussions proceeded between the Board in Aberdeen, and a committee of shareholders in London under the chairmanship of William H. Dickson, concerning the most appropriate means for giving effect to the intention of the amended Contract of Copartnery\textsuperscript{83}. The London committee submitted to the Board names of persons resident in London deemed suitable to act as Directors of the company. Meeting at Aberdeen on 16 May 1853 the Directors accepted these nominations, and six of the Aberdeen Directors then retired, allowing the six London nominees to be appointed to the Board\textsuperscript{84}.

In July 1853 the company issued the last Half-yearly Report prepared in Aberdeen, for the six months to 31 December 1852.\textsuperscript{85} The disclosed net profit was £9,060, an achievement to which particular attention was invited.

The amount of paid-up capital at 31st December last, and under Mr. Morehead's management, was £68,640, on which the foregoing profit is equal to 27 per cent per annum. As upwards of £16,000 of that amount is invested

\textsuperscript{81} Ibid., p.613.
\textsuperscript{82} Ibid.
\textsuperscript{84} Bd.Min, 16 May 1853, Bk.2, 1853-56, pp.13-14. See Appendix 5.
in mineral properties, which the Directors have every reason to believe are of great value, although up to the present time they are unworked and unproductive, the amount of capital actually contributing to the profit is only £52,640, upon which the foregoing profit of £9,060 is equal to 35 per cent per annum. 86

The Directors reported that the balance of the reserved stock had been taken up among the shareholders, making the capital of the company £100,000, comprising 100,000 shares each of £1 sterling 87.

To the net profit of £9,060 earned in the colony, an amount of £2,339 was added, being the profit accruing to the home office on the placement of reserved shares retained on the company's account. The amount available for distribution was, therefore, £11,399, from which the Directors declared a dividend at the rate of 20 per cent per annum on the total capital of £100,000, requiring £10,000. The balance of £1,399 was carried forward in the undistributed profits account, the reserved fund being maintained at £5,101 88. The shareholders were informed that arrangements had been completed to transfer the direction and management of the company to London, and that Charles Grainger, one of the original Cashiers, had been appointed Secretary and Registrar of the company in London 89.

Aberdeen was the venue for a nostalgic meeting of the company on 18 August 1853, when shareholders were invited to give formal approval to a number of procedural matters concerning the change of domicile 90. The Directors referred to the decisions reached on 2 March 1853, and then summarised the business of the meeting by saying:

Since that meeting was held, an influential Board of Directors in London has been formed, and have devoted their attention to the interests of the company. All necessary arrangements of a preliminary nature have also been made for the complete transference of the management of the company from Aberdeen to London. 91

The shareholders approved the reduction in the number of Directors from

86. Ibid.
87. Ibid.
88. Ibid.
89. Ibid.
91. Ibid.
The last meeting of the old Board of Directors in Aberdeen was held on 1 October 1853. A sense of regret at losing the direction of a company which they had established and which they had brought through the difficult years of depression in the colony to a state of financial strength, pervaded the meeting. The Minutes recorded that the former Directors, and the substantial number of shareholders remaining in Scotland, would continue to feel a lively interest in the company's affairs and prosperity. On 7 October 1853 the new Board met in London and W.H. Dickson was elected chairman. The transfer of the company's domicile from its birthplace Aberdeen, to London, was complete.

92. Ibid., p.80.
Capital, Investments and Profits.

No marked change occurred in the company's affairs in 1847, but the effects of the colony's financial problems persisted. The company's position was made more difficult by the immobilising of substantial funds in longer term investments in South Australia.

Profits declined, due in part also to Morehead's decision not to charge interest on a number of accounts where the investment was unproductive, and had interest been taken to profit an equivalent reserve would have been necessary. These accounts represented a considerable proportion of total investments, and included the Bon Accord and Mount Remarkable mining ventures. While considered to be investments of considerable promise, Morehead regarded them until proved, as speculative, and, therefore, requiring conservative accounting treatment. Reflecting these circumstances, dividend distributions on operations in the half-years to December 1847 and June 1848, were reduced to the rate of 5 per cent per annum.

A number of the company's loan arrangements were adversely affected by the colony's economic difficulties. In December 1848 the Directors mentioned their concern on this account, but emphasised that in all cases where recovery of the loan in full might be doubtful formal security was held. In a few instances where the borrowers had become insolvent, the security had passed into the company's hands. In these cases the property was to be realised, and recovery of the loans without loss was expected.

The Directors' Report in July 1849 included a schedule of investments by categories, as follows:

Assets at 31 December 1848.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities held on land and livestock</td>
<td>£20,432.0.5</td>
</tr>
<tr>
<td>Houses and lands</td>
<td>47,286.8.8</td>
</tr>
<tr>
<td>Leasehold properties</td>
<td>1,164.9.7</td>
</tr>
<tr>
<td>Sheep</td>
<td>2,100.10.0</td>
</tr>
<tr>
<td>Bills discounted</td>
<td>1,321.2.6</td>
</tr>
<tr>
<td>New Zealand Debentures</td>
<td>2,289.4.5</td>
</tr>
</tbody>
</table>

95. Ibid.
97. Ibid.
Produce consigned. £56.17. 6
Mineral investments in South Australia. 3,174.15. 9
Other investments in South Australia. 7,400.15.10
Balances due by sundry individuals. 2,603. 0.11
Establishment. 113.11. 1
Cash, including balances at Banks. 1,457. 3. 7

£89,400. 0. 3.

While the capital value of the company's assets showed satisfactory growth, the net profit for the half-year to 30 June 1849, at £2,334, represented a net yield of only 6.8 per cent per annum on the paid-up capital of £68,640\(^99\). In the succeeding half-yearly periods to 31 December 1851, results varied narrowly, but were generally below those of 1848.

<table>
<thead>
<tr>
<th>Period</th>
<th>Net Profit</th>
<th>Annual Rate of Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six months ending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 June 1848</td>
<td>£2,133</td>
<td>5 per cent.</td>
</tr>
<tr>
<td>31 December 1848</td>
<td>2,467</td>
<td>6 &quot;</td>
</tr>
<tr>
<td>30 June 1849</td>
<td>2,334</td>
<td>6 &quot;</td>
</tr>
<tr>
<td>30 June 1850</td>
<td>2,059</td>
<td>6 &quot;</td>
</tr>
<tr>
<td>31 December 1850</td>
<td>1,903</td>
<td>5 &quot;</td>
</tr>
<tr>
<td>30 June 1851</td>
<td>2,044</td>
<td>5 &quot;</td>
</tr>
<tr>
<td>31 December 1851</td>
<td>2,434</td>
<td>5 &quot;</td>
</tr>
</tbody>
</table>

This was the period of Morehead's concentration in South Australia, and whereas some progress might still have been expected from the foundations laid earlier, the absence of his initiative inhibited progress in an inactive economy. Dividend distributions were kept within the company's net earnings, and regular appropriations were made to the Reserved Fund, which at 30 June 1851 stood at £2,331\(^100\). But the feeling of urgency and success which had enthused the company was subdued.

In November 1851 a comprehensive statement was circulated to shareholders informing them of Morehead's acquisitions of land believed to have coal and mineral potential\(^102\). Particular reference was made to the purchase of

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100. Half-yearly Reps., 30 June 1848 to 31 Dec 1851.
400 acres at Yass for £500, the land being well watered and suitable for grazing cattle, and on which "copper ore of a rich description is found in many places". But of more significance to shareholders was advice of the purchase of 1,095 acres near Hexham, 2½ miles from the Hunter River, on which accessible coal of good quality had been discovered. The geological report suggested the existence of several substantial seams at reasonable depths.

The statement concluded with an optimistic, although reserved comment, on the mineral potential of lands held by the company.

While the Directors are quite prepared to find that these investments, so far as a large return from minerals is concerned, may unfortunately disappoint their expectations, they regard the information they have received respecting them as very satisfactory, and such as ought to be communicated to shareholders, agreeably to a promise given at the last General Meeting of shareholders, in order that it may be taken into account in any estimate that may be formed of the present value of their shares.

Morehead had established a modest, but secure and effective earnings pattern on the limited capital available to him, by investing in assets with an assured appreciation rate, and by secured lending at fixed rates of interest. Well located real estate, such as Morehead had acquired in and around Sydney, was readily saleable at figures in advance of book values, providing the means of control over income. Investment in mineral prospects was speculative, gains in the short term being the exception, and more usually the benefits to shareholders, whether in operating profits or in capital gains from resale, were achieved only in the longer term. In November 1851 the Directors considered this question in general, and particularly as to the manner in which realisations of investments should be treated in the Balance sheet. This subject had been raised before by the auditor, who wished to remove wide fluctuations from the profit and loss account. The Directors resolved that the profits or losses arising from the sale or other disposition of investments, at a sum greater or less than the amount at which they stood

103. Ibid., p.1.
104. Ibid., p.2.
105. Ibid.
in the books, and to avoid the confusion and inconsistency which might arise by carrying such profits or losses directly to the profit and loss account, were to be placed to a separate account to be styled 'Investment Profit and Loss'. The balance in this account was to be carried forward from year to year, until the Directors, having reviewed the value of all investments, decided to transfer the balance, in whole or in part, to the reserve fund or to the profit and loss account. This decision was designed to meet the criticism of instability justly levelled at the results of colonial joint stock companies, a major cause for the lack of interest in such stock. By this procedure the Directors were able to avoid substantial fluctuations, to hold funds within the company's operations, and to establish reserves improving long term security. The Directors also established the means for exercising this control by instructing management when determining valuations for the investments, to place beside the book value, which represented the cost of the asset, the estimated realisable value at the time. In this way, the surplus or deficiency applicable to each investment, and in aggregate, was readily apparent.

Consideration of these matters as Morehead again concentrated on the development of company interests in Sydney, was an indication of the importance the Directors attached to planning for profit. When reporting to shareholders in February 1852, the Directors said that the state of the colony was greatly improved, that returning prosperity had caused distinct advances in the value of property in and around Sydney, and that these trends should, under Morehead's management, result in improved returns. Although the Board had been concerned at Morehead's diversion into mineral investment in South Australia, their confidence in his judgment was unimpaired. The shareholders were informed that there is well founded reason for believing that great success will attend the manager's future exertions.

The discovery of gold had compounded Morehead's problems in South Australia, but by dealing in gold dust he hoped to offset some of the immediate disadvantages the discovery had caused him. In September 1851 he had written at length to Elder on the impact of gold on the financial

107. Ibid., p.524.
108. Ibid., pp.524-5.
status of the colony, observing that

the influx of gold into Sydney is affecting our exchanges;
the Banks are now purchasing thirty-days bills at 2½ per
cent discount. 111

Morehead's proposals to the Board that he should be authorised to deal
in gold dust on the company's account, were considered in September and
October 1852, the Directors agreeing that the proposition was "quite safe
and likely to be remunerative". 112 The Directors' approval was consistent
with their attitude on investment generally, that where control of funds
remained with management and profit was realisable in the short term,
annual income would rise and the shareholders would benefit. Buying gold
dust for sale in London carried few risks provided the dealer's price was
competitive, and this was in Morehead's control.

In June 1853 the Directors received a report on the results of Morehead's
trading in gold to 31 December 1852. The accounts showed that Morehead
had purchased 4547 oz. 16 dwt. of gold dust for £15,253. 9.10. This was
sold in London for a net return of £17,734.13. 7, leaving a net profit of
£2,169. 9. 0 after deducting expenses of £311.14. 9 113.

The Contract of Co-partnery was due to expire on 1 November 1855, and
early in 1853 Board discussion commenced on various matters requiring
definition 114. In particular, the Directors were concerned that the
service agreements with Morehead and Young lacked permanency, and they
agreed that future arrangements with them should be independent of the
Contract of Co-partnery. Protracted correspondence ensued with Morehead
who, while accepting that the Board's proposals appeared generous,
contended that they failed to recognise the responsibilities accruing to
management in the colony as the funds available to the business increased.
Determination of the terms of new agreements with Morehead and Young was
complicated by the friction between the Directors and A.L. Elder, and
by the rejection of Morehead's strongly expressed views, which were in
accord with Elder's, that further exploration of the Bon Accord mine
should not be undertaken. The relationship between Morehead and his
Directors at Aberdeen had become strained, and although the Directors
accepted Morehead's contentions on the increasing responsibility of

Appendix 15.
114. Bd.Min, 3 Jan 1853, Bk.1, p.561.
management in the colony and agreed to revise the basis of entitlements, finality had not been reached by 1 October 1853 when control of the company was transferred to London.

The newly appointed Directors in London urgently considered the matter of the agreements with management, as they had before them "qualified" resignations from Morehead and Young. Under instructions from the Board, Grainger wrote to Morehead on 25 November 1853 emphasising that the Directors in London were well aware of the differences of opinion which had developed between management in the colony and the Directors in Aberdeen "in some very important particulars".

Grainger said that the Directors wished to remove all feelings of dissatisfaction and annoyance, not only by endeavouring cordially to second and as far as possible give effect to the views and suggestions and plans, that may from time to time be entertained by you in the management of the Company's affairs - but in rendering your position as its Manager as comfortable and satisfactory and remuneration as liberal and commensurate as they may be able or feel justified in doing.

Grainger further indicated the Directors' concurrence with Morehead's opinion that the Good Hope and the Bon Accord properties should be sold as soon as financial and political circumstances in Europe allowed the Directors to promote public interest in such enterprises. The Directors assured Morehead of their support for an enlarged agency business, and undertook to investigate the colony's coal industry.

With this background of weakened confidence in relationships between the Board and colonial management, the Directors, in January 1853, again considered Morehead's persistent requests for further working capital. They resolved that the capital of the company should be increased by offering the whole of the reserved stock of 31,360 shares, each of £1, to the present shareholders in proportion to present holdings.

Improved results were reported for the half-year to June 1852, and the

115. Ibid., p.561.
118. Ibid.
119. Ibid.
120. Ibid., p.6.
121. Ibid.
122. Bd. Min, 7 Jan 1853, Bk.1, p.568.
dividend was raised to the rate of 7½ per cent per annum. It was during this meeting that the Chairman revealed to shareholders that influential parties in London had proposed purchasing the company, and that the Directors had been considering the desirability of transferring domicile to London. In these circumstances an optimistic note was important, and the improved net profit of £3,129 appropriately justified the increase in dividend. The Chairman expanded his comments on the results by saying:

The profits abovementioned consist entirely of the current annual revenue of the company actually realised, and totally irrespective of the enhanced and increasing value of their properties. And it will be seen that the net profit exceeds the rate of nine per cent per annum on the paid-up capital stock, although only seven and a half have been declared. This profit, moreover, has been derived notwithstanding that the sum of £16,474. 1.10, or nearly one-fourth of the capital stock, is invested in mineral and other country lands which, although of great promise, have been hitherto almost wholly unproductive; the whole return therefrom during the half year being only £131.19. 8; so that the net profit is nearly eleven and a half per cent on the proportion of the capital represented by the income yielding investments.

The six months immediately following the Twelfth Annual General Meeting were most significant to the future of the company. The proposals to take-over the company's assets were rejected, and arrangements were made to transfer the direction and management of the company to London; capital was increased to £100,000, and the dividend for the half-year to December 1852 was increased to the rate of 20 per cent per annum. The company confidently moved to London.

The company's Thirteenth Annual Report was delivered to shareholders in London in January 1854. Profits had been well maintained permitting payment of a dividend for the half-year to June 1853 at the rate of 15

124. Ibid.
THE CLEVELAND ESTATE IN THE LATE 1860s
per cent per annum\textsuperscript{126}. The theme of the Report was that of confidence that the company's resources in the colony would develop more rapidly in the years immediately ahead, and that annual returns from investments would steadily improve\textsuperscript{127}.

The additional capital of £31,360 raised early in 1853, did not reach Morehead until after 30 June 1853, but being aware that these funds would be available to him, he initiated moves to acquire interests in well situated building allotments, and other properties in and near Sydney\textsuperscript{128}. During the year Morehead had invested nearly £40,000 in property, including 13 acres of the Cleveland estate adjoining the terminus of the nearly completed Parramatta Railway, and 16 acres known as the Lyndhurst estate about Glebe Bay\textsuperscript{129}. Several other smaller building allotments had also been acquired, and all were showing appreciation in value over cost. Land near Sydney, which had been purchased for home sites and market gardens, now presents itself in very different character, namely as the sites of future streets and squares, and it is likely that Mr. Morehead will ere long cut up and sell by the foot some of the land which he has recently bought by the acre.\textsuperscript{130}

In March 1854 Grainger informed Morehead of the Directors' optimistic view of real estate investment in and around Sydney. They considered that the value of this property would increase substantially as emigration would cause rapid growth in the population of the township\textsuperscript{131}.

When reporting the purchase of the Lyndhurst estate, Morehead had informed the Directors that a project was on foot which would greatly add to the value of that property, namely the construction of two bridges linking Glebe with the centre of Sydney, one across Darling Harbour, and the other across Black Wattle Swamp\textsuperscript{132}. The Prospectus for The Pyrmont and Glebe Bridge Company reached the Board for consideration in March 1854 with

\textsuperscript{127} Ibid., p.138.
\textsuperscript{128} Ibid.
\textsuperscript{129} Ibid., p.139.
\textsuperscript{130} Ibid., p.140.
\textsuperscript{131} Grainger to Morehead, L.No.132, 1 Mar 1854. L.Bk, Directors to the Manager, 1853-60, p.28.
\textsuperscript{132} Morehead to the Directors, 25 Jan 1853. Unbound letter, Various Correspondence, 1843-69. Foundation Documents - Early Correspondence.
a recommendation from Morehead that, as the bridges would directly benefit the company, investment in the network of bridges and roads was desirable.

Morehead sought to redress the erosion of progress and profit by mineral speculation and the South Australian diversion, through investment in Sydney property so situated as to ensure rapid capital growth and ready realisation. The Cleveland and Lyndhurst estates met the criteria admirably, and Morehead considered investment in the bridges to be justified by the greatly increased interest in development around Glebe 133.

The Directors' Report in August 1854 included a statement of the company's affairs in the colony at 31 December 1853, summarised hereunder: 134

Funds Provided.
Including the half-year profit at 31 December 1853. £139,001.13. 4.

Funds Represented By.
Freehold properties, land and houses. £63,687. 3. 5
Mineral properties. 9,569. 3. 0
Securities in land and stock. 60,447. 3. 3
Balance at Banks. 3,303. 3. 5
Sundries. 1,995. 0. 3

£139,001.13. 4.

The net profit for the half-year was £19,714, achieved without earnings from the considerable investment in the mineral properties and other holdings still unproductive 135.

In November 1853 the Directors decided that, whatever the company's net profit might be, the dividend would not exceed 20 per cent per annum. They hoped, however, that the increased value of the Properties of the Company so judiciously managed will always enable them to exhibit such Profits as would justify them, if deemed

133. Bd.Min, Bk.2, 1853-56, p.139.
135. Ibid., pp.195-6.
advisable to declare a Dividend to that extent. 136

Grainger advised Morehead of the dividend policy, and that the Directors had resolved to invest about £6000 in England to allow the Board immediate access to assets of this value 137. The probability that this figure would be raised to about £15,000 as opportunity occurred, was mentioned to Morehead in a letter which closely followed Grainger's first reference to the matter 138.

Although not directly stated, the intention appears to have been to establish a dividend equalisation fund in London, held in realisable securities, providing reserves for the payment of dividends in London should unforeseen interruptions occur to remittances from Australia.

The Directors, sensitive to the need to maintain dividend distributions and concerned at the amount of capital lying idle in mineral bearing properties, had previously resolved that the Good Hope, Bon Accord and Hexham Coal Field interests, should be sold as soon as conditions in Europe allowed investor interest in such mining ventures 139. Early in 1854 Grainger recorded that, in the view of the Board, "if the time has not yet fully come, it is probably fast approaching when these "Properties" must be turned to account". 140

The shareholders were informed that the Board and management were still considering plans for dealing with the mineral properties, but that progress depended upon an improvement in the labour market in the colony, and in the money market in Europe 141. The Directors said that two objects in particular would be kept in mind in this planning; firstly, to preserve the character of the company as an investment organisation, keeping it free from mining speculation through the medium of separate companies; and secondly, to secure to the shareholders the greatest possible benefit from the mineral investments without directly engaging in mining operations 142.

137. Ibid., p.9.
138. Grainger to Morehead, L.No.228, 2 Dec 1853. L.Bk, Directors to the Manager, 1853-60, p.12.
139. Notes 117,120, supra.
140. Grainger to Morehead, L.No.230, 3 Feb 1854. L.Bk, Directors to the Manager, 1853-60, p.22.
142. Ibid.
The Board had, however, considered the desirability of again extending the capital available to Morehead, although convinced that any attempt at that time to raise funds for a new venture, such as a corporate mining undertaking, would not receive public support. Grainger made pertinent observations to Morehead on this subject in May 1854.

You will I am sure, readily understand that the War now going on, and which I fear is but beginning, has not only greatly changed the state of the money market, and the value of money, but has made all pecuniary arrangements of a permanent or prospective nature, a matter of difficulty and uncertainty. Several companies connected with Australia, coal, steam and so on, have lately been recommended by their respective Boards to be wound up, and that advice has been eagerly adopted by their share-holders.  

Morehead, sensitive to the possibility that deteriorating conditions in Europe could deny capital to the colony and cause a repetition of the financial events of the 1840s, directed a short but cogent comment to Elder on this subject advising caution in the lending of funds.

I suppose matters with you are pretty much as with us. Money very abundant, and real property much risen and rising. There is in these colonies a large solidity of real wealth and prosperity, but round this is to be blown a large bubble which, by and bye, will of course, burst.

In these unpredictable times the Directors gave careful consideration to Morehead's request that "largely increased pecuniary facilities should be afforded" to him to extend the company's interests. They decided to increase the investment capacities and operations of the existing company, deferring the question of a separate mineral venture until opportunities for raising capital were more favourable. They recommended to the shareholders in August 1854, that the original capital stock of the Scottish Australian Investment Company of £100,000 sterling, be increased

143. Grainger to Morehead, 9 May 1854. L.Bk, Directors to the Manager, 1853-60, p.51.
145. Morehead to Elder, 7 July 1853. Aust.L.Bk, 1848-58, p.204.
146. Grainger to Morehead, L.No.240, 3 June 1854. L.Bk, Directors to the Manager, 1853-60, p.53,
by the issue of 100,000 new shares of £1 sterling each, to be issued at
par and offered to existing shareholders, proportionately to their
present holdings. The first instalment of 5/- per share would be payable
on 1 September 1854, further calls not to exceed 5/- per share nor to
occur at intervals of less than three months.

In November the Directors considered a schedule of the properties owned
by the company on 14 August 1854, providing a comparison of cost with
realisable values and rentals received. The schedule is summarised in
the following table:

| Market valuation. | £157,659 |
| Cost shown in the Balance Sheet. | 84,193 |
| Rentals, per annum. | 4,553 |

The growth in value in the company's properties was 87 per cent, and the
rentals represented 5½ per cent per annum on total cost. A strong
capital, but unsatisfactory earnings, situation.

The profitability of the company had, however, been improved; the increase
in asset value was considerable and continuing; the dividend rate was
being held at 15 per cent per annum; and Morehead was directing a
profitable investment programme. The following table summarises operations
from 30 June 1852 to 31 December 1855.

<table>
<thead>
<tr>
<th>Period</th>
<th>Net Profit</th>
<th>Annual Rate of Dividend</th>
<th>Paid-up Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six months ending.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 June 1852</td>
<td>£3,129</td>
<td>7½ per cent.</td>
<td>£68,640</td>
</tr>
<tr>
<td>31 Dec. 1852</td>
<td>11,399</td>
<td>20 &quot;</td>
<td></td>
</tr>
<tr>
<td>30 June 1853</td>
<td>9,228</td>
<td>15 &quot;</td>
<td>£100,000</td>
</tr>
<tr>
<td>31 Dec. 1853</td>
<td>19,714</td>
<td>15 &quot;</td>
<td></td>
</tr>
<tr>
<td>30 June 1854</td>
<td>6,883</td>
<td>15 &quot;</td>
<td></td>
</tr>
<tr>
<td>31 Dec. 1854</td>
<td>8,822</td>
<td>15 &quot;</td>
<td>£125,000</td>
</tr>
<tr>
<td>30 June 1855</td>
<td>8,590</td>
<td>15 &quot;</td>
<td></td>
</tr>
<tr>
<td>31 Dec. 1855</td>
<td>11,672</td>
<td>15 &quot;</td>
<td>£150,000</td>
</tr>
</tbody>
</table>

149. Half-yearly Reps., 30 June 1852 to 31 Dec 1855.
The Mining Company proposals.

In January 1855 the Directors issued a Circular to shareholders detailing proposals for the formation of a new and independent company to take over and develop the company's mineral properties. The Circular explained the scheme which had been suggested by Morehead and fully endorsed by the Directors. Shareholders were requested to notify the Directors of their reactions to the proposals before 26 January. The replies established that a considerable majority of shareholders would support the early formation of the proposed mining company. Before finalising their Fourteenth Annual Report the Directors were, therefore, aware of shareholder views, and the wording of the Report was influenced accordingly. While dealing specifically with the affairs of the company in the half-year to 30 June 1854, it ranged widely over the company's activities, and raised important issues for the shareholders' consideration.

The Directors referred to the revised capital position, the whole of the new stock having been immediately taken up, increasing capital to £125,000 sterling. They explained that profits could fluctuate materially in successive half-years, depending "on opportunities presenting themselves of realisation or postponement of profit", and that to control this situation by equalisation of dividends, the policy had been adopted of increasing the Reserved Fund and maintaining the Investment Profit and Loss account.

Morehead had suggested that the new company should have a capital of £100,000, the shares being offered proportionately to the holders of both old and new shares in the Investment Company. He proposed that for the sum of £25,000, and subject to retention of agreed royalties on production, the Scottish Australian Investment Company should transfer the undermentioned properties to the proposed Mining Company:

- 500 acres, the Good Hope copper mine on the Yass River.
- 1,093 acres, on the Murrumbidgee River.
- 1,150 acres, on the Yass River.
- 1,244½ acres, on the Queanbeyan River.

152. The Circular to Shareholders, dated 19 Jan 1855, was included as an Appendix to the Notice for the Fourteenth AGM.
154. Ibid., p.280.
1,095 acres, at Hexham on the Hunter River.  
The company's interest in the Ash Island coal field of 5,000 acres on the Hunter River.  
Thirty-six allotments at Newcastle, on the Hunter River.  
Two allotments, of 9 and 15½ acres respectively, on Mosquito Island in the Hunter River.  

The proposals were fully considered by the shareholders, who resolved:

That this meeting approves the formation of a Mineral Company in terms of Mr. Morehead's suggestions, and that, the Directors be invited to submit a scheme for approval of the proprietors in the shape of a prospectus - It was generally understood by the Meeting that the Directors should refrain in the meantime from issuing a prospectus unless they should receive prior to 15th March next, a sufficient number of applications for shares to justify them in putting the proprietors to the expense of a prospectus.  

Immediately after the meeting Grainger wrote to Morehead to inform him that "the suggestion of the New Company seemed generally to be very well received". He expressed as his personal view that the proposed company would probably soon be established, although later he added that this observation might have been unduly optimistic.

As applications were received for only 50,262 shares of the 100,000 proposed, enthusiasm for the Mining Company was replaced by caution. Morehead was greatly concerned by the delay and the Board's reluctance to proceed, holding strongly to the view that the company should not be deterred from engaging in the coal trade of the colony. But in June Grainger was not encouraging in his communications with Morehead, observing that the formation of the new mineral company "remains a good deal a matter of uncertainty".

155. Ibid., p.283.  
156. Ibid., p.286.  
158. Ibid.  
160. Morehead to the Directors, 6 Mar 1855. Unbound letter, Various Correspondence, 1843-49. Foundation Documents - Early Correspondence.  
161. Grainger to Morehead, L.No.258, 4 June 1855. L.Bk, Directors to the Manager, 1853-60, p.96.
Morehead's optimism even in the more difficult and speculative periods in the colony did, however, encourage the Directors to take action to extend the company's investment base. In April 1855 the Board called five shillings per share of the new stock, payable by 2 August, and in October a further call of five shillings was made, payable on 5 February 1856.\textsuperscript{162}

These calls met a favourable response and added £50,000 to the company's paid up capital.

Morehead had urged the Directors to consider raising capital by means of debenture borrowings at fixed rates of interest and for nominated terms. In July 1855 Morehead was advised that the Directors appreciated and accepted his suggestions, subject to confirmation that no legal difficulties were involved.\textsuperscript{163} In their Half-yearly Report to shareholders on 21 July 1855, the Directors recorded their intention to extend the means for raising funds by utilising debenture borrowing as an acceptable method for obtaining medium or long-term funds at reasonable cost.

Your manager in the Colony, having satisfied your Directors that further funds to a considerable amount can be invested in the Australian Colonies with perfect security at high rates of interest, without any additional expense to the Company, they have it in contemplation to place at his disposal enlarged pecuniary facilities, and to do so in the first instance by issuing Debentures at a moderate fixed rate of interest for specified periods; rather than by increasing the Capital Share Stock of the Company.\textsuperscript{164}

As required by the Contract of Copartnery, the shareholders met in August 1855 to confirm agreed amendments to the Deed.\textsuperscript{165} Rather unexpectedly, the motion to extend the term of the Contract for fifteen years from 1 November 1855, which had been regarded as a routine matter, was the subject of considerable debate, the shareholders questioning whether it was advisable to extend the Contract for so long a term at a time when the company was changing and expanding. As a consequence of this discussion,

\textsuperscript{162} Bd.Mins, 13 Apr, 19 Oct 1855, Bk.2, 1853-56, pp.308,367.
\textsuperscript{163} Grainger to Morehead, L.No.260, 16 July 1855. L.Bk, Directors to the Manager, 1853-60, p.99.
the term of the Contract was extended for one year only, and a committee of shareholders was appointed to collaborate with the Board on further amendments to the company's constitution, and to consider whether the recently passed Limited Liability Act could with advantage be applied to the company.\textsuperscript{166}

In their Annual Report in January 1856 the Directors advised that the state of affairs in the Australian colonies, as was to be expected in all new countries, had shown sudden and unexpected changes\textsuperscript{167}. The first half of the year 1855 had been unfavourable to the safe and profitable employment of funds, as over speculation and super-abundant importation of merchandise, had been followed by the usual reaction, and rents, for the time, had fallen considerably.\textsuperscript{168}

Morehead had prudently anticipated the economic change in the colony, and had varied the composition of the company's investments\textsuperscript{169}. While the mercantile and finance interests of the colony had been depressed, pastoral and agricultural undertakings were expanding. Morehead, therefore, increased his short term or seasonal lending to the primary producer, ensuring early recovery of loan funds for redeployment in investments of more permanent character, and particularly in the acquisition of well situated, undeveloped, freehold land\textsuperscript{170}.

Despite the financial recession, the Directors endorsed Morehead's enthusiastic comments on the progress achieved in the colony: The Newcastle to Maitland railway was nearing completion; the Sydney to Parramatta railway had been opened for traffic, greatly increasing the value of the Cleveland estate, which had already been subdivided into building allotments; the two bridges connecting the Lyndhurst estate with the centre of Sydney were due for early completion, and satisfactory sales of small allotments had already been made from that estate\textsuperscript{171}.

In their Half-yearly Report of July 1855 the Directors had referred to the Cleveland and Lyndhurst Estates as valuable investments. Both properties had been surveyed for housing developments and sales of allotments had been

\begin{itemize}
\item \textsuperscript{166} Grainger to Morehead, L.No.262, 21 Aug 1855. L.Bk, Directors to the Manager, 1853-60, pp.101-3.
\item \textsuperscript{168} Ibid., p.640.
\item \textsuperscript{169} Ibid., p.643.
\item \textsuperscript{170} Ibid.
\item \textsuperscript{171} Ibid., pp.643-4.
\end{itemize}
made. Portions of the Lyndhurst Estate, which had cost the company 35/- a frontage foot, had been sold under keen competition for £5. 5. 0 a foot. 172

A year later the Directors made particular reference to the Cleveland Estate, in which the company's interest had been increased to five-eighths. The Directors reported that about one-third of the company's holding in the property had been sold for £7 a foot, compared with an average cost of "rather less than £5 per foot", a result considered to be "very satisfactory". 173

The change in investment emphasis is shown in the following comparative table: 174

<table>
<thead>
<tr>
<th>Date</th>
<th>Total Assets. £</th>
<th>Total Land and Houses. £</th>
<th>% of total Land and Houses</th>
<th>Securities over Land and Stock. £</th>
<th>% of total assets.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 1851</td>
<td>87,378</td>
<td>59,353</td>
<td>68</td>
<td>12,496</td>
<td>14</td>
</tr>
<tr>
<td>Dec 1853</td>
<td>139,002</td>
<td>63,687</td>
<td>46</td>
<td>60,447</td>
<td>43</td>
</tr>
<tr>
<td>Dec 1854</td>
<td>158,550</td>
<td>70,589</td>
<td>46</td>
<td>43,909</td>
<td>28</td>
</tr>
<tr>
<td>June 1855</td>
<td>172,120</td>
<td>67,142</td>
<td>39</td>
<td>80,303</td>
<td>47</td>
</tr>
<tr>
<td>Dec 1855</td>
<td>224,312</td>
<td>57,620</td>
<td>25</td>
<td>120,259</td>
<td>54</td>
</tr>
</tbody>
</table>

During August 1855, Morehead directed several reports to the Board giving his views on affairs in the colony and their impact on the company's investments.

There appears, notwithstanding a general tightening of the money market, somewhat of an increased disposition lately to purchase building allotments. We expect, ere long, to dispose of some of our allotments at Cleveland, Surry Hill, Ann and Bourke Streets. Those in Phillip Street seem at present, likely to move off at profitable rates, but these are, I think especially safe to hold. Our Lyndhurst allotments are beginning to be taken off in a satisfactory manner and at very profitable rates,

Morehead had substantially increased the volume of lending on wool, livestock and rural lands, and in this segment of the company's operations he saw considerable scope. These loans were normally short term and well secured, and were regarded by Morehead as providing "a very advantageous class of operations". Morehead had consistently supported the provision of loan funds to wool and livestock producers, and from the company's viewpoint the policy had been beneficial. In 1846 Morehead had recorded that on advances to sheep owners he was charging 2½ per cent commission, interest at the rate of 8 per cent per annum, and an additional 2½ per cent commission on the proceeds of wool under lien to the company when the wool was sold in the colony.

The Pyrmont Bridge project had attracted Morehead's interest because of its impact on the resale value of the Lyndhurst estate, and the general improvement in access to the City from the suburbs developing on the westward side along the Parramatta River. The Board considered the prospectus and Morehead's submission in May 1856, but without enthusiasm because of unfavourable experiences with bridge investments in Britain. The Secretary, however, informed the Board in June, that the company had a commitment, as it appeared from the February accounts that the Manager had taken on behalf of this company 400 shares of £5 each in the Pyrmont Bridge Company at Sydney, which has for its object the erection of two bridges across Darling Harbour and Black Wattle Swamp, and the formation of a road from the locality where the company's property known as Lyndhurst estate is situated, on the west side of Sydney, direct to the centre of the city, and that he had paid the deposit of £1 per share on the said shares. It was also explained that the Pyrmont Bridge Company had obtained an Act of Incorporation, and that the Manager stated that the improved and

177. Morehead to Stronach and Grainger, L.No.150, 14 Feb 1846, p.2. L.Bk. 1843-47.
nearer access thus proposed to be obtained would largely enhance the value of Lyndhurst, and that he had become one of the Directors and Vice Chairman of the Bridge Company.\textsuperscript{179}

Morehead's action in committing funds to the Pyrmont Bridge enterprise was reluctantly endorsed by the Board, as in May 1854 they had expressed the view that based on experience in Britain such an investment was unlikely to prove profitable\textsuperscript{180}. But Morehead, visualising the significance to Sydney of the whole scheme and appreciating its impact on the Lyndhurst estate, had decided that this situation was so different from experience in England that the Board's reserve was unimpressive.

In July 1856 the Directors issued their Report for the half-year to December 1855, commenting that the difficulties which had confronted investors in the colony in the first six months of the year had continued during the December period\textsuperscript{181}. Sellers of real estate had outnumbered buyers forcing prices lower, and a financial recession had resulted. The opening months of 1856 had, however, produced a marked change; the harvest had been good, gold exports had increased, and an impression of progress and prosperity was emerging\textsuperscript{182}.

The company's Balance Sheet, based on figures for the colony to 31 December 1855 and for Britain to 30 June 1856, is summarised hereunder:\textsuperscript{183}

\begin{tabular}{ll}
Funds Provided. & \\
Original capital. & £100,000. 0. 0 \\
New shares - instalments less \hspace{1cm}
\hspace{1cm} calls not paid. & 74,399. 5. 0 \\
Reserved Fund and dividend account. & 17,793.18. 5 \\
Bills payable in the colony. & 15,725. 0. 0 \\
Balance due on open account in \hspace{1cm}
\hspace{1cm} the colony and at home. & 16,393.19.11 \\
\hline & £224,312. 3. 4 \\
\end{tabular}

\textsuperscript{179} Bd.Min, 27 June 1856, Bk.2, 1853-56, p.696.
\textsuperscript{180} Grainger to Morehead, 9 May 1854. L.Bk, Directors to the Manager, 1853-60, p.51.
\textsuperscript{182} Ibid., p.711.
\textsuperscript{183} Ibid., pp.712-13.
The Directors' comments on the proposed Mining Company were, on this occasion, more encouraging from Morehead's point of view. The Directors said that they had

long been anxious to establish separate Companies for working your Mineral Properties, and the period seems now approaching when they hope to be able to accomplish this desirable object; the supply of labor in the Colony having increased, and its cost materially diminished.

R.A.A. Morehead.

On the transfer of direction of the company to London in October 1853, the incoming chairman, W.H. Dickson, wrote to Morehead in an endeavour to re-establish the basis of confidence and cooperation which had characterised the relationships between management in the colony and the Directors in Aberdeen prior to the dissension of 1853185. Dickson's letter of 14 October 1853 and Grainger's of 25 November 1853, were intended to establish with Morehead that the London Board's objectives were "to develop and extend the resources and operations of the company",186 and to provide to Morehead employment conditions "as liberal and commensurate as they may be able or feel justified in doing".187

184. Ibid., pp.716-7. The Scottish Australian Mining Company was not established until January 1859.
185. Notes 115 to 119, supra.
Morehead's strength of character and independence of attitude were probably not at once understood by the new Board in London. Although in November 1853 Grainger had advised Morehead that the London Directors were fully aware of the reasons for his 'qualified resignation' from the company, the depth of Morehead's feelings on the complexities of the South Australian venture could not have been measured from the written records. But the Directors keenly appreciated the importance to the company's future of Morehead's ability, experience and standing in the colony's financial circles.\(^{188}\)

The conditions to be offered to Morehead were most carefully considered by the Directors, and transmitted to him in March 1854. The Directors said that they were:

> unanimously of opinion that the principle of making your Remuneration depend, partly on the Profits resulting from your Management, is not only equitable towards you - especially as the assets of the Company have increased and are likely to increase in value - but is sound in itself otherwise - and ought to enter into the Agreement which they hope now to form with you.\(^ {189}\)

But Morehead considered the Board's proposals to be inequitable both to him and to Young, having regard for the increased capital of the company and the greatly extended responsibility imposed on management in Australia.\(^ {190}\) Although the Directors were irritated by Morehead's claims, Dickson's reply ensured that personal relationships were not jeopardised. Advised by Grainger, the Directors agreed to a letter which was conciliatory in tone and generous in its proposals. Dickson wrote that the Directors deeply regret that our offers for your remuneration have not given you that satisfaction which we anticipated. The Board were unanimous in their wish to act towards you with the utmost liberality consistent with their duty to the shareholders, and with this view they will make a further final attempt to meet your views.\(^ {191}\)

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188. Grainger to Morehead, L.No.233, 2 Mar 1854. L.Bk, Directors to the Manager, 1853-60, pp.32-4.
189. Ibid., p.32.
190. Morehead to Dickson, 19 July 1854. Referred to in Dickson to Morehead, 6 Nov 1854. L.Bk, Directors to the Manager, 1853-60, p.73.
191. Dickson to Morehead, 6 Nov 1854, supra, pp.72-3.
The main provisions in this final proposal were a fixed annual salary of £1,000, instead of a salary fluctuating from £600 to £1,000 according to profit figures, and entitlement to commission on earnings from the whole of the company's capital as instalments were called 192.

The capital having been increased to £125,000, which may be further augmented to £150,000, the Board propose, with the view of meeting all objections that might be urged by you on the score of extension of capital diminishing your commission, to continue to you the same rate of commission on the net profits as heretofore. 193

Morehead accepted these conditions, and the matter was finalised by Grainger's despatch in April 1855 acknowledging Morehead's approval of the terms of his new agreement as manager of the company 194.

Morehead's letters as the year 1855 drew to a close, reflected the confidence and enthusiasm which had pervaded his reports to Aberdeen fifteen years before.

As respects the bearing of the change you have noticed in the European money market on the affairs of this company, it will, I do not doubt, increase the reaction which I have long with certainty anticipated, in the general estimation in which shares in Australian companies, as a class, are held in Britain; and hence it may, to some extent, affect the selling price of our stock. I trust, however, this temporary tightness in the European money market will not be allowed to operate permanently in preventing the extensions of our financial arrangements which I have had frequent occasion to press on the consideration of the Board, and which I think so greatly called for, in order to enable us to conduct our business in the most advantageous manner. 195

Morehead was referring both to his wish to see the independent Mining Company established, and his conviction that the raising of funds by borrowing on company secured debentures was possible and appropriate. He

192. Ibid., p.73.
193. Ibid.
194. Grainger to Morehead, 3 Apr 1855. L.Bk, Directors to the Manager, 1853-60, pp.91-2.
said that any competent person making himself acquainted with our affairs, would not fail to form a favourable opinion as to our position and prospects, and that, therefore, no ground will be found for any want of confidence as to our soundness, but that all we shall have practically to contend against will be the circumstance of money, on your side, being scarcer than it has been for some time back.

In this state of matters, I shall consider it only reasonable to be prepared for some delay in fully carrying out the suggestion as to subsidiary capital which I have ventured so strongly to urge on the Board. 196

In times of financial austerity, even of economic depression, Morehead looked ahead for growth prospects, seeing in current events, whether or not immediately favourable, opportunities for profitable occupation of capital. On the changed and changing financial situation in the colony, he reported that

on the whole money seems to grow scarcer here, and we find more good investment by way of loan coming under our notice than we are able by any means to take up; and I expect this state of matters to continue for some time, and that favourable purchases also will be attainable, while advantageous sales will be less frequent. 197

The financial problems which beset the Australian Agricultural Company and the Van Diemen's Land Company were well understood by Morehead as a banker and pastoral financier. Their difficulties were mainly due to the necessary and long-term commitment of a substantial part of their paid-up capital in improvements which did not immediately contribute to income. Whether or not the improvements were extravagant matters little, the unavoidable need being for substantial fixed investment to establish operations before action could be taken to generate income. Exploration, survey, roads, bridges, houses, storage sheds and wharves, all drained the

196. Ibid., p.718.
initial resources of the pastoral companies, capital so expended being immobilised yet adding to the total of funds employed on which an operating profit was to be achieved. Pastoral production was in itself somewhat speculative, the variable factors of seasons and prices being beyond the control of management. Costs of production inevitably rose in an economy with a continuing labour shortage, and at the same time income could decline through the impact of drought on production or of depressed demand on prices. The complex problem of the pastoral companies was servicing the heavy capital commitment from uncertain earnings 198.

Morehead did not have to contend with these problems. Apart from investments in mineral bearing properties which temporarily immobilised capital, the company's funds were employed in short term fixed interest securities and in realisable real estate purchases. Advances against future proceeds from the sale of wool and livestock were conservative and seasonal, and repayment was not endangered by the vagaries of seasons and prices. The demand for loan funds in the colony ensured that interest rates were favourable. Regular income was, therefore, assured to the company, and capital growth was represented by the appreciation in value of well located property in and adjacent to Sydney. The company's funds were flexible and secure, and profits were achieved and dividends paid even during periods of depression in the colony.

Fixed interest borrowing was favoured by Morehead as a means for raising capital. He would have been aware of the successful use of debenture borrowing by the Canada Company to avoid recourse to shareholders. Where income was adequate to service the interest liability, and the objective was to improve and sell assets realising the capital increment, returns to shareholders benefited from the policy of fixed interest borrowing. Morehead was convinced that funds so borrowed could have been profitably utilised by the Scottish Australian Investment Company.

Through his involvement in diverse forms of investment in Australia, in which experience was limited and success or failure depended on personal assessment and judgment, Morehead showed sensitive appreciation of people and circumstances. He avoided the depression of a transient phase by his confidence in, and understanding of, the varied resources of the colony. The year

198. The growing understanding among British investors of the vulnerability of the pastoral companies to adverse seasons is evident from the London Stock Exchange quotations in Appendix 7.
1855 had presented a sequence of problems to the investor in Australia, and to the user of borrowed funds. It was a time in which flexibility of attitude depended on enthusiasm for the future, a stage in the progress of the Australian colonies when Morehead felt it appropriate to exhort his Board by saying:

The Directors will, I trust, not forget that so long as production goes on, such periods of depression can only be temporary, and must be succeeded by the usual and necessary reaction. 199

INVESTMENT RETROSPECT.

In this country wild lands may be considered raw material, and unless something is done to prepare them for cultivation, they remain on hand unsaleable and useless.\(^1\)

The successful settlement of the Huron Tract by the Canada Company was the subject of this observation in 1845. The comment was, however, applicable to all unutilised colonial resources capable of economic development. The British joint stock companies formed with investment objectives in Australia and Canada, linked capital, land and people, to exploit the agricultural and mineral potential of the colonies in the interests of both colonists and shareholders. Capital was provided directly through expenditure by the companies on development and investment, and by secured lending of funds to colonists to assist in their establishment or progress\(^2\).

The introduction of essential resources of capital and labour through these companies, influenced the rate and direction of the colonies' economic growth. Substantial investments were made in exploration, surveying, sub-division of lands, and in road and bridge building, from which early returns could not be expected. The new settlements had to be prepared for occupation, involving further substantial expenditure on dwellings, barracks, facilities for education and worship, and on the maintenance of employees and tenants until the settlements were self-sufficient.

Well bred cattle, sheep and horses, were imported from Europe into New South Wales and Van Diemen's Land, and provision made for their management. Stables, shearing sheds, stores and barns were built at appropriate locations, and cottages were erected on the out-stations. Harbours were constructed and shipping communication established with the new settlements. Immigration and settlement of British people was promoted and subsidised\(^3\).

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2. See Chapters 2, Notes 125, 191; 6, Note 83; 7, Note 98; 9, Note 107.
3. See Ch.7, Note 98.
Despite the substantial commitment of capital in the preparation of unoccupied lands for settlement and production, the Australian Agricultural Company, the Canada Company, and the Van Diemen's Land Company, were confident that in the longer term shareholders would be rewarded by the increase in value of the company's property, by profits from agricultural and mineral production, and by assured returns from the leasing and sale of land.\(^4\)

Initially, however, investment in the colonies involved risks of inexperience, uncertainty, remote direction, high rates of expenditure and low income. Although the companies provided the initiative for land settlement and development, their shareholders were not immediately rewarded.

While experience in the colonies was limited and the need for funds was great, the joint stock companies were tolerated as appropriate vehicles for introducing capital. But the colonial authorities and the colonists regarded them with reserve, perhaps even with suspicion. The Canada Company was described by one contemporary writer as "an illustration of the beneficial working of corporate bodies in the distant possessions of the Crown"\(^5\), but even in Upper Canada the temper of government and settlers was critical of any organisation deriving influence and advantage from the Colonial Office in London.

In the Australian colonies the two pastoral companies were regarded as 'injurious monopolies', whose influence was prejudicial to the land rights of future settlers. To the individual emigrant the companies represented the privileges of inequitable influence with the Colonial Office. The companies were seen not as developers of waste lands for productive purposes, but as absentee landlords isolated from the practical problems of the colony and jeopardising the interests of smaller graziers and farmers. They were regarded as powerful capitalists manipulating the flow of capital to the colony with little thought for the effect of their decisions on the colonists. The smaller livestock owner with limited capital was apprehensive lest the larger pastoralists, both company and individual, should so influence livestock prices as to exclude him from the market.

The Australian Agricultural Company's practical monopoly of coal production in the colony was further cause for criticism and hostility. The Scottish Australian Investment Company was grouped with the British finance institu-

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4. See Chapters 7, Notes 147,149; 9, Note 139.
5. Macleay to Parry, 27 July 1832. HRA. I,xvi, 742.
   Bourke to Goderich, 17 Sept 1832. HRA. I,xvi, 732.
   See Chapters 4, Note 44; 7, Notes 55,99; 8, Note 52.
   See also, R.M. Hartwell, op.cit., p. 204.
7. Macleay to Parry, 27 July 1832, supra, Note 5. See also, Ch.5, Notes 7,36.
8. Gipps to Glenelg, 13 June 1839. HRA. I,xx,191. See also Ch.8, Note 52.
utions accused of having contributed to the depression of the early 1840s⁹.

In 1842 Morehead wrote, that

In these times in this place, much tact and care is required in the Management of a Coy. such as this as there is a strong tendency to look with great jealousy on such Institutions which many people imagine - foolishly though certainly - are milking the vitals of the Colony.¹⁰

Joint stock companies utilising their shareholders' funds in the development and settlement of unoccupied lands, whether as coloniser, pastoralist or financier, were confronted by the same confused attitude among officials and settlers - an acceptance of the need for corporate capital to promote expansion, but a reluctance to admit that private capital so applied was entitled to reward for the risks taken.

The enterprise of these companies facilitated the growth of land settlement and production which would otherwise have proceeded more spasmodically and tardily because of the limitations on government funds. The companies were identified with the community in which their interests were located. They shared in the prosperity of the colonists and in the problems of depression. Although challenged as privileged seekers after profit for the shareholders, their contributions showed that the comment of The British Magazine in 1832, referring to the Van Diemen's Land Company, applied to the four companies:

The Company can do nothing advantageous to itself without being beneficial to the colony.¹¹

But the illogical antipathy to the companies with their interests in Australia persisted, and the Canada Company was criticised because "their exertions have never had any other end in view than their own exclusive interests."¹²

Capital and Labour.

John Macarthur in his submissions to Commissioner Bigge in 1821, concentrated on the need for capital in New South Wales to develop an export industry in wool¹³. The first intimations to the governor of the colony that approval had been given for the formation of the Australian Agricultural Company emphasised "the essential advantage of the immediate introduction of a large capital and of agricultural skill."¹⁴

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⁹. See Ch. 6, Notes 14, 28.
¹⁰. Morehead to Stronach and Grainger, 11 Nov 1842. See Ch. 6, Note 53.
¹¹. The British Magazine, 1 Aug 1832, p. 613. ML.
¹². [Aliquis], Observations, op.cit., p.46. See also Ch. 7, Note 154.
¹³. See Introduction, Notes 7,8.
¹⁴. Bathurst to Brisbane, 13 July 1824. HRA. 1,xi,305.
Scarcity of capital was also restraining settlement in Van Diemen's Land. In 1825 Sorell advised Bathurst that it was "highly improbable that any effectual attempt in the development of colonial resources would for a long time be made except by subscribed capital."\(^{15}\)

The capital situation in Upper Canada was similarly restricted. The Provincial Government in Upper Canada was unable to provide its agreed half share of the indemnity funds to be paid to British subjects who had suffered losses in the War of 1812-14. John Galt, as agent for the claimants, therefore proposed to the authorities that they raise their portion of the indemnity by selling Crown Reserves in the western section of the province to a land settlement company\(^{16}\).

The proposal was approved, and the Canada Company was formed in 1825 to acquire the reserves, and to promote the settlement on them of displaced British subjects, and emigrants from Britain. Galt's plans in fact implemented the conclusions of the Provincial Parliament in 1824, that there was need "to counteract the evils occasioned by unoccupied and neglected lands."\(^{17}\)

But the main reason for the formation of the Canada Company was the ability of private enterprise to provide funds to the provincial authorities when they were unable to meet their commitments\(^{18}\).

Fifteen years later, in 1840, the continuing scarcity of capital in the Australian colonies was the main reason for the establishment of the Scottish Australian Investment Company\(^{19}\). Morehead, the first manager in New South Wales, arrived in Sydney in July 1841 as the financial problems of the colony were worsening. He reported to Aberdeen that the company had become established in the colony at a "very favourable time for making investments, as money is unprecedentedly scarce."\(^{20}\)

Capital was available to the companies for employment as their Directors decided, but the supply of labour was not within their control. The progress of the companies was, however, directly affected by the availability and cost of labour, and by the consequential costs of developing lands acquired or granted for settlement, and for agricultural or mineral production.

The Canada Company had available to it a source of population in the displaced

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15. Sorell to Bathurst, 2 Apr 1825. See Ch. 2, Note 154.
18. Galt to Wilmot Horton, 16 Dec 1823. See Ch. 7, Note 28.
19. See Ch. 2, Note 164.
20. Morehead to Stronach and Grainger, 31 July 1841. See Ch. 6, Note 1.
British loyalists, and was favourably situated to attract British emigrants. The work of preparing land for occupation by settlers, and of promoting emigration to Upper Canada, proceeded immediately. The management of the company was distinguished for extensive and skilful improvements, rapidity of settlement, and a remarkable increase of real wealth to the company in the value of their land.

The Australian Agricultural Company and the Van Diemen's Land Company were formed as corporate landholders and pastoralists. The limited availability to them of convict labour, and the unavoidable need to employ free labour at competitive wage rates, affected their progress both immediately and in the longer term. The unexpectedly high cost of improvements substantially increased the total of shareholders' funds to be serviced by unpredictable profits. The conditions essential to the progress of the pastoral companies, cheap land and low cost labour, had not been realised. The Governor of the Australian Agricultural Company, in a strongly worded despatch to the Secretary of State in December 1844, asserted that the company would not have embarked on the undertaking but for the assurances of the Government that adequate numbers of convict labourers would continue to be available to them.

The Shareholders.

The funds provided by these companies to capital deficient colonies, benefited the colonists and the general economic progress of the colonies. But the investment experience of the shareholders varied widely.

The Australian pastoral companies were harassed by a series of adverse factors which increased the capital employed and reduced income. The destructive impact of drought and flood, low prices for livestock and grain, and variable returns from wool, restricted income although costs of production rose. In the 1840s these factors caused liquidity problems for both the Australian Agricultural Company and the Van Diemen's Land Company.

As a possible solution to these difficulties, the companies decided to promote settlement on their lands by offering selected portions for sale or lease. But these efforts were unsuccessful, and they were unable to

21. Ch. 7, Note 113.
22. [Aliquis], Observations, op.cit., p.25. See also Ch. 7, Notes 20,79,119, 127.
24. J.S. Brownrigg to Stanley, 20 Dec 1844. See Ch. 8, Note 21, and Ch. 9, Note 56.
25. See Chapters 8, Note 34; 9,Notes 133,184.
dispose of sufficient land to overcome their financial problems. As calls on the shareholders were unlikely to be well received, both companies in the early 1850s decided upon schemes of readjustment.26

The Australian Agricultural Company made a notable contribution to the expansion of Australia's wool export industry, on which the colony's economic growth was based. The company's exploration, survey and developmental work, opened up vast areas of unoccupied land for pastoral and agricultural production, and through its substantial investment in coal mining at Newcastle the company initiated an efficient and competitive coal industry in the colony. But apart from the period of the pastoral boom in the mid-1830s,27 and the years immediately following the formation of the Peel River Land and Mineral Company in 1852, the company's performance was disappointing to shareholders.28

The progress of the Van Diemen's Land Company was even more discouraging to shareholders. The company's grant lands were located in the unexplored, inaccessible, dense forest country in the north-west of the island. Substantial expenditure was necessary to bring even small areas of land into production, and convicts in the numbers expected and required to undertake so vast a developmental task, were not available for assignment to the company.29

By restricting the company to the north-west region, a nucleus was thereby formed at a distant point, so that in exploring the country, its character and capabilities might be developed, roads made to communicate with the located districts, and the intermediate space made available for private settlers; whilst, therefore, it would have cost Government great expense and delay to ascertain the nature of that country, the whole has been explored and an immense tract placed at the disposal of Government settlers. So, also, the colony has derived great advantages from the capital expended, and from the Company's stock.30

The company's attempts to attract settlers to its lands as tenants and pur-

26. See Chapters 8, Notes 220,223; 9, Note 151.
27. See Ch. 4, Note 98.
28. See Appendix 7.
29. Arthur to Bathurst, 4 Apr 1826. See Ch. 5, Note 16.
30. The British Magazine, 1 Aug 1832, p. 613. ML.
-chasers were largely unsuccessful. The expenditure associated with these endeavours aggravated the liquidity problems pressing hard on the company. But the scheme to assist tenants, and the production and price support plan, which by 1850 had become an intolerable drain on the company's resources, were the consequences and not the causes of the company's problems. The many related difficulties originated in the location and nature of the grant lands, and in the limited availability to the company of convict labour.

The company's achievements were in opening up the rugged waste lands of the north-west of the island to settlement, and in importing well bred sheep, cattle and horses, which improved the quality of livestock in Van Diemen's Land and on the mainland. The main beneficiaries from the company's substantial infusions of capital, were the colony and future colonists. To the shareholders the investment was a failure. The only beneficiaries among investors were the speculators who purchased shares at the low levels of 1850, and sold as the market firmed in 1852.

The steady progress of the Canada Company after the difficulties of the late 1820s and early 1830s had been overcome, differed markedly from the discouraging investment performance of the Australian pastoral companies. The Canada Company's objectives were to provide the capital improvements necessary to ensure a steadily increasing population on its lands, and to dispose of land with profit to the shareholders. The Directors speculated on the probability that, if funds were expended on preparing lands for occupation by settlers, and the company was prepared to assist the settlers in the early years of their establishment, the realisable value of land would reflect both the value of improvements effected by the company, and the increase in value from the competition of a growing population.

The company was assisted in its enterprise by the physical characteristics of Upper Canada, and by its relative proximity to Britain. Problems of isolation, inaccessibility, lack of communication, limited and costly labour, drought and remote markets, did not impede the progress of the Canada Company as they did the establishment and development of the Australian Agricultural Company and the Van Diemen's Land Company.

Of importance also, was the facility with which the farming lands of the Huron Tract could be brought into production. Fertile soils and suitable

31. See Appendix 7.
32. See Ch. 7, Notes 60,62,67,89.
climatic conditions made grain growing profitable on well managed farms, on which establishment expenses were small. In comparison, the establishment of a grazing enterprise in Australia was costly, title to land was problematical, markets and seasons were unpredictable, and the capital invested in livestock was at risk because of the recurrence of drought.

The conditions for successful settlement, which emphasised the contrasting circumstances of settlement in Upper Canada and in the Australian colonies, were nominated by Simmonds Colonial Magazine in 1847 in these terms:

The great matter is to place a settler in a locality, and in so favourable a position, as that by his industry, frugality and perseverance, he may cheerfully repay the advances necessary to secure his future independence, and the welfare of his family.

The Canada Company's land settlement scheme succeeded because it assured title to land suitable for agricultural production. Lands were progressively sold on a rising price trend, and by 1855 the capital gain in the value of land still held was reflected in the strong investment status of the shares on the London Stock Exchange.

By utilising privately subscribed capital the Canada Company had opened up waste-lands for settlement, and had successfully served the interests of the colony, the settlers and the shareholders.

The Scottish Australian Investment Company, as an investor and mortgage lender, was not directly affected, as were the pastoral companies, by the variable factors influencing income from rural production. The company prospered despite the prolonged depression of the 1840s. In each of the first thirteen years of its operations the company paid a dividend averaging 6 3/4 per cent per annum.

Significant to the company's development was the steady increase in value of the company's property. In August 1854, assets which had cost £84,193 had an estimated market value of £157,659. Subscribed capital had increased from £68,640 in June 1852 to £150,000 in December 1855, and the annual rate of dividend had been increased to 15 per cent from June 1853. The company had justified the support of its shareholders, but of equal importance was

33. See Ch. 7, Notes 91,92.
34. Blice to the Directors, 21 June 1851. See Ch. 8, Note 163.
36. See Appendix 7.
37. See Ch. 10, Note 71.
38. See Ch. 10, Note 148.
39. See Ch. 10, Note 149.
the company's contribution to colonial development through judicious investment and lending of funds.

The Australian Agricultural Company, the Canada Company, the Van Diemen's Land Company, and the Scottish Australian Investment Company, in their several ways made substantial and beneficial contributions to the early development and settlement of the colonies in which their interests were located. But the investment experience of their respective shareholders permits no such general and unqualified conclusion.
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Appendix 1.

Australian Agricultural Company.
Proposers, Initial Directors, and Macarthur Family Shareholders.

Proposers
"In April 1824 a meeting was held in the chambers of John Macarthur Jnr. in Lincoln's Inns, London, to consider the formation of a company. There were present,

John Smith, M.P.
Sir Robert Farquhar, Bart.
James Brogden, M.P.
Stewart Marjoribanks, M.P.
William Ward [Director, Bank of England]
Richard Mee Raikes [Director, Bank of England]
J.H. Palmer
G.G. de Hochepied Larpent
Thomas Tooke [Director, West Indian Docks]
George Brown

and Donald Maclean,
besides John Macarthur.

It was then decided to form the company. As a result the proposals of 22 May 1824 were submitted to and accepted by government."

Proposers nominated in Charter, HRA. 1, xi, 420.
See also Note 68 to Charter, ibid., p.563 et seq.

This meeting was held on 21 April 1824, and agreed that the twelve named gentlemen should be appointed "as the General Committee of Management and shall be proposed as Directors and Auditors of the Company for five years."

Initial Directors
As an attachment to Despatch No 1, 5 July 1824, from the Governor and Directors to James Macarthur, James Bowman and H.H. McArthur, was a List of the Directors of the Australian Agricultural Company with informative notes on some of them:
Appendix 1, continued

John Smith, M.P., Governor
William Manning, M.P., Deputy Governor. Director of the Bank of England
David Barclay, Director of the Bank of England
Hon. H. Grey Bennet, M.P.
James Brogden, M.P.
George Brown, Director of the West Indian Docks
John Wm. Buckle, Chairman, Ship Owners
Robert Campbell, Director of the East India Company
William Crawford
Timothy A. Curtis, Director of the Bank of England
Richard Hart Davis, M.P.
Sir Robt. Townsend Farquhar, Bart.
Simon Halliday
Joseph Hume, M.P.
G.G. de Hochefried (sic) Larpent
John Loch, Director of the East India Company
John MacArthur
Donald Maclean
Stewart Marjoribanks, M.P.
Hon. J. Thornton Leslie Melville, Banker
Geo. Warde Norman, Director of the Bank of England
Henry Porcher, M.P., Director of the Bank of England
Richd. Mee Raikes, M.P., Director of the Bank of England
John G. Ravenshaw, Director of the East India Company
John Baker Richards, Deputy Governor of the Bank of England
Thomas Tooke, of Stephen Thornton & Co, in which house also

Mr. Artile, M.P., the Chairman of the East India Company is a
partner.

The Auditors were also listed:
Cornelius Butler, Governor of the Bank of England
Wm. Haldimand, M.P., Director of the Bank of England
George Hathorn, Spanish and Portuguese Merchant
William Ward, Director of the Bank of England

Macarthur Family Shareholders

Each Proprietor had the following voting entitlement:

- 10 Shares and less than 30 - 1 vote
- 30 " " " 60 - 2 votes
- 60 " " " 90 - 3 "
- 90 " " upwards - 4 " (maximum)

The undermentioned members of the Macarthur family were Listed among the Proprietors:

- John Macarthur, 4 votes 100 shares
- John Macarthur, Jnr, 4 " See below
- James Macarthur, 2 " 30 shares
- William Macarthur, 2 " 30 "
- Hannibal H. Macarthur, 2 " 40 "
- Charles Macarthur, 1 vote 10 "
- James Bowman, 2 votes 50 "

List of Proprietors, June 1826

Appendix 2.

Precis of the Charter of the Australian Agricultural Company.

1. Grant not to be passed until His Majesty's Warrant has been obtained.
2. Land to be valued at 1/6d. per acre, paying a Quit Rent of 30/- per £100.
3. Exemption from Quit Rent for five years from date of Grant.
4. Quit Rent redeemable at twenty years purchase.
5. If Quit Rent be redeemed in part, payment of the remainder to be continued.
6. One free Superintendent for every 50 Convicts.
7. Lands not to be alienated for five years.
8. 50,000 acres may be alienated when the Surveyor General shall have represented to the Governor and Council that £10,000 has been expended on improvements, and so on upon every expenditure of £10,000 so reported.
   The said Report or Reports to be enrolled in the Supreme Court.
   Lands may be alienated upon the Special License of the Secretary of State.
   Every Grant or Conveyance of land to be null and void, except the same refer to the Surveyor General's Report or Secretary of State's License, as the case may be.
9. Quit Rent not to be collected until the expiration of ten years from the date of Grant, and the arrears then due to be remitted, should it appear that the company have maintained 600 Convicts for the greater part of the latter five years.
10. Quit Rent accruing for the third period of five years, to be remitted if 1,000 Convicts have been maintained.
11. Quit Rent for following four years to be remitted if 1,400 Convicts have been maintained.
12. If after twenty years the Treasury shall have been exonerated from a charge equal to £100,000 all payment of Quit Rent shall cease.

(HRA.1, xii, 238).
Appendix 3.

The Van Diemen's Land Company.
Initial Directors and Officers.

Initial Directors
J. Pearse, Governor, M.P. and a Bank Director
J. Cripps, Deputy Governor, M.P.
J. Bishop, largely connected with the Wool Trade
J. Bond, largely connected with the Wool Trade
W. Borrodaile, Ship Owner and India Merchant
A. Campbell, Commissioner of Excise
J. Campbell, Bank Director
J. Cattley, Eminent Russia Merchant
Captain Dundas, R.N.
E. Ellice, M.P. and an extensive Merchant. Also a Director of the Canada Company. See Appendix 6.B.
J. Donaldson, of the house of Donaldson & Wilkinson
W. Everett, largely connected with the Wool Trade
H. Hicks, largely connected with the Wool Trade
H. Hughes, largely connected with the Wool Trade
J. Innes, M.P., East India Merchant
J. Jacob, largely connected with the Wool Trade
T. Murdoch, largely connected with the Wool Trade
J. Palmer, Bank Director, East India Merchant
B. Pearse, Bank Director
J. Saunders, largely connected with the Wool Trade

Officers
General Agent - Edward Curr, Esquire
Commissioners for Locating the Lands -
Edward Curr, Esquire
Stephen Adey, Esquire
Resident Superintendent on the Farms -
Stephen Adey, Esquire
Agriculturalist - Mr. Alexander Goldie
Architect and Surveyor - Mr. Henry Hillyer
Surveyors - Messrs. Joseph Fossey and C. Lorymer

ML.MS.A608.
Van Diemen's Land Company,
Royal Charter, 10 November 1825.

The Royal Charter was summarised in the Company's First Yearly Report, in the following terms:

According to the terms of the Charter, the pursuits in which the company is allowed to employ its capital are, the cultivating and improving such waste lands as shall be granted in pursuance of the Agreement already made with the Government, including erecting buildings and machinery thereon, constructing roads, canals, bridges, and such other works as are requisite to carry on and perfect the cultivation; and the sending out and advancing money to persons willing and desirous to settle upon their lands. They have also liberty, subject to certain provisions, to open and work mines of coal, iron and other minerals, and to quarry without restriction or condition for stone, lime, clay and other materials for building; to make loans or advances of money to resident colonists, as well individuals as partnerships, on the security of their lands within the colony, also on mortgages, bonds and judgments; to contract for and execute any public works which may be undertaken by Government within the island and its dependencies; to make loans and advances upon the security of tolls and other public taxes; to make loans to persons engaged in the whale or seal fisheries, upon or in the neighbourhood of the coasts of the island, for the purpose of carrying on the fisheries; and lastly, to purchase and hold houses, wharfs and other buildings, and lands within the island and its dependencies.

James Bischoff, Sketch of the History of Van Diemen's Land, and an account of the Van Diemen's Land Company (1832) p.109. Also included in Minutes of the Van Diemen's Land Company (Hobart, 1826).
Appendix 5.

The Scottish Australian Investment Company.

Extraordinary and Honorary Directors

Board of Ordinary Directors

Extraordinary and Honorary Directors,

for the period 9 November 1840 to the Annual General Meeting in December 1841.

The Very Rev. Dr. William Jack, Principal, King's College (100)
Dr. Alexander Ewing, Tartowie (500)
William Munro, Inverness (100)
William M'Combie, Easter Skene (250)
Dr. Robert Daun, Edinburgh (1000)
James Donald, Turriff (1000)
Andrew Black, Forresterhill (100)
William Stewart, Stonehaven (200)
James Struthers, Strathaven (1000)
Peter Russell, Mintlaw (300)
Dr. Andrew Ligertwood, Wateridgemuir (100)
William Humphrey, Cuttlehill (100)
Captain James Cameron, Old Aberdeen (100)
John Cadenhead, Surgeon, Aberdeen (130)

Board of Ordinary Directors,

elected for the period from 9 November 1840 to the Annual General Meeting in December 1841.

Thomas Sangster, Advocate, Aberdeen (500)
Alexander Irvine, Merchant, Aberdeen (500)
Peter Williamson, Druggist, Aberdeen (250)
James Murray, Advocate, Aberdeen (250)
Harvey Hall, Merchant, Aberdeen (500)
John Webster, Advocate, Aberdeen (250)
Thomas Best, Wine Merchant, Aberdeen (300)
William Robinson, Advocate, Aberdeen (250)
Leslie Cruickshank, Merchant, Aberdeen (500)
John Duncan, Advocate, Aberdeen (400)
James Mair, Advocate, Aberdeen (500)
Appendix 5, continued

Henry Adamson, Merchant, Aberdeen (100) and Alexander Stronach Aberdeen (500) and Charles Grainger, Aberdeen (500), Cashiers and Agents.

The Scottish Australian Investment Company, Contract of Copartnery, Clause vi.

The figures in brackets are the number of shares held as recorded in the List of Shareholders, 11 February 1841.

The London Board of Directors, appointed 16 May 1853.


Board Minutes, 16 May 1853, Bk 2, pp.13-14.
The Canada Company Act, authorising the granting of a Royal Charter, 27 June 1825.
6 Geo.iv, cap. 75.

"An Act to enable His Majesty to grant to a Company, to be incorporated by Charter, to be called 'The Canada Company', certain lands in the Province of Upper Canada, and to invest the said Company with certain Powers and Privileges, and for other Purposes relating thereto.

Whereas by an Act passed in the Thirty first Year of the Reign of His late Majesty, intituled 'An Act to repeal certain Parts of an Act passed in the Fourteenth Year of His Majesty's Reign, intituled An Act for making more effectual Provision for the Government of the Province of Quebec, in North America, and to make further Provision for the Government of the said Province', it was enacted that it should and might be lawful for His Majesty, His Heirs or Successors, to authorize the Governor or Lieutenant Governor of each of the said Provinces of Upper and Lower Canada respectively, or the Person administering the Government therein, to make from out of the Lands of the Crown within such Province, such Allotment and Appropriation of Lands for the Support and Maintenance of a Protestant Clergy within the same, as might bear a due Proportion to the Amount of such Lands within the same, as had at any Time been granted by or under the Authority of His Majesty; and that whenever any Grant of Lands within either of the said Provinces should thereafter be made, by or under the authority of His Majesty, His Heirs or Successors, there should at the same Time be made in respect of the same a proportionable Allotment and Appropriation of Lands for the above mentioned Purpose within the Township or Parish to which the Lands so to be granted should appertain or be annexed equal in Value to the Seventh Part of the Lands so granted: And Whereas in pursuance of the said Act such proportionable Allotments and Appropriations of Lands as aforesaid have from time to time been reserved for the Purposes therein mentioned, which Lands are known by the Name of 'The Clergy Reserves': And Whereas the greater Part of the said Clergy Reserves in the said Province of Upper Canada have ever since continued, and are now waste and unproductive, and it is expedient that Means should be adopted for clearing and cultivating the said Lands, and for that Purpose His Majesty should be authorized to sell and dispose of certain Parts thereof to the Company to be established as here mentioned: And Whereas certain other Lands in the said Province of Upper Canada have been reserved for the Use of His Majesty, and are known in the said Province by the
Name of 'The Crown Reserves': And Whereas divers Persons have united together to establish a Company for purchasing, improving, settling and disposing of Lands in Upper Canada, and especially for purchasing and settling the Whole of the before mentioned Lands known by the Name of 'The Crown Reserves', and such Parts of the said Lands known by the Name of 'The Clergy Reserves' as His Majesty may be so authorized to sell and convey to them, and for such other lawful Purposes as to His Majesty shall seem meet; and the said Persons have, in order to carry such Purposes into effect, subscribed a Capital of One Million Pounds Sterling, upon which the Sum of Ten Pounds per Centum has been paid by the several Subscribers; and they have humbly besought His Majesty to grant to them a Charter of Incorporation: Be it therefore enacted, and it is hereby enacted by the King's most Excellent Majesty, by and with the Advice and Consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the Authority of the same, That in case His Majesty shall, within Three Years after the passing of this Act, be pleased, by Charter of Incorporation under the Great Seal of Great Britain and Ireland, to declare and grant that such and so many Persons as shall be named therein, and all and every such other Person or Persons as from time to time shall be duly admitted Members into their Corporation, shall be a Body Politic and Corporate, by the Name of 'The Canada Company', and to declare that the said Corporation so to be made and created shall be established for the Purpose hereinbefore mentioned, and for such other lawful Purposes as to His Majesty may seem meet, then and in that Case it shall and may be lawful for the said Corporation to hold to them and their Successors such Lands, Tenements and Hereditaments within the said Provinces as shall or may be granted by His Majesty to them and their Successors within the said Provinces, or as, subject to the Restrictions hereinafter mentioned, shall be contracted for and purchased or acquired by them therein; and to hold, alienate, sell and dispose of all such Lands, Tenements and Hereditaments, upon, under and subject to such Conditions, Provisoes, Limitations and Restrictions, as His Majesty by such His Charter may impose, direct or prescribe.

And be it further enacted, That His Majesty shall be, and He is hereby empowered to sell and convey to the said Company and their Successors, in Fee Simple, for such valuable Considerations as shall be agreed upon between His Majesty and the said Company, as He shall deem expedient, and upon such Conditions, and with and subject to such Restrictions, Limitations and
Appendix 6.A., continued

Provisoes as His Majesty may be pleased to impose, One equal Half Part, and
no more, of the said reserved Lands in the Province of Upper Canada, called
'The Clergy Reserves', lying in those Townships of the said Province which
on or before the First Day of March one thousand eight hundred and twenty-
four were actually laid out in any of the several Districts thereof ...."

Statutes at Large, Vol. 10, 180.
The initial Directors of the Canada Company as listed in the Company's Prospectus, 1825, were:

Charles Bosanquet, Esq.  Chairman
William Williams, M.P.,  Deputy Chairman
Robert Biddulph,
Richard Blanshard,
Robert Downie, M.P.
John Easthope,
Edward Ellice, M.P.
John Fullarton,
Charles David Gordon,
William Hibbert, Junior
John Hodgson,
John Hullett,
Hart Logan,
Simon M'Gillivray,
James M'Killop, M.P.
John Masterman,
Martin Tucker Smith, M.P.
Henry Osborne.

Auditors
Thomas Starling Benson,
Thomas Poynder, Junior
Thomas Wilson, M.P.
John Woolley

Secretary
John Galt

A copy of the Canada Company's Prospectus was enclosed with Despatch No.4, from the Governor and Directors of the Australian Agricultural Company to the Colonial Committee, dated 3 June 1825. The Macarthur Papers, ML.1-46A.A.4316, pp.89-92.
The Directors were also named in Act 9, Geo.iv, cap.51, of 15 July 1828.
Edward Ellice, M.P., was a Director of both the Van Diemen's Land Company and the Canada Company. Ellice had substantial mercantile interests in North America, and was the proprietor of one of the most valuable seigneuries in Lower Canada. In 1822 Ellice was one of the main supporters of the Union Bill. In 1826 he was again an important adviser to the Colonial Office on Canadian affairs. In 1828 the House of Commons appointed a Select Committee to investigate Canada's affairs.

The evidence gathered by the Canada Committee of 1828 composes the first considerable body of information available to Englishmen on the internal conditions in any of the North American colonies...

A great deal can be learned even today about the intricacies of legal procedure in the province [Lower Canada], and the working of French customary law, from the testimony of Edward Ellice and Simon MacGillivray.

Simon MacGillivray was also a Director of the Canada Company, and in the course of his evidence to the Canada Committee he "drew a very striking contrast between the rise in land values and the increase in the export of wheat in Upper Canada and the decline in land values in the lower province."

<table>
<thead>
<tr>
<th>Date</th>
<th>Australian Agricultural Co.</th>
<th>The Canada Company</th>
<th>The Van Diemen's Land Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>27½ 45</td>
<td>28 30</td>
<td>17 11½</td>
</tr>
<tr>
<td>Dec.</td>
<td>27½ 45½</td>
<td>30 29</td>
<td>17 12</td>
</tr>
<tr>
<td>1840.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
</tr>
<tr>
<td>June</td>
<td>27½ 41½</td>
<td>32½ 35</td>
<td>17½ 12½</td>
</tr>
<tr>
<td>Dec.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
</tr>
<tr>
<td>1841.</td>
<td>28 40</td>
<td>32½ 32½</td>
<td>17½ n.a.</td>
</tr>
<tr>
<td>Dec.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
</tr>
<tr>
<td>1843.</td>
<td>30 19½</td>
<td>32½ 41½</td>
<td>20 5</td>
</tr>
<tr>
<td>Dec.</td>
<td>30 19½</td>
<td>32½ 38</td>
<td>20 4</td>
</tr>
<tr>
<td>1846.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
<td>n.a. n.a.</td>
</tr>
<tr>
<td>Dec.</td>
<td>30 20</td>
<td>32½ 38</td>
<td>n.a. 5</td>
</tr>
<tr>
<td>1848.</td>
<td>30 20</td>
<td>32½ 27</td>
<td>23 4</td>
</tr>
<tr>
<td>Dec.</td>
<td>30 18</td>
<td>32½ 29</td>
<td>23 4</td>
</tr>
<tr>
<td>1850.</td>
<td>30 15</td>
<td>32½ 30</td>
<td>28 2</td>
</tr>
<tr>
<td>Dec.</td>
<td>30 15½</td>
<td>32½ 44</td>
<td>29 ½</td>
</tr>
<tr>
<td>1852.</td>
<td>35 16½</td>
<td>32½ 50</td>
<td>Not quoted.</td>
</tr>
<tr>
<td>Dec.</td>
<td>35 65</td>
<td>32½ 52</td>
<td>28½ 22</td>
</tr>
<tr>
<td>1855.</td>
<td>17½ 31</td>
<td>32½ 125</td>
<td>28½ 13 -¾</td>
</tr>
<tr>
<td>Dec.</td>
<td>19 28½</td>
<td>32½ 139-¾</td>
<td>28½ 16½</td>
</tr>
</tbody>
</table>
Appendix 7, continued

Source: The Course of the Exchange, 1838 to 1855.

Official London Stock Exchange quotations appeared in this publication from 1838.

Copies of the publication were made available by courtesy of The Guildhall Library, London, to Mr. R.M.B. Tiddy who extracted the relevant figures. The figures are in £ sterling, e.g. 27½ is £27.10.0, and the quotations are from the last trading day in the nominated month.

The Scottish Australian Investment Company.

<table>
<thead>
<tr>
<th>Date</th>
<th>Paid-up</th>
<th>Quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Dec. 1856.</td>
<td>1</td>
<td>1½</td>
</tr>
<tr>
<td>30 June 1857.</td>
<td>1</td>
<td>1¾</td>
</tr>
<tr>
<td>31 Dec. 1857.</td>
<td>1</td>
<td>1-3/8</td>
</tr>
</tbody>
</table>

Source: The Course of the Exchange, 1856 - 57.

Established as a Copartnery, the Scottish Australian Investment Co. was not registered as a public corporation until 27 October 1856, and was officially quoted only after that date. The City Librarian, Edinburgh, searched the Scotsman and the Edinburgh Gazette, and the Librarian, Aberdeen University, searched the Aberdeen Free Press, Aberdeen Press & Journal and the Aberdeen Herald from 1841 to 1855, but were unable to find quotations or records of share sales for the Scottish Australian Investment Co. The official London Stock Exchange quotations above stated, are probably indicative of the trend from the foundation of the Company, the market status of the shares usually being somewhat above the paid-up value.

One copy of the Aberdeen Share List, published by Authority of the Committee of the Stock Exchange, Aberdeen, dated 24 November 1846, is located inside the cover of the Australian Letter Book, 1848-58. Further copies of the Aberdeen Share List have not been located. The entry for 24 Nov 1846 is as follows:

Scottish Australian Investment Co.

Last Quotation - £1 - 1 - 0
Share, £1, paid to £1.
New Stock - £1 - 0 - 6.
Notes.

1. Except for brief periods, the stocks were not actively traded in the period covered by the statistics.

2. The years 1835 to 1838 in Australia benefited from good seasons, sound commodity prices, economic optimism and expansion. They were followed in the 1840s by prolonged economic depression in the colonies.

3. Circumstances in Europe in 1848 directly and adversely affected the economic development of Australia and Canada, the essential resources of capital and settlers being restricted.

4. The rise in prices paid for shares in the Australian Agricultural Co. in December 1852 reflected the reorganisation which resulted in the formation of The Peel River Land and Mineral Company. In active trading prices rose to £84 per share for one parcel of 90 shares.

5. For some months in 1852 the stock of the Van Diemen's Land Co. was not quoted. This was the period of serious uncertainty leading to radical reconstruction by the Directors. The improvement in market status in December 1852 was due to the decision to terminate pastoral activities and realise the company's assets, and to the discovery of gold in Australia.

6. From 1850 the Canada Company was an attractive investment. The company's financial position was strong, the dividend history encouraging, and prospects for shareholders were reassuring.

7. Distributions to shareholders of the Canada Company were as follow:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1827-1831</td>
<td>4 per cent per annum. Interest.</td>
</tr>
<tr>
<td>1832</td>
<td>2 &quot; &quot; &quot; &quot; Dividend.</td>
</tr>
<tr>
<td>1833</td>
<td>4 &quot; &quot; &quot; &quot;</td>
</tr>
<tr>
<td>1834-1854</td>
<td>6 &quot; &quot; &quot; &quot; &quot;</td>
</tr>
<tr>
<td>June 1855</td>
<td>£5 per share.</td>
</tr>
<tr>
<td>Dec. 1855</td>
<td>£7 &quot; &quot;</td>
</tr>
<tr>
<td>June 1856</td>
<td>£3 &quot;</td>
</tr>
<tr>
<td>Dec. 1856</td>
<td>£1.10.0 per share.</td>
</tr>
<tr>
<td>June 1857</td>
<td>£5 &quot;</td>
</tr>
</tbody>
</table>

This information was obtained from the Canada Company Papers, Provincial Archives of Ontario, by Assistant Professor Roger Hall.
Appendix 8.

Extracts from certain of the Statutes quoted, and observations on some of them.

South Sea Company Act. 7 Geo.1, St.1, cap.1. (1720).

"An Act for restraining the Sub-Governor, Deputy Governor, Directors, Treasurer or Cashier, Deputy Cashier, and Accountant of the South Sea Company from going out of this Kingdom for the space of one year, and until the end of the then next session of Parliament, and for discovering their estates and effects; and for preventing the transporting or alienating the same".

South Sea Company Act. 7 Geo.1, St.1, cap.5. (1720).

"An Act to enable the South Sea Company to ingraft Part of their Capital Stock and Fund into the Stock and Fund of the Bank of England, and another Part thereof into the Stock and Fund of the East India Company; and for giving further Time for Payments to be made by the said South Sea Company to the use of the Public".

South Sea Company Act. 7 Geo.1, St.1, cap.28. (1720).

"An Act for raising Money upon the Estates of the late Sub-Governor, Deputy Governor, Directors, Cashier, Deputy-Cashier and Accountant of the South Sea Company, and of John Aislabie Esq. and likewise of James Craggs Senior Esq. deceased, towards making good the great loss and damage sustained by the said Company, and for disabling such of the said persons as are living, to hold any Office or Place of Trust under the Crown, or to sit or vote in Parliament for the future, and for other purposes in the said Act expressed".

Statutes at Large, Vol.5, 329, 331, 358.

An Act Repealing Parts of 7 Geo.1, St.1, cap. 28, being 6 Geo.iv, cap. 91. (1825).

"An Act to repeal so much of an Act passed in the Sixth year of His Late Majesty King George the First as relates to the restraining several extravagant and unwarrantable practices in the said Act mentioned, and for conferring additional Powers upon His Majesty with respect to the granting of Charters of Incorporation to trading and other Companies".
Inter alia the Act provides

"That in any Charter hereafter to be granted by His Majesty, His Heirs or Successors, for the Incorporation of any Company or Body of Persons, it shall and may be lawful, in and by such Charter, to declare and provide that the Members of such Corporation shall be individually liable, in their Persons and Property, for the Debts, Contracts and Engagements of such Corporations, to such extent, and subject to such Regulations and Restrictions as His Majesty, His Heirs or Successors, may deem fit and proper, and as shall be declared and limited in and by such Charter".

Statutes at Large, Vol.10, 91.

Australian Agricultural Company Act. 5 Geo.iv, cap.86. (1824).

"An Act for granting certain Powers and Authorities to a Company to be incorporated by Charter, to be called The Australian Agricultural Company, for the Cultivation and Improvement of Waste Lands in the Colony of New South Wales and for other Purposes relating thereto Whereas there are in the Colony of New South Wales divers Waste Lands which might be cultivated to advantage if sufficient capital were raised and advanced for that Purpose: And Whereas there are in the said Colony a large number of Convicts who are at present maintained at the Public Expence, but who might be advantageously employed in the Cultivation of such Waste Lands as aforesaid, and thereby a considerable annual Saving would accrue to the Public: And Whereas divers persons are willing to contribute and raise by Subscription among themselves such a Capital Sum as will be necessary for bringing into Cultivation such of the said Waste Lands as His Majesty may be pleased to grant to them, and for the employment thereon of a large Number of Convicts: And Whereas the beneficial Objects aforesaid cannot be effectually attained unless His Majesty should be pleased by His Charter to constitute and declare the Persons aforesaid One Body Politic and Corporate; and in the event of such a Charter being granted it will be necessary with a View to the beneficial Objects aforesaid to vest in the said Company such Powers and Authorities as cannot be granted without the Aid of Parliament: May it therefore please Your Majesty that it may be enacted".

Statutes at Large, Vol.9, 799.
Appendix 8, continued

Insolvent Act. 5 Vic., No.17, 1841.

Submission by James Dowling, C.J. To the Chairman of the Select Committee on the Insolvent Act, 5 December 1843:

"I am persuaded from my observation of the working of the present law, since its enactment, that it has done no more than was anticipated at the time it was proposed, namely, to unmask a vast deal of insolvency, and lay bare the unwholesome principle upon which credit was given to persons of no capital, and who, from a too great facility afforded in obtaining discounts upon mere paper security, were tempted to enter into speculative engagements which could never be realised".

V & P (L.C., NSW) 1843.

Liens on Wool Act. 7 Vic., No.3, 1843.

Extract from Lord Stanley's despatch dated 28 October 1844 to Sir George Gipps on proposed amendments to the Liens on Wool Act:

"The Act No. 3, dated the 15th. September 1843, and intituled 'An Act to give a preferable lien on Wool from season to season, and to make mortgages of Sheep, Cattle and Horses, valid, without delivery to the mortgagee', is a measure so irreconcilably opposed to the principles of legislation immemorially recognised in this country, respecting the alienation or pledging of things movable, that under any other circumstances than those in which the Colony has unhappily been involved, it would not have been in my power to decline the unwelcome duty of advising Her Majesty to disallow it.

The same circumstances may, perhaps, furnish an apology for an enactment tending so directly to give unwonted facilities for borrowing money and increasing the evil of excessive credit, under the penalties of which the Colonists have so long and so severely laboured. But while I am ready to admit that embarrassments so overwhelming may have justified innovations otherwise indefensible, I must not less distinctly deny that they afford any valid plea for a permanent departure from those established rules to which all theory and all experience alike lend their sanction".

Appendix 9.

Population of the Colony of New South Wales. 1822-1855.

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1822</td>
<td>30,756</td>
</tr>
<tr>
<td>1824</td>
<td>32,702</td>
</tr>
<tr>
<td>1826</td>
<td>34,649</td>
</tr>
<tr>
<td>1828</td>
<td>36,598</td>
</tr>
<tr>
<td>1830</td>
<td>46,302</td>
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<tr>
<td>1832</td>
<td>53,524</td>
</tr>
<tr>
<td>1834</td>
<td>66,212</td>
</tr>
<tr>
<td>1836</td>
<td>77,096</td>
</tr>
<tr>
<td>1838</td>
<td>97,912</td>
</tr>
<tr>
<td>1839</td>
<td>114,386</td>
</tr>
<tr>
<td>1840</td>
<td>129,463</td>
</tr>
<tr>
<td>1842</td>
<td>159,889</td>
</tr>
<tr>
<td>1843</td>
<td>165,541</td>
</tr>
<tr>
<td>1844</td>
<td>173,377</td>
</tr>
<tr>
<td>1846</td>
<td>196,704</td>
</tr>
<tr>
<td>1848</td>
<td>220,474</td>
</tr>
<tr>
<td>1849</td>
<td>246,299</td>
</tr>
<tr>
<td>1850</td>
<td>265,503</td>
</tr>
<tr>
<td>1851</td>
<td>197,168</td>
</tr>
<tr>
<td>1852</td>
<td>208,254</td>
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<tr>
<td>1853</td>
<td>231,288</td>
</tr>
<tr>
<td>1854</td>
<td>251,315</td>
</tr>
<tr>
<td>1855</td>
<td>277,579</td>
</tr>
</tbody>
</table>

Figures for the District of Port Phillip are included only to 1850.

Statistical View of Progress of New South Wales, 1821 to 1858.
New South Wales Colonial Secretary, Returns of the Colony.

V&P (L.C, NSW) 1840, p.313
" 1843, p.461
" 1845, p.398
" 1847, Vol 1, p.518
" 1855, Vol 2, " 1855, Vol 2, p.1
## Export of Wool from New South Wales

### 1822-1855

Including the District of Port Phillip.

<table>
<thead>
<tr>
<th>Year</th>
<th>Weight</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1822</td>
<td>172,880 lbs.</td>
<td>Not known</td>
</tr>
<tr>
<td>1823</td>
<td>198,240</td>
<td>&quot;</td>
</tr>
<tr>
<td>1824</td>
<td>275,560</td>
<td>&quot;</td>
</tr>
<tr>
<td>1825</td>
<td>411,600</td>
<td>&quot;</td>
</tr>
<tr>
<td>1826</td>
<td>552,960</td>
<td>£48,384</td>
</tr>
<tr>
<td>1828</td>
<td>834,343</td>
<td>40,851</td>
</tr>
<tr>
<td>1830</td>
<td>899,750</td>
<td>34,907</td>
</tr>
<tr>
<td>1832</td>
<td>1,515,156</td>
<td>73,559</td>
</tr>
<tr>
<td>1834</td>
<td>2,246,933</td>
<td>213,628</td>
</tr>
<tr>
<td>1835</td>
<td>3,893,927</td>
<td>299,587</td>
</tr>
<tr>
<td>1836</td>
<td>3,693,241</td>
<td>369,324</td>
</tr>
<tr>
<td>1837</td>
<td>4,448,796</td>
<td>332,166</td>
</tr>
<tr>
<td>1838</td>
<td>5,749,376</td>
<td>405,977</td>
</tr>
<tr>
<td>1839</td>
<td>7,213,584</td>
<td>442,504</td>
</tr>
<tr>
<td>1840</td>
<td>8,610,775</td>
<td>566,112</td>
</tr>
<tr>
<td>1841</td>
<td>8,390,540</td>
<td>517,537</td>
</tr>
<tr>
<td>1842</td>
<td>9,428,036</td>
<td>595,175</td>
</tr>
<tr>
<td>1843</td>
<td>12,704,899</td>
<td>685,647</td>
</tr>
<tr>
<td>1844</td>
<td>13,542,173</td>
<td>645,344</td>
</tr>
<tr>
<td>1845</td>
<td>17,364,734</td>
<td>1,009,242</td>
</tr>
<tr>
<td>1846</td>
<td>16,479,520</td>
<td>1,019,985</td>
</tr>
<tr>
<td>1848</td>
<td>22,969,711</td>
<td>1,240,144</td>
</tr>
<tr>
<td>1850</td>
<td>32,361,829</td>
<td>1,614,241</td>
</tr>
</tbody>
</table>

**New South Wales only.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Weight</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1845</td>
<td>10,522,921</td>
<td>612,705</td>
</tr>
<tr>
<td>1846</td>
<td>10,072,570</td>
<td>668,544</td>
</tr>
<tr>
<td>1847</td>
<td>12,169,684</td>
<td>706,313</td>
</tr>
<tr>
<td>1848</td>
<td>12,445,048</td>
<td>683,623</td>
</tr>
<tr>
<td>1849</td>
<td>13,396,525</td>
<td>663,965</td>
</tr>
<tr>
<td>1850</td>
<td>14,270,622</td>
<td>788,051</td>
</tr>
<tr>
<td>1851</td>
<td>15,268,473</td>
<td>828,302</td>
</tr>
<tr>
<td>1852</td>
<td>11,086,974</td>
<td>676,815</td>
</tr>
<tr>
<td>1853</td>
<td>16,358,869</td>
<td>999,896</td>
</tr>
<tr>
<td>1854</td>
<td>18,976,300</td>
<td>1,181,956</td>
</tr>
<tr>
<td>1855</td>
<td>17,671,684</td>
<td>1,078,017</td>
</tr>
</tbody>
</table>
Appendix 10, continued

V&P (L.C, NSW) 1840, p.320
" 1845, p.409
" 1847, Vol 1, p.530
" 1850, Vol 2, Statistical Returns, p.30
" 1855, Vol 2, " " p.28

Sheep and Cattle in the Colony of New South Wales, 1788-1855.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep</th>
<th>Cattle</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1788</td>
<td>29</td>
<td>7</td>
<td>HRA. 1,1,52</td>
</tr>
<tr>
<td>1791</td>
<td>51</td>
<td>18</td>
<td>&quot; 1,1,300</td>
</tr>
<tr>
<td>1794</td>
<td>526</td>
<td>40</td>
<td>&quot; 1,1,480</td>
</tr>
<tr>
<td>1796</td>
<td>1,531</td>
<td>227</td>
<td>&quot; 1,1,664</td>
</tr>
<tr>
<td>1798</td>
<td>3,902</td>
<td>538</td>
<td>&quot; 1,ii,198</td>
</tr>
<tr>
<td>1800</td>
<td>6,124</td>
<td>1,044</td>
<td>&quot; 1,ii,527</td>
</tr>
<tr>
<td>1802</td>
<td>8,632</td>
<td>1,743</td>
<td>&quot; 1,iii,595</td>
</tr>
<tr>
<td>1803</td>
<td>11,275</td>
<td>2,450</td>
<td>&quot; 1,iv,396</td>
</tr>
<tr>
<td>1804</td>
<td>16,501</td>
<td>3,264</td>
<td>&quot; 1,v,33</td>
</tr>
<tr>
<td>1805</td>
<td>20,617</td>
<td>4,325</td>
<td>&quot; 1,v,608</td>
</tr>
<tr>
<td>1807</td>
<td>25,260</td>
<td>6,643</td>
<td>&quot; 1,vi,161</td>
</tr>
<tr>
<td>1808</td>
<td>32,358</td>
<td>9,004</td>
<td>&quot; 1,vii,7</td>
</tr>
<tr>
<td>1812</td>
<td>59,949</td>
<td>17,678</td>
<td>&quot; 1,vii,639</td>
</tr>
<tr>
<td>1814</td>
<td>74,825</td>
<td>26,501</td>
<td>&quot; 1,viii,601</td>
</tr>
<tr>
<td>1816</td>
<td>55,097</td>
<td>25,116</td>
<td>&quot; 1,ix,377</td>
</tr>
<tr>
<td>1821</td>
<td>119,777</td>
<td>68,149</td>
<td>&quot; 1,x,577</td>
</tr>
<tr>
<td>1822</td>
<td>138,575</td>
<td></td>
<td>Statistical View of Progress of N.S.W, 1821-58</td>
</tr>
<tr>
<td>1824</td>
<td>184,836</td>
<td></td>
<td>Statistical View of Progress of N.S.W, 1821-58</td>
</tr>
<tr>
<td>1825</td>
<td>237,622</td>
<td></td>
<td>Statistical View of Progress of N.S.W, 1821-58</td>
</tr>
<tr>
<td>1828</td>
<td>536,391</td>
<td></td>
<td>Statistical View of Progress of N.S.W, 1821-58</td>
</tr>
<tr>
<td>1829</td>
<td>504,775</td>
<td>248,440</td>
<td>Colonial Sec., Returns of the Col., 4/258, p.200</td>
</tr>
<tr>
<td>1830</td>
<td>514,140</td>
<td></td>
<td>Note: Livestock figures for the years 1830 to 1840 are not available</td>
</tr>
<tr>
<td>1832</td>
<td>865,630</td>
<td></td>
<td>from Official Statistical Records.</td>
</tr>
<tr>
<td>1834</td>
<td>1,283,960</td>
<td></td>
<td>The sheep numbers for these years have been estimated. See explanation at foot of Appendix.</td>
</tr>
<tr>
<td>1836</td>
<td>2,110,420</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1838</td>
<td>2,874,690</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1840</td>
<td>3,444,310</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 11, continued

<table>
<thead>
<tr>
<th>Year</th>
<th>Sheep</th>
<th>Wool</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1843</td>
<td>3,452,539</td>
<td>850,160</td>
<td>V&amp;P (L.C.NSW) 1847, p.521</td>
</tr>
<tr>
<td>1845</td>
<td>4,409,504</td>
<td>1,116,420</td>
<td>V&amp;P (L.C.NSW) 1847, p.521</td>
</tr>
<tr>
<td>1846</td>
<td>4,909,819</td>
<td>1,140,297</td>
<td>V&amp;P (L.C.NSW) 1847, p.521</td>
</tr>
<tr>
<td>1849</td>
<td>6,784,494</td>
<td>1,463,651</td>
<td>V&amp;P (L.C.NSW) 1850, Vol 2, Stat.Ret., p.10</td>
</tr>
<tr>
<td>1854</td>
<td>8,144,119</td>
<td>1,576,750</td>
<td>V&amp;P (L.C.NSW) 1855, Vol 2, Stat. Ret., p.10</td>
</tr>
<tr>
<td>1855</td>
<td>8,603,499</td>
<td>1,858,407</td>
<td>V&amp;P (L.A.NSW) 1856-57, Vol 2, p.618</td>
</tr>
</tbody>
</table>

Sheep Figures, 1830-1840

Livestock statistics do not appear in the Colonial Secretary's "Returns of the Colony" between 1830 and 1840, nor are they included in the Statistical Returns presented to the Legislative Council for these years.

The New South Wales Department of Agriculture, the Commonwealth Bureau of Census and Statistics, the Bureau of Agricultural Economics, and the National Council of Wool Selling Brokers of Australia, have been unable to provide sheep figures for this decade.

As the growth in sheep numbers between 1830 and 1840 was a significant factor in the economic development of the colony, estimates have been made for some years based on the official records of the weight and value of wool exported from New South Wales included in Appendix 10.

The following additional factors have been considered:

(a) the nature of the season and its influence on the weight of wool per head, and on the efficiency of washing.

(b) the likely average weight of washed wool per head.

(c) the effect of vegetable fault on washed weight in a good season.

(d) the increasing efficiency of shearing as the higher prices for wool encouraged a closer clip.

(e) the effect of the season on natural increase. The records of the Australian Agricultural Company are pertinent in this regard.
Adequate facts and statistics, including such matters as calf survival rates and slaughterings, on which estimates of cattle numbers in the decade 1830 to 1840 may be based, are not available.
### Wool Lien and Stock Mortgage Statistics, New South Wales, 1843-1855.

<table>
<thead>
<tr>
<th>Year</th>
<th>Liens on Wool</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number of Sheep</td>
</tr>
<tr>
<td>1843</td>
<td>54</td>
<td>318,739</td>
</tr>
<tr>
<td>1844</td>
<td>139</td>
<td>837,997</td>
</tr>
<tr>
<td>1845</td>
<td>125</td>
<td>657,989</td>
</tr>
<tr>
<td>1847</td>
<td>199</td>
<td>1,095,402</td>
</tr>
<tr>
<td>1849</td>
<td>211</td>
<td>1,154,468</td>
</tr>
<tr>
<td>1850</td>
<td>187</td>
<td>1,148,344</td>
</tr>
<tr>
<td>1851</td>
<td>192</td>
<td>1,069,981</td>
</tr>
<tr>
<td>1852</td>
<td>69</td>
<td>917,170</td>
</tr>
<tr>
<td>1853</td>
<td>89</td>
<td>676,298</td>
</tr>
<tr>
<td>1854</td>
<td>85</td>
<td>944,061</td>
</tr>
<tr>
<td>1855</td>
<td>107</td>
<td>1,254,059</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mortgages on Livestock.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1843</td>
</tr>
<tr>
<td>1844</td>
</tr>
<tr>
<td>1845</td>
</tr>
<tr>
<td>1847</td>
</tr>
<tr>
<td>1849</td>
</tr>
<tr>
<td>1850</td>
</tr>
<tr>
<td>1851</td>
</tr>
<tr>
<td>1852</td>
</tr>
<tr>
<td>1853</td>
</tr>
<tr>
<td>1854</td>
</tr>
<tr>
<td>1855</td>
</tr>
</tbody>
</table>

" " 1850, Vol 2, Statistical Returns, p.36.
" " 1855, Vol 2, " " p.34.
### Appendix 13.

**Mortgages on Land, Sydney and Port Phillip, 1840-1849.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sydney Amount - £</th>
<th>Port Phillip Amount - £</th>
</tr>
</thead>
<tbody>
<tr>
<td>1838</td>
<td>248,891</td>
<td>17,260</td>
</tr>
<tr>
<td>1839</td>
<td>348,818</td>
<td>77,463</td>
</tr>
<tr>
<td>1840</td>
<td>514,741</td>
<td>134,445</td>
</tr>
<tr>
<td>1841</td>
<td>1,098,741</td>
<td>108,474</td>
</tr>
<tr>
<td>1842</td>
<td>824,412</td>
<td>113,261</td>
</tr>
<tr>
<td>1843</td>
<td>1,055,580</td>
<td>270,413</td>
</tr>
<tr>
<td>1844</td>
<td>299,818</td>
<td>48,658</td>
</tr>
<tr>
<td>1845</td>
<td>272,822</td>
<td>46,723</td>
</tr>
<tr>
<td>1846</td>
<td>170,374</td>
<td>35,736</td>
</tr>
<tr>
<td>1847</td>
<td>180,554</td>
<td>43,032</td>
</tr>
<tr>
<td>1848</td>
<td>202,646</td>
<td>71,728</td>
</tr>
<tr>
<td>1849</td>
<td>198,479</td>
<td>116,157</td>
</tr>
</tbody>
</table>

*V&P (L.C, NSW) 1848, p.361.*  
Appendix 14.

Sale of Crown Lands, 1824-1855.

Amounts received from the Sale of Crown Lands.

<table>
<thead>
<tr>
<th>Year</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>1824</td>
<td>279</td>
<td></td>
</tr>
<tr>
<td>1826</td>
<td>2,596</td>
<td></td>
</tr>
<tr>
<td>1828</td>
<td>5,004</td>
<td></td>
</tr>
<tr>
<td>1830</td>
<td>943</td>
<td></td>
</tr>
<tr>
<td>1832</td>
<td>12,509</td>
<td></td>
</tr>
<tr>
<td>1834</td>
<td>41,844</td>
<td></td>
</tr>
<tr>
<td>1836</td>
<td>126,458</td>
<td></td>
</tr>
<tr>
<td>1838</td>
<td>116,324</td>
<td></td>
</tr>
<tr>
<td>1839</td>
<td>152,962</td>
<td></td>
</tr>
<tr>
<td>1840</td>
<td>316,626</td>
<td></td>
</tr>
<tr>
<td>1841</td>
<td>90,387</td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>14,574</td>
<td></td>
</tr>
<tr>
<td>1843</td>
<td>11,297</td>
<td></td>
</tr>
<tr>
<td>1844</td>
<td>7,402</td>
<td></td>
</tr>
<tr>
<td>1845</td>
<td>18,451</td>
<td>11,563</td>
</tr>
<tr>
<td>1846</td>
<td>27,060</td>
<td>11,249</td>
</tr>
<tr>
<td>1847</td>
<td>62,801</td>
<td>2,929</td>
</tr>
<tr>
<td>1848</td>
<td>47,262</td>
<td>7,624</td>
</tr>
<tr>
<td>1849</td>
<td>85,734</td>
<td>20,113</td>
</tr>
<tr>
<td>1850</td>
<td></td>
<td>33,757</td>
</tr>
<tr>
<td>1851</td>
<td></td>
<td>64,425</td>
</tr>
<tr>
<td>1852</td>
<td></td>
<td>55,808</td>
</tr>
<tr>
<td>1853</td>
<td></td>
<td>211,035</td>
</tr>
<tr>
<td>1854</td>
<td></td>
<td>319,533</td>
</tr>
<tr>
<td>1855</td>
<td></td>
<td>270,636</td>
</tr>
</tbody>
</table>

V&P (L.C, NSW) 1840, p.322.
V&P (L.C, NSW) 1845, p.413.
V&P (L.C, NSW) 1850, Vol 2, Statistical Returns, p.34.
Notes on relative Regulations.

1831, Ripon's Regulations for abolition of Free Grants and sale by auction of all Crown Lands.
1839, Minimum price raised from 5/- to 12/- per acre.
1841, Sale at fixed price of £1 per acre introduced at Port Phillip.
1842, Sale by auction resumed, upset price 12/- per acre.
1843, Minimum price raised to £1 per acre.
## Appendix 15.

Gold Exports from New South Wales.  
1851-1855.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1851</td>
<td>468,336</td>
</tr>
<tr>
<td>1852</td>
<td>2,660,946</td>
</tr>
<tr>
<td>1853</td>
<td>1,781,172</td>
</tr>
<tr>
<td>1854</td>
<td>773,209</td>
</tr>
<tr>
<td>1855</td>
<td>209,250</td>
</tr>
</tbody>
</table>

---

New South Wales.

Coal Production, 1849-1855.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Mines</th>
<th>Quantity Produced (Tons)</th>
<th>Value Produced (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1849</td>
<td>6</td>
<td>48,516½</td>
<td>14,647</td>
</tr>
<tr>
<td>1850</td>
<td>9</td>
<td>71,216½</td>
<td>23,376</td>
</tr>
<tr>
<td>1851</td>
<td>10</td>
<td>67,610</td>
<td>25,546</td>
</tr>
<tr>
<td>1852</td>
<td>10</td>
<td>67,404</td>
<td>36,885</td>
</tr>
<tr>
<td>1853</td>
<td>13</td>
<td>96,809</td>
<td>78,059</td>
</tr>
<tr>
<td>1854</td>
<td>12</td>
<td>116,642</td>
<td>119,380</td>
</tr>
<tr>
<td>1855</td>
<td>14</td>
<td>137,076</td>
<td>89,083</td>
</tr>
</tbody>
</table>

Appendix 17.

The Sheep of Macarthur.

The Macarthur family have maintained at Camden Park in New South Wales, a flock of sheep directly descended from the Spanish merino sheep purchased by John Macarthur from the Royal Flock at Kew, and imported into Australia in 1804\(^1\).

The breeding flock now numbers 300 ewes of mixed ages, and the average lamb survival rate is 70 per cent. The ewes cut about 4 lbs. of greasy wool at each annual shearing. The photographs included, were taken in January 1976, when the sheep were carrying four months wool.

The weaners from the 1975 lambing represent the 189th generation directly bred from the Spanish sheep imported in 1804. No outside blood has at any time been admitted\(^2\).

The wool is still of fine quality (19 micron or 70s count), very soft handling, with a regular, well defined crimp. The staple is of medium length, and the clean yield is about 65 per cent.

The wool shows a slight creaminess, not due to condition, and as it has been a consistently evident characteristic this probably reflects the original breeding\(^3\).

---

1. HRA.1,v,834-5.  
2. This information provided by the Chairman, and the Livestock Superintendent, of Camden Park Estate.
Appendix 18.

Australian Agricultural Company.
Balance Sheet, 31 December 1854

Funds Provided.

Joint stock account -
£17.10.0 per share on
20,000 shares £350,000. 0. 0
Drafts on Bank of Australasia. 16,401.13. 5
Drafts on Bank of Australia. 20.10. 0
Dividends unpaid to proprietors
on 31 December 1854. 339.13. 6
Balance on dividend account. 275. 7. 9
Revenue and expenditure account
for 1853, balance of account. 15,826.10.10
£382,863.15. 6

Funds Represented By.

Outlay of capital -
Agricultural
operations. £308,528. 9. 0
Colliery
operations. 22,463. 0. 2 £330,991. 9. 2
Commissioner, cash
in hand. 10,345.11. 7
Balance of personal
accounts. 2,585.19. 1
Stores account. 3,991. 5. 5
Port Stephens account,
stores shipped. 13,484.15. 3
Powers of Attorney,
held in office. 36.15. 0
Revenue and expenditure
account for 1854 -
expenses of management
in London. 2,870. 0. 8
Loan account, payable
January 1855. 16,000. 0. 0
Cash account. 2,557.19. 4
£382,863.15. 6

Van Diemen's Land Company.

Summary of Balance of the Colonial Books of Account, 31 December 1845.

Funds Provided.

Due to Henty & Co. for supplies £1,667. 6.11
Receipts from the company in London. 169,830.17. 9
Rents. 905. 4. 2
Instalment on shares. 1,060. 0. 0
Issues on account of pay, and to tenants. 7,591. 7. 8
Leicester sheep account. 573. 3. 8
Interest account. 1,568. 7.10
The dairy. 853. 5. 6
Cattle account. 2,223. 0. 2
Provisions. 1,488.19. 2
Adjustments account, exchange etc. 988. 9.11 £188.720. 2. 9

Funds Represented By.

Investment in Land.

Survey. 6,796.14. 2
Circular Head Estate. 32,461.13. 9
" " Farm. 6,049.16. 6
Hampshire Hills Estate. 17,862. 2. 0
" " Farm. 4,403. 1. 7
Surrey Hills. 14,030. 2. 6
Emu Bay. 8,696. 1. 1
Woolnorth. 7,447. 9. 8
Dyersley, Island Farm. 400. 3. 0
£98,147. 4. 3

Investment in sheep.

" " cattle. 898.14. 9
" " deer. 125.10. 6
" " horses. 5,882. 5. 9
" " shipping. 1,617. 2. 9
" " stores, implements, machinery 21,578.15. 7
Freight and passage, and sundry items. 2,035.18. 3
Extraordinary issues. 29.19. 9
Sawn timber, value. 25.16. 5
Cash, bills and debts in Van
Appendix 19, continued.

Diemen's Land. 14,382. 4.11

Profit and loss account
- Debit at 31 December, 1844. 18,703. 4. 0 £188,720. 2. 9

Abstract of Balance of the Colonial Books of Account,
31 Dec 1845. Archives Tas. VDL.164.
BIBLIOGRAPHY

1. Contemporary Company Records:
   Notes on Sources.

2. Official Sources.
   (a) British.
   (b) Colonial.
   (c) Statutes.
      Imperial Statutes.
      Private Statutes of New South Wales.
      Public General Statutes of New South Wales.

3. Contemporary Company Records.

4. Other Contemporary Records.
   (a) Company related documents.
   (b) Books and Pamphlets.
   (c) Journals and Periodicals.
   (d) Published Collections of Documents.

5. Secondary Sources.
   (a) Books.
   (b) Unpublished Theses.
1. Contemporary Company Records.

Notes on sources.

Australian Agricultural Company.

The company's documents are voluminous and catalogued by the Archives Unit, Australian National University. The documents most particularly applicable to this study, with the relevant catalogue references are:


This includes copies of despatches 1-10 from the Committee to the Court of Directors.

78/1. Despatches to the Court of Directors from New South Wales, and specifically:
- 78/1/1. 1 Nov. 1824 - 6 Mar. 1827.
- 78/1/9. 16 July 1829 - 10 Sept. 1830.
- 78/1/12. 23 May 1831 - 19 June 1832.
- 78/1/13. 30 June 1832 - 22 Jan. 1834.
- 78/1/17. 4 Sept. 1841 - 28 Dec. 1844.
- 78/1/18. 16 Jan. 1845 - 23 Nov. 1847.
- 78/1/19. 3 Jan. 1848 - 23 Oct. 1850.
- 78/1/20. 11 Nov. 1850 - 15 Dec. 1852.


The Mitchell Library holds the undermentioned documents:
- The Company's By-laws, 1825.
- Annual and Special Reports to the Proprietors.
- The Special Report on the Company's Collieries, 1855.
- The original of Sir Edward Parry's Journal.
- William Barton, Memorial and Justification, London, June 1832.
- Minute Book of the Australian Agricultural Company, Committee of Management in Sydney. 30 October 1824- 13 February 1829.

The Macarthur Papers provide important information on the establishment of the Company and on its early years of operation. Details are given in the Bibliography, 4(d).
The Canada Company.

Research into the records of the Canada Company would have been most difficult but for the cooperation of Officers in Public Archives of Canada, Ottawa, and the advice of Professor Roger Hall, Department of History, University of Western Ontario, London.

The records of the Company are held partly in Ottawa and partly in Toronto, but the series of Reports by the Court of Directors is incomplete. Sufficient evidence is however, engrossed in the Reports available to establish the early development of the Company. The detailed Reports submitted to Proprietors in December 1839 and 1850 provide summaries for the periods 1827-1839 and 1839-49 respectively.

A copy of the Canada Company Act, 6 Geo.iv, cap.75, 27 June 1825, is available in the New South Wales Parliamentary Library, to which access was granted.

Public Archives of Canada provided photo-copies of the undermentioned documents:

Charter of Incorporation, 19 Aug. 1826.
Reports of the Court of Directors to Proprietors,
23 Mar. 1832. 29 Mar. 1843.
8 May 1833. 27 Mar. 1844.
26 Mar. 1840. 6 Mar. 1856.
30 Mar. 1842.

Special Company Reports, 5 June 1843.
30 Apr. 1852.
The Company's Memorandum on lands in Upper Canada to be disposed of, 1832.
Memorandum on the Canada Company by a resident of Guelph, 5 June 1843.
[Aliquis], Observations on the History and Recent Proceedings of the Canada Company, 1845.
Company Memorandum to Emigrants, 30 Apr. 1852. The photocopies of all these documents have been lodged with the Department of History, The University of Sydney.

Public Archives of Canada also made available a micro-film copy of the John Galt Papers, 1810-1842, with early correspondence related to the formation of the Canada Company.

The Directors' Report in 1850 was fully reported in Fisher's Colonial Magazine and Commercial Maritime Journal, Vol.18-19, 1850. pp.313-322, which is available in the Mitchell Library.


The Scottish Australian Investment Company.

The early records of the Company are lodged with the Rare Book and Special Collections Library, The University of Sydney. The documents are listed under general headings but are not catalogued. The records are located in the Fisher Library, 7th Floor, Business Archives, Section 2C/1-7, and mainly on Shelf 4. The formation and establishment of the Company in the Colony, are recorded mainly in the undermentioned documents:
Foundation Documents - Early Correspondence. These are mainly bundles of letters in no particular order, in a box file.

Board Minutes, Book 1, 1840-53.
Board Minutes, Book 2, 1853-56.
Letter Book, Directors to the Manager, 1853-60.

The original Contract of Copartnery, 1840, is held by the Scottish Australian Co. Ltd, Sydney. The word "Investment" was omitted from the Company's name in 1933. A copy of the Deed including all amendments to 1855 is lodged at the commencement of the Minute Book, 1840-53.

The two Letter Books are held in filing boxes. The Letter Book 1840-44 is irregularly numbered, and the page references are to the nearest number. The Letter Book 1843-47 is not numbered, and the letters are bound in irregular order.

The pages of the Board Minute Books, which include the Directors' Reports to Shareholders, are consecutively numbered. Copies of all Reports are either engrossed in the Minutes, or attached to the Minute Book as printed.

The Australian Letter Book and the Letter Book, Directors to the Manager, are consecutively numbered.

Most of the correspondence concerning South Australia and the Bon Accord Mine is unbound and held in filing boxes.

List of Shareholders in the Scottish Australian Investment Company on 11 February 1841.

The Van Diemen's Land Company.

The substantial early records of the Company are held fully catalogued by the Archives Office of Tasmania.

The documents to which reference has been mainly made in this study, with the Archives catalogue identification, are:

VDL. 203. Printed Minutes concerning the establishment of the Company.
VDL. 203. Annual Reports of the Company, called Yearly Reports.
VDL. 1/5. Despatches from the Governor and Directors to the Chief Agent in the Colony.
VDL. 5/2 to
VDL. 5/9. Despatches from the Colony to the Governor and Directors. Pagination only to Despatches until 1845.
The Mitchell Library has a complete series of Yearly and Special Reports to Proprietors, and copies of:


- James Bischoff, Sketch of the History of Van Diemen's Land, and an account of the Van Diemen's Land Company. Published in London, April 1832. This work deals fully with the Directors' First Yearly Report which was not otherwise published.

- Statement by a Director, London, 17 May 1843.


2. **Official Sources.**

(a) **British.**

- Despatches to the Governor of New South Wales from the Secretary of State for 1845. *ML.*
- Despatches to Governor of New South Wales, July-December, 1846. *ML.*

Colonial Office Correspondence, reproduced by the Public Records Office, London. *ML.*

- CO. 201/351. PRO.361. Secretary of State for the Colonies.
- CO. 201/458. PRO.659. Secretary of State for the Colonies.
- CO. 280/1. PRO.230. Van Diemen's Land Company.
- CO. 280/268. PRO.1273. Tasmania, Correspondence, 1850.
(b) Colonial.

Canada. For the Information of Intending Emigrants. Authorised by the Government Immigration Office, Quebec, March 1864. ML.


Copies of the Laws and Ordinances passed by the Governor and Council of the Colony of Van Diemen's Land, 1826 - 1830. Printed by Order of the House of Commons, 11 March 1831. ML.

Emigration to Canada. A Brief outline of her Geographical Position, Productions, Climate, Capabilities. Published by, Bureau of Agriculture, Quebec, January 1861. ML.

Historical Records of Australia. (HRA) Series 1, Volumes i to xxvi. Series III, Volumes i to vi. Published by The Library Committee of the Commonwealth Parliament, 1914 - 1925. ML.

Historical Records of New South Wales. (HRNSW) Volumes i to vii. ML.

Pyrnont Bridge Company. Deed of Settlement and Supplemental Deed, 2 July 1855. ML.


(c) Statutes.

(NSW. Parl. Library).

Imperial Statutes.

6 Geo.i, cap. 4. 1719. South Sea Company.
7 Geo.i, St.1.cap.1. 1720. " " "
7 Geo.i, St.1.cap.2. 1720. " " "
7 Geo.i, St.1.cap.5. 1720. " " "
7 Geo.i, St.1.cap.28. 1720. " " "
6 Geo.iv, cap.91. 1825. Corporate Liability.
5 Geo.iv, cap.86. 1824. Australian Agricultural Company.
11 Geo.iv, and
1 Gul. iv, cap.24. 1830. " " "
9 and 10 Vic., cap. cccl. 1846. " " "
(Local and Personal Act declared Public and to be judicially noticed).
10 and 11 Vic., cap. 57. 1847. " " " "

Private Statutes of New South Wales.
14 Vic. 1850. Burwood and Newcastle Tramroad.
19 Vic. 1855. The Pyrmont Bridge Company.
22 Vic. 1858. " " " "
25 Vic. 1861. " " " "
17 Vic. 1853. Newcastle Coal and Copper Company.
17 Vic. 1853. The Hunter River Railway Company.
13 Vic. 1849. The Sydney Railway Company.
18 Vic. 1854. " " " "

Public General Statutes of New South Wales.
7 Vic., No. 3. 1843. Liens on Wool.
9 Vic., No. 30. 1845. " " "
11 Vic., No. 4. 1847. " " "
14 Vic., No. 24. 1850. " " "
11 Vic., No. 58. 1848. Mortgages on Sheep.
5 Vic., No. 17. 1841. Insolvency.
8 Vic., No. 17. 1844. Interest on Money.

3. Contemporary Company Records.

Australian Agricultural Company.

Proposals.
Charter of Incorporation.
Relevant Statutes, Rules and Regulations.
Correspondence with the Secretary of State for the Colonies.
Annual Reports of the Directors.
Reports to Special General Meetings.
Station and Mining records.
Correspondence and Letter Books.
Company Balance Sheets and Extracts.
Archives ANU and ML.
The Scottish Australian Investment Company.

Prospectus.
Contract of Copartnery.
By-laws, Rules and Regulations.
List of Shareholders.
Directors' Half-yearly and Annual Reports.
Reports of Board Committees.
Balance Sheets and Financial Statements.
Minutes of Meetings of the Directors.
Letter Books, including correspondence between the Manager and the Directors.
Australian Letter Book.
Power of Attorney, Morehead & Young to Elder & Hall, 1 May 1846, and 1 May 1849.

Rare Books.

Van Diemen's Land Company.

Correspondence with the Secretary of State for the Colonies.
Charter of Incorporation.
Relevant Statutes, By-laws, Rules and Regulations.
Directors' Yearly, Half-yearly and Special Reports.
Despatches from London to the Chief Agent in the Colony.
Despatches from the Colony to the Governor and Directors.
Minutes of General Meetings.
Financial Statements.
Abstracts of Balances from the Books of the Company in London and in the Colony.
Statements of Produce and Expenditure in the Colony.
 Archives Tas. and ML.

The Canada Company.

Prospectus.
Charter of Incorporation.
Directors' Half-yearly, Annual and Special Reports to Proprietors.
Lands in Upper Canada, to be disposed of by The Canada Company.
Memorandum, 1832.

Memorandum of The Canada Company inviting the attention of Emigrants, Old Settlers, and others, to the Huron Lands, amounting to about 240,000 Acres, being the undisposed of Part of the original Block. Toronto and Goderich, 30 April 1852.
 Archives Ottawa, and ML.
4. Other Contemporary Records.

(a) Company related documents.

Minutes of the Intended Arrangements between Earl Bathurst, His Majesty's Secretary of State, and the proposed Van Diemen's Land Company.
Printed by order of the House of Commons, 11 May 1825. ML.

Minutes of the Van Diemen's Land Company, established by Act of Parliament introduced by His Majesty's Ministers.
Printed at Hobart Town, 1826. ML.

Volume 1. 23 Dec 1829/19 May 1831.
Volume II. 20 May 1831/18 Mar 1834.
Volume III. 19 Mar 1834/1 Nov 1834.
Original ML.
Microfilm copy, Archives ANU.


(b) Books and Pamphlets.


Barton, William. The Memorial and Justification of Mr. Barton. Appointed to the united offices of Secretary and Accountant to the Australian Agricultural Company in New South Wales. London, 30 June 1832. Delivered gratis to the Proprietors upon Application to:
Pelham Richardson, 23 Cornhill, and J. Fraser, 215 Regent Street. ML.


Bischoff, James. Sketch of the History of Van Diemen's Land, and an account of the Van Diemen's Land Company. London, April 1832. ML.

Boucher, F. Authentic Information regarding The British Colony of Tasmania and The Van Diemen's Land Company of London. Town and Country sections of land, portion of the Company's estates in Tasmania, are now to be sold, upon terms highly advantageous to Purchasers. London, 1859. ML.

Curr, Edward. An Account of the Colony of Van Diemen's Land, principally designed for the use of Emigrants. London, 1824. ML.

Dawson, Robert. Statement of the Services of Mr. Dawson as Chief Agent of the Australian Agricultural Company; with a Narrative of the Treatment he has experienced from the Late Committee at Sydney and the Board of Directors in London. London, October 1829. ML.
Dawson, Robert. Extracts from Letters written on 7 May 1826 from Port Stephens to John Smith Esq. and to Mrs. Dawson.


Kingdom, William Junior. America and the British Colonies. An Abstract of all the most useful information relative to The United States of America and the British Colonies of Canada, The Cape of Good Hope, New South Wales and Van Diemen's Land. London, 1820. ML.


Melville, Henry. The History of Van Diemen's Land. From the Year 1824 to 1835, Inclusive. Hobart Town, December 1835. Edited by Dr. George Mackaness, 1965. Original, ML.

Montgomery Martin, R. The British Colonies. By Special Authority dedicated to Her Majesty the Queen. London, 1849. ML.

Morehead, R.A.A. Some Words for and to the Capitalists and Shareholders in Banks and other Moneyed Companies connected with the Colony of New South Wales. Sydney, October 1843. ML.

Parker, H.W. The Rise, Progress and Present State of Van Dieman's Land; with Advice to Emigrants. Also, a Chapter on Convicts. London, 1833. ML.


Wakefield, Edward Gibbon. A Letter from Sydney, the Principal Town of Australasia. London, 1829. ML.


Wentworth, W.C. A Statistical, Historical and Political Description of the Colony of New South Wales, and its dependent Settlements in Van Diemen's Land. London, 1820. ML.


Wilson, F.A. and Richards, A.B. Britain Redeemed and Canada Preserved. London, 1850. ML.

(c) Journals and Periodicals.

[Aliquis] Observations on the History and Recent Proceedings of The
Canada Company, addressed in Four Letters to Frederick Widder, Esq. one

Published in London, Liverpool, Paris. ML.

Memorandum on The Canada Company by a very intelligent and experienced
Gentleman and Magistrate, long resident in Guelph. Toronto, 5 June 1843.
Archives Ottawa.

Simmonds' Colonial Magazine and Foreign Miscellany.
Published in London. ML.

The British Magazine, 1 August 1832. ML.

(d) Published Collections of Documents.

Burns, T.E. and Skemp, J.R. Van Diemens Land Correspondents, 1827-1849.

Clark, C.M.H. Select Documents in Australian History, 1788-1850. Sydney,
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Ritchie, John. (ed). The Evidence to the Bigge Reports. New South Wales under Governor Macquarie.
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Volume 2. The Written Evidence.
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The John Galt Papers. Volumes 1-4, Series 1, 2, 3. Correspondence, Notes, Drafts and Memoranda, relating to the business and
literary endeavours of John Galt, together with various family records. 1810-1842.
Series 1. Correspondence, 1817-1839.
Series 2. Literary Manuscripts, undated.
Index Nos. C.3897, C.3898.
The Macarthur Papers.

The authority granted by the Mitchell Librarian to refer to the Papers in the Restricted section of these documents is acknowledged.

In the two Series of Records, the documents of major assistance to this study were the following:

A.2906. Mrs. John Macarthur, Journal and Correspondence, 1789-1840
A.2910. Family History.
A.2920. James Macarthur, Correspondence, 1819.
A.2935. Sir William Macarthur, Letters and Miscellanea, 1824-82.
A.2964. Wool Correspondence, 1803-80.

1-46A. Papers of the Australian Agricultural Company.
A.4314. Minute Book, 30 October 1824 to 13 February 1829.
A.4315. Despatches from Directors, 1824.
A.4319. Despatches to Directors, 1824-27. (Not paginated)
A.4320. Letter Book No.2, 1 November 1824 to 1 May 1830.
A.4321. Correspondence and Papers, September 1826 to April 1828.
A.4327. Correspondence and Papers on Stock.

5. Secondary Sources.

(a) Books.

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Volume 1. 1788-1850.
Section Editors, A.G.L. Shaw.
C.M.H. Clark.


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(b) Unpublished Theses.
