COPPER AND CREDIT : COMMISSION AGENTS AND
THE SOUTH AUSTRALIAN MINING ASSOCIATION
1845 - 1877

Mel Davies
The University of Western Australia

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Though nineteenth-century Australian economies depended heavily on their export sectors, Australian historiography deals only lightly with overseas marketing procedures. We are informed how products are grown, processed, manufactured or otherwise exploited but seldom are we led from that point through to their final destination. Even Alan Barnard's work on wool marketing¹ is thin on detail in respect to overseas handling of that commodity. But the seeming nescience on the subject, it would appear, stems not from lack of interest but from the fact that Australia's major exports, of which wool was foremost, were from an early date either purchased or handled by general Colonial merchants or by Australian based representatives of overseas brokers and commission houses. Thus as far as the Australian producer and subsequently the historian has been concerned, the final point of disposal or of actual control over export goods by the producer is interpreted as either at or before the port of embarkation. As Barnard implies for the wool industry, home sales or handling by Australian based agencies was a function of producer unit size in a market where the producer was generally too small to individually face the complexities and costs of exporting and marketing his produce overseas. Emphasising this point, Barnard explains that the few very large wool producers such as the South Australia Company and the Australian Agricultural Company would themselves despatch wool directly to England rather than allow such produce to be handled by local factors or agents.² But what is not explained are the methods adopted by the large producers to market the wool in England - whether by selling directly to manufacturers, or presenting the wool for auction, or by directing the commodity to specialist English based factors - nor are we told what systems of control were adopted to protect their interests, nor how they overcame the problem of being for a long-period 'out-of-funds'. When time and distance between producer and the market were substantial then these latter two points associated with control and liquidity were of vital concern to any exporting body.

The object of this paper is to shed some light on blank or hazy areas outlined above. The study will also attempt to illuminate the much neglected area of mineral marketing³ while examining the procedures adopted by the South Australian Mining Association (SAMA), proprietors of the Burra Burra Mines (1845-77) to market directly abroad. The Copper Mine falls into the category of a 'large producer' by any nineteenth-century standards - by 1850 over 1,000 workers were

* I wish to thank Professor R.T. Appleyard, Dr. F. Broeze and Dr. R.N. Ghosh for their comments in preparation of this paper.

1. Alan Barnard, *The Australian Wool Market 1840-1900* (Melbourne, 1958).

2. *Ibid.* p.57.

3. See for example, Geoffrey Blainey, *The Rush That Never Ended* (Melbourne, 2nd.ed. (1969), where only brief reference is made to the Welsh & German mineral markets.

employed by the Association at the Mine site alone,¹ and in the 1840s and 1850s it was a major and at times dominant leader in the South Australian export field and significant in world production terms as illustrated in the following tables.

Table 1 Value of Burra Burra Mine Production and Major South Australian Exports 1845-1880

<u>Period</u>	(1) <u>Wool/Grain & Breadstuffs</u>	(2) Export S.A. <u>Copper and Copper Ore</u>	(3) <u>Burra Burra Production</u>	(3) as <u>% of (1)</u>	(3) as <u>% of (2)</u>
	£	£	£	%	%
1845-50	694,745	1,214,448	1,080,246	155.49	88.95
1851-60	7,346,619	3,011,887	2,748,482	37.41	91.25
1861-70	17,575,971*	6,171,760	1,065,802	6.06	17.27
1871-80	35,193,836	5,929,782	295,185	0.84	4.98

* wool figures estimated at £600,000 for 1870

Sources : South Australian Archives (SAA), Business Records Group (BRG)22; *South Australian Parliamentary Proceedings*, Customs Schedules and Statistical Records; Henry Y.L.Brown, *Mining Records of South Australia* (Adelaide, 1877), pp. 88-9; J.J. Pascoe, *History of Adelaide and Vicinity* (Adelaide, 1901, reprinted Alan Osterstock, Adelaide, 1972), Appx. D.

Table 2 Production of Fine Copper 1840-1880 (tons)

<u>Period</u>	<u>World</u>	<u>South Australia</u>	<u>SAMA</u>	SAMA as % <u>S.Australian Production</u>	SAMA as % <u>World Production</u>
1841-50	291,000	15,700	13,966	88.96	4.8*
1851-60	506,000	35,000	25,239	72.11	4.99
1861-70	900,000	71,000	10,985	15.47	1.22
1871-80	1,189,400	76,000	2,963	3.9	0.25

* As SAMA production commenced on 29 Sept. 1845 then contribution to world production would have been much more significant in the period 1845-50.

Sources: Nicol Brown & Charles Corbett Turnbull, *A Century of Copper* (1899,1900 in 2 parts), part 1, pp. 9, 13-16; SAA, BRG 22, 959 and 960.

While the vast richness of the Mine spelled high profits², the success of the venture pivoted to a large degree upon marketing strategies adopted to overcome distance from markets and the vital need to maintain liquidity. This latter situation was especially acute in SAMA's case due to the high variable costs at the Mine and due to borrowing restrictions associated with SAMA's 'Cost Book,

1. For other details including the even larger number of hired transport workers employed by SAMA, see Mel Davies, 'Bullocks and Rail: The South Australian Mining Association 1845-70', *AEHR*, XVII:2, 1977.
2. Swansea Copper Master, H. Vivian, recognized the Mine as the most extraordinary in the world because of its richness, see *The Mining Journal*, 9 May 1846, 12 Feb 1848, 17 Aug. 1850; For thirty years, 1845-77, the ores average 22 to 23 percent. Prodigious dividends were paid, averaging 300 percent per year for the first 21 years.

No-Liability' form of organization.¹

Central to SAMA's exporting strategy was the part played by Commission Agents based in both Britain and India. Their functions and activities were diverse, for in addition to the handling of sales and expediting returns, agents were expected to take responsibility for arranging the purchase and despatch of capital goods to Australia; for arranging insurance of cargoes; for paying freight charges; for extending credit if needed; and finally for conducting other more personal services on behalf of SAMA's South Australian shareholders. Although such services were indispensable, because the interests of agents might not necessarily have been in accord with the desired objectives of the producers it was imperative that SAMA should adopt control measures to protect its interests. Thus while the mercantile commission agent was expected to have the necessary knowledge and experience to market advantageously on behalf of the principal, it was up to the principal to adopt measures to ensure that the agent exhibited the expected skill, diligence, care and honesty on his behalf. Whilst this paper sets out to highlight the controls adopted by SAMA,

1. The Cost-Book system which had evolved from at least the early seventeenth century was peculiar to non-ferrous mining (other than coal mining) and was the main mode of organization found in Cornwall. By the mid-nineteenth century the system had become so modified and complex that even legal minds were uncertain as to its 'properties'. Basically, however, it was a system which attempted to protect the Scrip-holder or Adventurer from general liability. Any debts were apportioned according to an individual's scrip holding, but further protection was provided by controls to ensure that undue extravagance and expense in running an Association was avoided. Thus according to SAA, BRG 22, 959, 5 April 1845, *Prospectus, South Australian Mining Association*, pp. 6,30, the directors were "to be responsible to the Scrip-holders for the proper application and expenditure of all monies entrusted to them and to possess no power to incur liabilities beyond the amount of the funds in the hands of the Bankers ... there shall be no liability or responsibility whatever upon the Scrip-holders and no calls of any sort are to be made upon them beyond the amount of £5" [i.e. value per scrip]. The basic principle was to curtail borrowing except on security of produce. The 'no-liability' status was related to the Cost-Book but its effect in law in protecting the scrip-holder was debatable - however, in SAMA's case the body of scrip-holders were protected by a clause which specified that "the Directors only are to be held liable as the contracting parties". The 'no-liability' status did, though, act as a warning to would-be creditors, to beware. For information on this complex subject see, John Rowe, *Cornwall in the Age of the Industrial Revolution* (Liverpool, 1953), pp.22-5; J.R.Leifchild *Cornwall : Its Mines and Miners* (London, 1855), pp.136-8, 242-3; comments and articles in *The Mining Journal*, especially, 29 Dec. 1846, 19 Sept. 1846, 11 Dec. 1847, 13 Oct. 1849, Supplement 17 Dec. 1853, pp. 801-8.

Danvers Godden and William N. Robertson, *Australian Mining Companies' Accounts* (London, 1902), p.10, claim that the Cost-Book system was first adopted in Australia during the gold mining era of the 1850s in Victoria. However, in accord with the criteria adopted by Godden & Robertson, and by examining SAMA's Prospectus and 'Articles of Association', it is clear that SAMA probably enjoyed the distinction of being the first to adopt such a system in Australia.

as well as the functions and activities of agents, emphasis will also be placed on aspects of banking activity, for the banks often acted as an important link in the SAMA-agent nexus.

I

Demand for copper by brass founders and other manufacturers in South Australia was insignificant, a situation which illustrates the undiversified nature of the young local economy.¹ While the bulk of ore and copper was destined overseas, direct marketing through the hands of commission agents who acted on SAMA's behalf to sell to smelters, manufacturers, or metal brokers in Britain or India was not the only alternative. Indeed, more satisfactory methods involving sales to local merchants and at times to local smelters were adopted whenever possible. Such measures not only ensured instant returns for SAMA but transferred risks to the purchasing parties who then took on the task of exporting onto their own shoulders.

While such arrangements were preferred because of liquidity preference, resort had often to be made, by SAMA, as evident in *Table 3*, to directly consign produce abroad. In the first two years of production at the Mine, cautious local merchants unfamiliar with the copper ore market showed little interest in overseas marketing, only daring to venture after the mining interests had shown the way. But throughout the whole period caution remained the mode of activity, sales of copper or ores to local merchants being obvious only in periods when copper prices remained stable or exhibited a steady upward trend. When wide fluctuations and market uncertainty were observed speculation was avoided and at such times SAMA was forced to resort to its own direct marketing abroad.

Smelting on a sufficiently large and satisfactory scale did not appear in the Colony until the Patent Copper Company (from 1853 called the English & Australian Copper Company) opened a smelter at its Koorunga works near the Burra Burra Mine site in April 1849. An arrangement was made with the Smelter whereby they agreed to convert SAMA's ore to copper on a share basis - the Smelter retaining a proportion of all ore presented, in return for its service in producing copper for the Mining Association. As seen in *Table 3*, only on rare occasions in the 1840s and 1850s were ore *sales* made to smelters in the Colony, but in the 1870s, as Mine output declined and the ratio of overhead costs to production increased at the Mine, SAMA *sold* its entire ore production to the English and Australian Copper Company because of the immediate need for liquidity.

1. See E.S. Richards, 'The Genesis of Secondary Industry in the South Australian Economy to 1876', *AEHR*, XV : 2, 1975.

Table 3

Dispersion of SAMA Produce Among Various Agencies in Terms of Copper Units*

Period	Copper Sales* (tons)	Sales to Local Merchants (to nearest %)	Sales to Local Smelters (to nearest %)	Direct Consignments to British & Indian Agents (to nearest %)
1840s	2,335	41	1	58
1850s	13,711	45	1	54
1860s	10,177	76	nil	24
1870s	679	5	95	nil

Sources : SAA, BRG 22 : 957, 959, 960; SAA, BRG 30.

*tonnages include both copper and ore sales. For each year ores have been reduced to a copper equivalent according to the copper content of the ore assay.

All direct ore consignments were despatched to Britain. From about 1850 copper exports predominated, approximately 30 percent being consigned to the Indian market and the remainder to Britain.

Ore sales were conducted mainly in Swansea, South Wales. The attraction of the market lay in the competition for ores in that town, for in the vicinity was concentrated some 90 percent of Britain's and until the 1860s over 80 percent of world copper smelting capacity.¹ However, concentration could also spell combination and therein lay one of the greatest problems testing the abilities of both SAMA and agents. Ores were sold at 'ticketings', a system whereby a 'blind' auction was held - bids being proffered in writing, the highest bidder becoming the purchaser.² The more assiduous Commission Houses kept their employees at the Port for in so doing they were able to assess the market by viewing the quantities and qualities of ores forwarded by the various suppliers. This allowed them to carefully judge the wisdom of placing or withholding ores from the ticketings - a matter imperative for optimum returns when considered that once parcels of ore were presented for sale they could not be withdrawn.³

"Sale by public ticketing" was preferred by SAMA's directors who feared that private sales would kill competition and lead to advantage to the Swansea smelting oligopsony. This fear was expressed when one Agency House, Messrs. Maitland & Mitchell, sold privately in London, informing SAMA that benefit had been gained on extra freight and insurance charges in transshipping from London to Swansea at a time when their sale had equalled Swansea prices. Although agreeing the sale was well intended, SAMA's Secretary, Henry Ayers, informed them that the advantages were

More than counterbalanced by the destruction of competition...the parties would have created if wants had not been supplied by the sale in London ... The Smelters interested in the London Rate would only bid nominally, as they would not be in absolute want of

1. R.O. Roberts, 'The Development and Decline of the Non-Ferrous Metal Smelting Industries in South Wales', in W.E. Minchinton(ed.), *Industrial South Wales 1750-1914 : Essays in Welsh Economic History* (1969), p.121.
2. John Leifchild, *Cornwall : Its Mines and Miners* (1855), pp.229-30; *The Cambrian*, 14 June 1850, p.3c.
3. Information kindly furnished by R.O. Roberts, University of Swansea, from article in preparation.

ore and their interests would clearly be to damp the sale all in their power ... Suppose another of our Consignees to adopt a similar plan to yours with the remaining Swansea Smelters...We should be entirely at the mercy of the Smelters and be compelled to take what price they may think proper to give us. The Copper Ore trade has always been too much of a monopoly for miners interests, and every means should be taken to throw upon the trade..[in future] you will please not make a similar sale¹.

Ayers' fears were well founded, as illustrated by documentation of combination among the Swansea smelters². R.O. Roberts' statement that the smelters "usually agreed on the terms of smelting contracts with the merchant houses importing Chilean and other ores",³ gives credence to SAMA's demand for caution in dealings with Commission Agents when collusion with purchasers of ores appears to have been so prevalent.⁴

SAMA was also exceedingly cautious of the machinations of the Swansea smelters when it came to marketing copper. Not surprisingly, the Association's directors were far from enamoured with the suggestion by one of their agents, Richard Hallet & Co., that copper exported by SAMA should be restricted to 2,000 tons in any one year and should be sold to the Welsh smelters.⁵ This had been suggested to Hallet by Mr. Michael Williams, one of the Swansea smelters concerned, and was an obvious attempt to limit the amount of copper in order to ensure high market prices.⁶ SAMA's Secretary, Ayers, was quick to respond in the negative :

...nor are the Directors at all desirous that any of the old Smelters should become purchasers of our copper...Our interest is plainly to break through the old monopoly which with judicious management on the part of our consignees might easily be accomplished to our advantage and the benefit of consumers.⁷

Not even in India was SAMA out of the manipulative reach of the Swansea-based

1. SAA, BRG 22, 960, 852, 11 June 1849.
2. Henry Hamilton, *The English Brass and Copper Industries to 1800* 2nd ed., (1967), pp.161-2; J.R. Harris, *The Copper King : A Biography of Thomas Williams of Llanidan* (Liverpool, 1964), esp. pp.88-107; Roberts, *op.cit.*, p.151.
3. *Ibid.*
4. Compounding the problem was that some of the Commission agents had direct interests in smelting firms. John Bibby of Liverpool, one of SAMA's agents, was a partner in the 'Ravenhead Copper Works Co., Lancaster' and also in the 'Seacombe Mills' where yellow metal was manufactured. See, Nevill Papers, Deeds of Settlement, 148/1849, 701/1849 and 149/1852, Swansea University Library. The double-dealing of Commission agents and merchants in the copper trade is again witnessed in the papers of Anthony Gibbs & Son, MS.11036, Vol.3, pp.20, 217, letters Feb. 1860, Guildhall Library, London. Gibbs states his firm has an agreement to sell imported copper to Edwards, Birmingham [a metal Broker also utilized by SAMA], but unknown to Edwards and "the outer world", they are also selling to the smelters. Gibbs states this action was being taken as his firm and the smelters were unhappy with Edwards because his competition was driving down copper prices.
5. SAA, BRG 22, 960, 1312, 10 May 1851
6. Leifchild, *op.cit.*, indicates the significance of SAMA's production in affecting prices when stating that cessation of Burra production in 1851 (through effects of the goldrush) caused a great increase in world prices; the editorial of *The Mining Journal*, 27/11/1852 expressed similar sentiments.
7. SAA, BRG 22, 960, 20 Aug. 1851.

smelters. When warned in 1852 that

...parties connected with the Patent Copper Coy [in Britain] had forwarded orders to Calcutta to purchase the whole of our copper offered there for sale, with a view to its being held for very high prices¹

SAMA's Calcutta agent was expected to use every ruse to eliminate the likelihood of this occurring. Probably because of this warning, just over a year later, the Directors agreed to "act in unison" with the smelting party concerned to force the highest possible prices in the Calcutta market by placing their "products for sale through their respective agents at different times"² - a sensible arrangement as far as optimizing returns were concerned, but perhaps an indictment of the double-standards of the Directors who earlier complained vociferously about the actions of the South Wales smelters in respect of market manipulation and collusion.

II

The problem associated with overcoming the machinations of the smelting oligopsony illustrates that in the arena of foreign marketing the marriage of good management in Adelaide with responsible agents abroad was essential if SAMA was to achieve optimum financial returns. As a first step SAMA's overseas agents were selected on the recommendation of directors or of knowledgeable merchants within the Colony. Until 1850 copper ore consignments despatched to Britain were handled by the following Agencies, many of whom also acted as carriers of the ores : *London based* - Duncan Dunbar & Sons., Frederick Huth & Co., Maitland & Mitchell, James Morrison & Co., Frith Wallace & Co. (Frith Sands & Co. from 1848), F.J. Wheeler & Co.; *Liverpool based* - John Bibby & Sons, Jones & Younghusband; *Cornwall based* - John Williams Jnr. & Bros.; *Swansea based* - Leach Richardson & Co. From 1850 when copper sales began to dominate, Henry Edwards of Birmingham, D.C. Mackey of Calcutta, and Messrs. Forbes & Co. of Bombay were added to the list.

1. SAA, BRG 22, 960, 1692, 12 Nov. 1852

2. *Ibid.*, 1909, 29 April 1854

When selecting an agent risk was minimized by a code of honour and unwritten understanding that some financial responsibility for default or negligence on the part of the overseas agent lay at the door of the person introducing the 'house'. But while kinship and personal relationships had for long been in an extremely important facet of trading in the English speaking world¹ which would help explain acceptance of such a responsibility, the arrangement is more convincingly explained by the fact that the sponsors also received financial reward from the agents. It was in fact common practice for agents to pay a commission to the sponsor on all income accruing from sponsor generated trade.² But while the sponsor bore a moral responsibility to meet any default or negligence, he was not bound by force of law. However, it would be expected in a close knit community such as Adelaide that the sponsor would honour such obligations in order to protect his own integrity and business standing. This latter point ensured that sponsors took some care when selecting agents - a degree of care reinforced by the unpalatable possibility of paying someone else's debts. In practice SAMA did call upon sponsors, but all cases recorded involved small sums. As refusal by a sponsor to pay such sums would have resulted in withdrawal of business to the agent, and subsequent loss of commission to the sponsor, then the practice also prevented protracted argument over petty financial matters. As an example of the practice, Richard Hallett & Sons, London, were informed in 1848 that their sponsor, Charles Beck, had paid a sum of £62.10.0 into SAMA's bank account in payment of Hallett's overcharge on commission for duties performed.³ In another case, sponsor A.L. Elder was expected to pay restitution of 5 percent of the freight charges on the *Wuzeer*, as George Elder & Sons of Kirkcaldy, Scotland, had engaged the vessel to carry ore at 20cwts. per ton instead of at the [traditional] 21cwts. per ton as ordered by SAMA.⁴

1. This point is referred to in almost every text dealing with merchandising. See, for example, Bernard Bailyn, *The New England Merchants in the Seventeenth Century*, (Harvard, 1955), pp.79,87; Richard B. Sheridan, 'Planters and Merchants : The Oliver Family of Antigua and London 1716-1784', *Business History*, XIII : 2, 1971; Maxwell Whiteman, *Copper for America : The Hendricks Family and a National Industry 1755-1939* (Rutgers Univ., N.Jersey, 1971), *passim*; Eric Richards, 'William Younghusband and the Overseas Trade of Early Colonial South Australia', *South Australiana*, Vol. 17, 1978.
2. See Sheila Marriner, *Rathbones of Liverpool 1845-73* (Liverpool, 1961), p.58, where recorded that Rathbones followed this custom - "The amount of commissions returned seems to have varied from one-fifth to one-third of the commission earned, although in some cases, Rathbones returned as much as half".
3. SAA, BRG 22, 957, 14 July 1848, p.207; SAA, BRG 22, 960, 812, 28 April 1849.
4. SAA, BRG 960, 471, 8 April 1848; *Ibid.*, 789, 26 March 1849, *Ibid.*, 18 Aug.1851. According to Robert White Stevens, *On the Stowage of Ships, and their Cargoes Freights, Charter-Parties, etc.* (London/Plymouth, 3rd. ed., 1863), p.172, this was not the case at New York where a ton was taken as 20cwts copper ore.

All agencies received shipments in rotation, but as time progressed some were abandoned or appeared as agents only infrequently. Leach Richardson & Co. divorced themselves from regular consignments by refusing to handle "ore shipped as cargo by vessels ... not fitted with platform and trunks", but as SAMA's directors had "never met with such vessels...except Leach Richardson's 'Appleton'," ¹ they were rarely able to oblige. Frederick Huth & Co. were forsaken for two years when they refused to bow to an ultimatum that the directors "did not intend to pay more than 2½% gross sales, including guarantee, commission". ²

Other agents were abandoned when they displeased the directors : E.J. Wheeler & Co. were struck off the list when they insisted on restricting the amount to be drawn on them in the form of drafts on the Bank of Australasia; ³ Messrs. John Williams Jr. & Bros. fell from grace when they threatened to withhold credit - being prepared to accept drafts drawn on themselves only when consignments actually arrived in Swansea. ⁴ John Bibby & Sons displeased the directors when they "departed from instructions" by selling at Liverpool and at less than Swansea prices. ⁵ Secretary Ayers must have also suspected some underhand activity - "I regret tho' from one or two dirty things, I have lost confidence in Bibby's people". ⁶ Had he perhaps wind of Bibby's interests in English smelting activities? ⁷ Whatever Ayers believed, Bibby was not completely abandoned, though the two shipments of ore that were despatched to Bibby thereafter were preceded by letters notable for their detailed instructions and emphasis on the obligation to sell only at Swansea.

In order to control agents and also to keep one step ahead of the smelting oligopsony it was essential for reports and general information to flow regularly into the Adelaide office. Such information was demanded from all agents and also from various private correspondents abroad. ⁸ In 1845, for example, Frederick

1. SAA, BRG 22, 960, 520, 13 May 1848; According to Stevens, *op.cit.*, pp.170-1, platform and trunks were fitted internally on Swansea vessels of 600 ton register on the Valparaiso ore run, and were intended to prevent such cargo from pressing on the sides and causing undue strain.
2. SAA, BRG 22, 960, 658, 11 Oct. 1848; SAA, BRG 22, 957, 6 July 1847, p.161.
3. SAA, BRG 22, 960, 241, 7 Nov. 1846; *Ibid.*, 419, 18 Jan. 1848; *Ibid.*, 3 May 1848.
4. *Ibid.*, 853, 12 June 1849.
5. *Ibid.*, 792, 4 April 1849
6. SAA, Private Records Group (PRG), 100, No.15, 23 Aug. 1849, H. Ayers to J.B. Graham.
7. See *above* p.6 f.4
8. SAA, BRG 22, 960, 25 Nov. 1845, for instructions to all agents; The supplying of market information was common to agents everywhere, see for example, Stuart Bruchey (ed.), *Cotton and the Growth of the American Economy 1799-1860: Sources and Readings* New York, 1967), pp. 221-32; Glenn Porter & Harold C. Livesay, *Merchants and Manufacturers : Studies in the Changing Structure of Nineteenth Century Marketing* (Baltimore & London, 1971), pp. 46-7.

Hith was requested to send

all the information as to markets, shipping and assays from Swansea, Etc. which you conveniently can, for the future guidance of the Association ...[and] please to send out regularly the Mining Journal.¹

As well as providing useful market information such correspondence also allowed the directors, by cross-checking, to apprise themselves as to the performance and worth of individual agents.

As an additional check on agents' activities, the directors utilized the services of Colonists who visited or migrated to Britain. In 1846, three agents were informed that Frederick John Beck, brother of the Chairman of the Board, would be visiting Swansea before the arrival of the bulk of the ore to gain information "re classification, relative value etc."² This type of personal contact was to be encouraged, for the great physical distance between principal and agent, and propinquity and association of the latter with the buyer, meant affiliatory obligation to the principal could sometimes be ignored by the agent. However, snags could arise. When director J.B. Graham, SAMA's major shareholder, visited Britain in 1848 he personally visited all agents and contacts with the blessing of the Board, but the following year Ayers informed Graham that

we have observed that during your stay in England several of our Consignees have taken steps opposed to their instructions and have screened themselves by stating that they had your authority for their departures from them and thereby throw the whole onus upon yourself.³

In reading the accounts of the lavish entertainment expended on Graham, and the resulting generous feeling exhibited to agents,⁴ it is possible to appreciate that he might well have been lulled into agreeing to matters not in the best interests of SAMA.

Graham certainly enjoyed a special convivial relationship with Richard Hallett. When considered that Graham was well respected on SAMA's Board it is thus easy to see why Hallett came to gain a major share of the Association's ore trade up to 1851. By that time, however, relationships had soured substantially. In the first place Hallett failed to expedite drawings of an engine house, which led to great inconvenience and loss of production at the Mines.⁵ Secondly, Hallett blotted his copybook when discovered that Burra ores despatched under his care to the 'Great Exhibition' of 1851 had been catalogued and labelled under the name of 'Hallett & Graham' without any mention being made of SAMA.⁶ In 1851 when the

1. SAA, BRG 22, 960, 25 Nov. 1845.

2. *Ibid.*, 123, 3 Feb. 1846.

3. SAA, *Diary and Correspondence J.B. Graham*, PRG 100, No.11, 25 April 1849.

4. *Ibid.*, *Diary*, passim. 1079

5. SAA, BRG 22, 960, 812, 28 April 1849; *Ibid.*, /4 May 1850; *Ibid.*, 24 March 1851.

6. *Ibid.*, 1079, 4 May 1854; *South Australian Parliamentary Papers*, No.23, 1854.

directors decided to test the abilities of their agents in their new venture into copper marketing, Hallett's efforts were treated with scorn by Ayers who deprecated "The unsatisfactory manner in which sales have been conducted together with the excessive charges".¹

That after this final straw the directors decided to abandon Hallett is not surprising, though their perseverance with the agent, considering past mistakes, may be less understandable. Possibly it reflects that good agents were hard to come by and that while minor slights and some mistakes could be suffered, serious or continued inefficiency could not be tolerated.²

While the house of Hallett was in decline, the tone of letters sent to James Morrison & Co. make evident that this agency was in ascendancy. Their efforts to sell copper had "proved extremely satisfactory",³ and furthermore the directors were delighted to learn that Morrison's were prepared to honour drafts even if there were no SAMA funds in hand, a crucial factor which weighed heavily in their favour, for they were rewarded with the London agency.⁴

It was argued that the sole agency was required because "the copper trade is a very close one, and...opportunities for the sale of large quantities are not very frequent...[and] the market might suffer by several parties wishing to effect sales at the same period".⁵ Morrison's appointment foreshadowed lucrative returns. Ayers estimated they would gross annually commissions on "something like £100,000".⁶ However, before being granted the monopoly they had to agree to lower their commission rates, for with the entire business in their hands and the "ease with which sales are generally affected ... particularly as they are made for cash", it was the opinion that the previous rate of 2½%

1. SAA, BRG 22, 960, 1436, 11 Nov. 1851.

2. See Stuart Weems Bruchey, *Robert Oliver of Baltimore 1783-1819* (Baltimore, 1956), p. 150, where noted that Oliver's need for good agents engendered a "desire to retain the services of tried men...They were highly reluctant to change correspondents, and always did so only after long and repeated efforts to accommodate differences".

3. SAA, BRG 22, 960, 1683, 29 Oct. 1852.

4. *Ibid.*, 1711, 6 Dec. 1852; The ability of Morrison's to extend credit may be appreciated by the claim that James Morrison (1789-1857) left between £4million & £6million at his death, plus 100,000 acres of land, making him probably the richest commoner of the nineteenth century. His eldest son, Charles (1817-1909) left nearly £11million and was probably the second wealthiest man in Britain at his death. See, W.D. Rubinstein, 'The Victorian Middle Classes: Wealth, Occupation, and Geography,' *The Economic History Review*, Vol. XXX, 4, 1977.

5. SAA, BRG 22, 960, 1311, 7 May, 1851.

6. *Ibid.*, 1711, 6 Dec. 1852.

was too high.¹

To soften the blow it was pointed out that the directors were very much against the custom of dividing the commissions with individual directors or other sponsors "who were supposed to have influenced cargoes to them" on the principle that no "individual member... has sufficient influence to direct a consignment to a particular House". Ayers further stressed that "it is the act of the Board and they feel that if any reduction in the charges can be made...the Company alone should receive the full benefit of the sale."² Thus it was believed that by eliminating the middleman sponsors, the agent responsible for sales would not lose through reducing his charges.

Henry Edwards of Birmingham, who had been granted a minor agency,³ and John Bibby of Liverpool who occasionally received parcels of copper, were also pulled into line, agreeing with Morrison "To effect and guarantee sales at a commission of 1½ percent ... on the gross amount of sales".⁴ Furthermore, Morrison & Co. agreed to purchase and ship goods from Britain to Adelaide on behalf of SAMA at a commission of 2½ percent,⁵ and any discounts were to be passed to the Association.⁶ Morrison's were also asked, and agreed (the strong trump card of financial reward waving in their face assured that they complied) to receive and handle funds and balances remitted to London by SAMA's Indian, Birmingham and Liverpool agents, at no charge. As it was normal for European agents to charge 2½ percent to West Indian and United States correspondents for such services,⁷ then it would appear that SAMA gained a great deal of financial benefit from this arrangement. Morrison's, in addition, agreed to accept drafts and remit balances to Adelaide at no cost to the Association, though whether this was a net gain over common practice is not clear.⁸ What is clear is that SAMA's directors proved hard bargain-masters as far as agents were concerned.

1. The rate of 2½% appears to have been the customary, standardized commission charged whether in Australia, Britain, the West Indies or North America. A reference in Alan Barnard, *Visions and Profits. Studies in the Business Career of Thomas Sutcliffe Mort* (Melbourne, 1961), pp.82-3, mentions the export of copper in 1865 by the Peak Downs Copper Mining Co., Queensland. An attempt was made by British factors to charge commission of 5 percent on sales but this was countered emphatically by Thomas Mort who refused to exceed 2½ percent.
2. SAA, BRG 22, 960, 1711, 6 Dec. 1852.
3. *Ibid.*, 1456, 8 Dec. 1851; see *above* p.6, f.4.
4. SAA, BRG 22, 960, 1748, 14 Feb. 1853.
5. This was a common charge in the mercantile world. See, Norman Buck, *The Development of the Organization of Anglo-American Trade 1800-1850* (Yale, 1925, reprinted Newton Abbot, 1969), p.15; Frances Norton Mason, *John Norton & Sons Merchants of London and Virginia being the Papers from their Counting House for the Years 1750-1795* (Newton Abbot, 2nd ed. 1968), p.xvii
6. Though obviously policing such a transaction would have been difficult.
7. See, Buck, *op.cit.*, p.15.
8. SAA, BRG 22, 960, 520, 13 May 1848, to Leach Richardson, Swansea, records a remitting charge of ½ percent. However, *ibid.*, 1130, 3 Aug. 1850 and 1258, 4 Feb. 1851 to Duncan Dunbar, London, record that consignees did not charge commission on remitting balances.

On the Indian market, D.C. Mackey of Calcutta agreed not only to reduce his commission of $2\frac{1}{2}$ percent but also to cut out brokerage and *del credere* charges of $1\frac{1}{2}$ percent.¹ *Del credere* was considered by SAMA to be little more than "a dead letter", especially as all sales were made for cash.² As *del credere* was a premium paid to agents so that they could insure against non-payment by their customers,³ then SAMA's attitude was reasonable. It was also the opinion of the directors that as consignees were chosen for their competence then it was hardly reasonable to pay them for possible bad judgement!

III

As Barnard has observed, "The success of any exporting system depends on its efficiency in providing credit by which it operates".⁴ Thus SAMA in order to maintain liquidity either obtained advances from local banking agencies on produce consigned abroad, or, sold bills on overseas commission houses receiving the copper or ore, to SAMA shareholders and businessmen domiciled in South Australia. While such banking arrangements were adopted from the beginning, so avaricious was the Mine for funds that not until 1848 when overseas returns started to flow into Adelaide was SAMA safely over the initial financial hurdle associated with distance from market. In fact the Association was so undercapitalized when it commenced operations⁵ that within a few weeks of opening the Mine on 29 September 1845, the directors were forced to borrow from a few selected shareholders in order to pay wages and cartage costs.⁶ This was only a stop-gap measure, and in order to raise funds the directors arranged for advances from the Bank of Australasia.

The Bank was prepared to lend on collateral of ore and copper shipped, to an amount determined by prospective market prices.⁷ However, as regular availability of shipping was a problem the directors successfully appealed to the Bank's Australian Assistant Superintendent, J.J. Falconer, to have advances extended to ore stored at Port Adelaide.⁸ A further appeal allowed advances on ore raised at the Mine awaiting transport to the Port. This proved extremely beneficial, for road and sea transport were mainly seasonal activities confined to the summer months from October to April, and denial of this extension of the lien would have starved SAMA of funds which allowed it to function during the winter months.⁹

1. *Ibid.*, 1730, 8 Jan. 1853.

2. *Ibid.*

3. See, Richard Pares, *Yankees and Creoles : The Trade between North America and the West Indies before the American Revolution* (1956), p.80.

4. Barnard, *The Australian Wool Market*, *op.cit.*, p.138.

5. With £12,320 in paid up capital and £10,000 of this sum being handed over to the Colonial Treasury for purchase of land.

6. SAA, BRG 22, 957, 6 Jan. 1846, p.69; Note, this was not a 'call'.

7. Such advances lay within the bounds of the No-Liability system which allowed receipt of collateral backed advances.

8. SAA, BRG 22, 960, 43, 7 Nov. 1845.

9. Whether SAMA was correct in defining *promised* future sales as collateral on bank advances and whether this was in breach of the Cost-Book, No-Liability restrictions is debatable.

When determining advances based on expected market prices, the Bank took into consideration the copper content of the ore. Thus, for example, in February 1847 the 359 tons of ore averaging 38 percent copper carried aboard the *Royal Archer* drew at £10 per ton of 21 cwt., while the cargo of the *Harpooner* assayed at 48 percent, drew at £12 per ton.¹ The amount drawn also depended on agreement of the agent who had to meet the Bank's drafts, though a house was usually pressured into accepting all drafts by simply pointing to the fact that if they didn't wish to do so, there were others only too keen to take the Association's business.² Coercion was seldom necessary and most agents were even prepared to meet drafts out of their own funds if needed. But the directors tried to avoid this if possible and they normally took care to study the ability of agents to meet drafts out of expected balances - basing such calculations on expected sale prices, costs and exchange rates. Agents also contributed to decisions by informing on the proportion of the expected price that they were prepared to honour, but as credit considerations were so important in the eyes of SAMA's directors, the house that played the highest tune attracted the favour of extra business. Invariably, any increase in the proportion was soon matched by other agents - thus, when in 1847 Richard Hallet & Sons intimated they were prepared to advance up to three-quarters of the expected value of ore shipped to them,³ their lead set the level for all other consignees. As the cost of despatching produce to market could vary and as most or all were paid by the agent, then freight rates, insurance, warehouse and port charges had also to be considered when determining the amount to be drawn on the Bank of Australasia which had to be repaid to that Bank's London branch by the consignee at a given date.

While most agents agreed if necessary to meet SAMA's demands with their own funds, it was policy to try to keep positive balances in the hands of agents, though occasionally deficits proved unavoidable. In 1858, for example, the *Melpone* carrying SAMA's copper was forced to return to Port Adelaide with a leak, when, grumbled Ayers, "it ought to have been in London to pay our Bills drawn against it".⁴

1. SAA, BRG 22, 960, 281, 17 Feb. 1848.

2. See for example, *Ibid.*, 265, 6 Jan. 1847 to Messrs. E.J. Wheeler & Co., London.

3. SAA, BRG 22, 960, 383, 5 Nov. 1847; Marriner, *op.cit.*, p.58, states that refusal to advance beyond 75 percent cut Rathbones completely out of consignment work.

4. SAA, PRG 100, No.3, 10 Aug. 1858, H. Ayers to J.B. Graham.

Copper, exported in quantity from 1850, was guaranteed as containing "no less than ninety-nine per centum pure copper"¹ and, according to Ayers, attracted prices only matched by the Spitty works in Swansea, and Smith's of Bow, London.² The directors therefore felt justified to draw £65 per ton at 90 days' sight on their first shipment of 55 tons of 'Tough Cake Copper' carried aboard the *Duke of Wellington* in early 1850. They allowed 90 days because they believed

great caution will be necessary in the disposition of this copper to avoid bringing down the price as such a ship would annoy the copper companies and we should be the subject ourselves to a severe competition from them, which we wish to avoid.³

It was further explained that the house of Hallett should be prepared to hold the copper until "a fair price could be obtained".⁴ It was felt that 90 days as compared with the more usual 60 days, would better allow the agent to achieve this goal. However, holding was not a common practice for there were such items as the accumulating cost of storage, the loss entailed to SAMA through interest charges paid to the Bank and on adverse balances held with agents and also interest foregone on unsold stocks to consider. In this respect the *pros* and *cons* had to be carefully weighed by agents who had to make decisions based on more than the mere hope that market conditions would change for the better.

SAMA does not appear to have been a free agent in its choice of usance, due possibly to the Bank's desire to protect its own liquidity, and from 1845 to 1848, 60 days was the usual mode of usance.⁵ Neither was the system without its complications. Highlighting one problem was a complaint by SAMA to the Bank of Australasia stating that even 90 days at-sight was often insufficient for their purposes. Explaining that the average sea voyage took 135 days, Ayers pointed out that using available overland routes the journey took only 90 days to England. As the Bank despatched its mail by the quicker overland route this meant bills of exchange were presented to SAMA's London agents 45 days before the shipments actually arrived, thus often causing them and their agents inconvenience and

1. SAA, BRG 22, 960, 1025B, 31 March 1850.

2. *Ibid.*, 1037, 23 Feb. 1850.

3. *Ibid.*,

4. *Ibid.*,

5. Even so, 60 days would seem to have been generous according to information in S.J. Butlin, A.R. Hall, R.C. White, *Australian Banking and Monetary Statistics 1817-1945* (Reserve Bank of Australia, Occasional Paper No. 4A, Sydney, 1971), p.501, which states, "Until 1856 the standard usance for exchange rate quotations was 30 days sight ... from 1857 to the early 1890s the standard usance was 60 days sight".

embarrassment.¹ In effect this meant that on 60 days at-sight the agents had only 15 days to discharge and sell cargo.

Quoting an even more serious but hypothetical case, Ayers indicated what could happen to a cargo involved in a trans-shipment at an intermediate Australian port. If a substantial time-lag occurred between transferring copper or ore from one vessel to another, say at Sydney, then an overland letter might well reach the Bank's London branch before the cargo left Australian waters. Not only would this prove disastrous to the consigners but also grossly unfair, especially as SAMA was only allowed to draw on the Bank when the shipment actually left Sydney. This meant that the Bank was the gainer, being "less time out of their money".²

The directors' suggestion that in future all drafts forwarded by the Bank should be by the "ordinary sea route",³ or that "the Bank should allow them to add forty-five days to all their Drafts intended to be sent overland",⁴ were met in late 1848 by a compromise whereby the usance period on all drafts was lifted to 90 days at-sight. But from 1852 the usance period again reverted to 60 days whether because of a further compromise, or changed circumstances, it is not known.

Another area affecting returns was associated with exchange rates, but though rates fluctuated wildly in the early years of SAMA's activity⁵ such fluctuations had no effect on exporting policy. This was of course one area where they were at the mercy of distance, for being on average over four months away from the major British market they had no alternative but to export whenever possible and to merely hope for the best in terms of exchange movements. It is also true that so urgent was the need for funds in the early years of production that it is doubtful whether the marketing strategy would have differed even if up-to-date news had been available. The only consideration associated with exchange rates and marketing was again, as with usance periods, linked with the Bank of Australasia - an event eventually settled amicably in 1849 when the Bank agreed that the exchange rate to be observed when selling drafts would be that existing on the date that produce *left* Port Adelaide, while drafts on cargoes *being* loaded would be negotiated at any new rate of exchange, whether higher or lower.⁶ In the long run it would be expected that advantage to any one party would have evened out whichever system had been adopted, but the advantage of the new system was that it automatically allowed

1. SAA, BRG 22, 960, 451, 23 Feb. 1848.

2. *Ibid.*, 441, 14 Feb. 1848; As a further annoyance the Bank while claiming penalty rates on overdue accounts was not prepared to pay rebates on sums paid by agents to the Bank's London office before bills reached maturity. See, SAA, BRG 40, 543, *Minutes of the Meetings of Directors of the Moonta Mining Company 1864-1891*, 19 Aug. 1867, and SAA, BRG 40, 538, 13 Aug. 1867, letter to the Hon. Henry Ayers.

3. SAA, BRG 22, 960, 441, 14 Feb. 1848. 4. *Ibid.*, 451, 23 Feb. 1848.

5. See *below*, p.17. 6. SAA, BRG 22, 847, 6 June 1849

exchange rates to be taken into consideration when determining what was to be drawn on agents as compared with the uncertainty obvious in previous times. Thus in 1847 finding that the "exchange rate is so very much in their[the directors] favour",¹ Ayers informed Frederick Huth & Co. that it was intended to draw at a rate 44s. above the limit imposed by their house (i.e. £12 per ton as against £7.16s.) so that the Association could take advantage of the situation - a decision which was unilaterally taken by SAMA and with some reluctance accepted as a *fait accompli* by Huth.

According to S.J. Butlin exchange rates fluctuated considerably up to 1854 but the minting of sovereigns and half-sovereigns in Sydney from 1855 "stabilized the local price of gold, and thereby brought exchange rate fluctuations within narrow limits".² If SAMA's rates as recorded in the Company records are a true guide, then the same pattern was roughly paralleled in South Australia. According to these rates, and basing the figures on drafts sold to shareholders at 30 days, fluctuations between June 1852 and January 1855 ranged from 5 percent discount to 4½ percent premium. From 29 January 1855 to 30 August 1864 rates were held at 1 percent to 2 percent premium with only rare fluctuations above or below these figures.³

The ruling rate of exchange largely determined whether balances should be kept in London or transmitted to Adelaide. This decision, from the end of 1851, was left to SAMA's main London agents (being Richard Hallett to 1852 and James Morrison thereafter) as from that time the balances from all agents, including Mackey in Calcutta, were channelled into their hands. Remarking in May 1852 that "Messrs. Bibby & Sons ... have paid you on the 13th Dec. last £3779.9.3 on account", it was explained to Richard Hallett that

as the Banks are now selling their Drafts in London from 3% to 6% discount and gold forms so excellent a remittance we have no immediate prospect of disposing our Drafts on you to any advantage; you will therefore take the earliest opportunity of remitting any balance you may have in hand ... either in Bank Bills or Specie as may appear most advantageous to us.⁴

Richard Hallett responded by despatching "£2000 in sovereigns, half-sovereigns and silver, which arrived very opportunely and proved of great service to us, small gold coin and silver being very scarce at the time". Not only was it of 'great service' but profitable too, for the Secretary noted that of the £2,000 in specie, £1,300 had been "disposed of at premium of £8.10s and the balance, being silver and half sovereigns had been set aside for the use of the Company", and furthermore, £300 of silver and £100 in half-sovereigns were sold to J.&T. Waterhouse for £404.⁵ However, from 1855, when exchange rates settled close to par, the transfer of specie was seldom, if ever, adopted when transmitting funds.

1. SAA, BRG 22, 960, 293, 27 March 1847.
2. S.J. Butlin, *Australia and New Zealand Bank - The Bank of Australasia and The Union Bank of Australia Limited 1828-1951* (1961), pp. 121-2.
3. Three recorded exceptions were: Dec. 1856, premium of 4½ percent; Aug. 1859, a premium of 4 percent; July 1861, a premium of 3 percent.
4. SAA, BRG 22, 960, 1549, 4 May 1852.
5. *Ibid.* 1918, 27 May 1854.
6. SAA, BRG 22, 957, 20 Jan. 1853, p.44.

Bills of Exchange were a far more common mode of transmission to Adelaide than specie. Drafts were usually discounted for SAMA by the local branch of the Bank of Australasia. The directors were openly suspicious of drafts on merchants or other Adelaide concerns. The Board, stated Ayers, "prefer paying 2% for Bank Bills rather than occur [sic] the risk of private paper".¹ When D.C. Mackey of Calcutta offered to negotiate his balance due to SAMA in "Bills with shipping documents offering in Adelaide", he was refused on the grounds that there was "some uncertainty attending the mode of remittance", besides which the directors preferred to see credits passed to their main London agents in order to meet any obligations there.²

Because funds could be employed in London for the benefit of the Association, remittances were not always demanded by the directors. The purchase of goods by agents for transmission to Adelaide was one way of employing such funds. Goods so despatched included not only machinery from Devon and Cornish manufacturers but also articles of a more mundane nature such as miners' shovels, blasting powder, wire, nails, miners' caps, etc. As substantial orders were sometimes given, then agents at such times needed to have large balances at hand. In order to cater for such occasions the directors usually relinquished their usual drawing rights on the Bank or arranged for other agents to transfer surpluses to the purchasing house.

Acquisition of machinery and other goods required care when ordering. A hazy or inaccurate description by Ayers, or misread instructions, the poor surveillance and inspection of goods shipped, or neglect of duties by agents, could result in costly waste and delay (as already illustrated in the Pumping Engine case).³ Therefore, in such transactions the good judgement of the agent was of crucial importance.

In addition to purchasing goods, balances were left in the hands of the British agents so as to cater for Colonial shareholders interested in transferring private funds to London.⁴ SAMA's bills proved attractive to shareholders for they were transacted at a lower rate than that charged by the Banks.⁵ In addition, some of SAMA's bills paid interest to shareholders from the day of purchase until the day of redemption.⁶ The advantages to SAMA lay not only in full immediate liquidity of its assets which did away with the 'drawing limits' incurred by the

1. SAA, BRG 22, 960, 419, 18 Jan. 1848.

2. *Ibid.*, 1772, 6 April 1853.

3. See *above*, p.10.

4. Barnard, *The Australian Wool Market*, *op. cit.*, p.56, states that banks were disinclined to participate widely in foreign exchange transactions so that "wool bills and wool was an essential incident to importing" and to transferring of capital.

5. SAA, BRG 22, 957, 15 Sept. 1853, p.77.

6. See for example, *Ibid.*, 27 March 1871, p.237; Such interest payments were probably counterbalanced in the long run by interest which accrued on positive balances held by agents on SAMA's behalf.

Bank, but also meant elimination of the costs associated with Bank charges. The method also meant that agents no longer had to remit funds to Adelaide, thus another cost saving. The importance of this means of acquiring funds may be gathered from the fact that over half-a-million pounds was received by SAMA from sales of these bills, while the Bank of Australasia negotiated in advances sums amounting to just over three-quarters of a million pounds.

Sums transacted for individuals could be substantial. For example, Thomas Shepherd, a shareholder travelling to England in 1853, transferred £8,000.¹ Large sums demanded on drafts could cause embarrassment to London agents, and to prevent this Ayers presented the Board periodically with balances of *likely* funds held by the agents. Such information allowed the Board to control their overseas transactions and ensured a continuation of harmonious relationships with the agents.

Although individuals benefited from the service provided, it was mainly the merchants among the shareholders, especially those with a high propensity to import who utilized SAMA to transfer monies abroad. One surprising customer for the service was the Bank of Australasia. In October, 1855, the Bank's Adelaide branch transferred £3,000 by way of SAMA drafts to its main London office.² The following year the Bank remitted £187.6.0 to its Calcutta branch by way of one of the few drafts that SAMA ever drew on agent D.C. Mackey.³ In 1859 the Bank transacted another two drafts totalling £7,500.⁴ SAMA therefore not only took upon itself what would be considered banking activities, and in direct competition with the banks, but on occasion even transacted business on their behalf⁵ through the exertions of its agents.

IV

From the above, the important part played by agents in the functioning of SAMA can perhaps be appreciated. Not only did they have to judge the market so as to maximise income from sales, but they also had to choose the most profitable mode of remittance, were responsible for looking after the interests of shareholders in London and undertook duties as purchasers of goods and equipment, arrangers of insurance, freights, etc. and also undertook duties outside the specific marketing area as illustrated by Hallett's efforts on behalf of SAMA at the Great Exhibition of 1851.

1. SAA, BRG 22, 960, 1754, 16 Feb. 1853.
2. *Ibid.*, 2117, 29 Oct. 1855.
3. *Ibid.*, 14, 17 June 1856.
4. SAA, BRG 22, 957, 19 April 1859, p.495.
5. D.W. Thomas, 'The Mills Family : London Sugar Merchants of the Eighteenth century', *Business History*, Vol. XI ; 1 (1969), p.7, makes the point that "Perhaps the financial services provided by the merchant house actually retarded the growth of banking proper in London in a similar way that the extensive use of the bill of exchange slowed the development of banking in Lancashire [referring to T.S. Ashton & R.S. Sayers (eds.), *Papers in English Monetary History* (1953)]". In the case of SAMA it should be noted that here was a *productive firm* providing quasi-banking services.

There was an indispensable link between the agents and the directors of SAMA. By moulding their agents into their ways and weeding out the inefficient and those who would not bend to meet their inclinations, the directors did much to maximize profits through prudent management of services abroad. Informed judgement was expected of agents rather than strict unbending adherence to instructions, but such 'judgement' had to be kept within limitations set by the directors. Using Bruchey's words, "ex post facto criticism[by SAMA's directors] furnished a guide to subsequent conduct that was capable of minimizing the costs of poor judgement,"¹ with the result that excesses were curbed.

Bruchey also commented that

...the degree of success or failure - turned more upon relative skills in choosing and managing captains and agents than upon any other single factor ... this power to choose wisely and manage well was the merchant's main hedge against the pervasive power of luck.²

Speaking of the nineteenth century, A.H. John stated that "the commission merchant, or factor, was, at the middle of the century, the most important figure in the organization of foreign trade in both this country [Britain] and the United States..."³ As the wool industry and SAMA exhibit, what was true for these countries was also true and vital for Australian trade.

In respect to Bruchey's and John's statements, SAMA's directors appear to have judiciously chosen and utilized agents who were capable of working in the best interests of the Association and of minimizing 'bad luck'. Part of SAMA's success can be attributed to the personal relationships that linked agents and Colonists and which encouraged honesty and reciprocity between such men. At a period when distance and time were real barriers and when inconsistent demand and supply conditions as well as monopoly actions could cause rapid fluctuations in market prices, then the burden of judgement and decision lay strongly on the actions of agents. The directors saw the agents as but the tools of the Association, but the agents, like the mining proprietors, were motivated by business growth and profit, and it was these considerations when all was said and done, that largely contained, controlled and motivated them in their efforts on behalf of SAMA.

The alternative to employing British commission agents was to set up a London based office staffed by SAMA personnel. This, in fact, was considered at one time but dismissed by Ayers as impractical.⁴ The objections were : the cost of maintaining a fully staffed office when infrequent shipments of produce did not warrant a year-round arrangement; the problem of

1. Stuart Bruchey, *The Roots of American Growth 1607-1861 : An Essay in Social Causation* (1965), pp. 57-8.
2. Stuart Bruchey, *The Colonial Merchant : Sources and Readings* (New York, 1966), p.171.
3. A.H. John, *A Liverpool Merchant House Being the History of Alfred Booth and Company 1863-1958* (1959), p.38.
4. SAA, PRG 100, No.42A, 22 Sept. 1853.

appointing a competent and trustworthy person to head the office with the contacts and know-how of a regular and seasoned agent; the fact that one of the most important services expected was the supply of credit.

A trustworthy agent experienced in marketing procedures offered a more reliable and efficient method of conducting foreign business transactions. James Morrison, in particular, was a suitable agent - he had double incentive - commission earnings, and a share in SAMA's profits as a shareholder. Only in 1869 was an office opened in London - but this occurred at a time of marked decline of output at the Burra Burra, and was intended to publicise the Mines so as to attract developmental capital, and not to market SAMA's produce.

SAMA's marketing activities were competently handled; in large part, this was through the negotiating skills and tight-rein held by Secretary, Henry Ayers, over the commission agents. But it should be pointed out that most of what Ayers learned about marketing abroad would, in the first place, have originated from the merchants who sat on the Board. In turn any success can be attributed to the development of a system of marketing built up by the experience of merchants over the centuries. It was a culmination of convention and activity rooted in custom and trial.

Mel Davies
University of Western Australia