

**THE NATAL LAND AND COLONISATION COMPANY IN COLONIAL NATAL,
1860-1890**

Jennifer Joyce Anderson Edley

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ABSTRACT

The Natal Land and Colonisation Company was incorporated in 1860 in London. Its capital was partly subscribed by City financiers, the rest being made up of land obtained from Natal land speculators in exchange for fully-paid-up shares. On the basis of very little research, it has been assumed that it was a land-speculation company which held its land against an expected rise in value and rack-rented to black squatters. The deduction has been that this kept land out of the reach of white settlers and thus retarded the development of the white economy.

Study of the Company records has shown this view to be entirely erroneous. The primary objective of the Company was to borrow surplus capital in Britain at a low interest rate and invest it in Natal at a higher rate. The landholdings of the Company were used as collateral for raising funds on the London market or sold, when the market permitted to release capital for reinvestment. Only the profit on land sales was distributed to shareholders.

This relatively straightforward plan of operation was modified between 1860 and 1890 in reaction to changing economic circumstances in Natal. The Company initially lent large sums on mortgage, but a severe depression between 1865 and 1869 led to large-scale defaulting on repayments and the Company was forced to foreclose. This vastly increased the Company's rural landholdings, and brought in several established plantations and a large number of urban properties.

The Company invested unsuccessfully, in the plantation economy, was prevented by the colonial and imperial governments from investing in railway and coal-mining development and, owing to a poor land market, sold only a small proportion of its land. For income, it relied on leasing land to white settlers, renting urban properties and collecting hut-rents from black squatters. This last practice brought it into conflict with white settler interests as it gave blacks an alternative to wage-labour.

The Witwatersrand gold discoveries stimulated economic development in Natal, particularly urban development, and the Company finally found a profitable and stable investment area in urban property.

PREFACE

The paradox of post-graduate study is that while it is one of the loneliest of tasks, it can never be accomplished alone. Had I not been able to rely upon an extensive network of helpful, supportive and encouraging people, I could never have brought this work to completion.

It is difficult to express how much I owe to Dr Anthony Lumby for advice, encouragement, occasional well-timed castigation when motivation flagged, and assistance with the finer points of presentation. As supervisor and friend he has been unfailingly supportive, and it is a measure of his patience and tact that the latter relationship has outlasted the former.

Researchers spend a great deal of time in archives and libraries and the quality of that time depends greatly on the efficiency and friendliness of the staff. I have been singularly fortunate in this respect and I look back with particular fondness on the eighteen months which I spent working in the Killie Campbell Africana Library. For courteous assistance and many a pleasant "tea on the verandah", I am truly grateful. I also received cheerful, efficient co-operation from the staff of the Natal Archives, both in Pietermaritzburg and at the Durban depot, the E.G. Malherbe Library of the University of Natal, particularly the Inter-library Loans Department, the Don Africana Library and the Durban Local History Museum. I wish also to acknowledge the kind assistance of Sr M. Adelgisa of the Mariannhill Monastery in translating some of the records of the founding of that institution.

For the preparation and printing of the manuscript my sincere thanks are due to Mrs Norma Hatcher who not only dealt with it professionally, but by remaining constantly cheerful, sympathetic and calm, succeeded in keeping panic at bay.

Professional assistance was also forthcoming, without hesitation despite many other commitments, from Mrs Helena Margeot of the Cartographic Unit at the University of Natal, Pietermaritzburg.

My husband, David, deserves more than the cursory "thank you for support and

encouragement" usually meted out to long-suffering spouses. An historian himself, he has acted as a sounding-board for ideas and has also worked indefatigably at time-consuming tasks such as typing footnotes, making corrections and ensuring consistency in such things as capitalization and hyphenation; an herculean task in view of my somewhat unmethodical manner of working. This has been in addition to particularly empathetic support arising from his personal knowledge of the pressures of post-graduate study.

I also wish to acknowledge the financial assistance of the University of Natal and the Centre for Science Development (Humanities and Social Sciences).

On the home front, I have to thank my mother for financial support during the first four years of my post-graduate career and, more importantly, for nurturing a desire to excel academically which set me on the path that has brought me thus far. I am also grateful to Mrs Beatrice Mkhize and Miss Hedwig Gumede for preventing my household from falling into the same dismal state as that of Dickens's Mrs Jellyby who "fixed her fine eyes on Africa" to the utter neglect of her domestic duties. *Ngiyabonga kakhulu*, Beatrice and Hedwig.

Finally, I wish to express my gratitude to all the family members and friends whose faith in my ability to finish this project never wavered, even when mine did. And *in absentia* my thanks to Dolores, for providing a shining example.

I hereby state that this thesis, unless specifically indicated to the contrary in the text, is my own original work.

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EDITORIAL METHOD

The Natal Land and Colonisation Company has been referred to, interchangeably, as the NLCC or as the Company. This has generally been a matter of style, to introduce some variation, but in cases where any confusion with another company might arise, NLCC has been used exclusively.

In accordance with the recommendation of the International Organisation for Standardization, capitalization has been kept to a minimum, being generally restricted to proper nouns. Titles of persons have also been lowercased unless followed by the person's name.

The term "white" refers to the settlers of European descent, while "black" refers to the Nguni-speaking inhabitants of Natal. The latter term does not include Indians. The term "European" has been used, in connection with immigration, to refer specifically to immigrants from Europe.

The *Oxford Dictionary for Writers and Editors* has been used as the authority on spelling and hyphenation, except for South African usages on which the *Dictionary of South African English* has been consulted. The fact that coalfield is one word and gold-field is hyphenated is merely one of many quirks of the English language.

With regard to matters of style, the recommendations of the *Chicago Manual of Style* have been followed.

Files—

The Files—

Office Files!

Oblige me by referring to the files

Every question man can raise,

Every phrase of every phase

Of that question is on record in the files—

.....

All the '60-'70-'80-'90 files

It is good to read a little in the files;

You've a better chance to guess

At the meaning of Success

When you've seen it in perspective in the files.

—Rudyard Kipling, *The Files*

CHAPTER ONE

Introduction

Business history is a specialty in itself, and I can sympathise with the non-specialist who feels it is none of his affair. The conscientious collection of old company records by many historical agencies over the past generation has not been met with swarms of scholars eager to use them, and perhaps the reason is this understandable hesitance to plunge into a mass of technical and impersonal details with so little hope of emerging any the wiser. Yet there is hope.¹

In the economic historiography of southern Africa, the study of business history, and particularly the role of individual enterprises within the wider field of economic history, has received relatively little attention. Broader issues relating to the creation of a first world economy within a third world situation, on the basis of mineral exploitation and the dispossession of the indigenous population, have been the main focus of attention. Yet it can be argued that the economy has developed primarily through the agency of individual firms, whether privately-owned, state-controlled or state-assisted. Far from being a "mass of technical and impersonal detail", company records, if carefully analysed, contain a wealth of valuable information, not only on the workings of the company, but on its interaction with the wider economy. Tracing the development of a company in the context of its economic environment can provide valuable insights into the mechanisms of economic change.

The majority of company histories which have been undertaken in South Africa to date have been carried out at the instigation of the company concerned, on a commission basis. Publication of this type of commissioned "history" has been undertaken, for example, by the major automotive assembly companies, Anglo-American and various merchant houses.² Such studies are only published subject to

1. T.E. Felt, *Researching, Writing and Publishing Local History*, 1976, p.52.

2. See, for example, the three texts produced by J.W. Jagger, *The Story of a Great South African Business*, n.d.; *House of Mosenthal, 1839 - 1939, A Brief History of a Century of Progress*, 1939; *History of Henwoods: Their First One Hundred Years, 1856 - 1956*, 1956; Anglo-American Corporation Ltd, *History and Progress of the Anglo-American Corporation of South Africa Limited*, 1958; A.F. Howard, *The First Fifty Years of the Ford Motor Company in South*

the approval of the company concerned and, understandably, suffer from a certain lack of objectivity. They also tend to concentrate exclusively on the development of the company and seldom make an attempt to relate this to conditions in the economy. Furthermore, independent studies of still-extant businesses tend to be hampered by the denial of access to company records.

Any study which attempts to place the history of a company within the context of general economic development requires a careful selection of parameters. Although the company size is not crucial, one which is large enough to have had some impact of its own on the economic environment will tend to make a more valuable study in interaction. The time period also needs to be considered, as the influence of a company might be greater at some stages of its development than at others. Finally, some selectivity might need to be exercised with regard to the sector or sectors of the economy which were most important in respect to the company's operations. Within the context of twentieth century southern African economic development, there is a fairly restricted range of companies suitable for study, but research of this kind has been undertaken on ISCOR,³ Unilever⁴ and, from a radical perspective, Anglo American.⁵

The parameters of this particular study have been carefully chosen in order to allow for a meaningful investigation of the interaction between a company and its economic environment. The Natal Land and Colonisation Company (hereafter referred to as the NLCC or the Company), at its incorporation in 1860, owned over a quarter of a million acres of Natal land and was capitalised at £225 000.⁶ It was controlled from the head office in London, by a Board of Directors comprised of men of influence in that hub of high finance, the spokes of which stretched to every corner of the globe.⁷ It was, in relation to the tiny and relatively undeveloped economy of colonial Natal, an enterprise of considerable potential power.

Africa, 1974; E. Rosenthal, *The Rolling Years: Fifty Years of General Motors in South Africa*, 1976.

3. C.S. Richards, *The Iron and Steel Industry in South Africa - with special reference to ISCOR, more particularly in its relation to the Gold Mining Industry of the Transvaal*, 1940.
4. C. Wilson, *The History of Unilever: A Study in Economic Growth and Social Change*, 1954. Unilever's operation in South Africa formed part of this study of Unilever, worldwide.
5. D. Innes, *Anglo-American and the Rise of Modern South Africa*, 1984.
6. See Chapter 2.

The time period of the study, 1860 - 1890, was chosen as that period during which the Company exerted its greatest influence on the developing economy. The year 1860 marks the incorporation of the Company and, although it continued to operate until 1948, 1890 was selected as the cut-off point for two reasons, the first economic and the second political. The economy, by that date, was in the throes of such a radical transformation as a result of the development of the Witwatersrand gold fields, that the Company, inevitably, began to lose its position of prominence. On the political front, Natal was on the eve of being granted responsible government, a dispensation which considerably curtailed the involvement of the imperial government in the domestic affairs of the colony. The Company was no longer able to counter local legislation, designed to restrict its activities, by appeals to the Colonial Office in London.

Virtually all the economic activity in Natal, during the thirty-year period under review, was related either to agriculture or to trade through the natural harbour at Port Natal.⁸ The NLCC was extensively involved in both these major sectors of the economy, although to a greater extent in agriculture than in trade. Intensive study of the Company records, housed partly in the Killie Campbell Collection of the University of Natal and partly in the Natal Archives in Pietermaritzburg, has revealed an operation with ramifications into virtually every aspect of economic life in colonial Natal. Placing the history of the Company within the context of economic development during this thirty-year period has therefore necessitated some consideration of the economic history of the colony.

Despite the size of the Natal Land and Colonisation Company and its importance in the developing economy of Natal, no comprehensive attempt has ever been made to assess its contribution. Indeed, the limited research which has been undertaken has, to some extent, led to misconceptions about the nature of the Company, the extent of its involvement and the repercussions which it had on the economy. The reasons for this lie partly in the way in which the economic history of Natal has been studied, and partly in the neglect of some extremely valuable source material.

7. The original Board of Directors had financial connections with the Far East, India and Cape Town.

8. Z.A. Konczacki, *Public Finance and Economic Development of Natal, 1893-1910*, 1967, p.3.

The study of the economic history of Natal, particularly during the colonial period, has been thematic, rather than chronological, in nature. Considerable research has been undertaken on aspects which have been vitally important to the growing economy. For example, the development of Durban harbour, from the long struggle to remove the sand-bar across its mouth to its emergence as the premier port of South Africa has received considerable attention.⁹ The sugar industry has also been intensively studied, with the importation of indentured Indian labour being an important focus of studies on the nineteenth century development of this industry.¹⁰ This has led to further research on the impact of those Indians who elected to remain in Natal after the indenture period, on the political and economic life of the colony.¹¹ The relationship between the white settler economy and the indigenous economy, both within Natal and across the Thukela with Zululand, before and after the subjection and incorporation of that kingdom, has been another area of considerable research.¹²

Attention has also been given to such aspects as the development of railways, immigration from Europe during the nineteenth century, the growth of other branches of agriculture, mining, banking and public finance.¹³ There exists, then, a

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9. G.H.T. Hart, *A Historical Geography of Port Natal*, 1965; J. Malherbe, *Port Natal: A Pioneer Story*, 1950; L. Heydenrych, "Port Natal Harbour, c.1850 - 1897", in W. Guest and J. Sellers(eds), *Enterprise and Exploitation in a Victorian Colony*, 1985.
 10. R.F. Osborn, *Valiant Harvest, the Founding of the South African Sugar Industry, 1848 - 1926*, 1964; P.A. Ellison, "The History of the Natal Sugar Industry, 1848 - 1910", unpub. M.Econ., Natal University College (UNISA), 1932. See also G.R. Morris, *The Indian Question in South Africa*, (bibliography), 1946.
 11. Z.A. Stein, "A history of Indian settlement in Natal from 1870 - 1893", unpub. M.A., University of Cape Town, 1942; G.H. Calpin, *Indians in South Africa*, 1949; M.K. Gandhi, *Satyagraha in South Africa*, 1950; C.J. Ferguson-Davie, *The Early History of Indians in Natal*, 1951; H.R. Burrows, *Indian Life and Labour in Natal*, 1952; L.M. Thompson, "Indian Immigration into Natal, 1860-71", *A.Y.S.A.H.*, 15(2), 1952; M. Palmer, "The History of the Indians in Natal", *Natal Regional Survey*, Vol 10, 1957; L. Feldman, *Indians in South Africa, 1860 - 1960*, 1961; F. Ginwala, "Class consciousness and control: Indian South Africans 1860 - 1946", unpub. Ph.D., Oxon, 1974; J. Brain, "Natal's Indians, 1860 - 1910: From Co-operation through Competition, to Conflict", in A. Duminy and W. Guest (eds), *Natal and Zululand from Earliest Times to 1910: A New History*, 1989.
 12. P. Colenbrander, "The Zulu Kingdom, 1829 - 79"; N. Etherington, "The 'Shepstone System' in the Colony of Natal and beyond the Borders"; N. Etherington, "Christianity and African Society in Nineteenth Century Natal"; J. Lambert, "From Independence to Rebellion: African Society in Crisis, c. 1880 - 1910", all in A. Duminy and W. Guest (eds), *op. cit.*
 13. E.H.D. Arndt, *Banking and Currency Development in South Africa 1652 - 1927*, 1928; W.J.

considerable body of information on economic development in Natal, with interpretations covering the entire spectrum of the liberal/radical schools of southern African historiography. However, no attempt has yet been made to weave the threads of all these diverse subjects into a cohesive and chronological economic history of Natal. Even the latest works published on the history of Natal up to Union in 1910 have maintained this fragmented, thematic approach.¹⁴

With regard to the NLCC, the result of this thematic approach to the development of Natal has been to divide such information as has been uncovered on the Company into small pockets where its operations have impinged on the particular area under consideration. For example, the Company's involvement in the development of the sugar industry has been touched on in R.F. Osborn's book, *Valiant Harvest*; the changing patterns of its ownership of land has been described by A.J. Christopher in his thesis on land ownership in Natal and in subsequent articles; and its involvement in European immigration has been covered to some extent by D. Bagwandeem in his thesis on that subject.¹⁵ J. Lambert, in his study of Africans in Natal between 1880 and 1899, provided well-researched material on the Company's role as a rentier to black squatters.¹⁶ The only study of the history of the Company as a whole was that undertaken by H. Slater, whose well-known article on

Busschau, "The History of the Natal Government Railways", unpub. M.Comm., Natal University College (UNISA), 1932; R.E. Ralls, "Early Immigration Schemes in Natal, 1846 - 53", unpub. M.A., Natal University College (UNISA), 1934; A.F. Hattersley, *The British Settlement of Natal: A Study in Imperial Migration*, 1950; E.D. Campbell, *The Birth and Development of the Natal Railways*, 1951; H. Akitt, "Government Assisted Immigration into Natal, 1857-1862", unpub. M.A., University of Natal, 1954; J.A. Henry, *A Century of Service, 1862 - 1962*, 1962; Z.A. Konczacki, *Public Finance and the Economic Development of Natal*, 1967; H. Heydenrych, "Railway Development in Natal to 1895", in W. Guest and J. Sellers (eds), *op. cit.*; J.M. Sellers, "The Origin and Development of the Woolled Sheep Industry in the Natal Midlands in the 1850's and 1860's", in W. Guest and J. Sellers (eds), *op. cit.*; R. Edgecombe and W. Guest, "An Introduction to the Pre-Union Natal Coal Industry" in W. Guest and J.M. Sellers (eds), *op. cit.*; D. Bagwandeem, "European Immigration into Natal, 1862 - 1884", unpub. M.A., University of Durban-Westville, 1974.

14. W. Guest and J. Sellers (eds), *op. cit.*; A. Duminy and W. Guest (eds), *op. cit.*
15. R.F. Osborn, *op. cit.*; A.J. Christopher, "Natal: A Study in Colonial Land Settlement", unpub. Ph.D., University of Natal, 1970; A.J. Christopher, "Closer Settlement movement in Natal: 1875 - 1910", *Journal for Geography*, 3(6), April 1970; A.J. Christopher, "The Natal Land and Colonisation Company in Colonial Times", *Natalia*, No. 4, December 1974; D. Bagwandeem, *op. cit.*
16. J. Lambert, "Africans in Natal: Continuity, Change and Crisis in a Rural Society", unpub. D.Litt. and Phil., UNISA, 1986.

the subject lacks depth and offers a distorted picture of the Company's activities.¹⁷

As a result, not only has no substantial attempt been made to fit together these divergent pieces of the Company's history, but large areas of the puzzle have remained entirely blank. For example, the Company's substantial investment of capital - in the form of loans on mortgage, in its own cultivated estates and through its close connection with the Natal Plantations Company - has never been examined. Furthermore, its involvement in the protracted and often stormy debate between the local and imperial governments on the question of how the Natal railways were to be built, its attempts to begin the exploitation of Natal's coal and iron resources and its contribution, in non-monetary terms, to the development of the plantation economy have likewise remained unexplored.

Apart from the fact that studying various aspects of the Company's operation in isolation has led to distorted perceptions of its overall purpose, these studies themselves have drawn their conclusions on the basis of insufficient evidence. Company records can, broadly speaking, be divided into two categories: statistical records (such as balance sheets, profit and loss accounts, sales records and rent books) and communicative records (amongst which can be included correspondence, memoranda, directors' reports to shareholders, advertisements and other press releases). Research on the NLCC's activities has, to date, been based almost exclusively on the first category, and figures are notoriously open to a variety of interpretations. Without the confirmation of the second category of records, there is the danger that Company statistics may be moulded to fit pre-conceived ideas, resulting in conclusions which, however neat, are often inaccurate.

The generally accepted view of the Company resulting from the research carried out to date, is neatly summarised in C. Ballard's contribution to Duminy and Guest's volume on *Natal and Zululand: A New History*:

A complicating factor as far as agriculture was concerned was the existence of the land companies, of which the most

17. H. Slater, "Land, Labour and Capital in Natal: the Natal Land and Colonisation Company, 1860-1948", *Journal of African History*, 16(2), 1975.

important was the Natal Land and Colonisation Society [sic], formed in London in 1860. They did not actively engage in farming but held vast areas of fertile farming land, especially in the Midlands, on speculation, often finding it profitable to rent them to African tenants while awaiting the increase in land values that was expected to follow upon the further white immigration which some of them tried to promote.¹⁸

This extract, which has been chosen merely as being representative and from a recently published work, provides a view of the Company which is generally attributed to Slater's article on land, labour and capital in Natal.¹⁹ Although grounded to some extent on fact, it remains a gross over-simplification of what was a complex and sophisticated organisation. The impression conveyed is that the role of the Company in Natal was essentially passive. It implies that, having acquired land in the colony, they were content to await a rise in land values, doing little beyond making a desultory effort to promote white immigration and, meanwhile, subsisting on "...the income creamed, with the backing of the state, from the African population of Natal".²⁰

Although Slater, writing in 1975, elaborated on the role of the Company in the exploitation of the black peasantry, he obtained his information on the speculative activities of the Company from Christopher's doctoral thesis which was submitted in 1970. According to the latter:

The NLCC's activities in several fields had important results on the settlement of Natal. In the first place it effectively "locked up" considerable acreages. Much of the NLCC's land was waste and unused, and as such constituted a negative influence upon adjacent farms. The NLCC was able to wait for its valuation of the land to be paid and it was unaffected by crises and personal events with the result that it remained a major landowner until the present century.²¹

The NLCC was depicted by Christopher as a land speculation company which was

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- 18. C. Ballard, "Traders, Trekkers and Colonists", in A. Duminy and W. Guest (eds), *op. cit.*, p.136.
 - 19. H. Slater, *op. cit.*
 - 20. *Ibid.*, p.274.
 - 21. A.J. Christopher, "Natal: A Study in Colonial Land Settlement", unpub. Ph.D., University of Natal, 1970, pp.381-2.

prepared to hold onto its lands indefinitely until land values rose sufficiently to enable it to sell at a profit.

Slater, accepting this conclusion, went on to postulate that the unsold land of the Company was not lying "waste and unused", but that "...the Company, in common with some colonists, concentrated on extracting rent from Africans, as yet the only successful farming population of the Natal interior".²² Although mentioning a wide range of other activities in which the Company engaged with varying degrees of success, Slater singled out this aspect of its business as being, almost from the beginning, the one from which it expected to reap the greatest amount of profit.

The most important consequence to Natal historiography, resulting from the acceptance of these findings, is that the Company, together with other land speculators, has been held largely responsible for the slow growth of the white sector of the Natal economy during the second-half of the nineteenth century. The Company's unwillingness to sell its land, whether because it was holding it against an expected increase in prices, or finding greater profitability in renting to black farmers, has been seen as the major factor in the slow rate of European immigration, from which stemmed the retardation in economic growth. Being provided with such a seemingly obvious case of cause and effect, historians have paid little further attention to this aspect of Natal's development.

Unfortunately, both Christopher and Slater have based their conclusions on insufficient evidence. Christopher has used statistical records which, on their own, give no indication whatsoever of the Company's intentions or of the difficulties with which it was faced in attempting to carry out these intentions. Slater, although using a wide range of sources on the question of black farmers squatting on white-owned land, had very little material directly relating to the NLCC. The more intensive research, upon which this study is based, has revealed that, in fact, the cause and effect described above should be reversed.

The NLCC, during the thirty-year period under review, was not merely willing, but anxious to sell its land and was making strenuous efforts to promote immigration. The slow rate of growth of the Natal economy was the cause of the Company's

22. H. Slater, *op. cit.*, p.283.

inability to sell its land rather than the result of its unwillingness. The questions then inevitably arise as to whether this rate of growth may be regarded as a retardation, rather than a natural result of circumstances, and if so, what factors other than the pattern of land ownership were responsible for it? This work, in attempting to place the NLCC into a coherent background picture of economic development in Natal, suggests some possible answers to these questions, showing at the same time areas where further research is indicated.

Besides pointing out inaccuracies in the material which is currently available on the NLCC, this research is also intended to cast some light on those areas of its operation which have, to date, been virtually ignored. The role of the Company, both directly and indirectly, in the development of the plantation economy of the coastal belt was a substantial one. A considerable amount of capital, particularly in relation to the size of this sector at the time, was invested through three main channels: loans on mortgage to sugar planters, financial backing for the Natal Plantations Company and the development of its own cultivated estates. Although none of these ventures was particularly successful in the long term, as far as the Company was concerned, the capital invested cannot be regarded as having been "wasted". The establishment of numerous sugar estates, including the importation of machinery for crushing and processing the cane, depended upon this source of finance. Some estates were abandoned, but the majority survived to form the foundation of the Natal sugar industry.

It is through the failure to give sufficient weight to this aspect of capital investment that the most serious misconception about the nature and purpose of the NLCC has arisen. The Company has been seen as a "Natal" company which happened to have a Board of Directors in London and the majority of its shareholders in the United Kingdom. It has been taken for granted that it was a speculative venture with the primary purpose of selling the land which it had acquired for the greatest possible profit. Any attempts towards developing the economy of Natal have been regarded as means to this end, by raising the value of the land.²³

This view of the Company is, in fact, an over-simplification and precludes a full

23. *Ibid.*, pp.268-270.

understanding of its aims and objectives. Although the NLCC owned vast acreages in Natal, it was first and foremost a British company and its primary involvement was with finance and investment. The City of London could, during this period, be regarded as a complex network through which the surplus capital generated by industrial capitalism in Britain was channelled into investment in every corner of the globe. The NLCC, situated at the heart of the City in Threadneedle Street, was primarily concerned with channelling a small stream of this surplus capital into Natal.

The land which the Company owned was initially regarded as a tangible asset which, together with optimistic predictions of rapid progress in Natal, would attract British investors. Capital was accumulated through the issuing of debenture bonds at rates which varied according to the performance of the Company and the level of confidence in its ability to repay interest and capital. The difference between the rate at which capital could be borrowed in the metropolis and that at which it could be lent in the colony was expected to provide the basis of the Company's profitability.

This is not to say that the land was to be kept indefinitely, but it was regarded as a source of capital, rather than a source of profit. The sale of land was the liquidation of a fixed asset and, although the profit represented by the difference between the purchase price and the selling price might be made available for distribution to the shareholders, the actual capital released was destined for re-investment. The attempts of the Company to foster economic development in Natal were designed to raise the value of their landholdings and increase the chances of profitable sales. However, this was not an end in itself, but a means to an end - to make Natal a more profitable field for investment.

Viewed from this perspective, the Company's operations in Natal are open to considerable re-interpretation. For example, Slater's view of the Company's role as a rentier to black squatters is based on the assumption that its objective was to make a quick profit by any available means.²⁴ However, given the more complex long-term objectives of the Company, this part of its operation can be seen as merely a stop-gap measure. The Company was not in favour of keeping its unsold land out of

24. *Ibid.*, p.268, 270-1.

the reach of the developing white sector of the economy in order to exploit black farmers; it was collecting hut-rent while awaiting the opportunity to bring that land into commercial development.

This re-appraisal of the NLCC's role in colonial Natal has been based to a large extent on intensive study of the communicative records of the Company which are housed in the Natal Archives in Pietermaritzburg and which will be discussed in greater detail hereunder. This substantial body of evidence is important, not only in providing a clearer understanding of the mechanisms through which a group of typical Victorian metropolitan capitalists sought to influence the economic development of a satellite colony, but also has repercussions on several areas of Natal economic historiography. The acceptance of various conclusions about the Company's operations has led to further conclusions about economic development in Natal - the re-assessment of the former necessitates re-assessment of the latter.

Apart from the records of the NLCC, the sources upon which this research is based are the standard ones which have been used fairly exhaustively by all researchers of Natal history. The official records of the Colony, including *Government Gazettes*, government publications and statistical Blue Books have been consulted on issues directly relating to the Company's operations. The *Natal Mercury* and *Natal Witness* have been used, with allowance for editorial bias, to glean some factual information on the economy, but mainly as a reflection of public opinion on the Company's activities in Natal. It should be noted, however, that the *Natal Mercury* carried far wider and more regular coverage of the NLCC than did the *Natal Witness*. Indeed, it was not until the 1880s, when the Company became increasingly involved in the urban land market in Pietermaritzburg, that the *Natal Witness* carried any significant reportage on the Company. The *Natal Mercury* has also been particularly useful in that it carried the advertisements of the Company, printed letters from the local general manager, and published accounts of meetings of shareholders in London.

Very little secondary material exists which is directly related to the Company, and the main sources have already been mentioned above. With regard to general economic development, there is a wide range of sources, most of which, however, concentrate on single specific aspects. From these diverse sources, an attempt has been made to provide a coherent picture of economic development in Natal, but it

must be emphasised that this is by no means comprehensive, but has been tailored around the activities of the Company. Chronologically, these sources range from publications on Natal as a suitable field for emigration, published in the 1850s to Duminy and Guest's *Natal and Zululand from Earliest Times to 1910: A New History*, published in 1989. They also reflect changes in historiography, from the largely descriptive works of Hattersley in the 1950s to the much more interpretative and analytical studies contained in Guest and Sellers' *Enterprise and Exploitation in a Victorian Colony*, published in 1985.

The main findings of the study, however, are based primarily on the records of the Company itself. This represents an enormous body of valuable primary material relating not only to the Company itself, but to almost every aspect of the colonial economy. The records housed in the Killie Campbell Collection of the University of Natal were donated in 1982 by Mr G.W. McDonald, a former general manager of the Company. They are mainly statistical records in the form of ledgers, sales records, bond registers and other material relating to the day-to-day working of the Company. While still in the possession of Mr McDonald, they were consulted by Christopher and formed the basis of his analysis of the Company's land dealings. Although a valuable source of statistical information, this collection contains little information on the policy decisions and financial activities of the London Board which are so vital to a thorough understanding of the Company's history.

This latter information, which has been vitally important to the formulation of this thesis, is contained in the Company correspondence which has been housed in the Natal Archives since 1958 and has been available to researchers since 1959. Only J. Lambert, among those whose work has been directly related to the Company, has actually consulted this material. For Lambert's purposes, the extensive internal colonial correspondence was of great importance, but as far as this study is concerned, the correspondence between the secretary of the Company in the London head office and the general manager in Natal has been the most useful. Decision-making on every aspect of the Company's operation in Natal was kept firmly in the hands of the London Board of Directors. This correspondence, therefore, containing instructions to the local manager together with comprehensive details as to the reasoning behind these instructions, gives a very clear picture of the workings of the Company. The letters also provided a forum for the discussion of

every aspect of Natal's economic and political life which was likely to impinge either directly or indirectly on the Company. Copies of the reciprocal correspondence, from the local general manager to the London office, are also contained in this collection, but unfortunately have not withstood the ravages of time and are now illegible. Also contained in this collection are directors' reports, balance sheets, profit and loss accounts and memoranda to the shareholders. From these sources information has been obtained on the financial dealings of the Company in the London market, the profitability of the Company, share prices and dividends paid to shareholders.

Selective use has, of necessity, been made of this source material, but it is to be hoped that, apart from its value to this particular study, some indication will be given of its richness and potential value to future researchers. The records extend up to the absorption of the NLCC into the Eagle Star Insurance Company in 1948 and represent the addition of a valuable fresh source of primary research material to the rather overworked material currently available on Natal.

CHAPTER TWO

1860-1864: The First Five Years, Through Prosperity to Depression

The objectives of the Natal Land and Colonisation Company, as set out in its prospectus,¹ show that it was too complex an enterprise to be regarded as simply a land speculation company. That its main interest was in using the colony of Natal as a field for investment is implicit in the fact that it intended from the beginning to sell land on a system of ninety per cent mortgages, bearing interest at eight per cent. The Company was interested neither in a quick cash return for its properties, nor in keeping the land unsold until it increased in value. It also proposed to raise money in the London market on the strength of its landholdings in Natal, for reinvestment at higher colonial rates of interest.

However, the Company was formed on the foundation of extensive landholding in the colony and this foundation did owe its existence to land speculation in its purest form. The early history of white settlement in Natal gave rise to circumstances under which land speculation flourished. The original white settlement at Port Natal, under the leadership of Francis Farewell, was merely a trading post. Large-scale claim to the land of Natal by whites was only made after the arrival of the Voortrekkers in 1837. To these discontented farmers from the Cape Colony, seeking freedom from English rule and greater access to land, Natal appeared to be the Promised Land.²

The Voortrekkers established the Republic of Natalia and formed a Volksraad in 1838 at Pietermaritzburg. This Republic only lasted until 1843, when Natal was officially annexed by Britain. As late as 1837 the British government was opposed to annexation, as the following extract from a letter from the Secretary of State for the Colonies to Sir Benjamin D'Urban reveals:

His late Majesty disclaimed, in the most direct terms, all right of sovereignty at Port Natal, and all intention to extend his

1. See Appendix A.

2. E.H. Brookes and C. de B. Webb, *A History of Natal*, 1965, pp.17-35.

dominions in that direction; and Capt. Gardiner was distinctly informed by me that the Government entertained no projects of colonization in that quarter. Port Natal is a foreign land, governed by foreign chiefs, and the Government of this country has neither the right nor the intention to interfere with those chiefs.³

However, the prospect of a Boer republic in so strategically important a situation, the disturbances caused by the war against Dingane and a change of government in Britain all led to the *volte-face* of formal annexation.

Despite the brevity of the Republic of Natalia's existence, it was of vital importance in establishing the pattern of land ownership in Natal. The situation with regard to land holding in the Cape Colony which "...for a long time could only be called chaotic..."⁴ had been one of the factors responsible for the initiation of the Great Trek. The intention of the Volksraad of the Republic of Natalia was to make land alienation as simple and as inexpensive a process as possible. The procedure was set out in the law of 14 April 1841 - "Regulating the right of Burgership and the possession of lands in Freehold within the Republic of Natal." Burgers who had arrived in Natal before the end of December 1839, being married or of age, were entitled to two farms, while boys between the ages of 15 and 21 years, and those who had arrived later were each entitled to one farm.⁵ There was no formal surveying of farms and so, although farm sizes were officially limited to 3000 morgen (the standard size prevailing in the Cape Colony), many claims were actually considerably larger. Farms could be chosen anywhere in the area claimed by the Republic, and after a cursory examination of the boundaries by two inspectors, written grants were issued on payment of a fee of £1 10s.⁶

Full advantage was taken of this easy access to land and in the first two years 2 500 000 acres were alienated. The trekkers, whose capital had already been depleted on the long journey from the Cape, had neither the resources nor the manpower to develop or exploit these vast tracts of land. As Slater has pointed out:

3. J. Bird, *The Annals of Natal*, 1888, pp.326-7.

4. F. Coleman (ed.), *An Economic History of South Africa*, 1983, p.5.

5. A.J. Christopher "Initial European Farm Pattern in Natal: 1837-1848", *Journal for Geography* 3(2), April 1968, p.167.

6. *Ibid.*, p.168.

The attempts of individual trekker families to enforce rights of ownership over land claims by personal settlement, by the removal of the earlier occupants, by placing agents on the claim, or by extracting rent in the form of labour or produce, all met with determined resistance and rarely proved successful. In consequence, the trekkers did little farming; most remained concentrated in groups, subsisting on hunting and African produce, which they bartered for livestock.⁷

These conditions, depressing as they were to the value of land, enforced the Trekkers' disposal of their claims for whatever they would fetch. In one instance, an entire farm was bartered for an ox-wagon valued at £7 10s.⁸

The market in land claims gained momentum in the years immediately before and after British annexation due to uncertainty about the intentions of the new administration. Paper titles representing enormous acreages fell into the hands of the relatively few people who could afford to amass them as a speculation. In some cases, the claims were taken in settlement of outstanding debts by Cape and local merchants. Others were bought by the wealthier trekkers - such as Commandant Gert Rudolph, who accumulated claims to some forty farms, totalling 250 000 acres - or local speculators, of whom Jonas Bergtheil was a prominent example.⁹

By the time the new British administrative staff reached Natal in 1845, the situation with regard to land was chaotic and it was compounded by additional difficulties. To begin with, they "...had no more than the vaguest conception of the limits of the district they were to govern".¹⁰ Although William Stanger had already arrived to assume the position of surveyor, he had had insufficient time to complete the enormous task which confronted him. A second difficulty was the delay between formulating any plan of procedure and obtaining approval. Natal had been annexed to the Cape, rather than as a separate colony. Proposals, therefore, had to be submitted first to the Cape and then to the Colonial Office in London which, given

7. H. Slater, *op. cit.*, pp.257-8.

8. A.J. Christopher, *op. cit.*, p.167.

9. B.H. Kemp, "Jonas Bergtheil in Natal, 1843-1866", unpub. M.A., University of Natal, 1953; A.F. Hattersley, *The British settlement of Natal: A Study in Imperial Migration*, 1950, p.111.

10. A.F. Hattersley, *The Natalians: Further Annals of Natal*, 1940, pp.13-14.

the undeveloped communications systems, resulted in long delays. The Voortrekkers, already suspicious of British intentions, saw this as unnecessary vacillation and an exodus began to the freer air "overberg".

The British were in fact anxious that the Boers should remain in Natal as, without them, the white population would have been negligible. However, they considered that the free granting of land titles without any occupational qualification would lead to uncontrolled speculation. Attempts to resolve the land question occupied almost the entire decade of the 1840s, and in the final event neither of the twin objectives of retaining the Boer presence and curbing speculation was attained. By 1847 there were only an estimated sixty Boer families left in Natal.¹¹

The only way in which land speculation could have been effectively curbed would have been to insist on evidence of occupation over a period of time before land claims could be legally substantiated. This was, indeed, the manner in which the earliest British administration intended to carry out its task. However, inadequacy of funding and of staff made this an impossibly protracted procedure, and it was also perceived as unfair by the trekkers who had had insufficient time to establish themselves on the land. In a last-ditch attempt to retain the Boer presence in Natal, a special Land Commission was set up in 1848 by Sir Harry Smith. Land claims were granted subject to future occupation, but this condition was ignored and claims, now with secure title, continued to accumulate in the hands of speculators. By 1860 a total of 3 319 000 acres had been alienated of which, according to Christopher, about one-half belonged to land speculators.¹²

The scheme which was to result in the formation of the Natal Land and Colonisation Company was instigated by the leading land speculators. Jonas Bergtheil and Adolph Coqui were the two largest landowners in Natal, and were the prime movers in the attempt to interest British financiers in the colony.¹³ The idea which Bergtheil communicated to a meeting of prominent landowners in April 1859 must have seemed attractive. A joint-stock company would be floated in London

11. H. Slater, *op. cit.*, p.259.

12. A.J. Christopher, *op. cit.*, pp. 171, 177. See also Appendix F, Map 2.

13. Jonas Bergtheil owned 106 100 acres and Adolph Coqui owned 62 165 acres, according to A.J. Christopher *op. cit.*, p.191.

with a share capital composed partly of land purchased from Natal landowners and partly of money subscribed by British investors. The Natal landowners would be paid in company shares which could be held in anticipation of a rise in value if the company prospered, or traded in the market for immediate monetary gain. Such a company, as a large organisation with access to capital, would be in a better position than individual landowners to promote the development of the colony.

Negotiations in London were successful and the Natal Land and Colonisation Company Limited was incorporated, under the Joint Stock Companies Acts, 1856-57, in London in December 1860.¹⁴ The capital comprised £225 000 in 22 500 shares of £10 each. Of these shares, 14 000 fully paid up shares were appropriated to pay for the land sold to the Company by Natal and Cape land speculators.¹⁵ Adolph Coqui, who had been the prime mover in the scheme from the South African side, received 4500 shares, while the remaining 9500 were allotted to the other colonial landowners.¹⁶ That left 8500 shares to be allotted in England. They were quickly taken up, and by the time of the first annual general meeting in April 1862, calls to the amount of £3 per share had already been made.¹⁷

As a new joint-stock company required an Act of Parliament for its incorporation, it was considered sound policy to invite a Member of Parliament onto the Board of Directors. Accordingly, the original board of the Company had two such M.P.s, namely Sir James D. Elphinstone (Chairman) and J.P. Brown-Westhead. Other members of the board had connections in the imperial network of finance. These included W.W. Cargill, Director of the Oriental Banking Corporation; J.T. MacKenzie, Deputy Chairman of the Eastern Bengal Railway Company; the Hon. William Napier, Director of the Lands Improvement Company; and J.J. Macpherson, Director of the Agra Bank. George Thomson of Aberdeen and John Gillespie of the Cape firm of J. Barber & Co. completed the list of directors. By the time of the first annual general meeting, the Hon. Francis C. Drummond and

14. H. Slater, *op. cit.*, p.266.

15. NA, NLCC (A1380), File 1, Report by the Directors to the Shareholders, First Annual General Meeting, 25 April 1862.

16. KCAL, NLCC (KCM 54414, Book No. 199), Minute Book No. 1.

17. NA, NLCC (A1380), File 1, Report by the Directors to the Shareholders, First Annual General Meeting, 25 April 1862.

William Miller, another M.P., had replaced J.J. Macpherson and George Thomson.¹⁸ Not one of the directors had any direct connection with Natal, but all were involved in the economic exploitation of Britain's colonial empire. The London offices of the Company were located at 41 Threadneedle Street, an eminently respectable address from a financial point of view.

The setting up of operations in Natal was placed in the hands of Carl Behrens who was appointed general manager. A long-time associate of Adolph Coqui, he resigned from his position as manager of the Natal Bank in February 1860 and accompanied Coqui to England. His six years' experience as manager of the Natal Bank appears to have favourably impressed the board as the prospectus noted that during that time, "...the establishment did not make a single bad debt and paid dividends from 15 to 18 per cent".¹⁹ The dividends, at least, are a matter of record.

Behrens arrived back in Natal on 30 July 1861, and his first task was to execute the transfer of the land bought by the Company, which involved having the title deeds to eighty estates registered in the Company's name. This was accomplished by September 1861, when the Durban office was opened for business.²⁰ A Mr Wilkins was sent out from London to examine and certify the title and transfer deeds and to oversee the setting up of the Natal Committee.

This Committee appears to have been appointed in order to assist with the day-to-day operations of the firm, but the reins remained firmly in the hands of Behrens who reported directly to the London board. According to the rules and regulations for the government of the Natal Committee:

6. No resolution of the Committee to be of any effect unless the Manager concur.
7. That all matters discussed be decided by a majority, of which the Manager must be one.²¹

18. *Ibid.* Natal Mercury, 4 April 1861, printed prospectus of Company.

19. *Ibid.*

20. NA, NLCC (A1380), File 1, Report by the Directors to the Shareholders, First Annual General Meeting, 25 April 1862.

21. NA, NLCC (A1380), File 1, Directors' Report, 10 December 1862.

Behrens, himself, could only operate within the rather limited constraints set down in the rules and regulations. Any matter which did not lie within these constraints had to be referred to the London board for approval.²²

In order to carry on their operations in Natal, it was necessary for the Company to be incorporated in Natal by the passage of a bill through the Legislative Council. Notice of the intention of the directors to introduce this bill during the 1861 session was published in the *Natal Mercury* on 2 May 1861. The general objects of the bill were described as follows:

...to enable the said Company, by one of its officers or otherwise, amongst other things to purchase, take, acquire, hold, let, sell, grant, mortgage, charge, alienate, exchange or otherwise deal with lands in Natal. And to sue and be sued in the name of such officer, or otherwise.²³

The Act was passed with little difficulty, and on 1 April 1862, it was reported in the *Natal Mercury* that the Act had been confirmed by Her Majesty.²⁴

Although the land bought by the Company - at a price which averaged 11s 6d per acre - was taken sight unseen, the directors did not intend to remain in ignorance as to the quality of its purchase. Included in the rules and regulations for the government of the Natal Committee were instructions that the sub-manager:

...be requested to visit all the Company's lands with as little delay as possible, with a view of tracing the Beacons; of preventing encroachments, and the destruction of brush wood and timber; of counting the number of Native Huts on each farm; of recording in a note-book the capabilities, etc., of each estate; and, after having qualified himself as Surveyor, to undertake the re-survey and planting of the Beacons of each estate.²⁵

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- 22. For further discussion of rules and regulations and the reaction of the Natal committee, see pp.30-34.
 - 23. *Natal Mercury*, 2 May 1861.
 - 24. Coqui was at that stage a Member of the Legislative Council. *Natal Mercury* 1 April 1862.
 - 25. NA, NLCC (A1380), File 1, Directors' Report, 10 December 1862.

Mr Wilson had been appointed surveyor and had made a start on this arduous undertaking.²⁶

The prospectus of the Company set out the type of business which the Natal office was expected to undertake. It was widely advertised in the north of England and Scotland, from whence emigrants were expected,²⁷ as well as in Natal and the Cape. There were to be four separate areas of operation which were expected, either directly or indirectly, to yield a profit: the Land Department, the Loan Department, the Colonisation Department and the Agency Department.²⁸

The Land Department was to deal with the selling and leasing of Company land. The land was to be sold on payment of a 10 per cent deposit, the remaining 90 per cent of the purchase price to be secured by a mortgage on the property. It can be seen, then, that even at this early stage, the speculative sale of land at a profit was not a primary objective of the Company. Allowing purchasers to take possession of the land on payment of a ten per cent deposit left the remainder of the purchase price in the form of a loan on mortgage. It was stated that by this means, "...the capital of settlers will be left available for purposes of cultivation...or by other means adapted to meet the wants of emigrants, and at the same time afford ample security to the Company".²⁹

It was expected that the sale of one piece of land, if it were settled and improved, would increase the value of all the surrounding land. This principle was also expected to apply if land were leased rather than sold. Land was to be leased for a period not exceeding seven years, after which the lessee would have the option of purchase, at a valuation. The argument that the Company deliberately set its prices high so as to keep the land unsold until prices increased fails to take account of this system whereby land was made available on easy terms. Occupation of the land was regarded as vital, as without it there could be no development, no increase in the

26. NA, NLCC (A1380), File 1, Report by the Directors to the Shareholders, First Annual General Meeting, 25 April 1862. The inspection of these estates was completed in December 1863, and all the details were recorded in the Surveyors' Report Book KCM 54223, Book No.8.

27. KCAL, NLCC (KCM 54414, Book No. 199), Minute Book No. 1.

28. See Appendix A: Revised prospectus of NLCC printed in *Natal Mercury*, 1 August 1862.

29. Prospectus, *Natal Mercury*, 4 April 1861.

potential for investment and no rise in the value of the land. With over 250 000 acres of land in every part of the colony,³⁰ there was plenty of scope for judiciously selling and leasing land so as to enhance the value of land in several areas at once.

The Loan Department was as important to the Company as the Land Department, and covered a wide range of expected investment opportunities. Its purpose, as set forth in the prospectus, was:

To grant loans not below £50, for terms of from one to five years, on the security of farms and plantations; of town property provided the buildings are of burnt brick or stone, and substantially built, and of saw, flour, oil and other mills situated in or near towns.³¹

The capital for the granting of loans was to be raised by the issue of debentures in England. The expected profit was to arise from the difference in rates at which money could be borrowed in the home market and lent in Natal. Unlike the land, which would eventually all be sold, this was expected to ensure long-term profitability, with the capital being continually turned over.

The raising of capital in London during the entire period of this study for investment abroad presented little difficulty. According to M. Edelstein:

Great Britain's immense capital export is among the most important historical phenomena of the period between 1860 and 1914. Rising in the 1850s and 1860s, the flow of net foreign investment averaged about a third of the nation's annual accumulations from 1870 to 1914...Never before or since has one nation committed so much of its national income and savings to capital formation abroad.³²

Although there is controversy over the reason for this immense capital export, whether it was pulled by the higher rates of interest available abroad or pushed by a lack of investment opportunities at home,³³ the outflow did exist, and the NLCC was able to direct some of it to Natal.

30. See Appendix F, Map 2.

31. Appendix A: Revised prospectus of NLCC printed in *Natal Mercury*, 1 August 1862.

32. M. Edelstein, "Foreign Investment and Empire, 1860-1914", in R. Floud and D. McCloskey (eds), *The Economic History of Britain since 1700*, Vol.2, 1860-1970s, 1981, p.70.

33. *Ibid.*

Continued emigration to the Colony of Natal was obviously the lynch-pin upon which the long-term success of both the Land and the Loan Departments would depend. Accordingly, the Colonisation Department was set up "To promote immigration to this Colony by assisted passages, on approved security, at a credit of twelve months, bearing colonial interest".³⁴ The success of this Department would, as Behrens noted in his first report to the directors, "depend chiefly on the exertions made by the London office".³⁵ Little, however, was done initially towards setting up any sort of machinery for the recruitment of emigrants in England.³⁶

If the settlement of individual emigrants was desirable, it followed that large parties who might be expected to form a village community would be even more welcome. The prospectus also advertised that: "Very favourable terms will be granted to associated bodies of Immigrants who may wish to purchase large blocks of land...and in such cases free grants of land will be made for the erection of schools and religious worship".³⁷ The directors of the Company were sanguine about the ultimate success of settlement in the colony because, unlike the ill-fated Byrne scheme of the previous decade, the proposed emigrants would have access to capital.

Finally, an Agency Department was initiated. Its purpose was:

To invest money on any security named; to sell and buy landed property; to collect rents, interest and other property; to negotiate loans for the government and corporate bodies; to purchase machinery, and effect shipment and insurance thereon, on the security of mortgages on landed property; and to undertake other agency business.³⁸

This business was to be conducted on a commission basis and was expected to prove profitable, considering the numbers of absentee holders of Natal land, resident either at the Cape or in London.

34. *Ibid.*

35. NA, NLCC (A1380), File 1, First Report.

36. Apart from advertising the Company's scheme for providing assisted passages on credit. The *Natal Mercury* of 29 April 1862 reprinted Company advertisements taken from "the London papers", and on 29 July 1862 carried the advertisement of the Natal office.

37. *Ibid.*

38. Appendix A: Revised prospectus of NLCC printed in *Natal Mercury*, 1 August 1862.

Once the Company was established and the office opened in Natal, the first priority of the London board of directors was to arrange finance for the loans being made on mortgage in the colony. There was no lack of demand for the funds. At the first annual general meeting it was reported that up to 31 December 1861, advances to the extent of £28 372.12s had already been made.³⁹ This had already exceeded the called-up capital of £25 500 and it was decided that, in addition to a further call of £2 per share, an issue of debentures ought to be considered.

Accordingly, an extraordinary general meeting was called for 26 February 1862 in order to propose a debenture issue of £150 000, bearing interest at a rate of 6 per cent.⁴⁰ Twenty shareholders, holding 7253 shares, were present at the meeting and the motion was passed without any difficulty.⁴¹ The funds resulting from the issue were to be devoted exclusively to the making of loans on mortgage in Natal at a rate of interest of 12 per cent. The difference in interest rates was to provide the basis for a steady income to the Company. The debenture issue was successful, and by 31 December 1862, the amount issued totalled £102 300.⁴²

At the second ordinary general meeting of the Company held in June 1863, the first dividend of 5s. per share was declared.⁴³ Some difficulty arose at this point because of the two different classes of shares. Those 14 000 shares which had been issued to the landowners were fully paid up, while the remaining 8500 had only £5 paid up, leaving the owners liable for another £5. Despite this, "...the £10 paid up share was practically of no more value than the shares unpaid up, as the dividend was by the deed of association not a per cent but a per share dividend".⁴⁴ A further difficulty was that the paid-up shares were not quoted on the stock exchange.⁴⁵

39. NA, NLCC (A1380) File 1, First Report. The office in Durban had only been open since September.

40. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.

41. *Ibid.*

42. NA, NLCC (A1380), File 1, Report of the Directors to the Proprietors, Second Ordinary General Meeting, 18 June 1863.

43. *Ibid.*

44. *Natal Mercury*, 25 August 1863.

45. NA, NLCC (A1380), File 444, J.L. Busch to Behrens, December 1863.

In order to overcome these difficulties, the directors proposed a scheme whereby each of the 14 000 fully paid-up shares would be exchanged for two new £10 shares, each with £5 paid up. "By this means the object will be attained of equalising all the Shares as to the amount paid upon them, also as to the distribution of Dividends and participation in the proceeds of Sales of Land."⁴⁶ The exchange would be to the advantage of the holders of paid up shares, in that they would then receive dividends on two shares rather than one.⁴⁷ It was therefore proposed that the exchange should be charged for at the rate of 10s. per new share. The resultant profit of £14 000 was to be divided among all the shareholders as a bonus.⁴⁸

Apart from the advantage to the shareholders, the proposed equalization of shares would be of great advantage to the Company in increasing the uncalled capital from £42 500 to £182 500. As noted in the Directors' Report for 1863:

The Directors attach great importance to the last point, as it is most desirable in their opinion for any Company conducted on the principle of limited liability to have a large fund in reserve of uncalled Capital, as a source of credit for extended operations.⁴⁹

The uncalled capital of the Company provided the basis on which funds could be raised in the London capital market, so that increasing this amount automatically increased the extent to which the Company could borrow.

A special general meeting of the shareholders was held on 28 July 1863 to propose the measure for equalising the shares. Although only sixteen shareholders representing 7079 shares attended the meeting, the directors had canvassed the whole body of the Company.⁵⁰ Replies had been received from shareholders

46. NA, NLCC (A1380), File 1, Report of the Directors to the Proprietors, Second Ordinary General Meeting, 18 June 1863.

47. *Natal Mercury*, 25 August 1863.

48. NA, NLCC (A1380), File 1, Report of the Directors to the Proprietors, Second Ordinary General Meeting, 18 June 1863.

49. *Ibid.*

50. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.

representing 17 700 shares, of whom the holders of 17 600 had assented, while the holders of only 60 shares had dissented.⁵¹ No replies were received from the holders of 2132 shares who resided in Natal.⁵² This may have been due to the slowness of the mails, but was not regarded as significant in the face of the overwhelmingly favourable response from shareholders in England. The motion that the resolution be adopted and approved was carried "with applause".⁵³

A final extraordinary general meeting was held on 23 October 1863 to confirm the increase in the capital of the Company.⁵⁴ Shortly thereafter, a circular was issued by the directors informing shareholders that the arrangements for equalisation of shares would be carried out as soon as the final accounts for 1863 were completed. In the meantime, it was announced, the shareholders would receive immediately the bonus which was to arise from the conversion. Holders of the fully paid shares would receive 14s per share, reducing the payment which they would have to make from £1 to 6s. per exchange. The holders of £5 paid shares would receive 7s. per share in addition to their dividend for 1863.⁵⁵

Capital continued to be lent out on a lavish scale in Natal. By 31 December 1863, £140 949 3s. 9d. had been lent on mortgage,⁵⁶ and the increase in the capital of the Company had become a matter of necessity. The secretary of the Company noted, in a letter to Behrens, that:

The Directors are unable to transmit to you any letter of credit...because the funds available on this side are now drawn down to a point below which, in face of the engagements of the C^{oy}, it would not be prudent to suffer them to go. As, however, the equalization of the shares of the C^{oy} is now, you will be happy to learn, on the point of being carried out, involving an increase in the uncalled capital of £140,000, it is

51. *Natal Mercury*, 5 August 1863.

52. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.

53. *Natal Mercury*, 5 August 1863.

54. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.

55. *Natal Mercury*, English Edition, March 1864. This was a monthly special edition compiled for transmission to England.

56. NA, NLCC (A1380), Report of the Directors to the Proprietors, Third Ordinary General Meeting, 1 June 1864. See also Appendix E.

probable that steps may be taken by the Directors to obtain authority for the issue of further Debentures on the basis of that additional security, which, if taken up, will place them in a position to resume transmission of credits to your side for the investment of funds as heretofore.⁵⁷

The third ordinary general meeting of the shareholders, held on 1 June 1864, was made specially for the purpose of obtaining the sanction of the shareholders for a further debenture issue of £100 000.⁵⁸

The performance of the Company up to the end of 1864 was sufficiently impressive to warrant the raising of further capital to be lent on mortgage in Natal. Most of 1861 had been spent in setting up the Company and taking up the land in Natal. As Behrens pointed out in his report to the directors, "This office having been opened on the 4th September only, it can hardly be expected to see for the period of four months any net profits accruing to the infant establishment".⁵⁹ However, by the end of 1862, profits amounted to £6541 17s. 11d., out of which a dividend of 5s. per share was paid, leaving a surplus of £362 11s. 1d.⁶⁰ This 5s. per share represented a return on capital of 5 per cent on the shares on which £5 had been called up, but only 2.5 per cent on the fully paid up shares. It was because of this inequality that the equalisation of shares had been proposed.

By the end of 1863, the net profit of the Company had more than doubled to £13 466 8s. 7d. A dividend of 9s. per share was declared, leaving a surplus of £3074 4s. 10d. to be carried forward.⁶¹ The revenue account on the balance sheet showed that these profits were mainly derived from interest on mortgages, discount and commission. However, they were to some extent inflated by the sale of 31 891 acres of land to a subsidiary company, the Cotton Plantation Company of Natal.⁶²

57. NA, NLCC (A1380), File 2, Breffit to Behrens, 4 February 1864.

58. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.

59. NA, NLCC (A1380), File 1, Report by the Directors to the Shareholders, First Annual General Meeting, 25 April 1862.

60. NA, NLCC (A1380), File 1, Report of the Directors to the Proprietors, Second Ordinary General Meeting, 18 June 1863.

61. NA, NLCC (A1380), Report of the Directors to the Proprietors, Third Ordinary General Meeting, 1 June 1864.

62. *Ibid.*

The net profits for 1864 were £22 983 13s. 10d., and out of this a dividend of 10s. per share was paid, leaving a balance of £2445 9s. 2d. to be carried forward to the credit of the profit and loss account.⁶³ In addition to the ordinary dividend, the bonus of 7s. per share arising from the equalisation of shares, "...which it has been thought advisable to keep distinct, as being an exceptional profit resulting from special circumstances, not likely to recur...", was also paid during this year.⁶⁴ The total distribution to the shareholders thus amounted to 17 per cent for the year.

The apparently sound state of the Company's finances, reflected in the payment of dividends, affected the price and sale of shares during this period. However, the fact that there were two classes of shares caused some difficulty. The £5 paid up shares were quoted on the London stock exchange and rose in price from £4 to £5 12s. 6d. between May and December 1863.⁶⁵ According to J.L. Busch, a London stockbroker, "The £10 or fully paid up shares did not participate in this rise, for this reason only, that not quoted on the Stock Exchange, they are unknown to the Public".⁶⁶ It may, therefore, have been difficult in disposing of the shares, rather than Company control, as suggested by Slater, which restrained the "...gentlemanly stampede [to unload] the shares with which the Company had purchased their land on the London stock market".⁶⁷

The announcement of the proposal to equalise the shares caused a rise in the price of the £10 paid up shares, although they still lagged behind the £5 paid up shares. For this reason, Busch advised Behrens in February 1864:

I strongly recommend to your attention these last named shares as a most advantageous investment even at £10. As the approaching equalisation and dividend will put them on a par with the other £5 shares, and then command a high premium in the market.⁶⁸

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- 63. NA, NLCC (A1380), Report of the Directors to the Proprietors, Fourth Ordinary General Meeting, 18 June 1865.
 - 64. *Ibid.* See also Appendix E.
 - 65. NA, NLCC (A1380), File 444, J.L. Busch to Behrens, December 1863.
 - 66. *Ibid.*
 - 67. H. Slater, *op. cit.* p.267.
 - 68. NA, NLCC (A1380), File 444, J.L. Busch to Behrens, February 1864.

Some of the £10 shares were traded before the equalisation - 295 were sold between February and May 1864⁶⁹ - but the bulk were retained by the holders, awaiting the more favourable opportunity which would arise once the equalisation had been carried out.

In a further letter to Behrens, Busch made it clear that the colonial shareholders had indeed been waiting for the equalisation of shares to be carried out before attempting to sell:

I beg to attract your attention to the unusual cheapness of the Shares of the Natal Land and Colonization Company, of which you are already a Shareholder, in consequence of the general depression of all securities, owing to political uncertainties, *and the natural desire of some of the larger Colonial Shareholders, whose shares have now become equalised, and consequently doubled in number, to realise part of their holding in this Company.*⁷⁰

Not all the colonial shareholders wished to realise their capital, but those who did could do so on fairly advantageous terms as the shares at this time were selling for £5 5s. per share.⁷¹

From the London side, then, the Company appeared financially sound in 1864. The first debenture issue had been fully taken up; the equalisation of shares had been successfully carried out, increasing the unpaid capital considerably; and a second debenture issue was to be made, using this capital as collateral. Profits, both from interest payments on mortgages and on land sales, were steadily increasing, healthy dividends were being paid and the Company's shares were at a premium on the stock exchange. However, this prosperous state of affairs was soon to be seriously threatened, and in order to understand why, it is necessary to examine the Company's operations in Natal in some detail.

69. NA, NLCC (A1380), File 444, J.L. Busch to Behrens, May 1864.

70. NA, NLCC (A1380), File 444, J.L. Busch to Behrens, 27 June 1864. Emphasis added.

71. Van der Byl had increased his holding of Company shares. H. Slater *op. cit.* NA, NLCC (A1380), File 444, J.L. Busch to Behrens, 27 June 1864.

The most important department of the Company, both in terms of capital invested and of expected profit, was the Loan Department. The directors in London devised rules for the making of loans which were designed to give the Company the greatest possible security. In ordinary cases, advances on mortgage were to be made only on the security of real property, that is "...land held as an inheritance absolute, whether or not subject to the payment of quit-rent or taxes to the Crown".⁷² No loans were to be advanced on the security of leasehold property, machinery or buildings, or produce, growing or otherwise.⁷³ Loans were to be granted for up to five years, were not to exceed £3000 in any transaction and were usually between one-half and one-third of the estimated market value.⁷⁴ In addition, no mortgages were to be taken out unless they were first mortgages on the property.⁷⁵

Some exceptions were made to the rules, for example, if an estate contained "substantial burnt brick or stone dwelling houses, assured from loss by fire, loans may be granted to the extent of one-third of the market value of the whole".⁷⁶ Also loans could be granted on the security of buildings and machinery if the same were located in or near towns and if they were insured against fire. Sugar plantations were singled out for special conditions. Loans were not to exceed a term of three years and no buildings or machinery were to be included in the valuation, but loans would be granted of up to one-half of the estimated value of the land.⁷⁷

Any applications for loans above the limit of £3000 were to be referred to the London board for approval. A letter from the Company secretary to Behrens spells out the Company policy:

The Board do not approve of the conditional loans of £2500 to Mr Watermeyer, and of £3000 to Mr Babbs and they beg that you will recall them. Neither can they entertain the proposal to advance a further sum of £9500 to Mr Watermeyer, nor of

72. Rules and Regulations for the Government of the Committee in Natal, in NA, NLCC (A1380), File 1, Directors' Report, 10 December 1862.

73. *Ibid.*

74. *Ibid.*

75. *Ibid.*

76. *Ibid.*

77. *Ibid.*

£20 000 to the corporation of Durban, nor of £30 000 to the Corporation of Pietermaritzburg; nor of £5000 to the Natal Bank on the transfer of Railway shares. They do not approve of the securities offered, and they do not consider the Company to be as yet in a position to engage in transactions of such magnitude.... Your object should be to lend small sums to several persons rather than large sums to a few persons.⁷⁸

This policy fitted in with the Company's main aim which was to stimulate development in Natal on as wide a scale as possible, thereby enhancing the value of its land and providing opportunity for further investment. It was very probably also considered safer to have many small loans, in which case a single default was unlikely to have very serious repercussions for the Company.

A further attempt to make the loans as secure as possible was made in insisting on sworn valuations to be obtained from the Company's appraiser and valuer. The rules stated:

That the Appraiser be required to report, in writing, the nature of such security purposed to be accepted by the Company - the locality, acreage, cultivation, and nature of the property offered as security - the extent and nature of any buildings thereon - the present estimated market value, the risks of deterioration, and the estimated value at a forced sale, allowing for probable deterioration; with any information he can obtain as to late sales of property of a similar class in the neighbourhood; especial care being taken in no way to give a more favourable estimate than the facts actually warrant.⁷⁹

The directors obviously believed themselves secured against default by these precautions, because the property securing the loan could always be sold for more than the principal and interest. What they failed to make provision for was the possibility that conditions might exist where land might not be able to be sold at all.

Although most of the loans were of a general nature and could be used by the borrower for any purpose, some were made for specific objects. One of these was the granting of loans for the importation of machinery from Britain. As the letter

78. NA, NLCC (A1380), File 1, Williams to Behrens, 5 December 1861.

79. NA, NLCC (A1380), File 1, Rules and Regulations for the Government of the Committee in Natal, in Directors' Report, 10 December 1862.

referring to this matter specifies planters, and stipulates that the loan should be secured by landed property, "...as well as mortgage on the mill after erection", it may be assumed that this type of loan was aimed at sugar farmers.⁸⁰ The mortgage bond was to be taken out in Natal, after which the machinery could be ordered from the manufacturers in Britain with instructions that the Company would pay for it.⁸¹ At this time individual sugar planters were each obliged to have their own mill or use that of a close neighbour, due to the impossibility of transporting the cane, which required almost immediate crushing, for long distances.⁸² The Company was providing a valuable service in this regard as "...a great difficulty would be found in inducing the Machinists in England to draw their Bills on unknown planters in the Colony".⁸³

Another specific type of loan was that proposed to enable private individuals to import Indian labour. This was made possible by the passage of Law 15 of 1859, entitled "A Law to enable Persons to introduce at their own expense Immigrants from India".⁸⁴ The Company's local committee in Natal discussed this project at a meeting on 20 November 1863. They decided that loans for this purpose were warranted in view of the fact that only a restricted number of indentured Indians could be imported by the Natal government and that "...planters therefore often receive a small proportion only of the number applied for and consequently they are often crippled in their operations".⁸⁵ Labour was so urgently required that planters "...might be willing to pay the whole cost for this importation of labor [but] few or none are in a position to pay down the cash on arrival and therefore require assistance in this respect".⁸⁶ The Natal committee was of the opinion that loans for this purpose could be made on the security of a personal bond - a new departure as, previous to this, all loans had only been granted on property.⁸⁷

80. NA, NLCC (A1380), File 1, Busch to Behrens, 5 May 1862.

81. *Natal Mercury*, 7 March 1862.

82. R.F. Osborn, *Valiant Harvest*, 1964, p.39.

83. NA, NLCC (A1380), File 1, Busch to Behrens, 5 May 1862.

84. *Natal Mercury*, 27 November 1863.

85. KCAL, NLCC (KCM 54415, Book No. 200), Rough Minutes, 1863-1866 (No.2), 20 November 1863.

86. *Ibid.*

87. *Ibid.*

The Natal committee submitted this proposal to the London board, but in the meantime went ahead with the scheme, placing an advertisement in the *Natal Mercury* on 27 November 1863.⁸⁸ By January 1864 several applications had been made, some from the members of the committee and their families. They all offered personal bonds, as well as the names of one or two associates as surety.⁸⁹ Not surprisingly, "The Committee considered the securities offered satisfactory and quite safe".⁹⁰

The London board approved the scheme in principle although they were not prepared to commit a large amount of capital to it. The Company secretary made this clear in a letter to Behrens:

The Directors quite concur with you as to the advantage this Company would derive, at all events indirectly, by a steady importation of this class of labour into the Colony - and they consider the terms you propose sufficiently fair. At the same time it is evident that, to carry out the system upon anything like an intensive scale, would demand the employment of a much larger amount of capital than they would at present feel disposed to give for the purpose.⁹¹

At a board meeting on 1 February 1864, authorisation was granted to advance money up to £5000 for the importation of indentured Indians.⁹²

It was not merely caution on the part of the Company which caused this restriction in the funds made available for Indian immigration. The Company was running low on funds and had decided to invest what they had on hand in London where rates of 8 per cent or more were obtainable due to the scarcity and dearness of money.⁹³ The Natal Committee disapproved of this action and passed a resolution:

88. *Natal Mercury*, 27 November 1863.

89. KCAL, NLCC (KCM 54415, Book No. 200), Rough Minutes, 1863-1866 (No. 2), entries for 5 and 20 January 1864. Applications were received from Richard, Robert and William Acutt, H.E. Stainbank, C. Behrens and G. Wirsing, among others.

90. *Ibid.*, entry for 5 January 1864.

91. NA, NLCC (A1380), File 2, Breffit to Behrens, 4 February 1864.

92. KCAL, NLCC (KCM 54414, Book No. 199), Minute Book No. 1, 1860-1867.

93. NA, NLCC (A1380), File 2, Breffit to Behrens, 4 February 1864.

That the Committee regrets that the Board, though approving of the steps taken for the purpose of facilitating Coolie Immigration, have virtually put a stop to this by limiting it to £5000 - out of funds on hand, while no credits were transmitted since October last, a state of things which the Committee see and read but fail to comprehend.⁹⁴

The protest of the Committee was not heeded by the London board and approval was given for 230 Indian immigrants to be imported on bonds for £4740.⁹⁵ It was reported in the *Natal Mercury* on 11 October 1864 that a ship had arrived from Calcutta on which the great proportion of indentured Indians were for the NLCC.⁹⁶

The actual extent of the loans made by the Company during this period is summarised in Table 2.1 below.⁹⁷ At an interest rate of 12 per cent, the Company could expect a maximum income of around £20 500 from its Loan Department. Although the Loan Department was the most important to the Company during this period, the directors were also exploring other avenues whereby profit could be made and the further development of the colony could be promoted. Some of these were direct in that they involved the other departments described in the prospectus - the Land Department, the Immigration Department and the Agency Department. Other areas of business were more indirect and included the setting up of subsidiary companies, collection of hut-tax from squatters on Company land, handling the consignments of produce, the cultivation of Company estates and the buying of town property.

Table 2.1
Loans on Mortgage in Natal, 1861-1864 (Cumulative)

To 31 December 1861	£28 372 12s. 0d.
To 31 December 1862	74 253 11s. 1d.
To 31 December 1863	140 949 03s. 9d.
To 31 December 1864	170 337 11s. 9d.

Source: Directors' Reports at 1st, 2nd, 3rd and 4th Annual General Meetings.

The Land Department initially concerned itself with the leasing rather than the sale of land. During 1862 and 1863, the only sale of land was to the Cotton Plantation Company as it was Company policy not "...to force the disposal of the Company's lands, as the steadily increasing prosperity of the Colony will enable them to do so hereafter with greater advantage".⁹⁸ This policy was abandoned during 1864 and a substantial part of the profits of that year accrued from the sale of land. The revenue account on the balance sheet showed that profit on the sale of 127 013.5 acres of land amounted to £11 514 15s. 7d.⁹⁹

It was explained to the shareholders in the Directors' Report for 1865 that the proceeds of the land sales had amounted to £56 581 5s. 9d., but that the cost of these lands when purchased had been deducted from this amount and transferred to the credit of the capital account. This sum would thus be made available for re-investment in loans on mortgage. It was pointed out that:

By these and previous sales, therefore, the Company have not only secured a handsome profit, but will also derive for the future a permanent income...in the shape of interest, at Colonial rates, averaging 12 per cent per annum on Capital which up to this time has been locked up in land.¹⁰⁰

Some shareholders had apparently been under the impression that all proceeds from the sale of lands would be available for the payment of dividends, but this would have been financially short-sighted. A substantial proportion of the capital of

94. KCAL, NLCC (KCM 54415, Book No. 200), Rough Minutes, 1863-1866 (No. 2), 4 April 1864.

95. NA, NLCC (A1380), File 2, Breffit to Behrens, 5 April 1864.

96. *Natal Mercury*, 11 October 1864.

97. See also Appendix E.

98. NA, NLCC (A1380), File 1, Report of the Directors to the Proprietors, Second Ordinary General Meeting, 18 June 1863. See also Appendix E.

99. NA, NLCC (A1380), File 2, Report of the Directors to the Proprietors, Fourth Ordinary General Meeting, 1 June 1865. See also Appendix E.

100. *Ibid.*

the Company was tied up in the land which it owned, and, if this course of action had been pursued, it would simply have vanished as the land was sold.

Despite the fact that the proceeds from the sale of land had been re-invested, some uneasiness was expressed by the shareholders at the 1865 annual general meeting at the extent of the land sale. More than half of the Company land had been disposed of before the expected rise in land values had occurred. It was stated at the meeting, however, that:

The land which the company had as yet sold was that which they had acquired at the lowest price. It was the best land relatively for the growth of cotton and such produce, although not positively the best. The land which came under that category still remained in their hands.¹⁰¹

The chairman stated that 87 000 acres were as yet unsold and it was expected that the coming of the railway would considerably increase the value of this land.¹⁰²

Some attention was paid by the Company during this period to the question of immigration. Initially attempts were made to recruit immigrants through the medium of advertising, both in England and in the colony. The advertisement in England advised that intending emigrants ought to have at least £500 capital if they intended to take up land in Natal either by lease or purchase. Those intending to engage in sugar or cotton planting would need even more capital on account of the machinery required.¹⁰³

From the colonial side, the Company wished to encourage immigrants who would have contacts in the colony and thus be in less need of capital with which to establish themselves. According to an advertisement in the *Natal Mercury*:

Notice is hereby given that the undersigned is prepared to make arrangements with parties in the Colony for Passages from England for any of their friends wishing to emigrate to Natal. The Company will, until further notice, undertake to

101. NA, NLCC (A1380), File 2, unidentified newspaper report, 9 June 1865.

102. *Ibid.*

103. NA, NLCC (A1380), File 1, Notice on Emigration to Natal. Appended to Letter, Breffit to Behrens, 9 July 1867.

provide such passages from England to Natal and to land the passengers on the railway pier for a sum not exceeding £15 per adult emigrant.¹⁰⁴

The Company was prepared to allow colonists wishing to take advantage of this scheme a credit of twelve months at colonial rates of interest for payment of the passage money.¹⁰⁵ It was also announced that the Company intended to erect an "Immigrants' Home" where newly arrived settlers could shelter on arrival.¹⁰⁶

In 1863 an attempt was made by the Company to introduce a more formal scheme for the introduction of immigrants to Natal. The proposal made to the Legislative Council was that the Company would:

...undertake the selection, dispatch and reception here of the government class of immigrants and to bear all expenses connected therewith on condition of recovering a bonus of £10 for each adult immigrant landed here, such bonus to be payable in land.¹⁰⁷

A select committee was convened to consider the proposal. The report of this committee accepted the proposal in principle, but recommended that the bonus in land be reduced to £5.¹⁰⁸ The Lieutenant Governor, John Scott, reviewed the report unfavourably and the project was vetoed by the Secretary of State for the Colonies.¹⁰⁹

The last of the direct areas in which the Company was involved was the agency business. This was intended to be very wide ranging and to include such business as negotiating contracts for the sale of land, collecting rents, becoming trustee of insolvent or other estates, negotiating loans in London for government and corporate bodies and engaging for payment in London of interest and dividends on colonial securities.¹¹⁰ Amongst the agency business actually contracted during

104. *Natal Mercury*, 29 July 1862.

105. *Ibid.*

106. *Natal Mercury*, 1 August 1862.

107. *Natal Mercury*, 31 July 1863.

108. *Government Gazette*, Vol. 15, 28 July 1863.

109. *Natal Mercury*, 31 July 1863.

110. NA, NLCC (A1380), File 1, Directors' Report, 10 December 1862.

these early years was the administration of the Isipingo estate for G.P. van der Byl,¹¹¹ the collection of money owed on mortgage to J.T. Rennie for the shipment of machinery,¹¹² and the management of the Spitzkop estate on behalf of one of the London directors, the Hon. F.C. Drummond.¹¹³

Besides the direct activities of the Company in making loans, dealing in land, encouraging immigration and undertaking agency business, there were several other areas of interest. These were all involved with enhancing the profitability of the Company, some immediately and others in the long term. One of the most important projects was the setting up of a company to construct a railway-line from Durban to Pietermaritzburg. In April 1862, at the first annual general meeting, it was indicated that a line which would intersect 20 000 acres of Company land had been reported on by a Mr George Abernathy.¹¹⁴ It was expected that a railway would improve the value of the land adjacent to it, and also, by generally encouraging development in Natal, the rest of the Company's land.

In April 1863, the prospectus of the Natal Central Railway Company Limited appeared in the *Natal Mercury*.¹¹⁵ The capital was to be £600 000 and it was made clear that:

Application will be forthwith made to the Colonial Government for a guarantee of 6 per cent interest on the above Capital and unless such Guarantee be obtained, the Undertaking will be abandoned and the money deposited, (less the expense incurred) will be returned forthwith to the Scripholders.¹¹⁶

Although, due to the lack of navigable rivers and the poor state of road transport, a railway was regarded as vitally necessary to Natal, it was understood that profits would only begin to accrue after a lapse of some years. Construction could not be

111. NA, NLCC (A1380), File 1, Copy of letter, G.P. van der Byl to Breffit, 23 August 1863.

112. NA, NLCC (A1380), File 2, Copy of letter, J. Abernethy & Co. to Breffit, 27 November 1863.

113. NA, NLCC (A1380), File 444, Drummond to Behrens, 26 January 1866.

114. NA, NLCC (A1380), File 1, Report by the Directors to the Shareholders, First Annual General Meeting, 25 April 1862.

115. *Natal Mercury*, 28 April 1863.

116. *Ibid.*

undertaken by a private company without some guarantee of a steady rate of return on capital.

The directorate of the Natal Central Railway Company indicates the close connection between that company and the NLCC. It included one of the NLCC directors, J.P. Brown-Westhead, as well as Adolph Coqui and P.G. van der Byl, both of whom were involved in the original setting up of the NLCC.¹¹⁷ In 1863 an extension line to the coalfields of northern Natal was proposed, and in 1864 a further extension along the north coast through Victoria County to Verulam was suggested.¹¹⁸ Despite the fact that £36 000 a year could be considered a very heavy charge on a colony whose average annual revenue for 1860-64 was only £107 000,¹¹⁹ the Railway Guarantee Bill was passed by the Legislative Council in 1864.¹²⁰ However, the Colonial Office vetoed the scheme, "...possibly at the instigation of Lieutenant Governor Scott who...was not interested in the development of Natal as a Colony of white settlement".¹²¹

Another subsidiary company, the Natal Coal Company, met the same fate as the railway company. In 1862 a mining engineer was sent by the NLCC to Natal to investigate and report on the coal deposits.¹²² The report was highly favourable, and on the strength of it a company was formed and the Legislative Council was applied to for a concession to work the fields. The concession was granted, but again it was vetoed by the Colonial Office.¹²³ It is probable that further efforts would have been made to get approval for these schemes, but the commercial crisis of 1865 and the subsequent depression in Natal put an end to the feasibility of such grandiose ideas.

117. H. Slater, *op. cit.*, p.257.

118. NA, NLCC (A1380), File 2, Reports of the Directors to the Proprietors, Third and Fourth Annual General Meetings, 1 June 1864 and 1 June 1865.

119. Z.A. Konczacki, *op. cit.*, p.31.

120. NA, NLCC (A1380), File 2, Report of the Directors to the Proprietors, Fourth Annual General Meeting, 1 June 1865.

121. H. Slater *op. cit.*, p.269.

122. NA, NLCC (A1380), File 1, Report of the Directors to the Proprietors, Second Ordinary General Meeting, 18 June 1863.

123. H. Slater, *op. cit.*

A third company to be set up in these early years was the Cotton Plantation Company of Natal. Although several other tropical crops were being experimented with, and sugar was being cultivated with some success, the worsening political situation in the United States made cotton an obvious choice.¹²⁴ The Cotton Company was set up with land purchased from the NLCC and operations were commenced in the colony with the introduction of a steam plough.¹²⁵

Besides the direct operations of the Company, and its indirect setting up of subsidiary companies, there were also other areas which were being investigated with regard to future profitability. It is ironic that the activity which was eventually to provide a major source of income was not originally considered at all by the Company. The collection of a hut-tax from the Africans residing on the lands transferred to the Company is nowhere mentioned in the prospectus. Indeed, it appears to have been suggested to the directors by Wilson, the sub-manager who was sent to Natal to survey the Company's land.¹²⁶ The suggestion was adopted and the rules and regulations included a clause to the effect "That from all Kaffirs squatting on the Company's lands, a Hut-tax be exacted, which is fixed at present at seven shillings per hut....".¹²⁷

Another business in which the Company was becoming involved was that of making advances on the consignment of produce overseas. The directors appear to have been interested in gaining control of the marketing of sugar from Natal, as the following extract shows:

The Directors are quite disinclined to make any advances on consignments to Australian ports - as, however good the markets there, the business would be practically out of their control. To consignments to a port in Great Britain other than London, the Directors do not object, it being clearly understood that they have the entire control over the cargoes consigned to any such port and receive their full commission of 2½% clear of all charges.¹²⁸

124. NLCC Prospectus published in *Natal Mercury*, 4 April 1861.

125. NA, NLCC (A1380), File 2, Report of the Directors to the Proprietors, Third Ordinary General Meeting, 1 June 1864.

126. NA, NLCC (A1380), File 1, Wilkins (Company Secretary) to Wilson, 5 December 1861.

127. NA, NLCC (A1380), File 1, Directors' Report, 10 December 1862.

128. NA, NLCC (A1380), File 1, Breffit to Behrens, 5 December 1863.

The sugar planters were constrained to agree to these conditions because they often could not afford to wait for the proceeds of the sale of their produce.

The directors instructed Behrens to make advances of up to 75 per cent of the value of the consignment.¹²⁹ This was to allow for changes in the market price and "...the too common practice on the part of Consignors of overestimating the value of their shipments...".¹³⁰ The Company involvement was not confined to making advances and arranging the sale of sugar in London. It also arranged insurance for consignments,¹³¹ and recommended "...the clipper ships of Mr J.T. Rennie, of Aberdeen, a friend of our Director, Mr Mackenzie".¹³² By exploiting these various opportunities, the Company could extract a greater profit from the sugar industry than merely collecting its 12 per cent on mortgage loans.

Early in 1864 Behrens was given instructions to investigate the possibility of putting some of the land owned by the Company under cultivation. According to a letter from Breffit to Behrens, this was to be done:

...partly with a view to turning their lands to some immediate account by realizing such produce in the market, but chiefly with the object of making the lands themselves more ready of sale and more valuable.¹³³

At a board meeting on 11 April 1865, it was decided that Behrens should be instructed to select land suitable for coffee planting and that he should be authorised to spend up to £2000 per annum on this project.¹³⁴

By 1865, then, the Company had firmly established its operations in Natal. Although its attempts to further the development of the colony through

129. NA, NLCC (A1380), File 2, Breffit to Behrens, 4 January 1864.

130. *Ibid.*

131. NA, NLCC (A1380), File 2, Breffit to Behrens, 9 January 1866.

132. NA, NLCC (A1380), File 2, Breffit to Behrens, 4 January 1866.

133. NA, NLCC (A1380), File 2, Breffit to Behrens, 4 February 1864.

134. KCAL, NLCC (KCM 54415, Book No. 199), Minute Book No. 1, 1860-1867.

immigration, the construction of a railway-line and the opening up of the coalfields had been blocked by unfavourable Colonial Office opinion, it was moving into several other areas which promised eventual profitability. Before going on to consider the impact which all this activity had on Natal, it is interesting to survey the opinion among the colonists on the Company and its various schemes. The *Natal Mercury* was based in Durban, as was the Company, and can be regarded as representative of the opinion of those unconnected with the Company. The only link between this newspaper and the Company was that the latter undertook the agency business of purchasing and shipping stationery from London. The views of the Natal Committee, as expressed in the minutes of their meetings, have also been taken into account.

The opinion of the *Natal Mercury* on the Company as it was being set up was generally favourable. The leader writer was careful to set out possible future difficulties such as "...the introduction of immigrants under false pretences, or erroneous impressions as regards the precise peculiarities of soil and locality; and the assignment of a fanciful and fictitious value to Natal land in the British market".¹³⁵ However, it was considered that such a company could be formed "...without being necessarily compelled to deceive their customers and bamboozle the public".¹³⁶ The impression of the possible benefits to the colony from such an undertaking was summed up as follows:

So far as we can understand the working of such an organisation, it must, if not managed with too exclusive an eye to the pecuniary enrichment of the shareholders, conduce to the prosperity of the Colony by turning the idle lands of absentee proprietors to profitable account, by bringing to the Colony industrial settlers of the right stamp - men of moderate means and practical industry: and by raising the value of our soil through an agency which is at once reproductive and permanent.¹³⁷

To further emphasise the positive aspects of such a company, it was pointed out that a company with similar objectives had been extremely successful in assisting the

135. *Natal Mercury*, 7 February 1861.

136. *Ibid.*

137. *Ibid.*

development of Canada.¹³⁸

Once the Company started operations in Natal and began lending out money on an unprecedented scale, there was some suspicion as to whether it was acting in good faith. At a meeting of the Natal Committee on 21 October 1863, it was stated that "...there was a report afloat that this Company lent money on mortgage of real property, for the purpose only of being able at a future date to foreclose the bonds and to buy up the property at a cheap rate".¹³⁹ In order to counteract this rumour, the Natal Committee placed an advertisement in the *Natal Mercury* offering a reward of £200 "...to any person who will be able to supply such evidence before the Supreme Court as will entitle this Company to a judgement for libel".¹⁴⁰

Besides uneasiness as to the effect of borrowing on individual mortgagees, by 1863 the *Natal Mercury* was beginning to sound a note of caution as to the effects of large-scale borrowing on the colonial economy. In an editorial discussing the profitability of money-lending in view of the high colonial interest rate, the following remarks were made:

While these excessive payments for interest are going on, the capital which they are instrumental in creating is being accumulated - the sinews of war are being developed - and the means by which those payments will be reduced are being formed and increased. At the same time the diffusion of an indiscriminate credit system presents inherent dangers that cannot be overlooked, and whose effects we are even now witnessing in the frequent insolvency of small tradesmen and others.¹⁴¹

Although previously admitting that by lending out money the Company had "...rendered valuable assistance to every class of colonists...", the *Natal Mercury* was beginning to realise the dangers of indiscriminate borrowing.¹⁴²

The Natal Committee, far from being concerned that too much money was being lent out, strenuously objected to the stringency of the rules which prevented them

138. *Natal Mercury*, 1 November 1860.

139. KCAL, NLCC (KCM 54413, Book No. 198), Rough Minutes, 1863-1866 (No. 2).

140. *Natal Mercury*, 23 October 1863.

141. *Natal Mercury*, 6 March 1863.

from lending out more. At a meeting on 23 October 1863, they gave their opinion that much good business was being lost to the Company because of the strictness of the definitions of security.¹⁴³ They decided that the London board should be asked to give them greater discretionary powers to grant loans of over £3000, to grant loans on the security of machinery and crops on coffee and sugar plantations, and to advance money on town property on which the buildings were constructed of sun-dried brick, rather than burnt brick or stone. However, the proposed alterations to the rules were not approved by the London board.¹⁴⁴

Opinion among the white colonists, then, was generally favourable towards the Company once it had shown itself to be genuinely interested in the further development of Natal. It was natural that some suspicion should exist at first as to whether it was merely a fly-by-night operation interested only in a quick profit. The official viewpoint, however, was antagonistic, not to the Company *per se*, but to the idea of large-scale white settlement in Natal. Besides being unwilling to spend money on the colony, there was a desire to keep the *status quo* undisturbed as repercussions were feared from the large black population if they should be moved off the land. The Natal government, however, had no say in the money-lending operations of the Company, and the capital offered was eagerly taken up by the colonists. So much so, in fact, that the Natal Committee became dissatisfied with the restrictions placed upon them and had asked the London board for a relaxation in the rules.

The most noticeable effects of the Company's operations on the colonial economy during the first-half of the 1860s were in the areas of finance, agriculture and colonial revenue. Before the advent of the Company, Natal was chronically short of capital. According to a *Natal Mercury* report in May 1861:

Financial matters have for some time past been inconveniently straightened [sic]. The spread of enterprise through so many channels absorbs every available farthing, and the money market generally suffers from chronic pressure. The immediate causes of the existing tightness may be found in the

142. *Natal Mercury*, 3 January 1862.

143. KCAL, NLCC (KCM 54413, Book No. 198), Rough Minutes, 1863-1866 (No. 2).

144. *Ibid.*

payment out of the Colony of more than £12,000 as disbursements for Coolie passage money. This amount will be repaid a hundred times in the results secured, but the temporary effect is a general inconvenience.¹⁴⁵

It is highly indicative of the generally poor state of the colony's finances that the disbursement of a mere £12 000 could cause serious repercussions throughout the economy.

The inflow of capital from Britain was most visible in its effect on the interest rate in the colony. When the Company commenced lending on mortgage, its interest rate of 12 per cent was actually the lowest in the colony.¹⁴⁶ Just over a year later the *Natal Mercury* reported:

A suggestive sign of the times is afforded by the fact that all the local banks have agreed to reduce their rate of discount from twelve to ten per cent. The large amounts of capital that are being now brought into the Colony are the cause of this acceptable reduction.¹⁴⁷

Three months after this, in September 1863, a further reduction in the discount rate to 8 per cent was announced.¹⁴⁸ The NLCC was not the only source of the inflow of capital, as the London and South Africa Bank had by this stage opened a branch in Durban and was also engaged in the making of loans. However, the amount of capital brought in by the Company was considerable, particularly in view of the smallness of the base.

There can be no doubt that the influx of capital had a markedly positive effect on agriculture in the colony, and particularly on sugar-planting. The situation in 1861 was described as follows:

It must be remembered that nearly all these enterprises [sugar estates] are the results of colonial industry and that alone. They originate in the speculativeness of no foreign capitalists,

145. *Natal Mercury*, 23 May 1861.

146. *Natal Mercury*, 27 April 1862.

147. *Natal Mercury*, 30 June 1863.

148. *Natal Mercury*, 1 September 1863.

but are simply the outgrowth of local energy and spiritedness, which, although backed up by little pecuniary material, is content to rely on the proper fruits of exertion, and to undertake single handed, projects which are elsewhere the result rather of large capital than of plodding industry.¹⁴⁹

The eagerness with which the Company’s proffered capital was taken up, and the fact that the Bond Register of the Company reads like a Who’s Who of the early sugar industry,¹⁵⁰ indicates that the colonists’ vaunted self-reliance was a case of making a virtue of necessity.

The substantial progress made by the sugar industry during the first few years of the Company’s life can be seen from the figures contained in Table 2.2 below. Particularly significant is the increase in the number of sugar mills, as these required large amounts of capital investment. They also represented a permanent addition to the sugar industry in that they remained even if individual planters were forced into bankruptcy through over-borrowing.

Table 2.2

Sugar Industry in Natal, 1861 - 1865

Year	Value of Sugar Exported	Sugar Mills in Operation
1861	£19 415	38
1862	21 178	47
1863	26 153	56
1864	94 372	58
1865	76 519	64

Source: R.F. Osborn, *Valiant Harvest*, 1964, pp.66-69.

149. *Natal Mercury*, 3 January 1861.
150. Among the better-known of the pioneers of the sugar industry who borrowed money from the Company were T. and L. Reynolds, H. Milner, J. Bazley, A.B. Kennedy, J. Vacey Lyle and R.

The coffers of the colonial government also received their share of the inflow of capital as the lands which the Company purchased were subject to transfer dues. It was noted in the *Natal Mercury*, under the heading "A Windfall to the Revenue", that:

On Thursday last the Registrar of Deeds received in cash or bank notes the sum of £4,600 being part of the Transfer Dues payable by the Natal Land and Colonization Company on the lands bought by them.¹⁵¹

It must be noted, however, that this disbursement by the Company was not made willingly and was only forthcoming after a dispute with the colonial government.¹⁵²

By 1865, then, the Company appeared to be in a very strong position. Ample funds had been forthcoming on the London market and a great deal of capital had been invested at a healthy 12 per cent on apparently very sound security in Natal. A good deal of the initial purchase of land had been sold, but sufficient remained to ensure further substantial income. Initial attempts to further the development of Natal through railways and coal-mining had been blocked, but this was expected to be a temporary set-back. Immigration had also not been as successful as had been hoped, but this too was expected to improve with time. The directors were sanguine and thought that they might "...congratulate the Shareholders upon the results hitherto attained by the Company, and its encouraging prospects for the future".¹⁵³ However, all these expectations were to be considerably dimmed by the commercial crisis and subsequent depression which were soon to strike the Natal economy a crippling blow.

Babbs. However, comparing the Company's Bond Register with the index of R.F. Osborn's *Valiant Harvest* indicates that there were very few sugar planters who did not borrow from the Company. KCAL, NLCC (KCM 54224, Book No. 9), Bond Register, 1861-1946. R.F. Osborn *op. cit.* pp.333-43.

151. *Natal Mercury*, 8 August 1861.

152. B.H. Kemp, "Jonas Bergtheil in Natal, 1843-1866", unpub. M.A., University of Natal, 1953, p.85.

153. NA, NLCC (A1380), File 2, Report of the Directors to the Proprietors at the Fourth Ordinary General Meeting, 1 June 1865.

From this survey of the first five years of the Company's existence, it can be seen that it was a large-scale, complex organisation which had a significant effect on the rather rudimentary Natal economy. Its primary purpose was to promote development in the colony through the means which its directors best understood, namely by pumping in capital from the excess available in Britain. From the Company's point of view, this investment was expected to provide a two-fold return - profit from the high prevailing interest rate in the colony and an increase in the value of the Company's land. The establishment of a satellite economy, based on primary production, but with all the advantages of the industrial age, including railways, was dependent, in their estimation, on substantially increasing the white population. However, the imperial government, having experience of the black resistance to white expansion on the eastern Cape frontier, were chary of disturbing the *status quo* in Natal. Under its limited form of representative government, the colony, although in favour of the measures proposed by the Company, was unable to implement them against the imperial veto.

CHAPTER THREE

1865 - 1869: Depression and Foreclosure

During the first five years of the existence of the NLCC it may be said that the Company affected the economy of Natal rather than the other way around. Acting independently of conditions in Natal, the Company raised capital on the London market and funnelled it into the colony. This capital, together with that introduced by the newly-formed imperial banks,¹ fuelled an economic boom which was further encouraged by favourable agricultural conditions and expansion in the overberg trade. However, once the Company had established itself and committed such large amounts of capital to the colony, it became vulnerable to changes in the economic climate in Natal. In 1865 the boom was abruptly ended by a serious financial crisis, and this was followed by a severe depression lasting until 1869. During these five years the Company was forced into a position where it could no longer act independently but had to react to these conditions.

The NLCC was not affected by the financial crisis in the way that many banks and commercial enterprises were, that is, in having to write off large sums as bad debts due to the bankruptcy of debtors. Almost all the money invested by the Company in the preceding four years had been very well secured by mortgages on real property. However, the crisis and subsequent depression did prevent the Company from continuing on the course which it had mapped out originally. The crisis in Natal constrained the Company's operation in three vitally important areas. The virtual cessation of interest payments by mortgagees caused a drop in revenue and hence in dividends. This affected the Company's ability to renew its own debenture debt and raise further funds in the London market. It was also forced to foreclose on its mortgages thereby scaring off the few would-be borrowers which the economic slump had spared. Moreover, the vast acreages of land which the Company acquired in the process of foreclosure became unsaleable as the land market was flooded with the properties of bankrupt landowners. It was only by shifts and stratagems in response to these conditions that the Company was able to survive the depression at all.

1. The London and South African Bank was established in 1861 with a capital of £400 000; and the Standard Bank of British South Africa was established in 1862 with a capital of £500 000. Both opened branches in Natal. See R. Morrell, V. Padayachee and S. Vawda, "Banking,

The financial crisis began in the eastern Cape in February 1865 with the failure of a few large firms which had been heavily involved in speculative wool buying.² The precipitating cause appears to have been the severe drought which had seriously affected the wool crop. By July 1865 several more firms had stopped payment, and the outbreak of the Basuto War further worsened the situation as trade with the interior was cut off.³ The severity of the crisis can be attributed to the unsound edifices of speculative credit which had been constructed as a result of the influx of capital.⁴

The collapse of confidence in the eastern Cape quickly communicated itself to Natal through business intercommunications. The outbreak of the Basuto War was particularly significant to Natal as she had become heavily dependent on the "overberg" trade with the Boer republics across the Drakensberg.⁵ Although the drought was not as severe in Natal as it was in the Cape, and Natal was not as heavily engaged in the wool trade, the underlying cause of the crisis, overspeculation, had the same effect.

The situation in Natal was neatly summed up in the report of the directors of the Natal Bank for the year 1865:

The year 1865 will be memorable as that during which this colony, in common with the whole of South Africa, experienced its first great commercial crisis. During the past year the general revenue of the colony has seriously diminished, the custom's receipts alone showing a decrease of 30 per cent., as compared with those of the previous year; the grain crop has in many places failed; the amount realised from the sugar crop is nearly 20 per cent. less than in 1864; the drought, which although scarcely felt here, in comparison to its severity in the Cape Colony, has yet been attended with

Credit and Capital in Colonial Natal, c.1850-1910", Conference on Natal and Zulu History, Pietermaritzburg, 1989.

2. J.A. Henry and H.A. Siepmann, *The First Hundred Years of the Standard Bank*, 1963, p.16.
3. A. Mabin and B. Conradie (eds), *The Confidence of the Whole Country. Standard Bank Reports on Economic Conditions in Southern Africa 1865-1902*, 1987, p.3.
4. C.G.W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936*, 1938, p.81.
5. H. Slater, *op. cit.*, p.269.

considerable loss in some localities; the Basuto War, as it is called, between the Free State and the Chief Moshesh, beyond our north-western frontier, has all but stopped our interior trade; and lastly, the competition caused, and the undue facilities afforded for speculation, by the establishment of new banks and the introduction of capital, during the two preceding years, beyond the legitimate requirements of the trade of the colony, have been followed by their natural result:- and to this accumulation of adverse circumstances may be attributed the financial and commercial depression in which the colony is still involved.⁶

Although this summary was made very close to the actual event, hindsight shows that it was substantially correct.

What further research has shown, however, is that the effects of over-extension of credit were more insidious than was realised at the time. Merchants had been importing goods, into the Cape and into Natal, in quantities far in excess, not of demand, but of the ability to pay. As J.A. Henry has pointed out:

Such a self-destructive process was rendered possible because the introduction of new capital - and of banking capital in particular - greased the wheels of credit at every stage. Difficulties, instead of being resolved and overcome, were simply tided over, while the financial and export houses in London remained ignorant of the true position. By the time it came, a crisis was overdue and was correspondingly more damaging than it might have been if it had come earlier.⁷

The extension of credit was thus a gigantic shadow with very little substance. It enabled the colonies to import far more than the genuine earnings of their exports could ever hope to pay. The crisis, when it came, was not a simple financial one which could be easily recovered from - it was a disaster which led into a very severe depression.

C.G.W. Schumann has put forward the idea that "...the introduction of a more modern credit economy in the country had begun to give the business cycle in South Africa the typical attributes of those in a modern capitalistic community".⁸ That is

6. Printed in the *Natal Mercury*, 3 March 1866.

7. J.A. Henry and H.A. Siepmann, *op. cit.*, p.17.

8. C.G.W. Schumann, *op. cit.*

to say, the introduction of a large amount of capital had the effect of making the economy subject to the upswings and downswings of the business cycle. The cycles of boom and depression would no longer be dependent solely on such extraneous factors as climatic variability or overseas prices, but would actually be inherent in the working of the economy.

It is necessary to consider, then, to what extent the NLCC, as an importer of considerable sums of capital, was responsible for the over-extension of credit and the subsequent crisis in Natal. From Schumann's rather sweeping point of view, all capital brought into the colonies, irrespective of destination, contributed to the financial crisis. A distinction ought to be drawn, however, between the extension of credit for purposes of largely speculative trading and the use of capital for the improvement of the agricultural base of the economy. The banks were heavily involved in the former activity, while the NLCC almost exclusively confined its business to the latter. The credit network which collapsed so dramatically in 1865 was based on a system of unbacked promissory notes which were readily discounted by the banks.⁹ The NLCC, on the other hand, lent money on mortgage to planters and agriculturists who used the funds to improve their land.

That this distinction should be made was actually pointed out in a leader on the financial crisis in the *Natal Mercury*:

Wherever capital has been borrowed for legitimate purposes, there is a substantial equivalent, and the colony has not materially suffered. But where capital or credit has been misappropriated to the bolstering up of card-built concerns, and the mischievous purposes of sheer unmitigated speculation, the chief sufferers are those who have participated in such a proceeding, or shared in the profits of it.¹⁰

The article went on to point out that capital which had been invested in "Houses, mills, fields, stores and herds" might not show an immediate return, but in the long run could only be beneficial to the development of the colony.¹¹

9. *Ibid.*, p.80.

10. *Natal Mercury*, 12 October 1865.

11. *Ibid.*

There is considerable evidence to show both that the NLCC never engaged very heavily in the business of discounting unsecured bills and that they were not directly affected by the financial crisis to any great extent. The profit and loss account for the year 1865 sent over from Natal to England showed an amount of only £755 13ss 3d. in unsecured bills compared to a stock of bonds on mortgage of £193 094 12s. 9d.¹² As it had been expressly stated by the directors that money was only to be lent on mortgage under strictly defined conditions,¹³ it may be assumed that the discounting of bills, even to this extent, was largely "unofficial" on the part of the manager, Carl Behrens.

The board expressed concern over the financial crisis in a confidential letter from the secretary to Behrens, but they did:

...notice with pleasure that you had contracted your discounting operations considerably according to the last accounts received from you, and they desire me to request that you will, for the present and until you hear further from me, curtail this class of business as much as possible - avoid all *new* transactions, - and invest the amounts recovered on bills receivable, as they fall due, *exclusively in loans on mortgage*. This will be the safe course to pursue.¹⁴

If Behrens had been carried away to some extent by the speculative fever of the time, he was not carried very far and was abruptly halted at the first signs of crisis.

The Company's Natal committee, meeting in September 1865, "...came unanimously to the conclusion that even under the present circumstances of the Colony, no eventual losses of any moment will accrue to the Company".¹⁵ Their opinion was conveyed to the London board which responded as follows:

There is, we concur with you, no real ground for alarm at the course affairs are taking on your side, as far as the future is

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12. KCAL, NLCC (KCM 54415, Book No. 200), Rough Minutes, 1863-1866, (No. 2). See also Appendix E.
 13. See Chapter 2.
 14. NA, NLCC (A1380), File 2, Breffit to Behrens, 26 May 1865.
 15. KCAL, NLCC (KCM 54415, Book No. 200), Rough Minutes, 1863-1866, (No. 2).

concerned. The intrinsic elements of prosperity undoubtedly exist in Natal, and, in all probability, although the intermediate ordeal is a severe one, the ultimate effect will be to place matters generally on a sounder basis than before. It is a subject of great congratulation, however, that this Coy, so far as you can see, is not likely to suffer from the temporary crisis.¹⁶

It is not difficult to detect a note of smugness in the Company's assurance that its own investments were perfectly sound at a time when others were proving worthless.

Although the financial crisis may not have directly affected the Company, because it had not unduly entered into the discounting of bills, the effects on the colony itself were so devastating that the Company was bound to be affected indirectly. The financial crisis of 1865 was followed by a depression which "...lasted till 1869, and was, on the whole, one of the most severe South Africa experienced during the 19th century".¹⁷ The depression affected almost every area of economic life in Natal, and it abruptly reduced the ability of the mortgagees of the Company to meet interest payments on their loans. As the loans were initially granted for periods of from one to five years, it also coincided with the falling due of capital sums which were not forthcoming.

The depression, which took hold after the crisis of 1865, was deepened the following year by a serious financial crisis in England.¹⁸ Given the strong trading links between Britain and her colonies, it was inevitable that this crisis should affect Natal. Breffit expressed this in a letter to Behrens in October 1866 when he wrote, "We fear, however, that you are only now beginning to feel the re-action of the fearful financial crisis we passed through here in the spring of this year - and which we still feel the effect of...".¹⁹ According to Schumann, "The depression following these developments, and, falling during a period of depression in England, could not but be severe".²⁰

16. NA, NLCC (A1380), File 2, Breffit to Behrens, 9 November 1865.

17. C.G.W. Schumann, *op. cit.*, p.81.

18. *Ibid.*, p.80.

19. NA, NLCC (A1380), File 3, Breffit to Behrens, 26 October 1866.

20. C.G.W. Schumann, *op. cit.*

The extent of the depression can best be gauged by an examination of its effects on various sectors of the economy.

The public sector was adversely affected by the depression in that after a period of substantial growth in revenue there was an actual decrease. Expenditure continued to increase, and for the first time Natal showed a deficit in its public accounts. This can be seen in the Table 3.1 below. The shortfall in revenue can be attributed to the fact that customs duties made up about one-half of total revenue.²¹ After 1865, there was a considerable drop in imported goods,²² and customs receipts fell off sharply. The deficit between revenue and expenditure was made up by borrowing in the London capital market, and by 1870 the colonial debt had reached £268 000.²³

Table 3.1
Ordinary Government Revenue and Expenditure
of Natal, 1850-1869

Period	Annual Average Revenue (£000)	Annual Average Expenditure (£000)
1850-54	27.8	25.7
1855-59	38.3	35.5
1860-64	107.0	88.0
1865-69	101.6	127.4

Source: Z.A. Konczacki, *Public Finance and Economic Development of Natal, 1893-1910*, 1967, p.31.

21. Z.A. Konczacki, *op. cit.*, p.31.
22. See Table 3.3, p.59.
23. Z.A. Konczacki, *op. cit.*, p.36.

In the private sector, the area worst hit by the depression was, as might be expected, that of banking. The manager of the Standard Bank, in his report dated 15 February 1867, noted that:

Monetary affairs in Natal are in a very unsatisfactory state. News has just reached us that the Colonial Bank and Trust Insurance Company have both stopped payment and that the shareholders of the Comm. and Agricultural Bank have decided on winding up this concern. We have now only one "Colonial Bank" in Natal to compete with us, namely the "Bank of Natal" and the prevailing opinion is that it cannot exist long...²⁴

Contrary to "prevailing opinion", the Natal Bank managed to weather the storm despite heavy losses, and continued doing business until 1914 when it was absorbed by Barclays Bank.²⁵

The fact that three out of the four colonial banks could not survive the financial crisis and subsequent depression was regarded as inevitable in the colony. The *Natal Mercury*, on reporting the failure of these banks, observed that:

Our public institutions have hitherto escaped misfortune, and maintained a vigorous existence. This was not, altogether, to be expected, seeing that the number of these institutions was much in excess of our needs....After going on for some years without any bank at all, and then being several years longer dependent upon one bank alone, the colony suddenly became the scene of competition for six different banks, to say nothing of other companies from whom accommodation could be obtained.²⁶

In the case of the Standard Bank, although the manager claimed that "Our ascertained losses as compared with those of other institutions are mere baggabelle [sic]",²⁷ the bank was forced to write off £46 000 of its reserve and paid no dividend in December 1865, "the first and last time in its long history".²⁸

24. A. Mabin and B. Conradie (eds), *op. cit.*, pp.9-10.

25. A.M. Webb, "The Roots of the Tree", unpub. manuscript, 1991.

26. *Natal Mercury*, 7 February 1867.

The depression, as is invariably the case, was marked by a considerable number of insolvencies. The credit network was so extensive and relied so exclusively on unsecured personal promissory notes, that the sudden loss of confidence had a drastic effect on the trading life of the colony. The failure of a few large firms was sufficient to encompass the ruin of many smaller establishments. The *Natal Mercury*, in January 1866, published an analysis which indicated the number and geographical extent of bankruptcies during 1865. These are shown in Table 3.2 below. Given the extremely undeveloped state of the country districts at this time, it is quite possible that one or two bankruptcies might have halted trading activities altogether. Moreover, the insolvencies in Pietermaritzburg and Durban, considering that both were still small towns, must have had a devastating effect on commercial life.

Table 3.2
Summary of Insolvencies During Each Month of 1865

1865	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Maritzburg	5	3	1	10	19	11	11	7	7	3	4	2	83
Durban	3	4	4	2	4	3	1	7	4	-	1	2	35
Greytown		3				1					1		5
Klip River												2	2
Weenen										1		1	2
Mool River					1						1		2
Newcastle							1						1
Umzinto	1		1										2
Richmond		1							1				2
Pinetown			1		1								2
Total	9	11	7	12	25	15	13	14	12	4	7	7	136

Source: Natal Mercury, 25 January 1866.

Some indication of the effects of the depression on town life can be gleaned from the Mayor's Minutes for Durban during this period. According to W.P.M. Henderson:

During the years 1868, 1869 and 1870 but little work of permanent interest was undertaken by the [Durban] Council. Trade appears to have been at a stand still, and the population of the borough decreased for the first time since its incorporation.²⁹

The town clerk's statistics for the year 1867-8 show that the white population of Durban decreased by 24 on the previous year, despite 149 births.³⁰ In 1869 the white population showed a further reduction of 162, although 128 births were recorded.³¹

The drop in the white population was reflected in the situation with regard to housing. The Mayor's Minute for 1864 recorded 720 houses within the borough, of which 124 had been built during that year.³² By 1870 the number of houses had only increased by 100 to 820, of which 65 were reported to be standing empty.³³ In view of the depression, which extended throughout South Africa, the Council decided in 1867 to reduce the salaries of their officials and dispense with street lamps.³⁴

A further indication of the severity of the depression is given by the figures for imports and exports in Table 3.3. It may be seen that imports were very seriously

27. A. Mabin and B. Conradie (eds), *op. cit.*, p.13.

28. C.G.W. Schumann, *op. cit.*

29. W.P.M. Henderson, *Durban: Fifty Years' Municipal History*, 1904, p.73.

30. *Ibid.*

31. *Ibid.*

32. *Ibid.*, p.58.

33. *Ibid.*, p.73.

34. *Ibid.*, p.70.

affected, and this may be attributed to the cutting off of lines of credit as well as to the many bankruptcies among trading firms. Prior to the commercial crisis of 1865, a substantial proportion of imported goods had been brought into the colony on credit. Once credit ceased to be extended, the goods coming in of necessity diminished. It was, in fact, not until 1872 that the value of imported goods again reached 1864 levels.

Table 3.3
Imports and Exports of Natal 1864-1869

Year	£(000) Imports	£(000) Exports
1864	591	220
1865	455	210
1866	263	203
1867	269	225
1868	317	271
1869	380	363

Source: D.M. Goodfellow, *A Modern Economic History of South Africa*, 1931, p.22.

The situation with regard to exports was quite different in character. Exports were not dependent on the extension of credit, but merely reflected the productiveness of the agricultural sector of the colony. The drop-off in 1865 and 1866 from the 1864 level was slight and the recovery after 1867 was fairly strong. As the statistical evidence contained in Table 3.4 indicates, sugar and wool were by far the most important commodity exports in 1865. It is impossible to distinguish between wool exports from Natal and re-exports from the interior republics, as no distinction was made in the customs returns at the time. In view of the fact that a fair proportion of exported wool came from the Orange Free State and the Transvaal, the wool export

for 1865 and 1866 was affected by the Basuto War which cut off trade with the interior. By 1867 trade was restored with the interior republics, and the *Natal Mercury* reported that wool was coming down "in larger quantities than usual".³⁵ It attributed this to the desire of the farmers to get rid of their stock in the face of a possible renewed outbreak of hostilities.³⁶ Sugar, on the other hand, was solely produced in Natal, and it is this commodity which explains the export performance of the colony during the depression years. The financial crisis and subsequent depression did have some effect on the sugar industry in that many small planters, finding their credit cut off, could no longer continue planting. However, this was by no means the only factor which affected the sugar industry at this time. The year 1866, in fact, marked a crisis point which had the effect of re-vitalising rather than crushing the enterprise.

Table 3.4
The Commodity Pattern of Natal's Exports, 1865

Commodity	% of Total Export
Sugar	38.0
Maize	.3
Ostrich Feathers	5.6
Ivory	9.5
Hides and Skins	3.9
Wool	33.1
Other Foodstuffs	4.5
Other commodities	5.1
Total	100.0

Source: Z.A. Konczacki, *Public Finance and Economic Development of Natal*, 1967, p.21.

35. *Natal Mercury*, 18 May 1867.

The factor which affected not only Natal, but the cane-sugar industry world-wide, was the appearance on world markets of beet-sugar. In an attempt to break Britain's virtual monopoly of the sugar market owing to her colonial possessions, European countries, notably France and Germany, turned to sugar-beet cultivation. The discovery of a refining process made this production possible, and, although still uneconomical compared to cane-sugar, it was made economically viable by the introduction of government bounties. Cane-sugar was placed at a severe disadvantage, particularly as it was subject to duties amounting to nearly 50 per cent of the value.³⁷ The price of sugar in Natal fell dramatically between 1862, when it averaged 25s. - 27s. per hundredweight, and 1866, when it reached an average of 18s. - 20s6d. per hundredweight.³⁸ The figures for the value of exports of sugar from Natal during the depression years show a predictable decline for 1865 and 1866. What is unexpected is the sharp recovery from 1867 onwards, as seen in Table 3.5 below. It is evident that the shocks of financial crisis and the impact of competition from beet-sugar, although damaging, were not fatal to the sugar enterprise in Natal.

Table 3.5
Sugar Exports from Natal, 1864-1869

Year	Value (£)
1864	94 372
1865	76 519
1866	66 191
1867	70 563
1868	90 387
1869	145 982

Source: Adapted from R.F. Osborn, *Valiant Harvest*, 1964, pp.68-76

The response of the sugar industry to these two challenges was on two fronts. With respect to the financial crisis a virtue was made of necessity, and, according to M.F. Bitensky:

After 1866 the Natal sugar industry began to assume a somewhat changed character. As a result of the insolvency of many planters and the financial difficulties of others there was an increasing tendency for estates to be concentrated in fewer hands, and for the small independent grower working with old-fashioned inefficient apparatus to be superseded by the large company, well equipped with powerful modern machinery.³⁹

It had long been acknowledged that sugar planting was an activity which required considerable capital investment. It was noted in 1862 that "...no capitalist with less than £5,000 to £10,000 should enter upon sugar planting and manufacture in the colony".⁴⁰ It was, however, only once the easily available credit was withdrawn, and mortgages started falling due, that the small planter with no capital reserves was squeezed out and the larger capitalists moved in.

The response of the sugar farmers who were in a position to continue planting, despite the financial crisis, was to improve efficiency. Their efforts were markedly successful, as can be seen by the considerable increase in tonnage of sugar produced per acre of cane harvested. In 1866, 12 706 acres of cane harvested resulted in 7603 tons of sugar, a yield of approximately one-half ton per acre. The year immediately following showed a drastic reduction in acres of cane harvested to 4139. However, sugar production was only slightly less at 6264 tons. This showed an improvement in yield to one-and-a half tons per acre.⁴¹ No doubt the elimination of the inefficient

36. *ibid.*

37. R.F. Osborn, *op. cit.*, p. 71

38. *Ibid.*, p.72.

39. M.F. Bitensky, "The Economic Development of Natal, 1843-1885", unpub. M.A., University of London, 1955, p.219.

40. *Natal in 1862*. An appendix to the Description of the Colony of Natal, published in the year 1859, under the authority of the Immigration Board of the Colony, 1862, p.9.

41. R.F. Osborn, *op. cit.*, pp.71-72.

small planters contributed to this effect, but it was chiefly the result of a concerted effort to improve efficiency in the production process.

It was inevitable that the length and severity of this depression should have serious repercussions for the Company. The considerable amount of capital which the Company had invested on mortgage in Natal had been raised on the London market by the issue of debentures. These debentures carried an interest rate of 6 per cent while the rate charged on mortgage in Natal was 12 per cent. As long as interest payments were duly met in the colony, remittances to the home office were sufficient to cover the payments of debenture interest and leave a margin of profit which went to the shareholders as dividends. The effect of the depression in Natal was practically to dry up the payment of interest. This cut off the Company's major source of income, and the home office was obliged to explore various other methods of meeting its commitments in London.

The loss of revenue soon affected dividend payments, which in turn affected share prices and general confidence in the soundness of the Company. Between 1862 and 1864, £196 500 had been raised on debentures at periods of five, seven and ten years. It was expected that these would be renewed as they fell due, but this was found to be impossible so that not only the interest, but the capital, began to fall due from 1867. Although the amount of property owned by or secured to the Company in the colony made it financially sound on paper, there were very serious cash-flow problems due to the difficulty of turning that property into cash.

Although, as already mentioned, the Company did not suffer immediate loss through the financial crash, the year 1865 does mark the beginning of financial difficulties. An analysis sent out from London to Behrens in October of that year showed the amounts due previous to July 1865 and not received. This gave an outstanding sum of £14 681 19s. 2d., chiefly in interest on bonds, although some was made up of bonds which had fallen due but not yet paid and a small amount was represented by bills receivable which had not been honoured.⁴² The total amount showing in the revenue account on the balance sheet for 1865 as due from interest on bonds, etc., was £29 907 5s. 4d.⁴³ It can be seen, then, that almost half the total due was outstanding in July.

42. NA, NLCC (A1380), File 2, Breffit to Behrens, 9 October 1865.

As might be expected, the profits for the year were affected, as were the dividends. Net profit for the year 1865 amounted to £8619 8s. 2d., and from this a dividend of 5½ per cent was declared.⁴⁴ This was considerably less than the 10 per cent dividend which had been paid at the end of 1864. As was pointed out by the directors, the dividend for 1864 had been inflated by the profit from a large sale of land, while no land at all had been sold during 1865. However, even allowing for this, profits had declined for the year. In fact, the profit shown in the balance sheet did not take into account the amounts outstanding, and the dividend which was declared could only be paid by obtaining a loan from the shareholders at the rate of £1 per share.⁴⁵

Besides this measure to keep the dividend at a respectable level, a further step was taken to allay the probable fears of the shareholders, given the seriousness of the financial crash in Natal. Behrens was requested to have the value of the securities held by the Company examined and reported on by outside persons unconnected with the Company. He chose for this task Mr George Christopher Cato, Lloyd's agent in the colony, and John Philip Symons, the Colonial Auditor.⁴⁶ The report which they presented to the board was highly favourable, praising Behrens' judicious management and coming to the conclusion that "...as a whole [the affairs of this company] are in a sound and healthy condition, and the position of the Company in this Colony is second to none".⁴⁷

Although the Directors' Report for 1865 contained the optimistic announcement of "...the gradual return to a sound condition of financial and commercial matters in Natal",⁴⁸ the seriousness of the situation could not be disguised. It was reflected in

43. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Fifth Ordinary General Meeting, 17 July 1866. See also Appendix E.

44. *Ibid.*

45. *Natal Mercury*, 24 July 1866.

46. KCAL, NLCC (KCM 54413, Book No. 198), Rough Minutes, 1863-1866, (No. 2).

47. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Fifth Ordinary General Meeting, 17 July 1866.

48. *Ibid.*

the share market as shown by the following report from J.L. Busch, Behrens' share-broker in London:

The Natal Land and Colonization Company's Shares are rather low just now owing to commercial distress in the colony, and the consequent pressure of sales on our market. I am today a seller of these Shares £5 paid up, at £3½ per share; and a buyer at £3½.⁴⁹

F.C. Drummond, one of the directors of the Company, expressed his surprise at the drop in share prices and attributed it to there being more sellers than buyers of colonial securities in general at this time.⁵⁰ It is more likely, however, that the reports of financial collapse in Natal were to blame for the fall in NLCC share prices.

The directors managed to steer the Company through 1866 without having to resort either to further loans from shareholders or to calling up capital. The credit balance of the profit and loss account on 31 December 1866 was £8804 11s. 5d., and the directors declared a dividend of 4½ per cent for the year.⁵¹ However, the situation with respect to receiving remittances from Natal was giving cause for concern. As the Directors' Report for 1867 stated:

At the same time, the Directors desire to impress upon the Shareholders the fact that, while the Mortgage Interest, which forms almost the whole of the credit sum of £26,365 3s 11d in the Revenue Account has been duly earned, a considerable portion of it, although perfectly secured, has not yet been received in cash; the scarcity and dearness of money, in Natal, in consequence of the continued monetary pressure in the Colony, aggravated by the financial crisis in London of last year, having interfered considerably with the punctual payment of amounts falling due to the Company on account of loans and interest.⁵²

Share prices continued to fall. Busch reported on 26 January 1866: "Price of 5£ Shares 2½ discount at which I am a seller and 3 discount at which I have orders to buy."⁵³

49. NA, NLCC (A1380), File 444, J.L. Busch to Behrens, 22 November 1865.

50. NA, NLCC (A1380), File 444, F.C. Drummond to Behrens, 25 December 1865.

51. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Sixth Ordinary

The directors considered it necessary to bolster the confidence of the shareholders by including the following analysis of the Statement of Assets and Liabilities of the Company in the Directors' Report:⁵⁴

<i>Assets</i>		
Landed Property in Natal		£153,867 12s. 9d.
Mortgage Securities		219,615 14s. 3d.
Cash in London and Natal	8,598 11s. 5d.	
Sundry Items specified in the Accounts		<u>38,696 15s. 7d.</u>
Amount together to the sum of	420,778 14s. 0d.	
<i>Liabilities</i>		
Debentures of the Company, outstanding on 31st Dec.	£196,500 0s. 0d.	
Loans from Shareholders and the Company's Bankers	21,238 0s. 0d.	
Debenture Interest, payable on 1 Jan 1867	6,343 10s. 4d.	
Sundry Items, specified in the accounts	<u>9,163 1s. 7d.</u>	
Amount to		233,244 11s. 11d.
Showing therefore a surplus of Assets over Liabilities of		<u>£187,534 2s. 1d.</u>

From this analysis it is clear that the Company was in a sound position on paper, but it is also obvious that the vast majority of the assets consisted of land and mortgage securities which were highly illiquid.

By the beginning of 1867, when the depression had deepened in Natal and

General Meeting, 16 August 1867. See also Appendix E.

52. *Ibid.*

53. NA, NLCC (A1380), File 444, J.L. Busch to Behrens, 26 January 1866.

54. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Sixth Ordinary General Meeting, 16 August 1867.

remittances had all but ceased, the Company found itself in serious difficulties. The debentures which had been issued in 1862 were to fall due on 1 July, and all attempts to have them renewed by the holders had failed.⁵⁵ Money had to be raised in London to repay these debentures and also to repay the loans made by the shareholders and the Company's bank. Although there remained £5 uncalled capital on each share, this represented the Company's security and the directors were unwilling to resort to a call.

The first measure proposed was an issue of preference shares. This was to be put to an extraordinary meeting of shareholders which was called for 28 February 1867. The report for this meeting pointed out that the directors were reluctant either to call up the unpaid capital or to call in the money lent on mortgage in Natal. The latter strategy, even if successful, would remove the main source of profit of the Company.⁵⁶ Given the situation in Natal, it was no doubt considered that calling in the money lent on mortgage would not produce the requisite funds. The alternative, then, was to increase the Company's capital by an issue of 36 500 preference shares of £5 each, which would be entitled to a preferential dividend of 7 per cent per annum.⁵⁷ The motion was duly put at the special meeting, but as the Company appeared to be having difficulty paying a dividend on the ordinary shares, it was thought to be unlikely that it could pay a preferential dividend and the motion was defeated.⁵⁸

The Company was left with no alternative but to call upon the shareholders for the capital for which they were liable. Two calls of £1 per share were made, the first on 5 March and the second on 31 May 1867.⁵⁹ The circular issued on the occasion of the second call explained that the money would be used to pay off debentures which would ultimately be of advantage in that:

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- 55. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Sixth Ordinary General Meeting, 16 August 1867.
 - 56. NA, NLCC (A1380), File 3, Special Report of Directors to an Extraordinary Meeting of the Company to be held on 28 February 1867.
 - 57. *Ibid.*
 - 58. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.
 - 59. NA, NLCC (A1380), File 3, Circular to the Shareholders from the Company Secretary, dated 31 May 1867.

...their payment does not subtract in any way from the assets of the Company, as the mortgages which secure the debenture money invested in the Colony will, after the Debenture Bonds have been discharged, still be held by the company, with this advantage, that the income derivable from them, and which has hitherto supplied the means of paying the interest on the Debentures, will now be relieved of that burden, and will increase, precisely to the extent of the interest so saved, the amount available for dividends to the Shareholders.⁶⁰

The two calls elicited a good response, and the Company was able to clear its debenture debt for 1867 and to repay the loans outstanding from the shareholders and banks.⁶¹

The annual general meeting was held on 16 August 1867, and it was followed by an extraordinary general meeting called to put yet another proposition to the shareholders for the raising of funds in London.⁶² A resolution was put to authorise the directors to raise £250 000 by a debenture issue, bearing 6 per cent interest, which would be redeemable within thirty years.⁶³ The object of this was to raise the capital to pay off the current debenture debt, by incurring another one which would be a lighter burden as it would be spread over a much longer period of time. The resolution was passed and the debenture issue was advertised, but met with no success in the market and was withdrawn.⁶⁴ The failure of this measure led to a final call for the remaining £3 which was owing on each share, to be payable in instalments during 1868 and 1869.⁶⁵ No dividend was declared for the year 1867, owing to the fact that all spare cash had to be used to pay the debenture debt.⁶⁶

The Company managed to meet its obligations during 1868 and 1869 on the strength

60. *Ibid.*

61. NA, NLCC (A1380), File 5, Report of the Directors to the Proprietors, Seventh Ordinary General Meeting, 27 August 1868.

62. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Sixth Ordinary General Meeting, 16 August 1867.

63. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.

64. NA, NLCC (A1380), File 5, Report of the Directors to the Proprietors, Seventh Ordinary General Meeting, 27 August 1868.

65. NA, NLCC (A1380), File 4, Breffit to Behrens, 9 December 1867.

66. NA, NLCC (A1380), File 5, Report of the Directors to the Proprietors, Seventh Ordinary General Meeting, 27 August 1868.

of the called-up capital, but no dividend was declared for either year.⁶⁷ During this period, although cash was scarce and difficult to obtain, there was a considerable increase in the assets of the Company, owing to the foreclosure of mortgages. The annual report for the year 1869 stated that:

A reference to the Balance Sheet will show that the Assets consist mainly of Landed and House Properties, either absolutely belonging to the Company, or else secured to it by mortgage or otherwise. It is of particular importance that the shareholders should be fully impressed with the true value of this mass of property, which includes upwards of 600,000 acres of the best land of the Colony, adapted, according to situation, for the growth of tropical and sub-tropical produce, for the cultivation of cereals and other crops, and for pasturage; also, Coffee and Cotton plantations, in excellent working order, a number of houses in the Capital, and at Durban, already yielding a fair rental to the Company, Building Lots and Town Lands, which, in the natural order of things, cannot fail to increase largely in value.⁶⁸

Although the depression caused serious financial difficulty for the Company, it managed to weather the storm by calling up its reserves of capital. Despite cash-flow problems, the careful manner in which its loans had been secured ensured that the Company remained solvent. Indeed, it was very wealthy on paper.

Meanwhile, the Company had been extremely reluctant to start foreclosing on mortgages, as foreclosure would immediately terminate interest payments as a source of income. However, it became "...absolutely essential that our Books on this side should be freed, as quickly as possible, from the onerous item of 'Overdue Interest', which now forces itself so prominently before our eyes and the eyes of our shareholders".⁶⁹ As each succeeding annual report had to disclose increasing arrears of interest payments, the shareholders had to be reassured that the mortgages were secured by substantial property, and the only way to do this was to foreclose and add the property to the Company's assets. Had arrears simply continued to mount up, it would have seemed apparent that the funds had been unwisely invested and were not secured to their full value.

67. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minutes, 1860-1893.

68. NA, NLCC (A1380), File 6, Report of the Directors to the Proprietors, Ninth Ordinary General Meeting, 16 August 1870.

69. NA, NLCC (A1380), File 4, Breffit to Behrens, 8 May 1868.

Prior to May 1868, foreclosure had only been carried out in the event of bankruptcy on the part of mortgagees. For example, early in 1867, the Umtata and Canonby estates, both of which had borrowed heavily from the Company, were in difficulties. Behrens received the following instructions:

...the Directors of this Company have come to the determination that it would be undesirable and extremely dangerous to allow their Capital to remain on such hazardous security as that of Insolvent Sugar Estates, and they therefore instruct you to take steps for the recovery of the whole amount due to this Company thereon - mortgages, advances, interest, etc. without delay, even although this should involve the sale of the said Estates. The upset price, in that case, would, of course, be fixed at such a sum as would satisfy our claims in full.⁷⁰

These estates, belonging to the prominent colonists Lewis Reynolds and Philip Ferreira, were finally auctioned in March 1868 and were bought by the company, together with Richard King's sugar plantation at Isipingo.⁷¹ During 1867, £4 144 4s. 7d. worth of property was transferred to the Company through bankruptcy proceedings.⁷²

In March 1868, the directors finally took the decision to call in the loans on which there were arrears of interest or capital payments. The Company secretary sent a letter to Behrens announcing the board's decision and intimating that the directors would personally decide on each particular case and relay instructions on how each case was to be dealt with.⁷³ He included the general guidelines which the board would use when deciding on whether to foreclose or not. Where interest had been regularly paid, the board were willing to allow renewal of the loan, provided that any income accruing to the mortgage should be secured to provide for further interest payments. In cases where interest had not been paid for twelve months or

70. NA, NLCC (A1380), File 3, Breffit to Behrens, 9 February 1867.

71. NA, NLCC (A1380), File 4, Insert in Letter 55.

72. NA, NLCC (A1380), File 5, Report of the Directors to the Proprietors, Seventh Ordinary General Meeting, 27 August 1868.

73. NA, NLCC (A1380), File 4, Breffit to Behrens, 6 March 1868.

more, the mortgagee was to be given a choice of surrendering his property in full payment of the Company’s claims or of being forced into bankruptcy. If interest had not been paid for less than twelve months, an arrangement could be made securing rents or other income to the Company.⁷⁴

The first instructions to Behrens to start carrying out foreclosures were sent on 8 May 1868.⁷⁵ Bonds for over £500 were to be dealt with first, but those for smaller amounts also engaged the attention of the board.⁷⁶ The foreclosures during 1868 and 1869 caused changes in several items on the balance sheet of the Company. Interest due on mortgages fell, as did loans on mortgage, while property obtained by foreclosure of mortgages rose substantially, as shown in Table 3.6 below.⁷⁷ The balance sheet, therefore, remained healthy as far as excess of assets over liabilities was concerned, but liquidity was very badly affected and this in turn affected the Company’s ability to pay a dividend.

Table 3.6

Extracts from Balance Sheets of 1867, 1868, 1869

Year	1867	1868	1869
Interest on Mortgages	£ 24,869	£19,177	£12,127
Loans on Mortgage	200,748	155,687	87,767
Property Obtained by Foreclosure	4,144	98,735	158,129

Source: NA, NLCC (A1380), Annual Company Reports, 1868, 1869, 1870.

74. *Ibid.*
75. NA, NLCC (A1380), File 4, Breffit to Behrens, 8 May 1868.
76. NA, NLCC (A1380), File 4, Breffit to Behrens, 21 May 1868.
77. See also Appendix E.

The instructions which Behrens received from the directors with regard to property taken over by the Company on foreclosure were of vital importance to the agricultural life of the colony. These instructions were:

In cases where the properties consist of Sugar and Coffee or other *productive* Estates you will bring each under a separate heading and work each separately, so that the Directors can see the working of each Estate....In order to collect the rents and keep the Estates in order it will of course be necessary to employ a person with the necessary qualifications and you are therefore requested to look out for such a person and to engage him upon such terms as you may deem proper.⁷⁸

The value of the productive estates had been considerably enhanced by the capital advanced by the Company, and it made economic sense to keep them in working order as otherwise their value would have declined before they could be sold. Keeping these estates going was also of considerable benefit to the colony, however, because if they had all abruptly ceased producing, the export trade would have been very severely affected.

In many cases the former owners of the estates were kept on by the Company as managers. In this way their experience and knowledge of sugar growing were not lost, and many managed later to re-purchase their property as times improved. A case in point is that of Lewis Reynolds who "...stayed on as manager [at Canonby], from which position he began to spread his wings and laid the foundations to the great holding of Reynolds Bros. Ltd".⁷⁹ Aling Osborn, another very prominent Natal sugar planter, also spent time as a manager for the NLCC of the Umtata estate.⁸⁰ Thus, although individuals undoubtedly suffered as a result of the Company's foreclosures, the sugar industry as a whole was cushioned from what might otherwise have been a devastating blow.

It must be pointed out that the market in Natal during the depression years was in too poor a state to admit of estates being sold. A letter from the Company secretary to Behrens, makes this clear:

78. NA, NLCC (A1380), File 4, Breffit to Behrens, 6 March 1868.

79. R.F. Osborn, *op. cit.*, p.305.

80. *Ibid.*, p.216.

With respect to "Zamenkonst", the Directors entirely approve of your refusing the low price at which application was made to you for it....Indeed with reference to it and other farms which this Company have acquired so cheaply, the Directors, I am instructed to inform you, have no desire to part with such properties at a slight profit only, (unless desirable under special circumstances). On the contrary, they fully expect to realise eventually, and they believe at no very distant date, handsome profits in the resale of them.⁸¹

The decisions of the board were firmly based in economic expediency, but were fortuitously of some benefit to the colony.

Having established that the results of the foreclosures were not as traumatic to the sugar interest and to the colony as they might have been, it remains to consider whether the entire project of lending at a rate of 12 per cent in a struggling infant colony was ill-advised to start with. The opinion of those struggling unsuccessfully to meet these payments was unequivocal. Letters to the *Natal Mercury* frequently expressed opinions similar to those in the following extract:

I am one of those unfortunates who are doomed to struggle on as long as I can with the crushing burden of 12 per cent upon my shoulder....One idea constantly crosses my mind continuously, it is if the money-lenders would but reflect, they must see that a persistence in demanding high rates of interest will end in the ruin of both borrowers and lenders. What profession or business will bear a tax of 12 per cent? The present stagnation may fairly be ascribed to the prevailing usurious rates of interest.⁸²

This effusion is but one of many, the writers of which are unanimous in declaring 12 per cent an extortionate rate and blaming the depressed state of the economy on its exaction.

The editor of the *Natal Mercury* was a little more cautious in apportioning blame. In an editorial on the subject of the NLCC, the following comment was made:

81. NA, NLCC (A1380), File 5, Breffit to Behrens, 25 January 1869.

82. *Natal Mercury*, 6 April 1867.

Their operations indeed have been principally confined to advances made in most cases, we believe, on industrial undertakings, such as sugar estates. That these undertakings have not succeeded is no fault of the company, unless indeed it be argued that the fact of any enterprise being dependant on borrowed money subject to high rates of interest was in itself a root of failure. There is of course the further contingency that advances may often be made on first-class security, nominally excellent, but in reality dependent for actual value on the condition of the country.⁸³

Considering the fact that interest payments were kept up without difficulty before the onset of the depression, it is arguable that inability to meet these payments was a result, rather than a cause, of the depressed state of the economy.

There is no doubt that 12 per cent interest was too high a rate to be met under conditions of depression in Natal. However, in setting the rate originally, the Company was only following accepted practice. Interest rates naturally increase according to the risk involved in making a loan, and 12 per cent was the prevailing rate, not only in Natal, but in other colonies such as Canada and Australia. It was considered perfectly acceptable at the time loans were made, or they would not have been so eagerly taken up, and only became regarded as usurious when prevailing conditions made repayment difficult.

It should also be pointed out that the foreclosure of mortgages did not mean the complete loss of the capital which had been borrowed. F.C. Drummond, one of the directors, made this point at the seventh annual general meeting in 1868:

To a very great extent the funds thus advanced have proved of great and permanent advantage to the colony, and have enabled landowners to cultivate and improve their estates and material benefit has been secured through the making of roads and bridges needed by a greatly increased traffic. In Durban and Maritzburg also very great and substantial improvements to date from the period when the company's advances were made, and may be fairly attributed to them.⁸⁴

Although this is clearly the type of exaggerated statement that can be expected in a

83. *Natal Mercury*, 3 May 1866.

84. NA, NLCC (A1380), File 5, Extract from *Cape and Natal News*, 7 September 1868.

company report and cannot be taken too literally, there is nevertheless some truth in the claim that the capital introduced did assist in the development of the colony.

The foreclosing of mortgages did not affect only the agricultural sector of the economy. A number of bonds had been granted on the security of town property, and as the depression deepened these were also added to the growing assets of the Company. As early as April 1865, Behrens was authorised to spend up to £5000 on the purchase of town properties, provided the minimum net rental would be equal to 10 per cent of the purchase money.⁸⁵ However, not much town property was acquired before mortgages began to be foreclosed in 1868. At the beginning of 1868, the NLCC was listed as the owner of rateable property in the borough of Durban to the value of £2473.⁸⁶ By February of 1869, the value of rateable property owned by the Company had increased £3984.⁸⁷ Breffit expressed the opinion "...that D'Urban property, especially, will soon rise rapidly in value".⁸⁸ Although the rise in value did not take place as soon as expected, it was steady and the Company later made considerable profits from the rents of these properties.

The subsidiary companies, the Natal Cotton Company and the Natal Investment Company, did not survive the depression years. Indeed, the Natal Investment Company never really managed to get off the ground. In June 1866, Breffit informed Behrens that the sale of land by the Company to the Natal Investment Company was to be cancelled.⁸⁹ The land which was to revert to the Company was particularly suited to sheep-farming and was to be used in connection with an emigration scheme.⁹⁰ As the sale was to be cancelled due to non-fulfilment of the contract by the intending purchasers, the NLCC retained in full the profits which had been made on the sale.⁹¹ The financial arrangements entered into between the two companies left the NLCC with all its land and the profit, without any loss at all.

85. KCAL, NLCC (KCM 54415, Book No. 199), Minute Book, 1860-1867 (No. 1).

86. *Natal Mercury*, 13 February 1868.

87. *Natal Mercury*, 18 February 1869.

88. NA, NLCC (A1380), File 5, Breffit to Behrens, 16 September 1869.

89. NA, NLCC (A1380), File 3, Breffit to Behrens, 9 June 1866.

90. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Fifth Ordinary General Meeting, 17 July 1866.

91. *Ibid.*

As Breffit remarked, "I think you will concur with me that a more advantageous arrangement has seldom been entered into".⁹²

The Cotton Plantation Company was formed with the object of starting plantations in Natal and did commence operations on quite a large scale, in which the NLCC was involved. The land of the Cotton Company consisted of twenty-four estates totalling 81 492 acres.⁹³ As cotton proved a failure, the Cotton Company turned to the planting of coffee:

The several Coffee Plantations formed on these Estates amount to upwards of four hundred acres, of which three hundred are on the Riet Valley property, and the Manager of that Estate assures the Directors that a yearly yield of one hundred tons of Coffee may be expected from it when in full bearing.⁹⁴

The setting up of these plantations was accomplished with capital advanced by the NLCC. By November 1867, the Cotton Company owed the NLCC £16 751 16s. 5d., of which £9 331 14s. 6d. had been advanced in Natal while £7 420 1s. 11d. had been lent in London.⁹⁵

By 1867, the Cotton Plantation Company had gone into bankruptcy on the Natal side, and into voluntary liquidation in London.⁹⁶ It was decided in London that the NLCC would press its claims against the Cotton Company to the fullest extent possible on the London side before attempting to claim as a mortgager in Natal.⁹⁷ The winding up of the Cotton Company was extremely complicated and negotiations dragged on for two years until a proposal was made whereby the NLCC would purchase the entire property of the company for the sum of £57 000.⁹⁸ The

92. NA, NLCC (A1380), File 3, Breffit to Behrens, 9 June 1866.

93. NA, NLCC (A1380), File 4, Breffit to Behrens, 24 June 1868.

94. NA, NLCC (A1380), File 6, Report of the Directors to the Proprietors, Ninth Ordinary General Meeting, 16 August 1870.

95. NA, NLCC (A1380), File 4, Breffit to Behrens, 8 November 1867. See also p.

96. NA, NLCC (A1380), File 4, Breffit to Behrens, 8 November 1867.

97. *Ibid.*

98. NA, NLCC (A1380), File 5, Circular to the Shareholders of the Cotton Plantation Company of Natal, Limited, in Liquidation, 31 December 1868.

purchase money was to be made up of:

Cancellation of claim of NLCC	£17 000
Cash	2 000
Debentures of NLCC	8 000
Fully paid up shares of NLCC	<u>30 000</u>
	<u>£57 000</u> ⁹⁹

This proposal was not accepted, and by the end of 1869 the matter had still not been resolved.

Although these subsidiary companies had been distinctly unsuccessful, the NLCC soon found itself involved, once again, in the formation of a new company. This was owing to the circumstances surrounding the acquisition of two very large and well-equipped sugar estates, Canonby and Umtata. Canonby was owned by George Wirsing and Lewis Reynolds, who invested very heavily in planting and acquiring machinery. The estate was declared insolvent in 1868.¹⁰⁰ The Umtata estate was owned by the Pietermaritzburg auctioneer, Philip Ferreira, in partnership with Aling Osborn. A valuable and well-run plantation, it had to be offered for sale in 1867 due to the financial straits of Ferreira.¹⁰¹ The Umtata estate was heavily in debt to the NLCC, and the directors sent instructions to Behrens to attend the sale and to buy in the property if it appeared that the other offers obtained would not be sufficient to cover the claims of the Company.¹⁰² The sale was held on 27 February 1868, and the property was purchased by the NLCC.¹⁰³ The Canonby estate was sold on 13 January 1869, when the Company bought it for £10 400.¹⁰⁴ The former owners, Reynolds at Canonby, and Osborn at Umtata, were kept on as managers and the estates were kept in good working order.

Nevertheless, the NLCC did not see their role in Natal as being plantation owners. They bought the Canonby and Umtata estates reluctantly, because otherwise they

99. *Ibid.*

100. R.F. Osborn, *op. cit.*, p.305.

101. *Ibid.*, p.217.

102. NA, NLCC (A1380), File 4, Breffit to Behrens, 7 December 1867.

103. *Natal Mercury*, 27 February 1868.

104. *Natal Mercury*, 14 January 1869.

would have lost the money which they had advanced on mortgage bonds.¹⁰⁵ They did not intend to keep the properties, as the following remarks of Breffit make clear:

Umtata - The Directors entirely approved of the steps taken by you with the view of placing this property into a state of efficiency. We believe that its acquisition will prove a very good thing for this Company, not, however, that it is the meaning of the Directors that we should retain it with a view to working it permanently on our own account.¹⁰⁶

Canonby - We are seeing what we can do to dispose of it on this side. In the meantime you will please do all in your power to keep the property in good working order, so that, in case we may not speedily succeed in affecting a sale, we may have the benefit of as large crops as possible.¹⁰⁷

The NLCC had been set up as a land-owning and money-lending company, and did not possess the financial or managerial machinery to run large plantations.

The problem faced by the Company was how to dispose of these estates in as profitable a way as possible. As the manager of the Standard Bank shrewdly observed when commenting on the sale of the Canonby estate to the NLCC:

The results of these sales prove that there are at present no persons of sufficient Capital in the Colony prepared to invest in such pursuits as Sugar and Coffee growing however clearly it might be shown that a fair return might be obtained on the Capital employed.¹⁰⁸

The Company, then, was forced to try to find a purchaser in London who would be prepared to take on and manage the plantations from there.

The resolution of the difficulty came in 1869, when the Company announced the sale of the two sugar estates to a new company, to be known as the Natal

105. NA, NLCC (A1380), File 4, Breffit to Behrens, 7 December 1867.

106. NA, NLCC (A1380), File 4, Breffit to Behrens, 8 August 1868.

107. NA, NLCC (A1380), File 5, Breffit to Behrens, 24 March 1869.

108. A. Mabin and B. Conradie (eds), *op. cit.*, p.18.

Plantations Company Limited, which was formed "...for the purpose of working the estates and developing their resources".¹⁰⁹ The purchase price of the estates was £40 000, to be paid £10 000 in cash, £20 000 in debentures and £10 000 in paid up shares of the Natal Plantations Company.¹¹⁰ Thus the NLCC was part owner of, and chief creditor of, the new Company from the outset. The Natal Plantations Company raised money to run the plantations by the issue of debentures and had a board of trustees for the debenture holders which included two members of the NLCC board of directors, F.C. Drummond and J.J. Mackenzie.¹¹¹

The failure of the money-lending scheme as a profit-earner for the NLCC, together with the losses of the subsidiary companies, meant that the Company had urgently to explore other avenues of securing an income. Their assets, particularly since the foreclosure of mortgages, consisted of vast acreages of land, and the only means whereby this could be turned to profitable account was to encourage immigrants to buy up and settle on this land. Although conditions in Natal during the period 1865-69 were hardly auspicious for attracting settlers, the directors continued to bring forward schemes for immigration.

In May 1866, the Company advertised a scheme for bringing in settlers who would engage in sheep-farming. The prospective immigrant would require £1000 of his own capital, the Company undertaking to match this with a further £1000 of credit. The Company would provide land, see to the stocking of the farm and secure the advice of an experienced farming agent in Natal. All expenses would be met out of the joint capital, and profits or losses would be equally divided between the settler and the Company.¹¹² This scheme was expected to secure the sale of land, enhance the value of surrounding land and provide some profit from the sale of wool.¹¹³ The scheme does not appear to have met with a great deal of success, probably owing to the difficulty of finding prospective immigrants possessed of £1000 capital.

109. NA, NLCC (A1380), File 5, Report of the Directors to the Proprietors, Eighth Ordinary General Meeting, 26 August 1869.

110. *Ibid.*

111. NA, NLCC (A1380), File 6, Natal Plantations Company Limited, Report of the Directors to the Proprietors, 15 August 1870.

112. Advertisement placed by NLCC in *Natal Mercury*, English Edition, 9 May 1866.

113. NA, NLCC (A1380), File 3, Report of the Directors to the Proprietors, Fifth Ordinary General Meeting, 17 July 1866.

Thereafter, during 1867, Behrens became involved in a scheme to introduce settlers from the island of Reunion. The islanders were sugar planters who were prepared to move to Natal "...should sufficient inducements be held out".¹¹⁴ The board of directors accepted Behrens' proposal for an extremely generous scheme for the introduction of these immigrants.¹¹⁵ The Colonial Office, however, vetoed the idea of a separate arrangement for these intending settlers and insisted that they be brought in, if at all, under the rules of the Government Assisted Emigration Scheme.¹¹⁶ It is apparent that these conditions did not meet with the approval of the islanders and the scheme was abandoned. Thereafter, in 1868, the Company proposed a small-holding scheme whereby free grants of land were offered to settlers who were prepared to occupy it and purchase a corresponding piece over a period of ten years.¹¹⁷ However, this scheme also met with little success, and in 1869 the offer of free land grants was extended to persons already resident in Natal, in a final effort to have the land brought under cultivation.¹¹⁸

It should be noted that the government's attempts to attract settlers to the shores of Natal were equally, if not more, unsuccessful than those of the Company.¹¹⁹ The condition of the colony, owing to the depression, was too poor to arouse the enthusiasm of prospective immigrants. Even in those days of poor communications, the public of Britain could not have been unaware that the colony was struggling along in considerable difficulty. Indeed, as noted in the *Natal Mercury*, the trend was for people to leave the colony rather than enter it.¹²⁰

The Company managed to weather the depression years, and remained solvent, chiefly by calling upon its resources in London. In every area of its involvement in Natal, however, it was adversely affected by the poor state of the economy during this period. The commercial crisis of 1865 and the subsequent depression, although

114. *Natal Mercury*, 14 September 1867.

115. NA, NLCC (A1380), File 4, Breffit to Behrens, 7 December 1867.

116. NA, NLCC (A1380), File 4, Breffit to Behrens, 9 January 1868.

117. NA, NLCC (A1380), File 5, Breffit to Behrens, 24 November 1868.

118. NA, NLCC (A1380), File 5, Breffit to Behrens, 24 March 1869.

119. D. Bagwandeem, *op. cit.*

120. *Natal Mercury*, 3 October 1868.

perhaps to some small extent a result of the Company's extensive lending, was directly responsible for the massive increase in the Company's landholding. This extensive landholding, which has been regarded by researchers as the most significant fact about the Company, and has been extrapolated as providing its original *raison d'être*, was a result of circumstance rather than of policy. The Company's attitude to it, however, remained unchanged. It was regarded as capital which could either be used as the basis for borrowing or liquidated when feasible to provide funds for further investment. The depression represented a serious set-back to the Company's plans, but it caused no major change in policy.

CHAPTER FOUR

1870 - 1874 : Diamonds, Railways and Coffee

The decade of the 1870s opened for South Africa on a note of renewed optimism, chiefly as a result of the diamond discoveries which constituted a watershed in the economic history of the country. Natal was not unaffected by the prevailing mood, but it was soon realised that the opportunities provided by the market springing up at the Kimberley diamond diggings would be lost unless agricultural production could be stepped up and transport could be improved by the building of a railway. The NLCC lost no time in attempting to further both these objectives. As the decade wore on, however, the schemes which they evolved and which appeared so promising at first, were gradually destroyed by the reality of conditions in Natal.

The Company was uncertain at first whether the diamond fields were as rich as prospectors were claiming, and, if so, whether Natal could expect to benefit from them. On 23 August 1870, a letter from Breffit to Behrens contained the following remarks on the diamond discoveries:

We observe the excitement which these were creating, and trust that the hopes raised in regard to them will be realised. I quite concur with you, however, in attaching more importance as far as Natal is concerned, to the increasing production of Sugar, Coffee and Cotton in our own colony to the Diamond discoveries out of it.¹

This note of caution was understandable, but shortlived. It was not long before both the richness of the diamond fields and their possible advantages for Natal were admitted. By February 1871, Breffit had decided that the diamond news was "exceedingly good" and that "All this must, surely, soon tell upon Natal favourably".²

Once convinced that the diamond finds were substantial, it remained for the Company to decide how best they could be turned to profitable account. Characteristically, the first response of the directors was to investigate the opportunities for investment. Instructions were sent to Behrens indicating that he

1. NA, NLCC (A1380), File 6, Breffit to Behrens, 24 August 1870.

2. NA, NLCC (A1380), File 6, Breffit to Behrens, 23 February 1871.

should consider the possibility of buying or lending upon the security of diamonds. A shareholder, one Arthur Dodd, being a dealer in diamonds and precious stones, had made a comprehensive set of notes on how to recognise, evaluate, test and weigh the stones. These notes, together with a set of scales and weights and a diamond tester, was sent to Natal in August 1870. The advice which accompanied them was not to try to enter the market for large gem stones, but to concentrate on the smaller stones in the weight range one to one-twentieth of a carat, the demand for which for commercial and industrial purposes was rapidly expanding. The reasoning was that the smaller stones could probably be obtained cheaply, being regarded as worthless in comparison to the larger gem stones.³ Although this was probably a sound enough scheme, it was doomed to failure by the distance which separated Natal from the diggings. In the early days, most diamonds were sent directly to London by registered mail,⁴ and later on reputable dealers established themselves on the spot. The correspondence between Natal and the London office only contains references to one parcel of diamonds ever being handled by the Company.⁵

The second response of the Company was equally in tune with its general policy. On 7 June 1871, an extraordinary general meeting was held for the following purpose:

Seeing that the discoveries of Diamonds and Gold in South Africa have largely directed public attention thereto, to consider what steps should now be taken for effecting sales of the Estates owned by the Company, or bringing them under the notice of intending Emigrants.⁶

Emigrants were leaving for South Africa in large numbers and the Company thought that by advertising the many attractions of the Colony of Natal at least a small tributary of the stream might be diverted there. Unfortunately, glowing as were their reports of conditions in Natal, they paled into insignificance when compared with the glittering prospect of making a fortune overnight at the diggings.

3. NA, NLCC (A1380), File 6, Breffit to Behrens, 1 October 1870.

4. A. Mabin and B. Conradie (eds), *op. cit.*, pp.40-41.

5. NA, NLCC (A1380), File 7, Oliver to Behrens, 23 August 1872. Breffit died on 21 March 1872, after a short illness. His post as Company Secretary was taken up by Edmund Oliver.

6. NA, NLCC (A1380), File 6, Notice of Extraordinary General Meeting to be held on 7 June 1871. Dated 22 May 1871.

In fact, rather than immigrants entering the colony, colonists which the struggling settler economy could ill afford to lose were leaving. This was not initially viewed with any alarm as it was considered to be a temporary setback. According to a report in the *Natal Mercury*:

...the immediate effect of the attractions of the diamond-fields [has] been so far detrimental as to withdraw population from Natal; but the present large influx of capital and the reaction from the return to the colony of successful diggers must, it is considered, far more than compensate for this temporary check...

Unfortunately, in most cases successful diggers - among whom was one Cecil John Rhodes, who had been farming on NLCC land with his brother Herbert - found more lucrative outlets for their newly acquired wealth than could be provided by the struggling colony which they had left.

Although not all the initial expectations were realised, there can be no doubt that Natal did derive considerable benefits from the diamond discoveries. According to a report from the manager of the Standard Bank, the effect of these had "...been felt in every town and village throughout the length and breadth of South Africa".⁸ The market at the diggings was growing as only that of a mining boom town can, and the arid region in which they were situated could not even begin to supply the ever increasing demand for basic necessities. Transport riding, even from far distant Natal over tracks which hardly deserved the name of roads, was not only feasible but highly profitable. Supplying the transport riders with goods to carry to the fields also encouraged enterprise on the part of traders, importers and agriculturalists. An Interim Report published by the Company in May 1872 noted that the population at the diggings, "...variously estimated at from 50,000 to 70,000 [had] caused an important increase in the value of agricultural products in Natal, which [had] greatly [enriched] the farmers and planters".⁹

7. *Natal Mercury*, 9 April 1872.

8. A. Mabin and B. Conradie (eds), *op. cit.*, p.37.

9. NA, NLCC (A1380), File 7, Interim Report of NLCC, May 1872.

By February 1873 the increase in commercial activity in the colony had become noticeable in the trade figures. According to the manager of the Standard Bank:

The returns of Imports and Exports for Natal also indicate a rapid development of trade. [They] shew the Imports and Exports as they pass through the Customs, but by no means shew the exact state of trade - especially as regards Exports - as there is no record of Colonial produce sent over the 'Berg', in the shape of Coffee and Sugar etc. for consumption at the Diamond Fields, which must be very considerable.¹⁰

Although supplies for the diamond fields were also being sent from the western and eastern Cape, Natal had the advantage of being able to send home-grown produce which could be sold at a lower price than imported goods. Despite this advantage, however, the Cape ports were successfully competing with Durban, mainly because they had access to better transport into the interior.¹¹

A further effect of the diamond discoveries was to transform South Africa, in the minds of metropolitan financiers, from a poorly endowed region with some agrarian possibilities to the new El Dorado. As the manager of the Standard Bank succinctly put it, "Since the discovery of diamonds has proved so substantial a fact, people are inclined to put faith in the existence of other precious commodities".¹² The NLCC was determined to take advantage of any further mineral finds and began to shift resources into gold exploration. A subsidiary company, the South African Gold Fields Exploration Company, was formed and an expedition headed by the artist-explorer Thomas Baines set out for the northern gold-fields. These were in the territory of Chief Lobengula of the Matabele in what is now Zimbabwe. Baines was given a very valuable concession by Lobengula, but the distances involved and the difficulties in transporting the requisite machinery caused delays in starting operations. Baines eventually died in Durban in 1875 without having achieved any success, and the concession which he had been granted ultimately became the property of C.J. Rhodes.¹³

10. A. Mabin and B. Conradie (eds), *op. cit.*, p.41.

11. H. Heydenrych, *op. cit.*, p.26.

12. A. Mabin and B. Conradie (eds), *op. cit.*, p.30.

13. A. Keppel-Jones, *Rhodes and Rhodesia: The White Conquest of Zimbabwe, 1884-1902*, 1983, pp.16-17.

Although a certain degree of prosperity had undoubtedly accrued to Natal from the diamond discoveries, the stark fact remained that the colony was not sufficiently developed economically, particularly in terms of infrastructure, to respond effectively to the opportunities which were offered. Despite continuous efforts, the sand-bar still impeded free access to Durban harbour and road transport, both within the colony and beyond its borders, was hampered by several factors. Ox wagons were slow, expensive and constrained by the need for grazing for the animals. Roads were mere tracks across the veld which were frequently abandoned and re-formed as they became so deeply rutted as to be impassable. Water transport was not feasible due to the uneven flow of the rivers, as well as the presence of rapids, shoals and waterfalls. The difficulties and expense of transport were such that it was frequently found to be uneconomical even to attempt to get produce to market.

The colony was not unaware of the disadvantages of its primitive transport systems, as the following editorial comment in the *Natal Mercury* shows:

Natal stands in imminent danger of being turned into a vast native location. If we are not active and vigilant, the places that are being left by diamond digging farmers will be taken by luxurious and unproductive natives. Nothing short of railways will avert this fate. They will restore value and population to our lands, by making it worth the while of dwellers upon those lands to expend more labour and capital than are now laid out, in their improvement and cultivation. They will connect farmers with markets on the coast and at the port, as well as with the markets of the Free State, the diamond fields and the gold fields, and the traffic thus created will be the simple result of their own operation.¹⁴

Leaving aside the colonial bias, conveniently ignoring the fact that the "luxurious and unproductive natives" were in direct and often successful competition with the settlers, the proposition that the survival of the white settler economy depended upon the construction of a railway seemed self-evident.

The NLCC, ever-regardful of its own interests, saw further benefits to be derived from the construction of a railway. Besides the fact that any development of Natal

14. *Natal Mercury*, 12 October 1871.

would be to their advantage, there were the further considerations that their unsold land would increase in value and marketability,¹⁵ and that the mineral deposits of coal and iron ore, some of which were on Company land, would also be opened up.¹⁶

Although unanimity was achieved on the desirability of constructing a railway from the port of Durban to the interior, opinions were sharply divided as to the best method of gaining this objective. The first alternative to consider was whether the colonial government should take on the responsibility of raising funds and negotiating with contractors, or whether a private company should be entrusted with the project. A leading article in the *Natal Mercury* on 24 August 1871 pointed out that "Natal experience of public undertakings has not been such as to warrant any excess of confidence in the efficient control of any body, however popularly constituted".¹⁷ It went on to note, however, that "We are advised not to create a large railway, mining, colonising and carrying monopoly, which would prove a commercial despotism".¹⁸

Public opinion was canvassed at a meeting which was held in the Trafalgar Hall in Durban on 8 September 1871. After discussion, the following resolution was passed:

That this meeting is of opinion that the execution of our railway works should not be entrusted to the Government or a Railway Board (however constituted), but that every reasonable concession should be granted to any company (with sufficient guarantee) whose scheme should really meet the wants of the colony.¹⁹

The resolutions passed at the meeting were forwarded by the Mayor of Durban to the Railway Committee of the Legislative Council, where they no doubt carried some weight with members already disinclined to assume responsibility for so large a project.²⁰

15. NA, NLCC (A1380), File 6, Breffit to Behrens, 23 February 1871.

16. NA, NLCC (A1380), File 7, Interim Report, May 1872.

17. *Natal Mercury*, 24 August 1871.

18. *Ibid.*

19. *Natal Mercury*, 9 September 1871.

20. H. Heydenrych, *op. cit.*, p.52.

Having decided against undertaking the work themselves, it remained for the Legislative Council to choose between the various private schemes which had been submitted for their approval. Since 1863, as many as seven schemes had been mooted,²¹ but it was only after the dramatic improvement in the circumstances of the colony brought about by the diamond discoveries that serious consideration could be given to the proposals. The final choice, in 1871, lay between the schemes proposed by J.W. Welborne in 1869, by Sir Alfred Slade in 1870 and by the Central Railway Company of Natal, which was formed in 1871 at the instigation of the NLCC.

The NLCC viewed railway construction not merely as a vital prerequisite for Natal's economic development, but as a possible field for profitable investment on its own account. The Company was not in principle opposed to the scheme of J.W. Welborne. Indeed, the directors "...would be only too glad to see the construction of a Railway in the Colony, by whomever it might be effected".²² However, they did have the gravest doubts whether the scheme, even if sanctioned by the Legislative Council in Natal, would ever be granted the approval of the British government. In March 1870, Welborne was in London attempting to further his scheme. He called upon Breffit in the hope of enlisting the support of the NLCC, but only succeeded in leaving the impression that "...he was not progressing very much in the essential point of getting the ear of the Government here".²³

The Company had, in fact, every reason to doubt whether Welborne's scheme would ever break ground, and if it did, whether it would be to the lasting benefit of the colony. He proposed building a total of 280 miles of line in three sections, all radiating from Durban: one to Newcastle, passing through Pietermaritzburg; one to Greytown; and one to Port Shepstone.²⁴ In return, he required enormous concessions - an annual subsidy of £40 000 for twenty years, 2 500 000 acres of land and monopolies of coal mining and iron smelting for twenty-five and ten years

21. *Natal Mercury*, 24 August 1871.

22. NA, NLCC (A1380), File 6, Breffit to Behrens, 24 March 1870.

23. *Ibid.*

24. See Appendix F, Map 1.

respectively.²⁵ As an indication of the difficulty Natal would have even in meeting the subsidy, the official returns for 1869 showed total exports of £380 331 and total imports of £363 262.²⁶ Natal's total revenue for 1870 was £126 300, while total expenditure was £117 000.²⁷ It is difficult to see how even the most sanguine legislator could believe that the struggling economy would benefit to the point of being able to support this grandiose scheme.

Be that as it may, Welborne's project had gained a great deal of popular support in the colony, and was looked upon favourably by the Legislative Assembly as being the only one likely to achieve the great objective of railways no matter the future cost. The Company's response to this situation was to revive its own railway scheme which it had unsuccessfully endeavoured to introduce during the decade of the 1860s, "...dispensing with those obnoxious concessions and privileges (I mean obnoxious in the eyes of the Government here) which prevented the possibility of the scheme as originally contemplated being carried out".²⁸

The result was the formation of a new company, the Central Railway Company of Natal Limited, in June 1871. The address was 41 Threadneedle Street, that is, the address of the NLCC, and two directors, William Miller and John Ramsay L'Amy, sat on the boards of both companies.²⁹ Rather more mindful of the resources of Natal and the attitude of the imperial government, the Central Railway Company scheme was on a much smaller scale than that of Welborne. It proposed simply to construct a line, 52½ miles in length, between Durban and Pietermaritzburg.³⁰ It was considered that the main objective should be to get railway construction underway. Once it had been proved successful, the further objective of extending the line to the Drakensberg and beyond would be more easily attained.

25. H. Heydenrych, *op. cit.*, p.53.

26. NA, NLCC (A1380), File 6, Statement of Imports and Exports printed as an Addendum to NLCC Report, 9th Meeting, 16 August 1870.

27. Z.A. Konczacki, *op. cit.*, pp.35-6.

28. NA, NLCC (A1380), File 6, Breffit to Behrens, 24 March 1870.

29. NA, NLCC (A1380), File 6, Breffit to Behrens, 6 June 1871.

30. NA, NLCC (A1380), File 6, Report of Directors to Proprietors, Tenth Ordinary General Meeting, 14 July 1871. See also Appendix F, Map 1.

The cost of the line was to be fixed at £350 000, this sum to be met by Natal government debentures for £125 000, Company debentures for twenty-five years at 6 per cent interest for £125 000 and Company shares issued as fully paid for £100 000.³¹ The government of Natal was to have the option of taking over the line, "...in good preservation and with all improvements, at the end of 50 years on the payment of £100 000 to redeem the Company's shares".³² This was to be a purely financial speculation; no concessions in the way of land, mineral rights or monopolies were asked for.

The NLCC were rationally self-interested in wanting to secure a railway for the colony in order to promote development, improve the saleability of their land and provide a better field for investment. As a commercial venture, the railway scheme which they proposed would be expected to render a reasonable return on the capital invested, but they did not intend to bleed the colony dry by concessions designed to ensure exorbitant profits. As their future as a company was so intimately bound up with the prosperity of Natal, this would have been self-defeating. The Company was, as usual, convinced that it knew what was best for Natal and that the colonists and colonial government could not fail to be convinced by it. The following sanguine remarks were made at the tenth ordinary general meeting of shareholders on 24 July 1871:

The directors are glad to have authority for stating that the formation of a railway...has now assumed the appearance of certainty. A company has been formed for the construction of a line of railway from Durban to Pietermaritzburg, upon the basis of a proposal which they have every reason to believe will meet with the approval of the Colonial Government and recommend itself to the public generally....The directors therefore, look forward with much confidence to the speedy completion of this important work, which must inevitably give a powerful impulse to the prosperity of the colony, and an immediate and large increase to the value of all descriptions of property.³³

Director's reports are understandably apt to overstate the positive aspects of the

31. NA, NLCC (A1380), File 7, Breffit to Behrens, 6 June 1871.

32. *Ibid.*

33. NA, NLCC (A1380), File 7, Report of Directors, Tenth Ordinary General Meeting, 24 July 1871.

firm's affairs, but even in the correspondence, where a more accurate representation can be found, confidence was fairly high in the success of the Central Railway Company's scheme.³⁴

Nevertheless, it was realised through long experience that decisions in Natal were not always made rationally in strictly economic terms. Breffit remarked on this in a letter to Behrens:

I cannot conceive that the Schemes of Mr Welborne and Sir A Slade, if impartially tested side by side with the Central's, have any prospect of success - but, in the Colony, everything seems to be made so much a personal question that we must be prepared for even the most unlikely decision.³⁵

To substantiate his opinion that the Company's railway scheme was more likely to succeed than that of Welborne, he adduced the fact that the contractors upon whom the latter was relying were unlikely to undertake the work at the rate of profit which his scheme offered, "...to say nothing of the decided objection on the part of the Home Government to any scheme involving large grants of land".³⁶

In the event, the misgivings of the NLCC on the subject of the rationality of the Natal Legislative Council's decision-making proved amply justified. Despite the fact that Breffit found it "...difficult to understand how the scheme is entertained at all there",³⁷ in November, Bill 28 of 1871 was passed embodying the main features of Welborne's scheme.³⁸ According to Heydenrych, "The acceptance of the Welborne proposals by the Legislative Council was typical of this body's rash willingness to commit itself beyond its capacity in order to obtain railways for the colony".³⁹

Before news of the acceptance of Welborne's scheme could reach London, there was a new development in the NLCC's railway project. A meeting was held at the

34. NA, NLCC (A1380), File 7, Breffit to Behrens, 24 October 1871.

35. NA, NLCC (A1380), File 7, Breffit to Behrens, 24 October 1871.

36. *Ibid.*

37. NA, NLCC (A1380), File 7, Breffit to Behrens, 9 November 1871.

38. H. Hedenrych, *op. cit.*, p.53.

39. *Ibid.*

Company's offices to discuss the question of constructing a line along the Natal north coast. It was decided that a company - with a board of directors almost identical to that of the Central Railway Company - would be formed for this purpose.⁴⁰ Although a railway into the interior was important to the transit trade, Natal's internal economic development would benefit far more if the sugar planters could be provided with a cheap and efficient means of transporting their crop to the port.

As the new railway company was proposing to run a line through lands which were under extensive and successful cultivation, it was hoped that the project could be initiated without reference to the Natal Legislative Council. Neither guarantees, government debentures nor concessions would be required. Instead, as explained by Breffit:

In order to facilitate the raising of the capital on this side, the consent of all the Landowners in the County of Victoria will be endeavoured to be secured to a pro rata voluntary assessment on their properties, according to acreage, to make up the deficiency in the net receipts of the line after its completion in full working order, to a maximum extent yearly, of £3,000.⁴¹

It was intended, after the construction of the line, to apply to the Legislature for an Act to impose a land tax to take the place of the voluntary assessment.⁴²

It was suggested, at the meeting to discuss the formation of the new company, that the NLCC, being landowners in Victoria County, might agree to give their guarantee for the full £3000 "...on behalf of themselves and the other Landowners, looking to the latter for a sub-guarantee for their respective shares of the assessment".⁴³ This, it was thought, would expedite the raising of the capital required for the project. The directors of the NLCC present at the meeting, however, were unable to hold out any hope of such a proposition being accepted.⁴⁴

40. NA, NLCC (A1380), File 7, Breffit to Behrens, 6 November 1871.

41. *Ibid.*

42. *Ibid.*

43. *Ibid.*

44. *Ibid.*

The board of the NLCC met the following day and, not surprisingly, duly declined to entertain the proposition.⁴⁵ Although they were vitally interested in the construction of the line, such a large financial commitment was beyond their power to make.

The reasoning behind the introduction of this coastal railway scheme at this point, when as far as they knew, the other railway projects were still being debated by the Legislative Council, is revealed in Breffit's peroration on the subject:

I look with confidence upon the success of our Project, which I regard as of great importance to our Company not only in itself but also as being the means of initiating Railway enterprise elsewhere in the Colony and especially as leading, with almost certainty, to the construction of the line from D'Urban to Maritzburg and subsequently to the Drakensberg mountains.⁴⁶

The project was conceived as a means whereby railway construction could be started almost immediately in the colony. If any of the railway schemes then being considered were approved, there would still be months or even possibly years of delay before the consent of the imperial government could be obtained. Even then, the possibility existed that the latter permission might be refused altogether, although it was thought that this might be more readily granted if it could be shown that a railway-line could be successfully constructed and operated in Natal.

The new company, to be known as the Victoria Railway Company, was brought before the public on 6 December 1871. The proposed railway-line was to be constructed from the north bank of the Umgeni River to Verulam, a distance of fifteen miles, at an estimated cost of £100 000.⁴⁷ Breffit was able to report on the same day that applications for prospectuses at the company's offices, 41 Threadneedle Street, had already been numerous and that dealings in the company's shares on the stock exchange had already taken place at one-and-a-quarter to one-and-a-half premium.⁴⁸ A circular was sent to all shareholders of the NLCC recommending the new company to their attention on the grounds that:

45. *Ibid.*

46. *Ibid.*

47. Prospectus of Victoria Railway Company, printed in *Natal Mercury*, 18 January 1872. See also Appendix F, Map 1.

The formation of a Railway in this Coast District cannot fail to cause an immediate and important rise in the value of all Lands situated in that locality, where the Natal Land and Colonisation Company possess large and valuable properties; and, as this Line will no doubt be followed by a rapid extension of Railways throughout Natal, the increase in the value of Landed Property in all parts of the Colony must be very considerable.⁴⁹

The circular went on to observe that the demand for transport in this area was so great that the undertaking could not fail to be highly profitable, and informed the NLCC shareholders that a certain number of shares had been reserved for them.⁵⁰

On 18 January 1872, the prospectus of the Victoria Railway Company of Natal Limited appeared in the *Natal Mercury*.⁵¹ After describing the fertility and cultivation of the lands through which the proposed line was to pass and enumerating the transport difficulties then being experienced by the planters, the prospectus went on to give detailed estimates of receipts once the line was complete. Based on average railway receipts in the United Kingdom (corrected for colonial conditions), calculations by the Colonial Secretary for Natal on goods conveyed over the Umgeni Bridge, and net profits on the Natal government railway-line from Durban to the Umgeni, it was estimated that the net revenue of the line would yield a return on capital of 13 per cent. This was "...without allowing for increased traffic consequent upon the opening of the line".⁵²

In the same issue of the *Natal Mercury*, John Robinson's leading article was a broadside against the new railway scheme:

We do not hesitate to say that we regard the appearance of this announcement at such a time, as particularly inopportune; nor can we understand why it is that before the promoters can

48. NA, NLCC (A1380), File 7, Breffit to Behrens, 6 December 1871.

49. NA, NLCC (A1380), File 7, Circular Letter to Shareholders, 4 December 1871.

50. *Ibid.*

51. *Natal Mercury*, 16 January 1872.

52. *Ibid.*

by any possibility have learnt what the Legislative Council intended to do concerning the Central Railway Company's project, they should so suddenly rush before the public with another scheme.⁵³

The editorial went on to note with surprise that although the scheme professed to require nothing in the way of government assistance, no reference was made to the bridging of the Umgeni river, which presumably would have to be undertaken at government expense.⁵⁴

Robinson's most decided objection to the Victoria Railway Company's scheme, however, was that the Welborne scheme had already been accepted by the Legislative Council. He was wholeheartedly in favour of the latter project which promised to meet the transport requirements of Victoria County to a much fuller extent, "...and at the same time to meet the far larger requirements of other districts where proposals as favourable to the public cannot, owing to the sparsity of population and traffic, be brought forward".⁵⁵

The response of the NLCC to the news that Welborne's scheme had been passed by the Legislative Council was disappointment rather than despair. The opinion remained decidedly that the "extravagant demands" of Mr Welborne would never be sanctioned by the imperial government, and that in that case the Company's railway scheme might still stand some chance of being accepted.⁵⁶ In Breffit's opinion, "...the mischief is that Railways, at any rate those that look for Government aid, will be still things of the future".⁵⁷ As Welborne's scheme included a line similar to, if more extensive than, that proposed by the Victorian Railway Company, it was decided to postpone that project pending the decision of the imperial government.⁵⁸

Contrary to all expectations on the part of the NLCC, on 21 May 1872, Lord Kimberley, Secretary of State for the Colonies, gave his assent to the Welborne

53. *Natal Mercury*, 18 January 1872.

54. *Ibid.*

55. *Ibid.*

56. NA, NLCC (A1380), File 7, Breffit to Behrens, 24 January 1872.

57. *Ibid.*

scheme.⁵⁹ Before construction could actually begin, however, a contract had to be drawn up between Welborne and the Crown Agents for the Colonies, acting on behalf of the Natal government.⁶⁰ Welborne arrived back in the colony in April 1873, ready to begin negotiating the passage of a new bill through the Legislative Council.⁶¹ At this stage, however, several factors conspired to delay matters for another full year. At the time Welborne arrived, Governor Charles Musgrave had just left the colony and his replacement, Sir Benjamin Pine, had not yet arrived. When the latter did take up office, the Legislative Council was dissolved and a general election further impeded progress until October 1873.⁶² After this, a new bill had to be prepared "...and the existence of a small but virulent opposition both within and outside the house did not tend to quicken legislation".⁶³ The bill was finally passed in January 1874 and only reached the Colonial Office in London in April of that year.⁶⁴

During this period of suspense, the NLCC took a neutral stance. Their attitude, according to the eleventh annual report, was that:

Although unable to give this gigantic proposal any active support, the Board are unwilling to oppose any plan which the Colonists themselves consider feasible, convinced as they are that amongst the first to benefit by the development of Natal will be the Shareholders of this Company.⁶⁵

In September 1873, the board went so far as to express its willingness, subject to the consent of the shareholders, to grant free of charge to the railway any of its land which might be required for the permanent way, for sidings and for stations.⁶⁶ As

58. *Ibid.*

59. H. Heydenrych, *op. cit.*, p.54.

60. *Ibid.*

61. *Natal Mercury*, 13 October 1874.

62. *Ibid.*

63. *Ibid.*

64. *Ibid.*

65. NA, NLCC (A1380), File 7, Report of Directors, Eleventh Ordinary General Meeting, 11 July 1872.

66. NA, NLCC (A1380), File 8, Oliver to Behrens, 3 September 1873.

late as January 1874, the standpoint of the Company was that any opposition on their part, despite decided misgivings on the effect of Welborne's conditions on Natal, would merely serve to postpone the all-important object of getting a railway-line constructed.⁶⁷

The beginning of 1874 brought a complete change in scenario, which radically affected both the prospects for Welborne's scheme and the attitude of the NLCC. The revolt by Chief Langalibalele, which was suppressed by force of arms, sent a shock wave through the Colonial Office.⁶⁸ Although a relatively minor incident, the only reaction to which on the part of the Company was a laconic comment hoping that "...the moral effect of this rising, amongst the Kafirs [would] be a good one...",⁶⁹ it was taken seriously in London. Disaffection and open rebellion on a large scale by the black population of Natal could never be dealt with by the comparatively tiny white population, and would inevitably entail costly intervention by the imperial government. After the Langalibalele affair, any project proposed for Natal which would affect the black population, including Welborne's scheme, would be subjected to very much closer scrutiny.⁷⁰

The second change of circumstances which was to affect the railway question was the election to power in February 1874 of a Conservative government in Britain and the consequent appointment of a new Secretary of State for the Colonies, the Earl of Carnarvon.⁷¹ Under the leadership of Disraeli, the new government's avowed intention was to form much closer ties with Britain's colonial possessions. The attempts of the Liberals to "...effect the disintegration of the Empire of England"⁷² were to be countered by much greater intervention in colonial affairs by the imperial government. The new government, it appeared, would be less inclined to approve a project simply because it was what the colonial legislature wanted.

67. NA, NLCC (A1380), File 8, Oliver to Behrens, 23 January 1874.

68. W. Guest, "Colonists, Confederation and Constitutional Change", in A. Duminy and W. Guest (eds), *op. cit.*, p.156.

69. NA, NLCC (A1380), File 8, Oliver to Behrens, 21 January 1874.

70. W. Guest, *op. cit.* H. Heydenrych, *op. cit.*, p.54.

71. H. Heydenrych, *op. cit.*, p.54.

72. R. Blake, *The Conservative Party from Peel to Churchill*, 1970, p.127.

These changed circumstances, which included on the part of the NLCC the addition to their board of Henry Kimber,⁷³ caused a complete *volte-face* in the attitude of the Company to the railway question. From a grudging determination to make the best of Welborne's scheme which they could not approve so long as railway construction was commenced, they entered upon a course of public and virulent opposition.⁷⁴ Their campaign was aimed at preventing the Welborne scheme's acceptance by the imperial government and, at the same time, securing an alternative project whereby a railway-line could be constructed by the colonial government using funds raised on the London market.⁷⁵

The reasons for the Company's change in attitude are by no means clear, but appear to be compounded of several factors. The change in government and appointment of a new Secretary of State for the Colonies gave the board a chance to state their views directly to a new and presumably unbiased authority. Lord Kimberley had been apprised of all aspects of the Natal railway question since its inception, including the fact that the project proposed by the NLCC had been assessed and rejected by the colonial legislature. Lord Carnarvon, coming fresh to the situation, was merely confronted with deciding on the Welborne scheme. The NLCC could appear before him as landowners with large vested interests in the colony and not as the disappointed promoters of an opposing scheme.⁷⁶

Besides a general and deeply-rooted conviction that the Welborne scheme would cost Natal more than it would benefit the colony, the board of the NLCC objected most particularly to a change in the land concession. This concession, contained in the bill sent over for approval by Lord Carnarvon, posed such a serious threat to the interests of the NLCC as landowners in the colony that it could well explain their determination to oppose the measure openly. The original proposal in 1869 was that Welborne was to be granted land, but that it would only be made over to him as colonists were settled on it.⁷⁷ The new conditions were that the land was to be

73. Henry Kimber, a highly successful solicitor, was a forceful and energetic man, later to become chairman of the Company and responsible for much of its later success. He appears to have been the moving spirit behind the open opposition to Welborne's scheme.

74. NA, NLCC (A1380), File 8, Oliver to Behrens, 16 June 1874.

75. See Appendices B and C.

76. Nowhere in the correspondence directed to Lord Carnarvon is the Central Railway Scheme mentioned.

leased to Welborne, who would have the power of collecting a hut-tax of 20s. per hut from black dwellers on the land.⁷⁸ He was also empowered to grant sub-leases which would include running powers over the line of railway.⁷⁹ The NLCC feared that "...by this he, as the concessionaire, outreached this Company as landowners, and prevented them taking their produce to market at all".⁸⁰

The directors of the NLCC opened their campaign against Welborne's proposed railway scheme by sending to Lord Carnarvon, shortly after his appointment, three documents setting out their reasons for objecting to the scheme. These were a paper prepared by Henry Kimber, a memorandum sent in by F.C. Drummond, and a letter from the chairman, W. Miller, on behalf of the board.⁸¹ No copy of the first document was sent to Behrens because "... the Board did not desire that [he] should be identified, perhaps to [his] prejudice in the Colony, with what was their own act without reference to [him]".⁸² The other two documents are reproduced in Appendices B and C.

The conclusions reached by the board, on the basis of the investigation made by Kimber, were that the Welborne scheme would "...entail on the Colonists and owners of property in the Colony most grievous burdens not only excessive and unnecessary in themselves, but incommensurate with the advantages obtained".⁸³ Their suggestion was that if the government undertook the construction itself it would only be paying the cost of the line, without providing for the large profit expected by the contractors and Welborne himself.⁸⁴

The memorandum sent in by Francis Drummond also struck a note to which the board probably expected Lord Carnarvon to be particularly responsive:

77. See Appendix B.

78. Speech by Henry Kimber at Thirteenth Ordinary General Meeting, reported in *Natal Mercury*, 5 September 1874.

79. *Ibid.*

80. *Ibid.*

81. NA, NLCC (A1380), File 8, Oliver to Behrens, 16 June 1874.

82. *Ibid.*

83. See Appendix B.

84. *Ibid.*

There is a question of extreme importance but chiefly for Government's consideration, whether such a power over Natives as is proposed by the terms of the lease of 2 and a half millions of acres, should be granted to any Company.⁸⁵

This is particularly ironic in view of the fact that the powers mentioned, namely, to collect hut-tax and to remove the "squatters" should the land be sold to white settlers, were identical to what the NLCC itself enjoyed on upwards of 600 000 acres.⁸⁶

The board sent in their documents on 21 May 1874 and, early in July, they were given the opportunity of waiting upon the Secretary of State and personally stating their case. According to a report in the *European Mail* of 15 July, the deputation urged that railway construction should be commenced in Natal as a matter of urgency, that the contract "...should not be of such a nature as would easily involve the company in difficulties, by which the railway might be commenced and not completed for years",⁸⁷ and that if Welborne's scheme were rejected, the Indian system of an imperial guarantee for a colonial loan should be adopted.⁸⁸

Almost immediately thereafter, on 16 July, at the thirteenth ordinary general meeting of the Company, Kimber publicly attacked Welborne's railway scheme in a speech both disparaging of the terms of the contract and personally insulting to Welborne.⁸⁹ Welborne replied with a letter to the editor of *The Empire*, rebutting Kimber's allegations and averring that his statements contained "...the gravest imputations upon the Legislative Council of Natal which has passed this Bill, upon the Governor of Natal who adopted it as a Government measure, and upon the Earl of Kimberley ...who,...laid down the principle of the Bill".⁹⁰ The intended damage, however, had been done. The directors of the NLCC were influential financiers with

85. See Appendix C.

86. NA, NLCC (A1380), File 6, Report of Directors, Ninth Ordinary General Meeting, 16 August 1870.

87. Reprinted in *Natal Mercury*, 3 September 1873.

88. *Ibid.*

89. Printed in *Natal Mercury*, 5 September 1874.

90. Reprinted in *Natal Mercury*, 3 September 1874.

extensive contacts in the City, particularly among those interested in the colonies, and their opinion carried considerable weight "on 'Change" where Welborne would have to raise his capital.

The final outcome of more protracted negotiations during which Welborne asked for more concessions and Lord Carnarvon attempted to whittle down those already granted,⁹¹ the decision was taken to reject the scheme entirely and offer Natal a guarantee if the government would undertake the railway construction itself.⁹² This decision was made more on political than on economic grounds. Of major importance was the effect which it was feared the Welborne scheme would have on the black population of Natal. The *Natal Mercury* pointed out that both Theophilus Shepstone and Bishop Colenso had visited London in August 1874, and that while it did not "...presume to say that these gentlemen exercised an influence hostile to the scheme, it is to be remarked that the objections raised by Lord Carnarvon have almost entirely to do with considerations of native policy".⁹³

Shepstone and Colenso were concerned about the lack of tenure of black squatters on white-owned farms. They conveyed to Carnarvon their fears that large-scale removals, which would have to be supported by the government, might result in disturbances, or even a full-scale uprising.⁹⁴ Alienation of further large quantities of land to Welborne could be expected to exacerbate this situation.

The second political consideration was that Carnarvon was eager to promote the confederation of Natal and the Cape Colony with the Boer republics. This may have been mainly for strategic reasons, although N. Etherington has suggested that economic considerations, relating to ensuring a steady supply of migrant black labour from the interior for the developing white economy, also figured largely.⁹⁵ Whatever Carnarvon's reasons, he was devoted to the confederation scheme and was prepared to offer large concessions to obtain support for it. As pointed out by

91. H. Heydenrych, *op. cit.*, p.54.

92. *Ibid.*

93. *Natal Mercury*, 3 December 1874.

94. H. Heydenrych, *op. cit.*

95. N. Etherington, "Labour Supply and the Genesis of South African Confederation in the 1870s", *Journal of African History*, 20, 1979, *passim*.

John Robinson, in an editorial, the method of "bribing" colonies with imperial guarantees for public works in order to secure their compliance with imperial policies had already been successfully used in the cases of both Canada and New Zealand.⁹⁶

It is not possible to estimate to what extent the NLCC's representations influenced Carnarvon in his decision to scrap the Welborne scheme. However, they must have had some effect, even if only to provide a smokescreen for his political machinations. According to Heydenrych,

By exposing the weaknesses of the Welborne scheme he managed to project his image as the saviour of the colony, at the same time presenting it with a draft bill providing for a railway scheme....By thus satisfying the Natalians' great desire for a railway the Secretary of State made sure of their cooperation in his federation scheme.⁹⁷

It is very probable that his exposure of the weaknesses of the Welborne scheme owed a great deal to the information tendered to him by the board of the NLCC.

Railway construction finally began on 1 January 1876 under conditions essentially similar to those proposed by the NLCC, except that the Central Railway Company was not involved as an intermediary.⁹⁸ The concerted effort which the NLCC had made to promote economic development in Natal by the construction of railway-lines from Durban to Pietermaritzburg and to Verulam had been stifled by the Legislative Council's choice of the Welborne scheme.

This second failure on the part of the Company to play a decisive role in the development of Natal quite possibly had its roots in the first. The large sums which the Company had lent on mortgage in the early 1860s had been intended to promote development and provide a steady source of income, but had instead led only to wholesale foreclosures, an accumulation of property for which no market existed, and a legacy of bitterness and ill-feeling in the colony. While the ill-advised decision

96. *Natal Mercury*, 19 November 1874.

97. H. Heydenrych, *op. cit.*, p.54.

98. *Ibid.*, p.55.

to choose the Welborne scheme doubtless rested largely on the glittering prospects which it offered, it was also probably to some extent dictated by a reluctance to trust a project put forward by the NLCC.

The NLCC's involvement in the railway question in Natal was only one of their many commitments in the colony during this period. Their next most important project was in line with their determination to increase "... the productions of the soil [which] constitute after all the true wealth of the country and will eventually extricate the Colony from all its embarrassments and difficulties in the matter of finances".⁹⁹ In 1870 they became actively involved in plantation management on their own account.

This situation was to some extent thrust upon them, as the plantations were acquired from an insolvent estate in which they were the chief creditors. However, the decision to work the plantations themselves had a two-fold rationale - to maintain or increase the value of the estates until such time as they could be profitably sold, and to add to the revenues of the Company by the sale of the crops. When taken over, the estates were already planted with coffee trees which at that stage promised a good crop.¹⁰⁰ A good local market existed which was expected to be considerably augmented by the increase in population at the diamond fields.¹⁰¹ Furthermore, coffee processing was much cheaper and less complicated than sugar milling, and plans were soon under consideration for the erection of coffee works at Durban.¹⁰²

The insolvent estate from which the NLCC acquired its plantations was that of the Cotton Plantations Company of Natal Limited. Floated in London in 1863 with Henry Milner as managing director, this company failed in cotton growing, went on to plant sugar and coffee, but could not meet its obligations and was declared insolvent in 1870.¹⁰³ At a final general meeting of creditors on 10 February 1870, it

99. NA, NLCC (A1380), File 6, Breffit to Behrens, 24 June 1870.

100. *Ibid.*

101. NA, NLCC (A1380), File 6, Breffit to Behrens, 23 February 1871.

102. NA, NLCC (A1380), File 6, Report of Directors, Tenth Ordinary General Meeting, 14 July 1871.

103. R. Osborn, *op. cit.*, p.261.

was decided that all movable and immovable property should be sold at public auction.¹⁰⁴ The board in London entered into negotiations to sell their claim against the Cotton Company to "...parties who propose to introduce fresh capital into the Colony".¹⁰⁵ However, the negotiations failed, and at the sale, held on 27 October 1870, all the properties were bought for the NLCC.¹⁰⁶

An interim report of the NLCC, published in February 1871, announced that the company had:

...bought in, against its claim [on the Cotton Company], properties to the extent of 79,492 acres of land, including three plantations with 415 acres under coffee cultivation, besides buildings, stores, machinery and gear, of great value, in the seaport town of D'Urban, and on the Estates themselves.¹⁰⁷

The largest of the plantations, Riet Valley, was reported already to be yielding considerable returns in produce although only expected to be in full bearing the following year.¹⁰⁸

The NLCC took its administration of the coffee estates seriously and endeavoured to improve production as much as possible. In March 1873, the *Natal Mercury* reported that Behrens had taken a great deal of trouble to collect samples of produce to send to the London International Exhibition.¹⁰⁹ The report from the Exhibition stated that the coffee from the Company's estates was of good quality and would fetch the same price as coffee from Ceylon.¹¹⁰ When bark disease broke out on the Riet Valley estate, a soil sample was sent to Dr Augustus Voelcker, the analyst of the Royal Agricultural Society of England.¹¹¹ His

104. *Natal Mercury*, 12 February 1870.

105. NA, NLCC (A1380), File 6, Report of the Directors, Ninth Ordinary General Meeting, 16 August 1870.

106. *Natal Mercury*, 29 October 1870.

107. NA, NLCC (A1380), File 6, Interim Report, February 1871.

108. *Ibid.*

109. *Natal Mercury*, 13 March 1873.

110. NA, NLCC (A1380), File 8, Copy of Report on the Natal Produce in the International Exhibition, by Mr Noel Whiting of 14 Mincing Lane. Enclosed in Oliver to Behrens, 3 September 1873.

111. *Natal Mercury*, 9 July 1874.

suggestions as to manuring, draining and pruning were forwarded to the managers of the estates, but even the most advanced scientific knowledge of the time proved ineffectual in stemming the disease. As will be seen, this played a crucial role in the ultimate failure of coffee cultivation in Natal.

In the interim, the initial results from the plantations were good enough to exceed even the optimistic expectations of the board. In January 1872, an interim report of the Company estimated the coming coffee crop at 110 tons, which at current London prices was valued at £7000. However, it was speculated that "In consequence of the large demand springing up at the Diamond Fields... it is probable that the greater part of the Company's Coffee Crop will be sold on the spot for that market, and that a considerable advance over the London price will be thus obtained".¹¹² By January 1873, the Company was able to state that "...the crop of 1871 exceeded all estimates and reached 119 tons..., sales made in the Colony having realised the high average of £85 per ton".¹¹³

Despite the good returns from the coffee estates, the working of the plantations continued to be regarded as a temporary measure until a profitable sale could be made. In June 1872, a proposal was drawn up to sell the coffee estates to a limited liability company to be formed along the same lines as the Plantations Company of Natal.¹¹⁴ This would have been an ideal time to unload the estates as they began to fail soon after this. However negotiations were unsuccessful - the new company was never formed and the NLCC was left with an increasingly unprofitable enterprise.

The first intimation that all was not progressing smoothly on the coffee plantations came in 1873. In reply to a letter from Behrens, Oliver remarked that the prospects for the 1873 crop appeared to be "far from cheering".¹¹⁵ The bark disease had made its appearance, the weather had been unfavourable and arrangements had had to be

112. NA, NLCC (A1380), File 7, Interim Report, 23 January 1872.

113. NA, NLCC (A1380), File 7, Interim Report, 23 January 1873.

114. NA, NLCC (A1380), File 7, Proposal for the Purchase of Coffee Plantations in the Colony of Natal, 6 June 1872. Enclosed in Oliver to Behrens 24 June 1872.

115. NA, NLCC (A1380), File 7, Oliver to Behrens, 4 April 1873. The difficulties experienced on the coffee estates discussed in this paragraph are extensively dealt with in this letter.

made for repairs to buildings. To add to the difficulties, the Indian labourers had complained to the Protector of Indian Immigrants about the rate at which they were being paid. Apparently the rates were lower than on other estates as Oliver reluctantly instructed Behrens to "...submit to the rates paid by other Planters" if the men could not be kept on the estates otherwise. The high price of provisions was cited as another "...drawback to the successful working of the Plantations".¹¹⁶

By August 1873 it was clear that the 1873 crop had failed, and Oliver expressed the fear that "...the pessimists would begin to crow, and say that their evil omens were truth after all and that Natal 'will never grow Coffee'".¹¹⁷ The director's report at the thirteenth ordinary general meeting on 16 July 1874 stated that the receipts from the coffee crop had not been sufficient to meet the working expenses of the plantations.¹¹⁸ The hope was expressed that the crops of 1874 and 1875 would show an increased yield, but the plantations never did recover.¹¹⁹ The difficulties being experienced were not confined to the NLCC's estates; a report in the *Natal Mercury* on 3 September 1874 noted that eleven coffee plantations in the Inanda division of Victoria County had been abandoned in the previous two years, chiefly as a result of the ravages of the bark disease.¹²⁰

According to N. Hurwitz, coffee planting in Natal declined rapidly after 1876 "...owing to bad management, inability to compete with imported coffee, and diseases which were responsible for practically wiping out the industry".¹²¹ In the case of the NLCC, the last factor appears to have been the most important, although the other two may have operated to some extent. The fact remained, however, that yet another attempt on the part of the Company to promote economic development and revive their own fortunes had come to naught.

The failure of coffee in Natal also adversely affected the NLCC's sideline of the coffee works which they erected to process their own and other planters' crops.

116. NA, NLCC (A1380), File 8, Oliver to Behrens, 26 August 1873.

117. NA, NLCC (A1380), File 7, Oliver to Behrens, 4 April 1873.

118. NA, NLCC (A1380), File 8, Report of the Directors, Thirteenth Ordinary General Meeting, 16 July 1873.

119. NA, NLCC (A1380), File 9, Report of the Directors, Fourteenth Ordinary General Meeting, 17 June 1875.

120. *Natal Mercury*, 3 September 1874.

These were opened in June 1872 and represented a substantial investment, being housed in what was at the time "...the largest and best brick building in the country".¹²² Although the volume of work undertaken by the coffee workers was reduced to a trickle, the processing plant remained in operation throughout this difficult period.

Apart from their direct concern with their own estates, the NLCC were also indirectly involved in the affairs of the Natal Plantations Company.¹²³ The land of the Plantations Company consisted of some of the most valuable estates of the NLCC and had been acquired in exchange for debentures and shares. If the cash value of the properties were ever to be recovered by the NLCC, it could only be by the success of the Plantations Company. For this reason, the board of the NLCC were prepared, as Behrens expressed it, to "nurse" the Plantations Company through its early stages of development.¹²⁴

The demands made by the fledgling company, however, soon proved more onerous than the directors had bargained for. Reacting to the news of Behrens' proposed advances to the Plantations Company in early 1870, Breffit wrote:

I am bound, however, to state that the announcement of your intention to pass drafts upon this office at the rate of £650 monthly created some alarm in their minds in view of our existing heavy engagements for July....Judge, then, of the effect produced upon us by the prospect, not of remittances from your side to relieve us, but of an additional weight of some £2,600 to increase our burden.¹²⁵

The board had no option but to ratify the arrangement made by Behrens, but he was sent instructions to make no further advances.¹²⁶

121. N. Hurwitz, "Agriculture in Natal, 1860-1950", *Natal Regional Survey*, Vol. 12, 1957, p.79.

122. *Natal Mercury*, 23 January 1873.

123. See Chapter 3.

124. NA, NLCC (A1380), File 6, Breffit to Behrens, 23 April 1870.

125. *Ibid.*

126. *Ibid.*

The circumstances of the Plantations Company did not improve, however, and by October the monthly payments totalled £3250, of which "not one farthing in cash" had been offered in repayment.¹²⁷ In December Behrens was authorised to advance another £600 to the Plantations Company manager.¹²⁸ On 19 January 1871, an agreement was entered into between the two companies whereby the NLCC would advance funds up to £600 per month on the condition that all bills of lading for sugar produced on the Plantations Company estates and shipped to London would be deposited with the NLCC.¹²⁹ The NLCC would thus be entitled to sell the sugar and recoup their advance, after which the remainder, if any, would be transferred to the Plantations Company.

Despite the assistance of the NLCC, the Plantations Company continued to experience difficulties, and in November 1872 they were forced to circularise their shareholders with the information that they were unable to redeem their debentures.¹³⁰ The circular put the proposition that:

...all such Debenture-holders as are willing to waive their right to redemption of their Debentures by the Annual Drawing, shall receive an additional Interest of Two per Cent per annum upon their Debentures.¹³¹

Enough debenture-holders were willing to accede to the proposition to enable the company to continue operations.

The next crisis occurred in December 1873 when the board of the Plantations Company found itself without funds to meet its coupons and the NLCC advanced a further £2000.¹³² Breffit further reported in April 1874 that "...they are unable to repay more than half of the loan granted to them by us in December last and we have been obliged this morning to discount their bills for £1000 at our Bankers".¹³³

127. NA, NLCC (A1380), File 6, Breffit to Behrens, 22 October 1870.

128. NA, NLCC (A1380), File 6, Breffit to Behrens, 24 December 1870.

129. NA, NLCC (A1380), File 6, Copy of Articles of Agreement enclosed in Breffit to Behrens, 24 January 1871.

130. NA, NLCC (A1380), File 7, Circular of Natal Plantations Company enclosed in Oliver to Behrens, 22 November 1872.

131. *Ibid.*

132. NA, NLCC (A1380), File 8, Oliver to Behrens, 23 January 1874.

The coupons of the Plantations Company due in July 1874 could again not be met and the NLCC were forced to advance another £2500.¹³⁴

Throughout this period, then, the Plantations Company was a drain on the NLCC of funds which it could ill afford to lose. One of the reasons for the estates' failure to pay was transport difficulties - the steamer used to transport the crop was lost at sea and the cattle disease had decimated the draught oxen.¹³⁵ Furthermore, conditions for the sugar industry were generally poor during this period:

By 1875 the price of sugar had fallen to £20 to £22 per ton from £35 per ton in 1860. Similarly, the area under cane had increased by only 4,000 acres in these same fifteen years, and the output had built up to a mere 11,000 tons from 3,500 tons.¹³⁶

The NLCC was placed in an extremely unsatisfactory situation. Yet another venture, meant to bring in revenue, was merely draining off resources, and they were forced to continue paying because the bankruptcy of the Plantations Company would only lead to a far greater loss.

Despite all the setbacks of this five-year period - the rejection of the railway schemes, only one good coffee crop and constant demands from the Plantations Company - the NLCC not only managed to meet its commitments regularly, but were able to show a moderate profit. A profit of £2056 was recorded for the year ended 31 December 1871,¹³⁷ but this was turned by the end of the period into a profit of £3517 for the year ended 31 December 1874.¹³⁸ These funds came from a source which the Company had never deliberately fostered or regarded as a

133. NA, NLCC (A1380), File 8, Oliver to Behrens, 25 April 1874.

134. NA, NLCC (A1380), File 8, Oliver to Behrens, 16 June 1874.

135. NA, NLCC (A1380), File 8, Copy of Bergtheil [Acting Managing Director of Natal Plantations Company] to Oliver, 8 June 1874.

136. R. Osborne, *op. cit.*, p.77.

137. NA, NLCC (A1380), File 7, Balance Sheet for year ended 31 December 1871, appended to Report of Directors, Tenth Ordinary General Meeting, 14 July 1871.

138. NA, NLCC (A1380), File 9, Balance Sheet for the year ended 31 December 1874, appended to Report of the Directors, Fourteenth Ordinary General Meeting, 17 June 1875. See also Appendix E.

particularly important part of their operations: rents on land and on house properties in Durban and Pietermaritzburg.

The urban properties had been acquired solely through foreclosure on mortgage, and their value was considered to lie not so much in present rent collecting, as in future sale.¹³⁹ The rents, however, increased steadily over the period as more of the properties were occupied and their importance to the Company was given greater acknowledgement in succeeding Company reports. The report issued in May 1872 valued the town properties at between £60 000 and £70 000, "...at present yielding fair rents, which must improve as the prosperity of the Colony advances".¹⁴⁰

The second source of rental income, from leases to white settlers and from hut-rent from black squatters on Company land, was regarded throughout most of this period as of very little significance. The chairman of the Company, F.C. Drummond, remarked at the tenth ordinary general meeting in July 1871 that "The landed properties in the colony are chiefly not occupied; but some of them are leased, and we are receiving a moderate amount, sufficient to meet all Government dues for quitrent and non-occupation tax thereon".¹⁴¹

A further indication of the Company's lack of regard for this source of income was found in a report drawn up by Henry Kimber who had been assigned the task of revaluing the Company's landed property in 1871.¹⁴² According to this report:

Another, though minor, point affecting the present value to the Company of these lands is the existence upon many of them of Kafir Huts for which rents are paid. Unfortunately we have not as yet full information on this head, but as far as we have returns, they have assisted the calculation of value.¹⁴³

The collection of these rents at this stage was unsystematic and it was difficult to

139. NA, NLCC (A1380), File 5, Report of Directors, Eighth Ordinary General Meeting, 26 August 1869.

140. NA, NLCC (A1380), File 7, Interim Report of Directors, May 1872.

141. *Natal Mercury*, 12 September 1871.

142. NA, NLCC (A1380), File 6, Breffit to Behrens, 24 April 1871.

143. NA, NLCC (A1380), File 7, Report to Committee on Valuation of Landed Property, enclosed in Breffit to Behrens, 24 June 1871.

obtain statistics on their value.

Later on in this period, however, the situation began to change with the Company's recognition that this source of revenue had been too long neglected. In 1872 Behrens despatched an expedition to the Weenen and Klip River Counties to establish the numbers of squatters resident on the Company lands and to ensure that their rents were paid.¹⁴⁴ By 1874 the company was concerned enough to seek the opinion of Theophilus Shepstone as to how these rents could be increased. He "...seemed to think it might be better policy to lower rather than raise the hut-tax as such a course might encourage the natives to settle upon our lands".¹⁴⁵

The Company, however, was not in favour of increasing the numbers of squatters on its lands, and in December 1874 embarked upon an entirely new policy with regard to hut-rents. The rate was raised to £2 per hut which was to be collected under strict conditions.¹⁴⁶ A notice was published in the *Natal Mercury* to all squatters advising them to:

Please take notice that the hut rent you pay to the said Company as proprietors and agents covers only the pasture for a moderate number of cattle and moderate cultivation in the native style with the hoe, here called picking. And please take notice that no ploughing up of land is permitted, except upon special prior arrangement with the Undersigned, or with the rent collector of the respective property, as to extent, position and rent.¹⁴⁷

The inference to be drawn is clearly that any black farmers using more sophisticated methods than the purely traditional were to pay a higher rent. Presumably the Company's reasoning was that if they were farming on the same scale as whites, they could afford to pay comparative rents. The distinction, however, remained that whereas white farmers leased land by acreage and for specified periods of time, blacks continued to pay per hut without any security of tenure.

144. NA, NLCC (A1380), File 7, Oliver to Behrens, 23 August 1872.

145. NA, NLCC (A1380), File 8, Oliver to Behrens, 19 October 1874.

146. *Natal Mercury*, 8 December 1874.

147. *Natal Mercury*, 8 December 1874.

The change in the Company's attitude to its black tenants can be attributed to the well-documented rise in black peasant agriculture during this period in colonial history.¹⁴⁸ White farming, particularly in the midland and upland areas of Natal, had been badly affected by unfamiliar and sometimes harsh conditions, serious transport difficulties and the exodus to the diamond fields. The cultivation of staple crops and cattle farming came to be concentrated almost exclusively in the hands of the successful black peasantry.

The Company's lands in these areas, which had been regarded as "waste land" until the market should allow for profitable sales, became an increasingly important source of income.¹⁴⁹ However, at this stage this was still regarded as a purely temporary arrangement. The long-term aim of the Company remained the sale of its land to white settlers when this could be profitably accomplished. The black peasant farmers had no legal title to the land which they cultivated, and if a change of ownership necessitated their removal, the government would be bound to carry it out.¹⁵⁰

Considering the five-year period 1870 - 1874, it becomes more apparent that the generally accepted view of the NLCC as absentee landlords who tied up vast acreages of the best land in Natal in unproductive "Kafir farming", thus preventing colonisation and economic development, is by no means accurate. The half-decade, which began with such promise, saw every attempt on the part of the Company to promote development frustrated by conditions in the colony, by local antagonism and by imperial policy. In the end, their decision to take greater advantage of the black peasant farmers squatting on their lands as a source of revenue was dictated by force of circumstance rather than by any deliberate policy.

The mineral discoveries, at Kimberley and later in the eastern Transvaal, seemed to offer enormous opportunities for the Colony of Natal. Undeveloped as those

148. The seminal works on this subject include C. Bundy, *The Rise and Fall of the South African Peasantry*, 1979; R. Palmer and N. Parsons(eds), *The Roots of Rural Poverty in Central and Southern Africa*, 1977; D. Welsh, *The Roots of Segregation: Native Policy in Colonial Natal, 1845 - 1910*, 1971; S. Marks, *Reluctant Rebellion: the 1906-8 Disturbances in Natal*, 1970.

149. See Appendix F, Map 3.

150. H. Slater, *op. cit.* pp.274-5.

regions were, they would have to rely on the established communities to supply all their basic necessities. In order to take full advantage of those opportunities, however, Natal would have to improve the transport infrastructure and expand agricultural production. Identifying the interests of the colony closely with their own, and grasping at what appeared to be profitable investment opportunities, the NLCC concentrated their own resources into these two areas.

Their attempt to initiate railway construction was foiled by the Legislative Council's infatuation with a far more grandiose scheme and by the legacy of ill-feeling which their foreclosures in the previous decade had left. They were not entirely without influence, however, and the final rejection of Welborne's scheme probably owed something to their intervention. Considering the exorbitant demands which this project would have made on the already weak colonial economy, it is perhaps arguable that this contribution should be seen as a positive one.

Their foray into coffee and sugar planting, on their own account and through the Natal Plantations Company, had the two-fold objective of increasing their own revenue and of demonstrating to prospective settlers the profits which could be made in Natal. Their lack of success can be attributed to cattle disease, plant disease, transport difficulties and labour problems, conditions which were common to all planters in the colony during this time. Capital and the best scientific information then available were freely transmitted to the colony, but were not sufficient to overcome the difficulties.

The Company was left with only three sources of income to meet their financial commitments - renting of their urban properties, leasing rural land and the collection of hut-rent from black squatters. The first of these was fixed by the number of properties and the prevailing rates for rent, the second constrained by the paucity in numbers of white settlers, but the third could be increased by more systematic collection and by raising the hut-rent. This was possible due to the fact that the black peasantry were improving their farming methods and increasing their incomes, and they were prepared to pay higher rates because the Company land was better than Crown land or land in the reserves and closer to the markets.

CHAPTER FIVE

1875 - 1879: Part 1, The Origin of a Stigma

The years 1875 to 1879 can be regarded as a time of re-assessment in Natal, when progress up to that period was critically reviewed and important decisions were made with regard to its future development. The prosperity brought by the diamond discoveries to the sub-continent had filtered through to the colony, chiefly in the form of increased trade and capital investment. The railway question, after long and often acrimonious wrangling, was finally settled and construction of the railway-lines to Pietermaritzburg, Stanger and Isipingo was underway.¹ However, it was realised - both in the Legislative Council and the Colonial Office in London - that the white settler economy was to some extent stagnating and in danger of being overwhelmed by the flourishing and ever-increasing black population.

The lackadaisical and penny-pinching attitude of the government of Natal to the promotion of European immigration and the liberal native administration of Theophilus Shepstone had combined to create a situation in which whites were vastly outnumbered by blacks.² The main preoccupation of the Colonial Office was with security. It was feared that an uprising would have to be dealt with at great cost by an imperial force.³ The settlers, although concerned with this aspect, also resented the fact that black farmers were competing successfully on the open market and therefore had little incentive to enter into labour relations.⁴

From the point of view of both the white settlers and the local government, the problem was compounded by the fact that the black population was not confined to the reserves set aside under the Shepstone system and the land granted in trust to missions. Instead, they had overflowed onto vacant Crown land and the land owned by speculators and the NLCC.⁵ This land was generally of a better quality and closer

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1. The first sod of the Natal Government Railways was turned on 1 January 1876. H. Heydenrych, *op. cit.*, p.55. See also Appendix F, Map 1.
 2. In 1870 there were 17 700 whites and 257 800 blacks in the colony, the respective percentages being 6.3 and 92.0. Z.A. Konczacki, *op. cit.*, p.4.
 3. W. Guest, *op.cit.*, p.156.
 4. H. Slater, *op. cit.*, pp.271-2.

to the markets than the reserve lands, thus providing the black farmers with greater opportunity to engage in commercial agriculture.⁶

The local authorities' perception was that the only remedy for this state of affairs was to increase European immigration, thereby not only decreasing the disproportion between black and white, but, more importantly, replacing the black squatters on vast areas of Natal land with white settlers.⁷ Natal had a poor record as far as European immigration was concerned, and before any new scheme could be undertaken, the reasons behind this needed to be identified.

In mid-1874, a commission was appointed to confer on measures proposed for the promotion of European immigration into the colony,⁸ and the local general manager of the NLCC, Carl Behrens, was invited to sit on the commission. The report of the commission, published in the *Government Gazette* of 22 September 1874, concluded that if the government wanted immigrants, it would have to provide funds for free passages and to settle the newcomers on land in the colony. For these purposes, it was suggested that an amount of £10 000 per annum should be set aside for purposes of immigration.⁹ The report of the commission was received by the Legislative Council, but due to the constitutional crisis brought on by the Langalibalele affair, no action was taken to implement its suggestions.

There the matter rested until the introduction in July 1875 of the viewpoint that the blame for the failure of immigration rested squarely on land speculators, of whom the NLCC was the largest and most obvious. The origins of this viewpoint will be traced hereunder, but briefly the argument ran as follows: the Company, as the greatest single landowner, possessed vast acreages of Natal land, including some of that which was best for cultivation and closest to the main markets of Durban and Pietermaritzburg.¹⁰ Although some of this land was leased to white farmers, the

5. Z.A. Konczacki, *op. cit.*, p.7.

6. A.J. Christopher, "Natal: A Study in Colonial Land Development", unpub. Ph.D., University of Natal, 1969, p.376. See also Appendix F, Map 3.

7. L.C. No. 28, Natal Legislative Council Sessional Papers. Message of his Excellency the Lieutenant-Governor on the subject of European Immigration to this Colony.

8. *Natal Government Gazette*, 22 September 1874, p.528.

9. *Ibid.*

10. See Appendix F, Map 3.

great majority was "waste" land occupied only by black squatters from whom hut rents were exacted. It was alleged that the Company had made no effort to sell or colonise its lands, and that its prices were kept deliberately high, thereby discouraging settlement. The accusation was levelled that the Company was tying up the land against an expected future rise in prices and that in the meantime it was making a greater profit from "Kafir farming" than it could hope to do from settling the lands.

This view of the Company's activities is to be found in the official documents of the period and it has been perpetuated by later researchers, notably Christopher, Bagwandeem and Slater,¹¹ to the extent that it is now "common knowledge" that the white settlement of Natal was retarded throughout the second-half of the nineteenth century by the NLCC.¹² Like most monocausal explanations of historical processes, this one contains no more than a germ of truth and gives a somewhat distorted view of the situation actually prevailing in Natal at that time.

Examination of the Company correspondence, which was not included in the research undertaken by the authors mentioned above, places an entirely different construction on the role of the Company and enables a more accurate assessment to be made of the official records. The glib assertion that the NLCC prevented colonisation is perforce replaced by a far more complex array of reasons for Natal's failure to attract a significant share of the massive stream of emigrants who left Great Britain and Europe during this period. The stigma on the Company's name, which has lasted to the present day, was attached by local interest groups for reasons which were only marginally connected with the question of colonisation.

The origin of the view that the NLCC was responsible for retarding the process of colonisation by holding vast acreages of Natal land without making any attempt to settle them can be traced to the "Report by Major Butler, C.B., A.D.C., upon

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11. A.J. Christopher, "Natal: A Study in Colonial Land Settlement", unpub. Ph.D., University of Natal, 1969; D. Bagwandeem "European Immigration into Natal, 1862 - 1884", unpub. M.A., University of Durban-Westville, 1974; H. Slater, *op. cit.*
 12. See the unfootnoted reference to "...vast areas of the colony being tied up in the hands of absentee landowners and land speculation companies such as the Natal Land and Colonisation Company." J. Lambert, "African Purchases of Crown Lands in Natal, 1881 - 1903", Conference on the History of Natal and Zululand, University of Natal, July 1985.

European Immigration into this Colony".¹³ Major Butler was attached to the staff of Sir Garnet Wolseley, who had been sent to Natal to resolve the constitutional crisis brought about by the Langalibalele affair.¹⁴ Butler was appointed Immigration Officer, chiefly to provide Wolseley with an ally on the colony's Executive Council, but he used his five-month stay in the colony to investigate the question of European immigration.

In considering the question of the failure of previous immigration schemes, Butler came to the following oft-quoted conclusion:

And in truth there lay behind this scheme, as there had lain behind all others, a cause of failure sufficient to destroy any attempt to introduce Europeans into Natal. *There was no available land to be had.* In a country as large as Scotland, and with a total white population of a third rate English town, the Government had no land to give away....There are roundly stated about eight million acres of Natal held by private individuals, or by Companies; of these nearly one million are in the possession of one Corporate body.¹⁵

The NLCC being the "one Corporate body" referred to, the implication was that the Company could be held chiefly responsible for the lack of suitable land for settlers.

Butler's report did acknowledge that not all the land in Natal had been alienated, some two or three million acres remaining in the hands of the Crown. It went on, however, to state that "...the real evil under which Natal at present suffers, is not so much the limited amount of land held by the Crown, as the remoteness and discontinuity of such land".¹⁶ The preferred method of colonisation at the time was to settle groups of small farmers on 200- to 300-acre farms, in close proximity, and to establish a township at the same time.¹⁷ This method required large blocks of unoccupied land, and could not be expected to succeed unless the small farmers had

13. *Natal Government Gazette*, 13 July 1875, p.219.

14. W. Guest, *op. cit.*, p.159.

15. *Natal Government Gazette*, 13 July 1875, p.220. Emphasis added. See also Appendix F, Map 3.

16. *Ibid.*

17. A.J. Christopher, "The Closer Settlement Movement in Natal", *Journal for Geography*, Vol.3(6), 3 April 1970, pp.570 - 571.

reasonably easy access to an already established market. There was little Crown land which could be regarded as suitable in these respects.

Private owners, however, and particularly the NLCC, were in possession of tracts of land which were regarded as eminently suitable for this type of colonisation scheme. Butler's recommendation was that these lands be appropriated by the government either by means of a "Squatting Law" empowering the government to settle immigrants thereon without reference to the owners, or by the imposition of a punitive "Land or Absentee Tax".¹⁸ Well aware that such confiscatory measures were an infringement on the sacred "Rights of Property", Butler justified them on the grounds that "exceptional evils can only be met by exceptional remedies".¹⁹

A select committee was formed to consider the whole question of European immigration during the fourth session of the Legislative Council in 1875. The report was published in December 1875, shortly after Butler's report had been referred to the Council, and did little but re-echo that report's sentiments with regard to the lack of land suitable for colonisation.²⁰ It did, however, advise against any attempt to appropriate privately-owned land by legislative means, and suggested instead that landowners be invited, in their own best interests, to place a proportion of their land at the government's disposal for the purpose of settling immigrants.²¹

In transmitting Butler's report to the Legislative Council, Henry Bulwer, then Lieutenant-Governor, made it clear that he agreed with the main findings of the report:

The most serious of these difficulties...is the want of available land, in a country of waste lands, to offer that class of Immigrants - the small farmer and the agricultural labourer - of which the Colony is most in need.²²

18. *Natal Government Gazette*, 13 July 1875, p.221.

19. *Ibid.*

20. L.C. No. 35, Natal Legislative Council Sessional Papers: Report of the Select Committee appointed to consider the whole question of European Immigration, 6 December 1875.

21. *Ibid.*

22. L.C. No. 28, Natal Legislative Council Sessional Papers: Message of His Excellency the Lieutenant-Governor, on the subject of European Immigration to this Colony, 19 November 1875, p.1.

He was not, however, prepared to offer an opinion on the measures suggested by Butler, but contented himself with recommending the matter to their serious attention.²³

The first reaction to Butler's report, from the Company secretary, Oliver, was that it was not worthy of serious consideration. In a letter to Behrens, he wrote, "The plan proposed appears to me absurd - the landowners would not stand it. I suppose the report is simply the work of a clever but thoroughly unpractical man".²⁴ He proposed to bring the report to the attention of the board, and offered the opinion that in the unlikely event of an attempt being made to pass legislation along the lines suggested, the board would send a protest to Downing Street.

That the matter could not be thus lightly brushed aside soon became apparent. In March 1876, Oliver wrote again on the subject to Behrens:

Amongst the Parliamentary papers published at the beginning of this session were Major Butler's Report relating to Immigration, and a despatch of Lord Carnarvon's founded upon it, in which his Lordship appeared to adopt the Major's very arbitrary suggestion that the Government of Natal should get power to occupy the lands of private owners, and locate families upon them, whether such owners were willing or not. This proposal, together with other remarks of Major Butler's, seemed so palpably directed against us, that the Board determined to seek an explanation from the Colonial Office.²⁵

The directors were outraged that Carnarvon should appear to sanction what they considered unwarrantable interference in their affairs. A letter requesting an interview with Carnarvon was sent to the Colonial Office, "couched...in language which, it proved, his lordship considered strong".²⁶

The interview was granted and a deputation from the Company was received by Carnarvon who appeared "a little nettled" at having been suspected of being

23. *Ibid.*

24. NA, NLCC (A1380), File 9, Oliver to Behrens, 1 September 1875.

25. NA, NLCC (A1380), File 9, Oliver to Behrens, 27 March 1876.

26. *Ibid.*

capable of deliberate injustice.²⁷ It transpired that Carnarvon had considered the appropriation of land because of his deep anxiety over the safety of the colony. Although the Langalibalele affair had been a relatively minor act of defiance, it had raised fears of a general insurrection by the black population. In order to improve security in the colony, Carnarvon wanted to establish townships which would act as military centres at strategic points where they would serve as rallying points if defence became necessary.²⁸

The Company deputation managed to convince Carnarvon that the accusation that their land was not available for colonisation was unfounded. In his reply, the Secretary of State was reported to have said:

Major Butler has proposed a scheme by which a certain limited number of small farms ranging from 200 to 300 acres should be let on low terms to emigrants, and that within a certain period they shall have the right of pre-emption. That, as I understand, is what the company has already offered to do on more occasions than one, and in fact on more liberal terms than Major Butler suggests.²⁹

He gave the deputation the strongest assurance that, while some measures would have to be instituted to improve the security situation in Natal, the greatest care would be taken to ensure that "...justice shall be done to all classes in the colony; and whether those individuals live in Natal or not".³⁰ The deputation, reassured that wholesale confiscation of their land was not being contemplated by the Colonial Office, gave Carnarvon their opinion that the contemplated plan was a good one and indicated that the Company would be prepared to co-operate.³¹

Although the NLCC had managed to present its case to the Secretary of State in so convincing a fashion as to establish an "excellent understanding between Downing Street and the Company",³² opinion in the colony was less susceptible to their

27. *Ibid.*

28. *Ibid.*

29. *Natal Mercury*, 2 May 1876.

30. *Ibid.*

31. NA, NLCC (A1380), File 9, Oliver to Behrens, 27 March 1876.

32. *Ibid.*

explanations. The publication of Butler's report sparked off an outpouring of popular resentment against the Company. The advantage which the directors enjoyed in London, of being able to meet face to face with the Secretary of State in order to present their case, was lost to them in Natal.

The *Natal Mercury*, commenting on a report of the meeting between Carnarvon and the Company deputation, expressed the feelings of resentment against the Company then current in the colony:

It is to be regretted that some colonial outsider was not present with the deputation from the Natal Land and Colonisation Company which waited upon Lord Carnarvon....He would have pointed out that more than half the lands held by the Company were acquired by it at prices which were wholly fictitious, and far beyond any that have been realised since; and that the remainder consists of properties upon which loans have been advanced at rates of interest so high that the owners were often crushed beneath the burden, and had to throw them up to the mortgagor.³³

The rates charged by the Company during the early 1860s were simply those ruling in the colony at the time, but the temptation to cast the Company in the role of a rapacious metropolitan moneylender was irresistible. The newspaper article went on to suggest that the Company's difficulties with its moneylending activities had prevented it from fulfilling its role as a colonisation company.³⁴

A protest was sent to the editor of the *Natal Mercury* who admitted in a leading article two days later that he might have been less than fair to the Company:

Unfortunately, in the colony we know so little of what takes place at the general meetings of the Company that erroneous impressions are apt to get crystallised into fixed convictions....The reason why immigrants sent out at the expense of the Company did not stay was, we are told, simply because they were the wrong class of men, quite without means, and not practical agriculturists. People of this class, as a rule, never take the lands recommended to them.³⁵

33. *Natal Mercury*, 4 May 1876.

34. *Ibid.*

35. *Natal Mercury*, 6 May 1876.

He also admitted that besides attempting to introduce immigrants, the Company had sold a good deal of its land and had invested large sums of money in the colony.

In a further attempt to show that the premises upon which Butler had founded his call for the confiscation of land were ill-founded, the Company drew up a memorandum which was sent to Carnarvon. The Colonial Office transmitted it to the Lieutenant-Governor of Natal and it was published in the *Natal Mercury* on 1 July 1876.³⁶ The full text is included as Appendix D as it contains considerable detail on the Company's activities with respect to the leasing and sale of land up to that date. The object of the memorandum was to show that the Company and other landowners, far from attempting to tie up the land, had been, and still were, making land available to settlers on easier terms than those suggested by Butler. This was not from any altruistic motive, but simply because "...their interests have necessarily all lain that way".³⁷

The Company memorandum also pointed out that Major Butler had not only reached a false conclusion, but his argument was based on faulty information. The Crown lands ungranted amounted to 4 750 000 acres, rather than the 2 000 000 or 3 000 000 suggested in the report; the alienated lands, exclusive of native trusts, less than 6 000 000 acres, not 8 000 000; and the Company had never owned 1 000 000 acres, but then owned 622 000 acres, of which 130 000 acres had been brought under occupation of producers, principally white settlers.³⁸

Having attempted to show that the Company could not be held responsible for the failure of immigration, the memorandum offered an alternative explanation:

It is submitted with great earnestness that what Major Butler has called the "great cause of failure" arises, not, as he supposes, from there being "no land to be had", which is utterly disproved in fact, but because there were no buyers or tenants, and the reason of there being no buyers or tenants was, that successive Governments have not expended sufficient in

36. *Natal Mercury*, 1 July 1876.

37. Appendix D.

38. *Ibid.*, pp.5,9. See also Appendix F, Map 3.

emigration, or afforded facilities for the settlement of the colony at all comparable with the facilities given for and by other colonies.³⁹

It went on to point out that the distance of the colony from the centres of emigration and the expense of the passage made it essential that some sort of government assistance should be given to intending immigrants of the small tenant-farmer class, who would not otherwise be able to afford to come to Natal.

It can, of course, be argued that the Company, faced with confiscation of its major assets, would naturally attempt to refute the charges brought against it by shifting the blame elsewhere. However, their contention that Butler's conclusions were inaccurate and unjustified received support from an entirely independent source. During 1876, the Legislative Council instituted a substantial investigation into the findings of Major Butler. A select committee was appointed to "examine a number of gentlemen of long Colonial experience and unquestionable fitness to afford information on the capabilities of the Colony, and on various matters concerned with Immigration".⁴⁰ This committee found that Butler's short period of residence in the colony had given him little opportunity to comprehend fully the complexities of the land and immigration question in Natal. No evidence was brought forward to suggest that immigration had failed due to a lack of land. They refused to advocate the appropriation of privately-owned land in order to settle immigrants on smallholdings as they questioned the feasibility of small farming anywhere except along the coast, where Crown land was still available.⁴¹

The evidence brought before the committee provided a vastly different picture of conditions in Natal to that painted by Butler. Instead of a rich farming country, suitable for settlements of small farmers, the country, except for the narrow coastal belt, was portrayed as suitable only for free-range stock farming requiring large farms. One of those called to give evidence was the Hon. Walter MacFarlane, Speaker of the Legislative Council, who had been resident in the colony since 1849, chiefly in the up-country. He offered the following testimony:

39. *Ibid.*, p.10.

40. L.C. No. 15, Natal Legislative Council Sessional Papers: Report of the Select Committee appointed to consider the Report by Major Butler, 9 October 1876.

41. *Ibid.*, pp.1-3.

The leading fundamental mistakes in the Report are in my opinion three in number. The writer mistakes the character of the soil; the nature of the country which he supposes on the whole an agricultural country; the recommendations to appropriate portions of private lands...without any security from the local Government that the tenants proposed to be placed by Government on these men's properties are either able or willing to fulfil their contracts.⁴²

Judging from his own considerable experience, this witness called into question the official belief that large land grants were not essential and could be broken up into smallholdings anywhere in Natal.

It was also pointed out by MacFarlane that the higher prices asked by land speculators were of fairly recent origin. Using examples, he argued:

I do not think the grants of land by Government referred to by Major Butler can have, as he alleges, prevented Immigrants possessed of a capital, enabling them to farm, from settling in this Colony; because, with the exception of the past few years. the prices asked by private holders of land from intending purchasers have always been extremely low; lower than the price asked by Government for waste Crown Lands.⁴³

With the general improvement in conditions consequent upon the diamond discoveries, a better market for land had resulted in an increase in the price of privately-owned land, while that of Crown land still lagged behind. Major Butler, however, had erroneously concluded that this discrepancy had always existed.

As far as the coastal belt was concerned, evidence was brought forward that there was no shortage of land suitable for settling small farmers. Letters were produced from R Higham and R Wooley attesting that vacant Crown land, eminently suited to the type of settlement contemplated by the government, was to be found in abundance in Alfred County.⁴⁴ According to Higham, there was a good road to

42. *Ibid.*, p.20.

43. L.C. No. 15, Natal Legislative Council Sessional Papers: Report of the Select Committee appointed to consider the Report by Major Butler, 9 October 1876, p.21.

44. *Ibid.*, pp.3-5. See Appendix F, Map 3.

Durban, but the distance to the port remained an obstacle which Wooley argued could be solved by the opening up of the mouth of the Umzimkulu River to some form of sea transport.

Mr Aiken, a sugar planter in Alexandra County, pointed out that there was a large block of "unoccupied" land between Durban and the area occupied by himself and his neighbours which was held not by speculators, but by Native Trustees. The Umlazi Location, the Amahlongwa Mission Reserve and Ifafa American Mission Station all contained land which was not being cultivated, but which would be eminently suitable for the settlement of immigrants.⁴⁵

After deliberating on the evidence presented, the committee's finding was unequivocal. The failure of previous schemes to settle immigrants could not be ascribed to a lack of land. The immigrants had refused or been unable to stay on the lands allotted to them. The reasons for this had included insufficient care in the selection of land, allotments which were too small, the lack of access to markets and the lack of agricultural skill on the part of intending immigrants. According to the committee, much of the failure could be ascribed to the fact that immigration schemes had tended to be in private rather than government hands, and had been devised and carried out "...with a view rather to the private gain of the originators than to the good of the Immigrants or the common weal".⁴⁶ The committee did find that despite the fact that the immigrants failed to establish themselves on the land, "...the greater number have thriven well, and some have prospered greatly, though by means other than the cultivation of the land ascribed to them".⁴⁷

The committee was also critical of Butler's scheme for the future settlement of immigrants on small farms of from 200- to 300-acres carved out of appropriated estates:

Evidence shows that, except in that part of Natal known as the "Coast Belt", many blocks of such extent adapted for small farming, without the addition of commonage, would not be found. Nor can your Committee recommend that, for the

45. *Ibid.*, pp.13-14. See Appendix F, Map 3.

46. *Ibid.*, p.2.

47. *Ibid.*

purpose of Immigration, the resumption of land should be contemplated, without strict regard to equitable arrangement for its acquisition.⁴⁸

The opinion of colonists long settled in Natal, who had successfully established themselves on the land, was in direct contradiction to the official view which was based on the report of a man resident for a mere five months in the colony.

The report of this committee was submitted to the Legislative Council in October 1876, at the time when a series of bills on land and immigration was being debated. The minute of the Lieutenant-Governor accompanying these bills on their transmission to the Council took very little cognisance of the findings of the select committee report, and none whatever of the protestations of the NLCC.⁴⁹ It reviewed, once again, the disproportion between the amount of land alienated from the Crown and the size of the white population, and re-expressed the opinion that these lands were in the hands of speculators who were not willing to open them up to intending immigrants.⁵⁰

This minute also explicitly stated the opinion that land speculators were deliberately putting prohibitive prices on their land in order to keep them intact until the market should improve. It continued:

In the meantime, these lands contribute nothing to the development and progress of the country. They lie waste and desolate, useless and unoccupied, or if occupied at all, occupied only by native squatters, whose readiness to pay a large rental for the privilege of squatting not only protects the owner from the loss which in any other country would attend the non-employment of his land, but is actually a source of profit to him.⁵¹

The point was made, yet again, that land speculators were blocking the progress of the colony by refusing to make land available for the settlement of new immigrants.

48. *Ibid.*, pp.1-2.

49. L.C. No. 12, Natal Legislative Council Sessional Papers: Minute of the Lieutenant-Governor on the subject of Land and Immigration, 15 September 1876.

50. *Ibid.*, pp.1-2.

51. *Ibid.*, p.3.

The findings of the committee report that the land distribution system in Natal had had little effect on previous attempts to promote colonisation appear to have been duly noted:

To say that these conditions are answerable for the hitherto feeble and scanty flow of immigration into the Colony would not be true; but they are, beyond all question, conditions which offer very serious obstacles to the introduction of any large number of European immigrants, and to the proper occupation of the soil by an industrious class of settlers.⁵²

However, the committee report's conclusion - that most of the land of Natal was simply not suited to intensive cultivation on a smallholding system and could not be closely settled successfully - was ignored.

The series of four bills which was presented to the Legislative Council together with the Lieutenant-Governor's minute had the ostensible purpose of making more land available to the government for purposes of colonisation.⁵³ Three of the four were uncontroversial: No. 21, "To provide for the establishment of a Land and Immigration Board"; No. 22, "To provide for the appropriation for public purposes of certain land reserved as Villages or Townships"; and No. 23, "To provide for the appropriation for public purposes of certain Lands reserved for Commonages for the Village of Weenen". The Land and Immigration Board was to provide the administrative machinery for the introduction of settlers and their establishment in the colony. The lands referred to in bills No. 22 and 23 were Crown lands which had been reserved by law for special purposes. They had not been utilised, however, and it was now proposed to make them available for the introduction of immigrants.

Bill No. 20, "To provide for the more general occupation and improvement of lands alienated from the waste lands of the Crown within the Colony", on the other hand, was highly controversial. It struck at the heart of the land tenure system then operating in Natal, and threatened the confiscation of all privately-owned land,

52. *Ibid.*

53. The bills were published, after they had been passed, in the *Natal Government Gazette*, 20 March 1877.

outside the municipal areas of Durban and Pietermaritzburg, which was not occupied by white farmers. All grants of land originally made by the Crown were to be made subject to conditions of occupation and improvement. In other words, the title of any land not actively settled and worked by whites could be retracted.

At the same time, this bill made provision for the appointment of a commission to investigate every aspect of land utilisation in Natal. The conditions under which title to all the alienated land was originally granted was to be examined, the extent to which land was under cultivation or being used for grazing was to be recorded, and whether the land was occupied by persons of European descent or by blacks was to be duly noted. In the latter case, a full report was to be compiled on the number of blacks occupying the land, the number and nature of their dwellings, the extent of their cultivation, numbers of stock and farming implements, the rent which they were paying and the tenure and conditions under which they held the land.

All four bills were passed by the Legislative Council and were then transmitted to the Colonial Office in London to be submitted for the approval of the Crown.⁵⁴ The new laws were apparently a straightforward attempt to increase the flow of European immigration to the colony. A board was to be established to facilitate the introduction of settlers, reserved Crown land was to be made available, and land speculators were to be forced to cease their obstructionist tactics and open their land to white immigrants.

However, if the NLCC as the largest and most influential land speculator was not employing any obstructionist tactics, but was on the contrary doing everything in its power to forward immigration while also making land freely available to the government, the true purpose of Law No. 20 must be called into question. The provision in this Law for a commission to investigate land occupation and utilisation indicates that the underlying concern of the Natal government was not so much with the absence of white settlers as the presence of black squatters. An examination of the reaction of the NLCC to these proposals and its dealings with the Colonial Office over the next few years adds considerable strength to this supposition.

54. L.C. No. 21, Natal Legislative Council Sessional Papers: Message from His Excellency the Lieutenant-Governor, with enclosures, with reference to the Alienated Lands Improvement Bill, 30 July 1878.

In April 1876, shortly after the deputation of NLCC directors had been informed by Carnarvon that land was wanted for military settlements in the colony, Jonas Bergtheil drew up a proposal for submission to the Colonial Office. The proposal was that Carl Behrens and an officer appointed by the Natal government should together choose suitable Company land for the formation of one such military centre in each county of the colony.⁵⁵ Each centre would consist of not less than 3000 acres and would be broken up into 200-acre lots. The Company would authorise the granting of every alternate lot free of charge to an intending immigrant, title to be granted after five years' occupation. The government was to be responsible for receiving the immigrants into the colony, providing transport to the new settlement and erecting some form of temporary accommodation. At the expiry of the five years, the Company would receive in return government land on an acre-for-acre basis for every title granted.

Under this scheme the government would be able to set up military centres at the most favourable sites, instead of being restricted to its own inaccessible and unsuitable land. The cost to the government, apart from that incurred in introducing the immigrants, would be negligible for at least five years; and at the end of that period, it would give up land which it had already declared to be unsuitable for the settlement of immigrants. In return, the company would be prepared to forego the possible proceeds from the leasing, renting or sale of these lands for five years, and would, at the expiry of that term, be prepared to accept inferior government land in exchange. Of course, the Company expected to benefit by retaining the alternate 200-acre plots to be sold at a later date when the settlement, if successful, would have increased the value of the land. However, the popular argument that the Company was keeping the most suitable land in Natal out of reach of intending immigrants begins to lose some of its force.

This proposal was submitted to the Colonial Office on 29 April 1876 after a letter had been received by the Company on 21 April asking for "...any proposals they may be prepared to make for strengthening the position of the Colony by increased Emigration from Europe".⁵⁶ This overture on the part of the Company met with no

55. NA, NLCC (A1380), File 9, Enclosure in Oliver to Behrens, 4 April 1876.

56. NA, NLCC (A1380), File 9, Colonial Office to NLCC, 21 April 1876.

response whatsoever, either from the Colonial Office or from the government of Natal. Instead, the local legislature went ahead and passed what became known as the Alienated Lands Bill (Law No. 20, 1876) which was designed to give the Natal government confiscatory powers over all alienated land not occupied by white farmers. The Company received no official notification of the passage of this bill, although it so vitally concerned them, and were left to read of it in the *Government Gazette* of 20 March 1877. The fact that it had passed the colonial legislature did not unduly concern the board, as Oliver intimated - "We have always been of opinion that such a Law had no chance of receiving the Queen's sanction. I see no reason to modify that opinion".⁵⁷

As time went by, however, it became apparent that whatever the eventual fate of Law No. 20, the Company's interests were being damaged by the uncertainty which it engendered while the matter remained unresolved. In a communication to Carnarvon dated 9 May 1877, the Company protested at the delay:

I am instructed by my Directors to draw your Lordship's attention to the serious effects upon the interests of the Colony of Natal, arising and still continuing from the long suspense and uncertainty as to the position of owners and purchasers of land, created first by Major Butler's unfortunate report, and the Lieutenant-Governor's minute, and now developed by the Law No.20, 1876, upon which we have already addressed your Lordship ...instead of land being sold and bought, and getting distributed into fresh hands as is your Lordship's object, all transactions are paralysed.⁵⁸

The Company was, for financial reasons, attempting to sell land during this period, but buyers were reluctant to acquire land to which the title might be in jeopardy.

In May 1877, the Company was informed by the Colonial Office that "...the subject is now engaging his Lordship's attentive consideration and that no decision will be arrived at without previous communication with the Company".⁵⁹ A month later, the directors returned to Downing Street for another interview with Carnarvon:

57. NA, NLCC (A1380), File 10, Oliver to Managing Committee, 2 May 1877. Behrens was in England on leave at this time.

58. NA, NLCC (A1380), File 10, NLCC to Lord Carnarvon, 9 May 1877.

59. NA, NLCC (A1380), File 10, Lord Carnarvon to Secretary of NLCC, 18 May 1877.

they were informed that the law to which they were objecting was unlikely to pass in its present form and that it had been referred to a committee in Natal. Without any mention of the proposal already submitted by the Company, Carnarvon expatiated once again on the "native difficulty" and said that he expected the Company to assist the government in securing the general protection of the inhabitants of Natal.⁶⁰

After a further two months, in August 1876, the Company received another communication from Carnarvon, the nature of which arouses a suspicion that the Colonial Office might have served as a model for Dickens' Circumlocution Office:

Lord Carnarvon is of opinion that the owners of these large tracts, on the ground of the defence of the Colony, must be prepared to contribute to that defence by money or otherwise. It may be possible so to employ a part of that land which they hold as to secure this object in a way consistent with public interests. If the Directors are prepared to propose a scheme which will accomplish this purpose, his Lordship will be glad to give it every consideration.⁶¹

It was not that Carnarvon found the proposal submitted four months previously unacceptable; he gave no indication that he had even read it.

The directors of the Company were understandably nonplussed at this treatment. Oliver, in transmitting a copy of the letter to Behrens, wrote:

You will observe that Lord Carnarvon in his last letter to us still presses the Board to *propose a scheme*. Beyond setting apart blocks of land, as already offered to his Lordship, for Military Centres, I cannot see what we can do....In our previous offer to Lord Carnarvon we were to have an acre of Crown land for every acre we give for Military Centres. The Board seem disposed to waive this point if his Lordship should press the point. Beyond this concession, we find it difficult to go. To find money for an extended system of Emigration is impossible.⁶²

60. NA, NLCC (A1380), File 10, Oliver to Behrens, 14 June 1877.

61. NA, NLCC (A1380), File 10, Colonial Office to Secretary of NLCC, 31 August 1877.

62. NA, NLCC (A1380), File 10, Oliver to Behrens, 10 September 1877. Emphasis in original.

The Company had always been of the opinion that, while they were prepared to promote immigration from England and Europe and provide land, the government ought to bear the financial cost of introducing and settling immigrants.

No further communication took place between the Colonial Office and the Company until March 1878. The Galeka War in the Transkei was then preventing the settlement of Scottish and German immigrants who had arrived in the Cape colony, and the Company offered its assistance in relocating these settlers to Natal. They also reiterated their willingness to assist the British or Natal governments in the introduction of immigrants to Natal by any means in their power. As no response had been made to the Company's offer, they asked that the Secretary of State should "...point out any means by which this object could be effected".⁶³ The reply from Carnarvon's successor as Secretary of State, Sir Michael Hicks Beach, merely stated that the Company's communication had been forwarded to the government of Natal.⁶⁴

Eventually, on 21 October 1878, two-and-a-half years after the Company had offered its land for the purpose of immigration, the Colonial Office sent the following communication:

I am directed by the Secretary of State for the Colonies to acquaint you that the Lieut. Governor, to whom your letter was referred, is of opinion that the best mode of co-operation would be by the Company's undertaking to sell their lands for Emigration purposes through the medium of the Land and Immigration Board in the Colony, on such terms and conditions as would be fair and reasonable both to Immigrants and to the Company....⁶⁵

The communication made it clear that the authorities in Natal were interested in land upon which small farmers could be settled in close proximity.

Within two weeks of receipt of this communication, the directors of the NLCC had drawn up and submitted to the Colonial Office a detailed proposal indicating their

63. NA, NLCC (A1380), File 11, NLCC to Sir M Hicks Beach, 28 March 1878.

64. NA, NLCC (A1380), File 11, Colonial Office to NLCC, 13 April 1878.

65. NA, NLCC (A1380), File 11, Colonial Office to NLCC, 21 October 1878.

willingness to co-operate fully with the Natal Land and Immigration Board.⁶⁶ The selection of land and the price to be paid for it was to be left to negotiation between the general manager in Natal and the Immigration Board. Behrens was sent a list of estates which the directors considered suitable, together with the prices they thought fair, but he was advised that he could "...make any alteration in the suggested prices or farms he may see fit".⁶⁷

It is evident, therefore, that the NLCC was willing, and indeed eager, to make land available to the government for any immigration scheme which the latter were prepared to institute. It was the government which was dragging its feet and taking an inordinately long time either to respond to the proposals of the Company, or to take any positive action with regard to the introduction of immigrants. Even taking into account the slowness of communications, this delay seems unaccountable, particularly in view of the volume of rhetoric which had been spent on the importance of promoting immigration.

A similar pattern can be discerned in the attitude of the government to the Company's attempt during this period to promote a private scheme for the introduction of immigrants from France. The disruption of the Franco-Prussian War of 1870-71 had uprooted a considerable number of the citizens of that country and it provided a ripe field for emigration agents.⁶⁸ One such agent, M. A de Terrasson, offered his services to the Company to travel to France and collect a party of immigrants if the Company would provide for his expenses and pay him a commission.⁶⁹

The Company agreed to de Terrasson's terms and were prepared to set aside land upon which the immigrants could settle once they arrived in Natal. It was made clear from the outset, however, that the Company would not, under any circumstances, "...be made responsible for the care of the Immigrants after arrival,

66. NA, NLCC (A1380), File 11, Oliver to Behrens, 7 November 1878.

67. *Ibid.*

68. Oliver remarked to Behrens in a letter dated 5 January 1876 that he had seen many French emigrant families on Waterloo Station on their way to Liverpool, from which port the ships sailed to the United States.

69. NA, NLCC (A1380), File 9, Oliver to Behrens, 11 October 1875.

nor incur any expense in housing, or transporting them to the farm".⁷⁰ The Company held the conviction that as the settlement of immigrants would be of equal benefit to the colony, this portion of the trouble and cost should be borne by the government.

The government, unfortunately, did not share this conviction. The Company memorandum on Major Butler's report contained the following reference to this fact:

They [the Company] have at this present time an agent travelling in Europe for the collection of emigrants. That these efforts are scarcely seconded by the Government, see the following extract from a letter dated 4th February, 1876, from the Government Emigration Commissioners, Downing Street, in reference to the emigrants being collected by this agent:- "The Commissioners have been instructed by the Earl of Carnarvon to inform you that the funds in their hands on account of the Colony of Natal are so small, they would not be justified in disbursing these funds for the French Emigration, proposed by M. de Terrasson [sic], without further information from the colony."⁷¹

The funds might indeed have been small, but there is no evidence that there was any other call upon them at that time as the expenses of the Assisted Passage System and the Free Passage System of immigration were being met by the colonial government.⁷²

The Natal government was applied to for assistance in settling the French immigrants in the colony, but this was refused. This caused Oliver to doubt the possibility of the scheme succeeding unless de Terrasson could find emigrants with enough capital to establish themselves, which did not seem likely. Oliver remarked in a letter to Behrens, "I am surprised at the action of Government; I do not know how it is proposed to people Natal from Europe, if the public purse is to be forever closed".⁷³ This total lack of co-operation is, indeed, surprising at a time when the

70. *Ibid.*

71. Appendix D.

72. L.C. No. 34, Natal Legislative Council Sessional Papers: Report of the Protector of Immigrants on European Immigration from January 1876 to June 1877.

73. NA, NLCC (A1380), File 9, Oliver to Behrens, 5 May 1876.

Natal legislature was discussing the extreme urgency of introducing European settlers into the colony.

De Terrasson applied to the Company in July 1876 for more funds, which were sent to him.⁷⁴ Eventually, in October of that year, a party of fifty-three men, women and children set sail for Natal, having each been advanced 12s. by the Company.⁷⁵ They arrived in the colony, unable to speak the language and virtually destitute, and declined to settle on the land allotted to them.⁷⁶ The attitude of the immigration authorities can be gauged from the report of the Protector of Immigrants which found that "They were for the most part of an unsuitable description, having been collected in towns; expected to find cafes and a Boulevard here".⁷⁷ From the rest of the report, however, it becomes apparent that they refused to take up the land allotted to them, not so much because these facilities so indispensable to a Frenchman's comfort were absent, but because they had no implements, tools or seed and no means of immediate subsistence on the land. Neither the Company nor the government was prepared to provide them, and for lack of any other provision, the new immigrants were given employment on the harbour works.⁷⁸

The Company was understandably disappointed at the failure of the scheme. It had to be reckoned a failure as far as the Company was concerned, because even though the party had landed in Natal they were not settled on Company land. The board was also indignant that the government had refused to pay de Terrasson anything for his part in collecting and despatching the immigrants. As Oliver put it:

I wonder how the authorities think the poor man is to live. They are forever crying out for Immigrants, and when they are supplied, they sit still, with folded hands, and let these men (speaking a foreign language) fish for themselves - and the agent they leave to starve!⁷⁹

74. NA, NLCC (A1380), File 9, Oliver to Behrens, 5 July 1876.

75. NA, NLCC (A1380), File 9, Oliver to Managing Committee, 18 November 1876.

76. L.C. No. 34, Natal Legislative Council Sessional Papers: Report of the Protector of Immigrants on European Immigration from January 1876 to June 1877.

77. *Ibid.*

78. *Ibid.*

79. NA, NLCC (A1380), File 10, Oliver to Managing Committee, 2 May 1877.

The Company decided that the money which they had spent on this scheme would have to be regarded as a loss and decided to make no further efforts in this direction for the present.⁸⁰

The failure of this scheme may not appear particularly important as only fifty-three persons were involved. However, the Company had regarded it as an experiment upon the results of which it could base future action. They were anxious that these immigrants should be successfully settled as "Ulterior operations must depend on these first parties being properly taken care of".⁸¹ The Company expected success to lead to future co-operation between itself and the authorities. Oliver wrote, "It is not unlikely, in my opinion, that we shall have applications from the Colonial Office to facilitate the settlement on our lands of further batches of Germans and our own countrymen".⁸² The failure of the scheme, then, meant not only that fifty-three persons were left unsettled, but that the potential for the settlement of a great many more was lost.

An apparently paradoxical situation emerges from consideration of this evidence. The government of Natal was, on the one hand, using the accusation that the Company was tying up the land and doing nothing to promote immigration as an excuse to pass legislation which would empower it to confiscate the Company's land. On the other hand, the same government was meeting the Company's offers to make land available for immigration and its attempts to introduce immigrants with indifference, delaying tactics and a flat refusal to co-operate. This suggests very strongly that the question of immigration was being used as a smokescreen to cover the real issue.

A closer examination of the official records and of opinion in the colony offers abundant evidence that the government's aim was to regain control of the land in order to clear it of black squatters. This could not be explicitly stated, particularly in legislative terms, because of the very strong opposition which could be expected from the powerful Aborigines Protection Society lobby.⁸³ However, if the

80. *Ibid.*

81. NA, NLCC (A1380), File 9, Oliver to Managing Committee, 18 November 1876.

82. NA, NLCC (A1380), File 9, Oliver to Managing Committee, 5 July 1876.

legislation could be disguised as a blow against speculation, it would be safe from attack on that front. No philanthropists were likely to rise up and champion the cause of land speculators, whose activities in many parts of the world had caused them to be regarded everywhere with suspicion if not opprobrium.

The proposition that the white settlers were anxious to exert greater control over the black population is no longer controversial. Several researchers have reached the conclusion that anxiety over security, resentment at competition and the need for a steady supply of labour all contributed to this imperative.⁸⁴ In examining the question of labour supply in colonial Natal, N. Etherington found evidence that large employers after 1860 turned to migrant labour from outside the colony after finding it impossible to draw sufficient labour from the indigenous population. These attempts became ever more frantic from the 1870s as the flow of migrant labour was diverted to the diamond and then the gold fields, and Etherington concluded that the interest groups in Natal who required labour despaired of obtaining it from the local population.⁸⁵ The agitation against landowners providing blacks with an alternative to wage labour, however, suggests that these interest groups were not only looking beyond the borders, but were actively attempting to gain control of the black population within Natal. This also suggests that the periodisation argued by Bundy, and followed by others, that the development of the Witwatersrand was the spur to white attempts to gain control of the black population, might also be incorrect. The stimulus which the gold discoveries gave to the Natal economy merely intensified a process of attempting to force the indigenous black population into the labour market which had been going on for decades.⁸⁶

83. W. Guest, *op. cit.*, p.146.

84. Important writers on this subject include C. Bundy, R. Palmer and N. Parsons, D Welsh, and S. Marks. See p.112, Footnote 148.

85. N. Etherington, *op. cit.*

86. See J. Lewis, "The Rise and Fall of the South African Peasantry: A Critique and Reassessment", *Journal of South African Studies*, 11(1), October, 1984. This article argues that Bundy's periodisation with regard to the rise and fall of the black peasantry in the Eastern Cape was also incorrect.

White settlers in Natal wanted labour on their own account to supply overseas markets long before the expansion of the markets of the interior. Responsible government, which was granted in 1893, did not represent a turning-point in the attitude of white settlers to black labour; rather one of the main imperatives behind the struggle for responsible government was to give the whites the power to institute policies of control after which they had hankered for decades. That the confiscatory Alienated Lands Bill was a strategic move in this campaign is difficult to prove, but several factors unite to make it a strong probability.

The first factor which must be considered is that the government did not need, or in fact want, the amount of land over which it was attempting to gain confiscatory powers ostensibly for purposes of immigration. In the published documents dealing with the subject, there was never any indication that a large-scale immigration scheme to bring thousands of settlers to Natal was ever contemplated. There was no question of throwing open the floodgates to the indigent who represented the main mass of emigrants from Europe - Natal's economy simply did not have the infrastructure to cope with such an influx.⁸⁷

The colony was prepared to assist the immigration of qualified artisans and skilled labourers, but only if they were applied for by residents in the colony who were able to provide a guarantee of at least two years' employment.⁸⁸ The second class of immigrant which was welcome in the colony was the small farmer, with at least £100 of capital to enable him to establish himself on the land grant which the government was prepared to offer.⁸⁹ As the former group did not require land at all, and the latter were, as experience had shown, by no means numerous, the confiscation of millions of acres of land was hardly necessary.

The second factor to be considered is the provision in the Alienated Lands Bill for the appointment of a commission to investigate black squatters on privately-owned land. Henry Bulwer, in the minute which accompanied the four immigration bills on their submission to the Legislative Council, came close to acknowledging the real purpose of Law No. 20. He asked the Council to consider whether:

87. L.C. No. 12, Natal Legislative Council Sessional Papers: Minute of His Excellency the Lieutenant-Governor on the subject of Land and Immigration, 15 September 1876.

88. *Ibid.*

89. *Ibid.*

...some restriction should not at once be imposed upon the number of Native huts allowed on unoccupied lands. The facility with which rental is obtained from Natives squatting on private lands...encourages the acquisition of land which can be made profitable by this means. The objections to this practice, which is daily increasing, are obvious, and they are of such weight that it is advisable some check should be placed upon the practice without delay.⁹⁰

The imposition of such a restriction was, as Bulwer must have been aware, mere wishful thinking. As long as the private owners had free title to the land, they were legally entitled to dispose of it as they pleased. However, the suggestion does indicate the underlying concern of the government.

Further on in the same minute, when discussing proposals for the disposal and management of the land which remained in the hands of government, Bulwer made the suggestion that "...squatting on Crown Lands by Natives should be prohibited".⁹¹ This reinforces the view that the government was concerned with closing off the option of independent farming to blacks. However, instituting a measure of this kind would do little to bring about the desired result as long as so much of Natal's land was in private hands and out of the control of the government.

The final factor to be considered is that the NLCC itself suspected the government of an ulterior motive in attempting to confiscate its lands. The Company was not unaware that its policy of allowing black squatters to settle on its lands was likely to bring it into conflict with other interest groups in Natal. A letter written by Oliver to Behrens in January 1875 makes this clear:

I hope you will be able to increase the revenue out of the natives. It is one of those subjects, I suppose, about which there is great variety of opinion. For my part, I think, if they take a fancy to our farms, they ought to pay for the privilege of living on them. I presume from what I see in the papers that the "native" question is likely to be a "burning" one at no distant date.⁹²

90. *Ibid.*, p.5.

91. *Ibid.*, p.9.

92. NA, NLCC (A1380), File 9, Oliver to Behrens, 25 January 1875.

The Company was of the opinion that as the black squatters chose to live on their farms because the land was fertile, well-watered and close to the markets, enabling them to make a better living than elsewhere, there was no reason why they should not contribute to the Company revenue by paying rent. The Company interest came before the "greater good" of forcing the blacks to work for white farmers.

In protesting against the measures proposed by Major Butler, the Company made it clear that they were aware that their "failure" to introduce immigrants or to make land available was only being used as an excuse to regain control of the land. In so doing, they also suggested a reason why that excuse might be being used:

If powers of compulsory dealing with private property are to be adopted for State reasons, and not on the grounds of breach of duty on the part of the proprietors, it ought surely to be put clearly on that footing, and the invariable principle of compensation recognised, should injury result to the proprietors by the exercise of those powers.⁹³

Here, in fact, lies the crux of Law No. 20. If the government could declare retrospectively that title to all land granted in Natal was conditional on "improvement" - that is, occupation by white settlers - then title to land not so "improved" could simply be revoked. If, on the other hand, the land was to be confiscated in order to enable the government to remove the black squatters, full and fair compensation would have to be paid. Considering the perennially weak state of Natal's public finances, the former course undoubtedly had its attraction.⁹⁴

There seems no reason to suggest that Major Butler acted in anything but good faith when he blamed the failure of European immigration into Natal on the land speculators in general and the NLCC in particular. However, he formed his conclusions on insufficient evidence, which no doubt included a great deal of hearsay, without having been long enough in the colony to fully understand the question. However, his report was seized upon by the Lieutenant-Governor and the

93. Appendix D.

94. For the years 1875 - 1879, the average annual revenue of the colony amounted to £328 200, while average annual expenditure was £346 100. Z.A. Konczacki, *op. cit.*, p.31.

Legislative Council to provide the basis for legislation whereby control could be regained over privately-owned land.

This manoeuvre did little material damage to the NLCC at the time as the Company was able to disprove the accusations made against it to the satisfaction of the Secretary of State for the Colonies, and the proposed legislation was not given imperial sanction. However, the campaign to force the Company to sell its land was effective in attaching a stigma to the Company's name which has lasted up to the present day. The acceptance of the proposition that the Company was largely responsible for the failure of European immigration has led not only to a distorted view of the Company's role in Natal, but also to a lack of serious enquiry into the real causes of that failure.

CHAPTER SIX

1875 - 1879 : Part 2,

Absentee Landowners or Investment Financiers?

As the discussion in the previous chapter, also relating to the period 1875-1879, has shown, the NLCC was brought to the brink of confiscation of most of its Natal landholdings through its practice of allowing black squatters to settle on these lands. The main objection of the Natal government to this practice, that it gave the blacks a viable alternative to wage-labour, has been dealt with in some detail. However, widespread support for measures to restrict this practice also came from settlers who objected to it for other reasons which require discussion. Thus the question remains, why did the Company continue with this practice which brought it such opprobrium and almost led to its ruin? The widely-accepted view of the Company as a rapacious landlord whose chief, if not only, interest was in the collection of hut-rents is inaccurate, and the real attitude of the Company to the question of black squatters must be made clear.

The Company saw its long-term prosperity as being bound up in the successful colonisation and development of Natal along nineteenth century colonial lines. Their role as landowners, in their own estimation, was to assist this development by the judicious selling of land to immigrants who would promote the prosperity of the colony and thereby increase the value of the rest of the land. Although the NLCC was willing, and indeed eager, to sell its land, economic conditions in Natal were not propitious enough for the Company to rid itself of more than a small proportion of its vast landholding. Therefore, the collection of hut-rents continued, and, during the late 1870s, increasing rents and some land sales caused a steady increase in the Company's revenue. Although some of this revenue was siphoned off to the Natal Plantations Company and the cultivated estates, all surplus was channelled into re-investment and financial dealing in London.

The concern of the white settlers over the enormous preponderance of blacks in the colony is well documented, as is the blame for this situation which was attached to the NLCC. In April 1875, the *Natal Mercury* reported a public meeting in the Ixopo district at which a resolution was passed that the government should be requested to buy the land of the NLCC and include it in a general immigration scheme. The avowed purpose of this was that "...the lands, being occupied by white settlers, would

prove a lasting benefit to the colony instead of being a curse and a menace from their being converted into kafir barracoons".¹

The white farmers in the rural areas, for the most part isolated and surrounded by blacks, felt that their security was seriously threatened by the practice of allowing black squatters on private land. R. Higham, a planter in Alfred County, made the following remarks in a letter which was given as evidence to the select committee appointed to consider Butler's report:

The enemy would be the black races; and here we have these owners giving up possession to the blacks of that very property which they expect the white population to defend them in their ownership, not only making the place a nuisance to other settlers, but absolutely rendering the property of the public adjoining of less value.²

The sentiment expressed by John Robinson in the *Natal Mercury*, that "...the Natives of Natal are by no means the immediate menace that he [Lord Carnarvon] believes them to be",³ was not echoed by residents of the rural areas.

Another concern of the settlers was that the state of the colony was actually discouraging immigration. According to Walter MacFarlane, an up-country farmer, Natal was losing prospective immigrants to the Orange Free State and the Transvaal because "...they have no dense Kafir population in their midst".⁴ He had spoken to Cape farmers looking for new land who had chosen the two interior Republics over Natal because "...they would not peril the safety of their families and property by settling in what they called a Kafir land".⁵

In addition to their preoccupation with security, the white settlers were finding it difficult to compete with black farmers. Mr J.D. Nicholson, a Byrne immigrant farming in the Richmond area, stated:

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1. *Natal Mercury*, 10 April 1875.
 2. L.C. 15, Natal Legislative Council Sessional Papers: Report of the Select Committee appointed to consider the Report by Major Butler, 9 October 1876, p.10.
 3. *Natal Mercury*, 4 May 1876.
 4. L.C. 15, Natal Legislative Council Sessional Papers: Report of the Select Committee appointed to consider the Report by Major Butler, 9 October 1876, p.20.
 5. *Ibid.*

I think that hard-handed labouring men with 50 acres, with their knowledge of farming, and with hard living, would find some difficulty in competing with the Kafir. He could not do it even on selected spots. The Kafirs are rich in both cattle and wives; a Kafir will not attempt to live on 50 acres of land.⁶

Restricted as the white settlers were to the amount of land which they could afford to rent or purchase, they resented the fact that blacks had access to as much land as they needed as they paid rent per hut and not according to acreage occupied.

The white settlers, then, were inclined to blame the NLCC and other absentee landowners for the situation in Natal. The Company's attitude to this vexed question was to some extent ambivalent. On the one hand, the rents which they collected were a welcome augmentation of the Company's income. On the other, however, there is little evidence to support Slater's contention that they found this the "most attractive type of farming" and were withholding land from the market in order to continue it.⁷ Indeed, the Company was by no means satisfied with the state of affairs, and it in its turn blamed the government. According to the Company's memorandum on Butler's report:

The fact is that the Company and other landowners have been almost the only considerable machinery at work to settle the colony - their interests have necessarily all lain that way; but the effect of the policy adopted with the very best intentions from time to time, has been to subordinate the white settler to the uncivilisation of the native races, whose numbers and vices have progressed together...⁸

The Company pointed out that, up to the end of 1875, it had paid £20 000 in quit rents, rates and non-occupation tax, a sum which "...far exceeded the amount...expended by the Government itself in seven years in emigration".⁹

When the Colonial Office, primed by the Natal government, taxed the Company with exacerbating the situation in the colony by encouraging black squatters,¹⁰ the Company sent the following reply:

6. *Ibid.*, p.23.

7. H. Slater, *op. cit.*, p.1.

8. Appendix D.

With respect to the Natives, I am to say that we have at no time encouraged squatters on our lands - on the contrary, the policy of the Company has been rather to induce them to retire to the locations set apart for them. About a year ago, notice was given that the Company would forthwith raise the rent from 10/- to 20/- a hut, and that Natives cultivating land would have to pay for every acre broken up - which has been done. This hardly coincides with your Lordship's information that we offer inducements to Natives to settle upon our lands.¹¹

This points up an inherent contradiction which runs through contemporary attacks on the Company, both public and private, and which has been continued in the present-day literature.¹² The Company is frequently accused of encouraging squatters and of rack-renting at the same time. Had there been no alternative land available, this might have been possible, but considering the acreage of mission, location and Crown land in Natal on which the blacks could reside without paying any rent at all, the Company's doubling of the rent can hardly be construed as encouragement.

The strongest evidence that the Company was making the collection of hut-rents a virtue of necessity was the sound financial reason which the board had for selling land. At the fifteenth ordinary general meeting of shareholders in May 1876, the chairman explained the situation as follows:

The effect of sales of land by the Company on our prospects for future dividends is not clearly understood by all the shareholders, and I may therefore be allowed to explain that the capital originally invested in the land and released by sale at once earns interest (at present at 8 per cent.), so that, for instance, sales of land or house property representing £100 000 of capital would yield an income of £8 000 a year which is equal to a dividend of nearly two and a half per cent. on the original shares.¹³

Over and above this liquidation of capital, which would be equal to the value of the property represented in the balance sheet, there would also be the profit on the

9. *Ibid.*, p.5.

10. NA, NLCC (A1380), File 9, Carnarvon to NLCC, 21 April 1876.

11. NA, NLCC (A1380), File 9, NLCC to Carnarvon, 29 April 1876.

12. Cf. H. Slater, *op. cit.*, pp.273-4.

sale. The amount by which the price actually realised exceeded the value of the property in the balance sheet would be immediately available for the purpose of a dividend payment.¹⁴

The City of London was at this time the investment capital of the world, and sound opportunities for the placement of capital at good rates of interest abounded. The Company was again offering mortgage loans in the Colony of Natal,¹⁵ but any funds which were not taken up could easily be disposed of on the London market. At this stage, the investment of capital released from land sales offered a much more attractive return than the collection of hut-rents. During 1875, land sales released £10 000 of capital, equal to £800 a year in interest, while profit amounted to £3800.¹⁶ During the same period, hut-rents only amounted to £3000 on the entire unoccupied property of the Company.¹⁷

It is against this background that the Company's record of land sales during this period should be evaluated. Christopher has suggested that the Company only began to sell off its land in response to the adverse publicity created by Butler's report.¹⁸ However, a reference in a letter from Oliver to Behrens expressing the board's satisfaction with land sales, and giving the opinion that "If we could do as well every month, things would look up indeed",¹⁹ clearly predates the publication of the report.

The indications are that the Company's poor record overall with regard to land sales before this period was due to economic conditions in the colony rather than any deliberate policy. A circular sent out in December 1875 to advertise a new debenture issue made note of the improvement in Natal's circumstances, attributing it to sound administration under Sir Garnet Wolseley, railway construction and the

13. Report of Fifteenth Ordinary General Meeting printed in *Natal Mercury*, 29 June 1876.

14. *Ibid.*

15. NA, NLCC (A1380), File 9, Oliver to Behrens, 15 December 1875.

16. Report of Fifteenth Annual General Meeting printed in *Natal Mercury*, 29 June 1876. See Appendix E.

17. *Ibid.*

18. A.J. Christopher, "The Closer-Settlement Movement in Natal 1875-1910", *Journal for Geography*, 3(6), 1970, p.570.

19. NA, NLCC (A1380), File 9, Oliver to Behrens, 8 June 1875.

renewed importation of Indian indentured labour. The landowners would be amongst the first to benefit from the increase in prosperity, and the circular noted that "A great change is indeed already apparent, the sales of land made by the Company during the first nine months of 1875 having reached about Thirty-two Thousand Acres".²⁰

These land sales were conducted privately, through enquiries made by prospective buyers at the Company offices. Thus the Company was left with little evidence to counter the accusations made by Major Butler. In response to the attempted confiscatory legislation, the Company decided to make a well-advertised attempt to sell off some of its land by public auction. The results of this sale, which was advertised in the *Natal Mercury* of 17 April 1877, give a good indication of the state of the land market in Natal at this time. The estates were offered for sale without reserve at an upset price equal to that of Crown land, namely 4s. per acre. Only four estates of the nine offered were sold, at prices which varied from 4s. 11d. to 5s. 7d. per acre.²¹

The results of this sale show that although there was a market for land, it was still fairly restricted, even at very low prices. All the estates advertised were close, either to Pietermaritzburg or to the main road to the interior, were well-watered and offered good grazing; yet less than half were sold. That the sale itself was an exercise in public relations was demonstrated by the letter which the Company secretary wrote to Carnarvon, informing him of the sale and offering it as proof that "...there is no foundation for the statements that 'there is no land to be had' and that 'this Company is an impediment to the easy acquisition and settlement of land in the Colony of Natal'".²²

Although this public sale of land may be construed as window-dressing, the Company continued in other ways to promote the sale of land as part of its general strategy to settle and develop the colony. In November 1877, Behrens was sent instructions to use his own discretion with regard to the 20 per cent deposit normally

20. NA, NLCC (A1380), File 9, Circular to Shareholders of NLCC advertising issue of six per cent debentures, December 1875.

21. *Natal Mercury*, 10 May 1877.

22. NA, NLCC (A1380), File 10, NLCC to Carnarvon, 18 May 1877.

required from prospective purchasers. Provided he was satisfied with the *bona fides* of a buyer, he was given permission to extend "all reasonable accommodation" as to the terms of the sale.²³ The purpose of this was that "The Board wish to help the colony, and no better plan occurs to them than to give liberal terms of payment to purchasers of land".²⁴

Further evidence exists that the Company had a greater interest in selling its land and investing the proceeds than in holding it against a future expected increase in price. At the seventeenth annual general meeting, held on 27 June 1878, the chairman made the following statement:

As I have already, when previously addressing you, attempted to explain, permanent dividends must, in my opinion, be earned chiefly from the interest of the money obtained from proceeds of property realised, and although in the course of years to come much higher values for real estate in Natal may be expected, it is, I am convinced, most for the interest of existing shareholders that properties should be sold whenever the cost, with some moderate increase for past interest, can be obtained.²⁵

In the same address, the chairman pointed out that 25 000 acres had been sold during 1877 which was less than had been hoped for as the market had been affected by "wars and rumours of war" in the Transvaal. The Company still owned 570 000 acres of land on which rentals were showing a satisfactory increase.²⁶

January 1879 saw the outbreak of the Anglo-Zulu War, one of the immediate consequences of which was the importation of a substantial amount of capital. In August 1879, the manager of the Standard Bank reported that:

The Zulu War...has caused at various times much difficulty and uncertainty, and in a political sense has been disastrous, but from a commercial point of view, through the lavish war expenditure, we doubt if Natal and the surrounding districts ever had, or ever will have again so prosperous a time. Since the commencement of the war until now there has been

23. NA, NLCC (A1380), File 10, Oliver to Behrens, 19 November 1877.

24. *Ibid.*

25. NA, NLCC (A1380), File 11, Report of meeting held on 27 June 1878.

26. *Ibid.*

imported into Natal coin to the value of £1,320,000 which has formed the basis of the Imperial Government expenditure of about four millions sterling.²⁷

Expenditure in the colony included the payment of troops (both those stationed in the colony and the reinforcements brought in after Isandlwana), the purchase of provisions for the men and fodder for the animals, and the requisitioning of wagons and draught animals.

In May 1879, Oliver wrote to Behrens commenting on the rise in prices which might be expected to result from this outlay of capital. The board instructed Behrens to be wary of raising the prices of Company properties in anticipation of this inflation as the effect might be to withdraw these properties from the market. The point was once again made that the object of the board was to realise capital from the sale of properties in order to reinvest at 8 per cent and thereby ensure a steady flow of dividends.²⁸

The influx of capital during the Anglo-Zulu War of 1879 did bring about a considerable improvement in the market for land in Natal.²⁹ The Company was anxious to take the fullest advantage of this demand, and the board decided to give the staff of the Durban office an incentive to push sales to the utmost. It was decided that a commission would be allowed of 1½ per cent on sales up to £20 000, of 2 per cent on further sales up to £40 000 and of 2½ per cent on sales over £40 000. The general manager was to take two-thirds of the commission and the remaining one-third was to be divided amongst the rest of the staff at the discretion of the manager.³⁰

The report of the eighteenth annual general meeting, held on 31 July 1879, noted that the sales of land and house properties in 1878 had exceeded £30 000, which would, naturally, adversely affect the item of rents in the balance sheet. However, the report confidently asserted that this would be much more than compensated for by the increase in the interest account.³¹ The report went on to express the hope

27. A. Mabin and B. Conradie (eds), *op. cit.*, p.79.

28. NA, NLCC (A1380), File 12, Oliver to Behrens, 6 May 1879.

29. H. Slater, *op. cit.*, p.271.

30. NA, NLCC (A1380), File 12, Oliver to Behrens, 14 August 1879.

31. NA, NLCC (A1380), File 12, Report of Meeting held on 31 July 1879. See also Appendix E.

that political stability, the advance of railways and improved road communications would increase the flow of immigration and that land sales would continue.³²

The evidence is clear, then, that the Company had a vested financial interest in the sale of land and was doing everything in its power to boost sales to the full extent that the market would bear. However, due to the scanty flow of immigration and the relatively poor state of the economy, the market remained fairly limited. This, in addition to the enormous acreage which the Company originally held, meant that a large proportion of the property remained unsold. Quitrents, non-occupation taxes and rates would have made these properties a constant liability if no rents were collected from squatters. The Company, then, regarded these rents not as a permanent source of income but as a temporary stop-gap measure, in order that the unsold lands should not be a liability, until the market would allow for the sale of its lands.

Although the land and immigration questions were of overriding importance to the Company during this period, the other branches of its business in the colony continued to receive attention. The plantations which had been taken over on the foreclosure of mortgages were kept in cultivation, the operations of the coffee works were expanded and financial support continued to be extended to the Natal Plantations Company. The Company's involvement in the plantation economy of Natal had a threefold purpose: to help develop the agricultural sector of the colonial economy; to prove the viability of Natal as a producer of tropical cash crops, thereby keeping up the confidence of investors in London, stimulating immigration and increasing the value of the land; and to increase profitability. In the event, due to various factors, the first two objectives proved to be at variance with the third. The surface prosperity in the colony during this period, occasioned by the increase in trade (considerably aided by the British annexation of the Transvaal in 1877), the construction of the railway (which reached Pietermaritzburg in 1880) and the imperial spending spree on the Anglo-Zulu War, tended to mask a deep-seated malaise in the economy. The agricultural sector, and in particular the coastal cash crop economy, was subject to serious reverses which, by 1879, had reached a crisis point.

32. *Ibid.*

Even John Robinson, whose optimism, at least in print, usually knew no bounds, expressed grave concern at the situation in May 1879:

If it were not for the distractions of the war, much more would be said and felt concerning the industrial prospects of the country. They are far from bright; indeed, they are in some respects very gloomy. Another experience of drought seems likely to afflict the planting interests, already borne down by previous visitations, by bad crops, by heavy expenses, by accumulating debt, and by heavy transport charges....Properties that represent long years of struggle, effort and outlay are offered for public sale for what they can fetch; others are allowed to relapse into wildernesses, money not being forthcoming either to buy or to work them with.³³

The growing of tropical cash crops on the coastal belt had always been regarded as the mainspring of the Natal economy. It was certainly the area which had absorbed the bulk of capital investment and from which the greatest expectations of profit arose. Large-scale failure could only have an adverse effect on the entire economy.

The drought, although severe, was only one of the factors which was adversely affecting the planting interest at this time. Coffee plantations were being attacked by various diseases and pests, the most serious of which was the borer, and cheap imports of Brazilian coffee were spoiling the market, even in Natal.³⁴ Sugar planting was beginning to suffer from soil exhaustion as the same fields were re-used year after year without adequate fertilisation. The sugar market was also being flooded with beet sugar which was cheaper, quicker and easier to grow and which benefited from state subsidies in several European countries. Although the abandonment of the plantation economy was never contemplated, the changing conditions required radical re-organisation, more efficient cultivation methods and the introduction of better processing machinery.³⁵ The NLCC, having become almost involuntarily involved in this aspect of Natal's economy, found the profits from its other operations being constantly siphoned off in this process of readjustment.

33. *Natal Mercury*, 13 May 1879.

34. N. Hurwitz, *op. cit.*, p.79.

35. P. Richardson, "The Natal Sugar Industry, 1849-1905: An Interpretative Essay", in W. Guest and J. Sellers (eds), *op. cit.*, *passim*.

In 1875, the Company owned seven estates which were under cultivation. These were Riet Valley, Stuckeridge, Chaka's Kraal, Torvale, Snaresbrook, Avoca and Spitzkop. Chaka's Kraal was used mainly for the growing of maize to supply the other plantations, and planting was discontinued at Torvale by 1877.³⁶ This left five plantations on which the main crop was coffee, occupying a total of 658 acres in 1877.³⁷ A variety of other crops - including sugar, ground-nuts, tobacco and arrowroot - was also under cultivation to various extents on the estates.³⁸

Despite a promising beginning, coffee planting in Natal was not proving successful due both to internal and external factors. The most serious problem internally was the attack of a small beetle known as borer which was killing off the mature coffee trees. The head office was naturally most concerned at the spread of this pest and Oliver was seeking advice from various sources, including naturalists in England and men with experience of coffee planting in India and Ceylon.³⁹ Unfortunately, the science of pest control was in its infancy, and the advice which he received and relayed to Natal was often contradictory and proved in the end virtually useless.

Beyond a tentative suggestion that carbolic acid might kill the eggs of the borer, if it could be ascertained where they were laid, no-one seemed able to recommend a cure for the pest.⁴⁰ However, the experience of other planters appeared to be that it would die out spontaneously, without causing total destruction, if the trees could be nurtured into sufficient vitality to withstand its ravages.⁴¹ Opinion as to the best method of achieving this result was also sharply divided. On the question of improving the fertility of the soil, some experts advocated the use of farm-yard manure, while others recommended dissolved bones. The latter was tried on some experimental trees which the Company was growing under hot-house conditions in London, and proved so successful that large shipments of this fertiliser were despatched to the colony.⁴² Unfortunately, although improving the condition of the

36. KCAL, NLCC (KCM 54229, Book No. 14), Plantations Managers Reports.

37. *Ibid.*

38. *Ibid.*

39. NA, NLCC (A1380), File 9, Oliver to Behrens, 24 November 1874.

40. *Ibid.*

41. *Ibid.*

42. NA, NLCC (A1380), File 9, Oliver to Behrens, 8 June 1875.

trees, it failed to stem the destruction caused by the borer.⁴³

Another difference of opinion existed as to the best method of cultivating coffee trees. The plantations in Natal were begun under a system of careful weeding of the ground under the trees and pruning of the trees themselves. However, by 1878, when this method appeared unsuccessful, it was suggested that the crop should be "...left as much as possible to nature".⁴⁴ The suggestion was that the weeds provided mulch to protect the delicate crown of the root, which protruded three inches above the surface of the soil, and that pruning caused a loss of sap which in effect was bleeding the trees to death.⁴⁵ This new "untidy" system of cultivation was put into effect, but without any discernible success.⁴⁶

An additional difficulty for coffee planters was abnormally low rainfall during the growing seasons of 1877-1879, with the drought reaching very severe proportions during 1878.⁴⁷ The lack of rain proved to be a complicating factor in assessing the damage done by insect pests and diseases such as bark disease and leaf mould. The Company was, for reasons discussed below, reluctant to abandon coffee planting, and it was impossible to tell whether the venture was hopeless until it could be seen whether the return of "normal seasons" would significantly improve the yield from the estates.⁴⁸

A further internal factor which affected the Company's plantation venture was the fact that the estates were, necessarily, run by hired managers. Although generally able and conscientious, these men tended to be rather more prodigal with Company funds than they would have been with their own. Oliver expressed the board's uneasiness in the following terms:

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- 43. The manager of Avoca estate reported that 75 per cent of the coffee in one of his fields was dead despite manuring with bone dust. KCAL, NLCC (KCM 54229, Book No. 14), Plantations Managers Reports.
 - 44. NA, NLCC (A1380), File 11, Oliver to Behrens, 29 August 1878.
 - 45. *Ibid.*
 - 46. NA, NLCC (A1380), File 12, Report of the Directors to the Proprietors at the Eighteenth Ordinary General Meeting, 31 July 1879.
 - 47. C. Ballard, "Traders, Trekkers and Colonists", in A. Duminy and W. Guest (eds), *op. cit.*, p.135.
 - 48. NA, NLCC (A1380), File 12, Report of meeting held on 31 July 1879.

The Managers must not be nettled if we sometimes stir them up from this side....If the Managers had been private individuals working on their own account, they would probably, before now, have been unable to go on. Let them bear this in mind, and do their best to aid us in getting a dividend for the Shareholders with whose capital they are supported.⁴⁹

The board were particularly concerned over the practice of uprooting whole fields of coffee trees, of which only some had been affected by pests or disease, in order to replant with new stock.⁵⁰

To all these internal factors militating against the profitability of coffee growing in Natal was added the external factor of serious competition from overseas. Most of the coffee grown on the Company estates was destined for the local market, either for consumption in Natal or for shipment to the diamond fields. The coffee works had been erected, at considerable expense, in order to process the coffee for home consumption. However, by 1875 coffee was being imported from Brazil at a price which undercut the locally-produced product.⁵¹ Coffee imports rose sharply from a value of £34 118 in 1875 to £84 976 in 1878. At the same time, exports dwindled from a value of £1586 to £160 over the same period.⁵² Prices held up on the London market because India and Ceylon, the other major coffee growing regions, were experiencing the same problems with drought and pests as Natal.⁵³ The alternative did exist, then, of shipping coffee to London, but as the decade drew to a close there was less and less to send.⁵⁴

Throughout this period, the expenses of the coffee estates continued to mount up, while very little income was being earned. The drain on the Company's finances was severe, and although covered by increasing returns from rentals and land sales, it

49. NA, NLCC (A1380), File 11, Oliver to Behrens, 16 December 1878.

50. NA, NLCC (A1380), File 11, Oliver to Behrens, 29 August 1878.

51. NA, NLCC (A1380), File 9, Oliver to Behrens, 8 June 1875.

52. NA, NLCC (A1380), File 12, Schedule of Imports to and Exports from the Colony of Natal, printed as an Addendum to Report of Directors to the Proprietors at the Eighteenth Ordinary General Meeting, 31 July 1879.

53. NA, NLCC (A1380), File 11, Oliver to Behrens, 10 November 1878.

54. The coffee crop for 1878 was the smallest on record. NA, NLCC (A1380), File 12, Report of meeting held on 31 July 1879.

made payment of a dividend impossible.⁵⁵ By 1878, the situation had reached crisis point and a decision had to be made on the future of the estates. The decision could not simply be based on considerations of profit, as would have been the case if the Company were solely concerned with running plantations. The effect of discontinuing planting on the other sectors of the Company's operation had to be carefully considered.

Jonas Bergtheil, the only member of the board of directors with personal experience of the colony, drew up a memorandum analysing the position with regard to the coffee estates in August 1878. At that time, the Company's investment in the venture had reached a sum of £90 000, broken down as follows:

Cost of the 40,000 Acres about £65,000. The losses on the working of the Coffee Estates for the last three years including 1877 amounts to £10,000. The Coffee Works in Durban appear in our books at £10,846, with a loss of about £500 and the Inventory of the Umhlanga Plantations to £3,495, making a total of nearly £90,000.⁵⁶

Clearly, this was a very substantial investment, not to be lightly abandoned, even without the other factors which had to be taken into consideration.

Bergtheil's suggestions were to reduce the land under cultivation to an absolute minimum, to cease weeding, pruning and fertilising, leaving the trees to grow or not as nature should dictate, and to separate the plantations account from the rest of the Company by the creation of a separate trust.⁵⁷ In this way, the plantations could be to all intents and purposes abandoned without too severe an effect on the profit and loss account of the NLCC. He further suggested that intensive efforts should be made to divide the large estates into smaller parcels which could be sold to immigrants which the Company should endeavour to introduce.⁵⁸

55. Although dividends were paid on preference shares, no dividend on ordinary shares was paid between 1875 and 1878. KCAL, NLCC (KCM 54225, Book No. 10), Shareholders' Minute Book.

56. NA, NLCC (A1380), File 11, Memorandum on coffee estates drawn up by J. Bergtheil, 8 August 1878.

57. *Ibid.*

58. *Ibid.*

In his reply to this memorandum, Oliver summed up the Company's main objection to such a course of action:

In the discussions which have taken place, it has often occurred to me, that the point is lost sight of, that if we by our action with regard to our cultivated Estates, declare our efforts at successful cultivation to have been fruitless, we aim a most damaging blow at ourselves. If the coast lands are practically declared useless for cultivation, how can we, with any decency, ask people to take them off our hands.⁵⁹

Oliver went on to concede that Bergtheil's plan might be the best way to resolve the financial difficulty, but he believed that it would cause a too severe loss of Company credibility and would adversely affect the future sale of all the Company's coast lands.⁶⁰

Henry Kimber, another of the Company's directors, also commented unfavourably on the plan proposed by Bergtheil. In his opinion:

If the land has only been devoted to Coffee 3 years ago, it is unreasonable to say that the losses on working have been £10,000. A Coffee Plantation takes at least 3 or 4 years to come into full bearing and the cultivation expenses to the end of that period must be looked upon as construction account. Coffee is no doubt a precarious crop and the last two years have been disastrous to planters all the world over. Therefore it seems to me that the Co. must look to an average of at least 10 years before they can form any judgement.⁶¹

The experience of other coffee planting regions had been that good seasons were the exception rather than the rule, but that the occasional good season produced such a heavy crop that it more than made up for all the below average years.⁶²

The board took the decision to continue its coffee planting operation without any significant alteration. The report of the eighteenth annual general meeting, held in July 1879, contained the following information:

59. NA, NLCC (A1380), File 11, Oliver to Bergtheil, 26 August 1878.

60. *Ibid.*

61. NA, NLCC (A1380), File 11, Coffee Plantations: Natal Observations upon Proposal by H. Kimber [n.d.].

62. NA, NLCC (A1380), File 11, Oliver to Behrens, 15 November 1878.

I am convinced that the managers of the Company's plantations are doing their utmost to obtain profitable results, which however must depend on favourable seasons. We have, as you see in the report, considered it to be the most prudent course to set aside the balance derived from other sources to meet the expenditure on these estates.⁶³

With the benefit of hindsight, this decision may appear to have been uneconomic as coffee was eventually abandoned as a cash crop in Natal. However, it appears more rational in the context of the information available to the Company and the Company's position at that time.

The subsequent success of sugar planting in Natal raises the conjecture as to why the Company did not abandon coffee in favour of sugar. At least one of the managers, A. Cooley of Avoca, continually requested to be allowed to uproot his coffee trees and plant cane instead.⁶⁴ However, sugar planting at this time was undergoing the same vicissitudes as coffee, and the Company's involvement in the Natal Plantations Company, whose estates were devoted to sugar, was as unrewarding as its own coffee plantations.

Given the state of coffee planting during this period, it is not surprising that the Company's venture into the processing industry - the coffee works - was also failing to pay its running expenses. Attempts were made to increase profitability by diversifying the operation by the installation of machinery to grind maize and to clean rice,⁶⁵ and also by the setting up of an engineering workshop.⁶⁶ However, with the drought affecting the entire agricultural sector and through that the economy as a whole, there was little demand for these services. The coffee works continued to operate at a loss, in the same spirit of optimism under which the plantations were continued, that conditions would improve in time.

The NLCC's second area of involvement in the plantation economy of Natal, its association with the Natal Plantations Company, was also one of considerable

63. NA, NLCC (A1380), File 12, Report of meeting held on 31 July 1879.

64. KCAL, NLCC (KCM 54229, Book No. 14), Plantation Managers Reports.

65. *Natal Mercury*, 26 January 1875.

66. NA, NLCC (A1380), File 10, Oliver to Behrens, 15 June 1877.

difficulty during this period. A similar crisis point to that reached in regard to its own estates came in 1875. The decision had to be made whether to continue offering its financial support, or to cut its losses and allow the Plantations Company to go into bankruptcy. The choice was regarded as one "between two evils".⁶⁷ On the one hand, there would be a further drain of Company funds which might otherwise have gone towards paying a dividend; on the other hand, the NLCC had guaranteed the debentures issued by the Plantations Company, and failure to honour that obligation would have a seriously adverse effect on the good name of the Company.⁶⁸

In June 1875, when the interest payment on the Plantations Company's debenture debt was about to fall due, Mr Louch, the Natal manager, reported that not only were no funds available, but due to the state of the crops, none were likely to be available before 1878.⁶⁹ The NLCC advanced the necessary funds, and Oliver wrote to Behrens, analysing the Company's expected future outlay:

Assuming Mr Louch's statement to be correct, that nothing need be expected till 1878, our position will be somewhat as follows -

Their debt to us (without interest) was	£2789 - 7
On June 30th, we paid them for their coupons due the next day	£1338 - 8
They will ask us to provide for their coupons during the next 3 years	£8030 - 8
They say they must have 50 tons Manure - say	£ 500
And they ask the Board to authorise an open credit with you for	£1000
	£13,658 - 3

In addition to the above amounts it must not be forgotten that we have a direct liability on £19,900 of their debentures, which we found ourselves compelled to guarantee, in order to dispose of them.⁷⁰

67. NA, NLCC (A1380), File 9, Oliver to Behrens, 6 July 1875.
68. *Ibid.*
69. *Ibid.*
70. *Ibid.*

This represented a substantial investment which the Company would be required to make over the following three years, and the board was understandably concerned as to whether some return could eventually be expected.

Behrens was asked to make a thorough investigation of the state of affairs on the two estates belonging to the Natal Plantations Company, Umtata and Canonby, and give the board his opinion on whether they could eventually be made to pay.⁷¹ Oliver sent a copy of a letter which he had received from Louch expressing the opinion that, provided reliable labour could be obtained, fertiliser could be provided and a considerable acreage of new ground could be planted with cane, the 1878-79 season should prove profitable enough to recompense the NLCC for all the funds advanced in the interim.⁷² Behrens' opinion can be gauged from the laconic comment pencilled in the margin of the letter: "barring drought!".⁷³

The NLCC decided to accept Louch's estimate of the future profitability of the estates, and not only continued to make funds available for the payment of interest on the Plantations Company's debentures, but also invested heavily in other areas of the operation. New processing machinery, consisting of a concretor and boilers, was provided for the Umtata estate, at a cost entered in the balance sheet of £5160.⁷⁴ Canonby's boilers were also replaced at a cost of £700, and fertiliser was constantly supplied, one shipment alone, in 1877, being to the value of £1000.⁷⁵

Between their own estates and those of the Natal Plantations Company, the NLCC was substantially involved in the plantation sector of Natal's economy. Certainly, this involvement was on a larger scale than that implied by Christopher's mention of "small experimental farms"⁷⁶ and Slater's suggestion that "cultivation seems to have

71. *Ibid.*

72. NA, NLCC (A1380), File 9, Louch to Oliver, 8 June 1875.

73. NA, NLCC (A1380), File 9, Oliver to Behrens, 6 July 1875.

74. NA, NLCC (A1380), File 11, Balance sheet of Natal Plantations Company made up to 31 August 1877.

75. NA, NLCC (A1380), File 11, Natal Plantations Company Directors' Report, 5 March 1878.

76. A.J. Christopher, "The Natal Land and Colonisation Company in Colonial Times", *Natalia*, No. 4, December 1974, p.49.

been mostly on a small-scale experimental basis".⁷⁷ The lack of appreciation of the extent, and in some cases even the existence, of this aspect of the Company's affairs has led to a distorted perception of the Company's operations as a whole.

The misconception has arisen because the NLCC has been seen as primarily, if not exclusively, a land speculation Company. From this standpoint, Slater has described the Company's involvement with the Natal Plantations Company as follows:

The period from 1870 to about 1890 saw the Company struggling to consolidate its annual income to a point at which its heavy debenture debt could be discharged and a regular dividend paid on its ordinary share capital. The Company used several means in order to try to bring about this position. Its subsidiary, the Natal Plantations Company, formed in 1868 entered commercial agriculture....possibly with a view to publicising the potential of the Company's lands for would-be immigrant purchasers.⁷⁸

This is not an accurate representation of the manner in which the Company intended to ensure its long-term profitability or the way in which the Natal Plantations Company fitted into its scheme.

If the NLCC had been a purely speculative operation, its land would have been regarded as an asset to be sold as profitably as possible when the occasion arose, the profits to be distributed to the shareholders, and then the Company would presumably have been destined to be wound up. In the interim, income would have been necessary to keep the operation running, to discharge its debenture debt and to satisfy the shareholders, and the formation of the Natal Plantations Company could be seen as an attempt to secure this income.

However, the Company had, from the beginning, a quite different purpose in mind for its land. The land in Natal represented the Company's capital stock which would initially provide security for the Company's financial operations, and which could later be liquidated to continue these financial dealings. The Company's initial profitability was to be secured through the difference between the rate of interest at which it could borrow on the London market, and that at which it could lend on

77. H. Slater, *op. cit.*, p.270.

78. *Ibid.*

mortgage in Natal. Long-term profitability was to be secured, as discussed earlier, by re-investment of the capital realised by the sale of land.

The Company's plantations, as well as the Natal Plantations Company, must be seen as fitting into this overall scheme for ensuring profitability. The initial phase of the Company's operation was to issue debentures on the security of the land owned by the Company at 8 per cent and to lend this money on mortgage in Natal at 12 per cent.⁷⁹ This phase was not a success; during the depression which set in after the financial crisis of 1865, interest payments ceased to be made and mortgages were foreclosed.⁸⁰ It was through this process that the Company came into possession of several estates already planted with coffee and sugar, and in some cases supplied with processing machinery. It was decided to keep the estates in production, mainly because a confession of failure would have been damaging to the London investor's confidence in Natal and hence to the Company's ability to raise money in the market. That income was a secondary consideration is borne out by the fact that the estates were kept in cultivation for several years despite heavy losses.

The formation of the Natal Plantations Company should also not be seen as a direct attempt to secure an increase in income. By 1868 the Company was in serious financial straits owing to the depression in Natal. Capital could still be called up on the shares which were not fully paid up, but in order to do this the confidence of the shareholders had to be bolstered. The formation of the Natal Plantations Company enabled the NLCC, at least on paper, to make a sale of land to the value of £40 000 in the transfer of the Canonby and Umtata estates to the new Company.⁸¹ This made a considerable improvement to the NLCC profit and loss account, and restored confidence in the Company to the extent that capital could successfully be called up.⁸²

During the 1870s, the NLCC's main concern continued to be its financial dealings in London. It could not afford to allow a Company so closely associated with it as the Plantations Company to go into liquidation without seriously affecting its credit in the City. The maintenance of confidence was more important than an increase in

79. See Chapter 2.

80. See Chapter 3.

81. See Chapter 2.

82. See Appendix E.

income as, rather than discharging its debenture debt, its aim was to exchange it for a renewed debt at a lower rate of interest. The object was still to make a profit by borrowing in one market and lending in another at a higher rate.

A detailed analysis of the Company's financial affairs, taken from the profit and loss accounts and balance sheets for this period, gives substance to the above interpretation of the essential nature of the Company's operation. The pattern of the Company's borrowing on the London market, and the use to which the surplus from Natal was put (when one existed) provides clear evidence that the Company was firmly entrenched in the world of finance, the hub of which was the City of London. The property owned in Natal and the revenue obtained from it provided the basis for financial transactions which were designed, ultimately, to provide regular dividends for the Company's British shareholders. This provides a new perspective in that previous research has stopped short at the Company's efforts to draw revenue from Natal, without considering the use to which that revenue was to be put.

The main sources of revenue in the colony were rents on land and town properties, interest on mortgages and profits on properties sold. The following table shows the increases in these categories over the five-year period. The figures show that while rents on land and town properties remained virtually constant during this period, profit on land sales and interest on mortgages increased dramatically. This shows that the main drive of the Company was not towards increasing their exploitation of the black peasant economy, but rather towards selling land and re-investing the proceeds. This can be shown by examining the use to which this steadily increasing income was put. It was not until 1879 that a dividend on the ordinary share capital was declared. The surplus in that year was so great that even after all other commitments had been met, a dividend of 10 per cent on the ordinary shares could be declared.⁸³

83. NA, NLCC (A1380), File 12, Circular to shareholders containing notice of dividend payment, 18 December 1879.

Table 6.1
NLCC Rents, Interest and Profit on Land Sales, 1875-1879.

Year	Rents (£)	Interest (£)	Profit on Land Sales (£)
1875	9 543	2 371	3 807
1876	9 108	Not Available	5 683
1877	10 335	4 245	3 807
1878	9 346	4 940	17 414
1879	9 427	7 610	25 904

Source: NA, NLCC (A1380), Profit and Loss Accounts for 1875, 1877, 1878 and 1879 and Report of Annual General Meeting 1876.

During the rest of the period, priority was given to maintaining the Company's policy of raising capital and re-investing it. The dividend of 8 per cent which was due to the preference shareholders was met every year, but after this, funds were used to pay off the 8 per cent debentures issued in 1873.⁸⁴ These debentures were replaced by a new issue at 6 per cent, by which the Company hoped to raise £250 000.⁸⁵ By 1879 £111 100 for further investment had been raised on this issue.⁸⁶

The NLCC ended this half-decade in a very much stronger position than it had held at the beginning. Despite the drain occasioned by the losses of the cultivated estates and the Natal Plantations Company, the entire 8 per cent debenture issue had been redeemed, the preference shareholders had been regularly paid and the ordinary shareholders had eventually received a dividend. The Company also had a large stock of capital in hand for re-investment either in Natal or in other investment opportunities in the City.

The Company, then, although to some extent affected by variations in the economic and political climates in Natal, had essentially continued to follow the course

84. NA, NLCC (A1380), Annual Company Reports.

85. NA, NLCC (A1380), File 9, Company Circular advertising issue of 6 per cent debentures, December 1875.

mapped out by its original directors at its founding. The land was still regarded as an asset which would provide capital when sold, or could be used as collateral to raise capital, in both cases for reinvestment. While the land remained in its possession it regarded the collection of hut-rents from black squatters as a legitimate source of income, but as this practice was not as profitable as investing the proceeds of land sales it continued to promote these in every way possible.

86. NA, NLCC (A1380), File 12, Report of meeting held on 31 July 1879.

CHAPTER SEVEN

1880 - 1884: A Colony in Crisis

The decade of the 1880s brought forth, in the discovery of the Witwatersrand gold-fields, the philosopher's stone which was to transform the economy of the entire southern African region. However, the first five years - a period which, despite a promising start, was generally one of political disturbance and economic depression - showed little promise of the prosperity in store. The Company was to some extent hampered by the economic climate in the pursuit of its main objective of judiciously selling land to provide funds for re-investment. Nevertheless, full advantage was taken of the limited opportunities available, and some necessary streamlining in the cutting down of expenses, particularly those connected with the Natal Plantations Company and the cultivated estates, was carried out.

Natal entered the new decade on a tide of prosperity occasioned by the successful conclusion of the Anglo-Zulu War.¹ In a message to the Legislative Council dated 3 November 1880, the governor of Natal, Sir George Colley, commented that "The sense of security everywhere existing, the increased flow of immigration, the general prosperity and progress, and the augmented revenue of the colony, sufficiently attest these gains".² The construction industry is regarded as a fairly sensitive indicator of economic activity, and during the first five months of 1880, the local press carried two reports indicative of a boom in this sector. The first of these estimated the building work actually underway in Durban as being worth at least £30 000,³ while the second commented on the great number of houses under construction in Pietermaritzburg.⁴

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1. Cetshwayo was captured in the Ngomi forest on 20 August 1879 and the British troops withdrew from Zululand during September. J. Laband and P. Thompson, "The reduction of Zululand, 1878-1904", in A. Duminy and W. Guest (eds), *op. cit.*, p.202.
 2. NA, NLCC (A1380), File 13, Quoted in the Half-Yearly Report of the Directors to the Proprietors, 20 December 1880.
 3. *Natal Mercury*, 24 March 1880.
 4. *Natal Witness*, 6 May 1880.

The improved aspect of economic conditions was not confined to the urban areas, but also extended to the agricultural sector. The Durban manager of the Standard Bank reported in June 1880 that:

Upcountry farming has been carried on profitably and the Imperial money has been in many cases of permanent advantage in improving and developing the resources of the country. As to sugar enterprise I am happy to state that prospects are fairer than they have been for years.⁵

An analysis of the selected trade figures shown in Tables 7.1 and 7.2 below give an indication of the extent of the improvement in agriculture. Imports of agricultural implements and machinery show a substantial increase over 1879,⁶ while flour and meal, and grain imports show a considerable decrease. At the same time, the export figures for sugar and wool are indicative of the dramatic improvement in those sectors.⁷

Table 7.1

Selected Imports into the Colony of Natal, 1879 - 1881
(Value in £)

Product	1879	1880	1881
Woollen Blankets	61 902	106 759	43 949
Beads	2 095	9 658	8 733
Agricultural Implements	11 320	25 705	13 643
Machinery	21 665	37 399	31 806
Flour & Meal	85 176	54 685	127 120
Grain of all kinds	33 659	5 343	26 866
Other	1 960 537	2 097 035	1 660 739
Total Value of all Articles Imported	2 176 354	2 336 584	1 912 856

Source: NLCC Principal Imports at Durban from Official Returns. Issued by NLCC, March 1882.

Table 7.2
Selected Exports from the Colony of Natal, 1879 - 1881
(Value in £)

Article	1879	1880	1881
Hides	34 783	47 938	52 528
Skins	2 509	3 300	3 669
Sugar	56 956	215 703	172 260
Wool	415 890	529 321	450 938
Other	73 573	94 612	88 688
Total Exports	583 711	890 874	768 083

Source: Principal Exports by Sea from Official Returns. Issued by NLCC, March 1882.

The import and export figures are also indicative of a marked improvement in the general trade which was so important in the economic structure of the colony. The cessation of hostilities brought with it a resumption of trade across the Thukela,⁸ as evidenced by the increase in exports of hides and imports of woollen blankets and beads.⁹ However, the end of the war also meant the withdrawal of the imperial

5. A. Mabin and B. Conradie (eds), *op. cit.*, p.94.

6. At this time almost all machinery in the colony was used in connection with the processing of agricultural produce.

7. As mentioned previously these figure do include re-exports from the OFS and Transvaal Republics.

8. A. Mabin and B. Conradie (eds), *op. cit.*

9. These items formed the bulk of the trade between the colony and Zululand. P Colenbrander, "External Exchange and the Zulu Kingdom", in W. Guest and J.Sellers (eds), *op. cit.*, p.102.

forces, and many Natal traders were left overstocked with goods for a shrinking market.¹⁰

The prosperity which marked the beginning of the new decade did not outlast the first year. The year 1881 saw the start of a depression which was to last until 1886, and which was "...the most severe South Africa had to endure during the 19th century".¹¹ The depression, which affected the whole of southern Africa, was triggered by the "Diamond Crisis" of 1881. This began as a normal cyclical downturn in the economy, but reached panic proportions in reaction to the unrestrained speculation in the diamond industry. The severity of the depression which followed was exacerbated by the banks which had unwisely over-extended credit during the boom and then, equally unwisely, severely curtailed it at the first sign of contraction.¹²

Natal was, naturally, affected by the depression as a considerable amount of inter-colonial trade took place. In the year 1880, 22.7 per cent of Natal's exports and 5.5 per cent of her imports were to and from other South African territories.¹³ Apart from this contributing factor, however, Natal's depression was largely a parochial one with causes unique to the colony. According to a Standard Bank report:

In the case of Natal depression and commercial disturbance are due, not so much to the Diamond Field influence, for Natalians never took any appreciable risk in the share mania, but to the reaction resulting from overtrading, following on heavy war expenditure, and also loss in, & depreciation of, Transvaal markets....¹⁴

The Transvaal boers took up arms against the British government in December 1880 and, after inflicting the stunning defeat of Majuba, regained their independence in 1881.¹⁵ The consequent disruption "...seriously interfered with the Natal-Overberg trade, causing losses to merchants..." well into the year 1882.¹⁶

10. A. Mabin and B. Conradie (eds), *op. cit.*, p.93.

11. G. C. W. Schumann, *op. cit.*, p.84.

12. *Ibid.*, p.85.

13. Z.A. Konczacki, *op. cit.*, pp.19-20.

14. *Ibid.*, p.147.

15. E. Brookes and C. Webb, *op. cit.*, p.156.

As the colony of Natal had its own contributory factors to the depression, so it also had its own mitigating factors which alleviated the severity of the slump. The railway extension from Pietermaritzburg to Ladysmith was approved by the Colonial Office in 1882, thereby ensuring the continuance of fairly large-scale investment in the colony.¹⁷ The railway was also instrumental in opening up the interior of the colony to new settlement, thereby improving the land market and giving new impetus to immigration schemes.¹⁸

A further benefit of the railway was that the prospect of profitably exploiting the coal fields known to exist in northern Natal was brought nearer with every mile of track laid.¹⁹ An editorial in the *Natal Mercury* looked forward to the coming of the "Age of Steam":

With the completion of the railway as far as Ladysmith will begin what we are fain to hope will be an era of manufacturing development in Natal....Steam works practically depend in these days upon coal, and coal at economical prices has so far been an unknown quantity. We desire to recall attention to the fact that when our railway reaches Ladysmith the splendid coalfields of Newcastle County will be within reach.²⁰

Although the benefits of a cheap source of fuel were still quite a long way in the future and wagon-transport was still used in preference to the railway,²¹ they raised expectations and kept confidence in the colony alive throughout this period of depression.

These hopes were given substance as the full extent and value of the northern Natal coalfields were revealed. In 1880, the government employed a mining engineer, F

16. NA, NLCC (A1380), File 15, Half-Yearly Report of the Directors to the Proprietors, 11 December 1882.

17. The Loan Law passed by the Legislative Council authorised an expenditure of £1 100 000 on railway extension. H. Heydenrych, *op. cit.*, p.57. See Appendix F, Map 1.

18. These aspects are discussed in greater detail later in this chapter.

19. NA, NLCC (A1380), File 15, Half-Yearly Report of the Directors to the Proprietors, 11 December 1882.

20. *Natal Mercury*, 20 February 1882.

21. *Natal Witness*, 28 May 1881.

W North, to report on the mineral deposits of Natal.²² Various interim reports were published, and then the final report in 1882 gave the following information:

...that the area of the principal Coal Fields of Natal in or near Klip River County, comprises 1,350 square miles, equal to 864,000 Acres, that may be depended upon for supply. The quantity of Coal, assuming an average thickness of 4 feet,, but allowing a deduction of 50 per cent. for faults, & c., Mr North estimates at 2,073 million tons, of which one-fourth may be Anthracite, and three-fourths Bituminous, of various qualities.²³

Given the importance of coal in the process of industrialisation during the nineteenth century, the presence of such extensive deposits was considered to be a certain augury of future development.

This was also a period of good returns from agriculture, which brought considerable relief as the economy was still heavily dependent on this sector. It can be seen from Table 7.3 that exports of grain, fruit and wool all increased steadily during this period. Sugar exports, in terms of tonnage, showed a falling off from the bumper year of 1880, but had recovered well by 1884. The sugar industry was handicapped at this time by the fact that "Prices in the Colony [had] been low, and shipments [had] shown poor results in face of severe depression in the London Markets".²⁴ The effect of the price decline can be seen in the fact that although the tonnage exported in 1884 was virtually the same as that in 1880, the value had declined from £215 703 to £185 148.

22. NA, NLCC (A1380), File 13, Report of the Directors to the Proprietors, 2 December 1880.

23. NA, NLCC (A1380), File 15, Half-Yearly Report of the Directors to the Proprietors, 11 December 1882.

24. A. Mabin and B. Conradie (eds), *op. cit.*, p.159.

Table 7.3

Selected Exports from the Colony of Natal, 1880 – 1884
(Value in £)

Article	1880	1881	1882	1883	1884
Grain	114	2 988	19 832	18 297	
Fruit	600	1 065	2 199	2 918	3 588
Sugar					
<i>Value (£)</i>	215 703	172 260	84 668	122 084	185 148
<i>Tons</i>	11 875	8 592	4 141	6 336	11 785
Wool	529 321	450 938	481 449	519 161	523 377
Other	145 250	143 661	160 505	167 752	227 508
Total	890 874	768 038	731 809	831 747	957 918

Source: Principal Exports by sea from Official Returns. Issued by NLCC, May 1885

During this period, the Company's ability to pay a dividend on its ordinary shares was still heavily dependent on the profit realised on the sale of land. Any capital realised, that is, the value of the land as it stood in the Company's books, was set aside for re-investment. The economic factors discussed above all had a bearing, whether direct or indirect, on the ability of the Company to sell land. Furthermore, the question of land sales became more complicated as the land available for sale became divided into three categories. In the first category was the unleased rural land, occupied by black squatters, the sale of which was affected by the general economic climate and by a new policy on the part of government towards the sale of Crown lands.²⁵ The second category was occupied by land traversed by the railway, for which a policy of subdivision around the nuclei of railway stations came into being in the hope that closer settlement would follow the railway.²⁶ Finally, a new category was created - the cultivated estates, which were brought onto the

25. See Appendix F, Map 4.

26. See Appendix F, Map 1.

market as they became increasingly uneconomical to run.

The boom of 1879-80, during which land sales rocketed, was to some extent artificially created by the influx of capital during the Anglo-Zulu War. The end of the war and withdrawal of imperial troops brought the start of a recession, which deepened into depression in the aftermath of the "Diamond Crisis". The effect on the land market was evident as early as February 1881, when Oliver, the Company secretary, wrote that "We are very sorry to see that enquiries for the purchase and lease of properties have fallen off to such an extent".²⁷

By mid-1882, the situation was serious enough to warrant a special resolution of the board of directors which read:

That, with the view of ensuring the earning of a dividend payable at the end of the year, the General Manager be instructed to effect sales whenever an opportunity offers at prices named in the schedule, or at such reduction of price as in his absolute discretion he may consider for the interests of the Company.²⁸

That there was a considerable margin for reducing prices, before profitability began to be seriously affected, is evidenced by the fact that during the first-half of 1882 sales amounting to £12 000 had been made on which the profit realised was £7600.²⁹

The fact that the board was prepared to sanction a reduction in price suggests that a market for land did exist, but that the Company was faced with competition. This was indeed the case, as the government had embarked on an aggressive policy of Crown land sales in order to meet the two-fold objective of raising colonial revenues and attracting settlers.³⁰ A proclamation of the new terms under which

27. NA, NLCC (A1380), File 13, Oliver to Behrens, 24 February 1881.

28. NA, NLCC (A1380), File 15, Patrick to Behrens, 29 June 1882. F G Patrick was appointed Acting Secretary on the retirement of E Oliver due to ill-health in October 1881. He was confirmed in the appointment in February 1883. It is noteworthy that the correspondence underwent a distinct change of tone under the new secretary. Patrick was far less inclined to discuss the affairs of the Company, seldom expressed his own opinion and tended merely to pass on the dictates of the board. To Patrick, Behrens was merely a hireling rather than a trusted confidant, and the correspondence, as source material, is the poorer for it.

29. *Ibid.* See Appendix E.

Crown lands were offered for sale appeared in the *Government Gazette* of 19 October 1880. The directors of the NLCC considered the proclamation of such importance to the Company that they determined to issue a circular to the shareholders without delay.³¹

The terms under which the Crown lands were to be offered for sale, as set out in the proclamation, were:

They are obtainable (1st) in blocks of from 10 to 2,000 acres, subject to auction, at an upset (or minimum) price of 10s. per acre, payable by 10 yearly instalments, with the stipulation of occupation during nine months of each year; title being given at the end of 10 years, all stipulations having been duly fulfilled. Or (2nd), without the conditions of occupation, &c., in blocks as desired, limited to 320 acres Agricultural, or 1,000 acres Pastoral Land after survey, and subject to auction, at an upset price of 20s. per acre. In each case the mineral rights are reserved to the Government.³²

The new conditions represented a considerable increase in price and a new determination to make land available. Five years had elapsed since the previous government sale, at which the upset price had been 4s. per acre.³³

The government's new land policy was greeted with unmixed delight by the directors of the Company, who believed that it would be enormously beneficial to their own interests as well as those of the colony. Instructions were telegraphed to Behrens to raise prices at his own discretion, and Oliver remarked in his following letter that, "In face of the Governor's proclamation, the directors naturally look for a substantial advance in the value of the Company's lands, especially the up country lands now being offered at 10/6".³⁴ The Company had previously been able to sell land at higher prices than the set price for Crown land partly because their land was, on average, of a better quality. However, their main advantage had been in the

30. *Natal Government Gazette*, 19 October 1880.

31. NA, NLCC (A1380), File 13, Oliver to Behrens, 25 November 1880.

32. NA, NLCC (A1380), File 13, Report of the Directors to the Proprietors, 2 December 1880.

33. *Ibid.*

34. NA, NLCC (A1380), File 13, Oliver to Behrens, 25 November 1880.

government's reluctance to sell land, acutely aware as it was of the large proportion of land in the colony which was alienated and sadly under-utilised. Nevertheless, there was a limit to the margin by which the Company's prices could outstrip the government selling price. The new increase in the latter considerably increased the base of this margin. The optimistic light in which the proclamation was viewed is evident in the fact that the Company's shares, which had been trading at 93/4 - 101/4, shot up to 131/8 on the strength of it.³⁵

The government's initiative did result in an increase in the price at which land could be sold in the colony. The average price of land sold by the Company increased from 16s. per acre in 1880 to 18s. in 1881 and then to nearly 20s. in 1882.³⁶ However, from the Company's point of view, the increase in price was largely negated by a fall in sales due in large measure to competition from the government. Although this factor does not appear to have been considered in the initial euphoria occasioned by the proclamation, its seriousness did become increasingly apparent to the board.

An interim report issued at the end of 1882 informed the shareholders that sales up to 6 November of that year had been below average; only 17 000 acres had been sold, yielding a profit of £10 000, which the directors considered insufficient to warrant the declaration of an interim dividend.³⁷ The report went on to explain that:

This is a great disappointment to the Board, but it must be mainly attributed to the fact that the Government have held two public sales of land during 1882: the first on 28th June, when upwards of 111,000 acres were disposed of at a minimum upset price of 10s. per acre; while at the second sale, on 20th September, nearly the same amount, 110,300 acres were also taken at 10s. per acre; in a few instances at higher prices.³⁸

35. *Ibid.*

36. NA, NLCC (A1380), File 13, Half-Yearly Report of the Directors to the Proprietors, 12 December 1880; and NA, NLCC (A1380), File 15, Patrick to Behrens, 23 February 1883.

37. NA, NLCC (A1380), File 15, Half-Yearly Report of the Directors to the Proprietors, 11 December 1882. See Appendix E.

38. *Ibid.*

The board, therefore, were confident that their own decreased sales were not a sign of a decrease in demand, but that "On the contrary, the demand for, and purchase of, land by settlers seem to be increasing, as the opening up of the country by railways proceeds".³⁹

Although the board expressed their disappointment at the fall off in sales, they still perceived the government's action as advantageous both for the colony and for the Company. The sale of land at a profit which would ensure the payment of a dividend was important in the short term, but the Company was not primarily interested in short-term profit-taking. Of far greater importance, considering the long-term objectives of the Company, was the settlement and development of the colony. This would not only increase the value of the Company's unsold lands, but would provide greater opportunity for investment. The interim report cited above stated that the directors viewed the check in sales as purely temporary and unlikely to affect the value of the Company's property, "...but rather, on the contrary, as tending with other causes to enhance its intrinsic value".⁴⁰ The report went on to discuss a recently completed survey of the Natal coalfields, commissioned by the government, stressing the finding that the opening up of the coalfields would "...become a lucrative mode of employing Capital".⁴¹

During 1883, competition from the government land sales intensified. The government held four sales at which a total of 263 739 acres were disposed of,⁴² while the Company only managed to sell a meagre 7471 acres.⁴³ The Company, however, maintained the position that this situation was not to be deprecated as "It is hoped that these Sales may have the effect of drawing Emigrants to Natal in larger numbers", and that, meanwhile, "Attention has been given to the lending of money on mortgage of real property, and loans have been granted on satisfactory

39. NA, NLCC (A1380), File 16, Report of the Directors to the Proprietors, Twenty-Second Ordinary General Meeting, 24 May 1883. See also Appendix F, Map 1.

40. NA, NLCC (A1380), File 15, Half-Yearly Report of the Directors to the Proprietors, 20 December 1882.

41. *Ibid.*

42. NA, NLCC (A1380), File 16, Half-Yearly Report of the Directors to the Proprietors, 28 December 1883.

43. NA, NLCC (A1380), File 17, Report of the Directors to the Proprietors, Twenty-Third Ordinary General Meeting, 29 May 1884. See also Appendix E.

terms".⁴⁴

By the end of 1884, however, with the economy sinking ever deeper into depression and the Company land sales showing a further decline, some disenchantment with the government was beginning to show. At the twenty-fourth ordinary general meeting, at which the report and accounts for 1884 were presented, the chairman, Henry Kimber, addressed the question as follows:

The great question was why they could not sell more of their land than they did, and the answer was that the Government were still putting Land on the Market in excess of the demand, and at prices which, he was advised, were far below its real value, so that the Colony lost the benefit of the price, and the other owners of land in the Colony had their property depressed in value by the over supply. The cause of this was that the Government, although selling under wise conditions of occupation, threw their land upon too narrow a market, viz., the Colonists, who were already well supplied, instead of placing it before the millions of people at home, who were crying out for bread, and giving them facilities for emigrating to get it, and so simultaneously increasing the population of the Colony.⁴⁵

The claim by the Company that the government was flooding the land market seems not unreasonable in view of the fact that by December 1884 about 600 000 acres had been sold for beneficial occupation and a further 615 000 acres had been leased under the provisions of the proclamation of 1880.⁴⁶

However, more importantly, the chairman's address reveals that that perennial bone of contention in the colony - the question of immigration - had once again been disinterred. The assertion, so confidently made in the previous decade, that the only obstacle to immigration was the lack of available land,⁴⁷ was now proved to be false. Land had not only been made available, it had been sold in large quantities,

44. NA, NLCC (A1380), File 16, Half-Yearly Report of the Directors to the Proprietors, 28 December 1883.

45. NA, NLCC (A1380), File 18, Report of Proceedings at the Twenty-Fourth Ordinary General Meeting, 21 May 1885.

46. NA, NLCC (A1380), File 17, Directors' Circular and Interim Report to the Shareholders, 24 December 1884.

47. See Chapters 4 and 5.

but still the expected flood of immigration failed to materialise. Although the Company was prepared to make some effort to promote immigration, as discussed below, they still maintained the position that the main burden of attracting, subsidising and locating new settlers should be borne by government. From the Company's point of view, selling land without making a concerted effort to increase the white population was insufficient to ensure the economic growth upon which their future prosperity depended.⁴⁸

For various reasons, then, the opening up of the interior of Natal by the steady advance of the railways was not producing the hoped-for result of attracting settlers and improving Company land sales. The case was somewhat different with regard to lands actually traversed by the railway-line, for which the Company formulated a special policy. As far back as the 1870s, before a single sleeper had been laid, the Company began sub-dividing farms lying across the projected route, and advertising the resultant plots for sale. In July 1876, the sale of lots on the farms Bellair, Roosfontein and Buffelsbosch, which lay between Durban and Pinetown, was drawn to the attention of "...Investors, small growers, and parties desirous of obtaining Suburban Residences".⁴⁹ The following year, a further offer was made of lots at Northdene, a little further along the line towards Pinetown,⁵⁰ and in 1882, Chatsworth in the same general area was subdivided.⁵¹ One of the proposed subdivisions, of the farm Zeekoegat, near Pinetown, was not carried out as the Trappist Order purchased the entire property for the establishment of Mariannhill Monastery.⁵² The sale was made for £7871, although the proposed lots were priced to fetch £9000, but the prospect of a speedy sale with certain payment was considered to be worth the sacrifice.⁵³

Land this close to the port, served by railway, had a ready market; but beyond

48. NA, NLCC (A1380), File 18, Report of Proceedings at the Twenty-Fourth Ordinary General Meeting, 21 May 1885.

49. *Natal Mercury*, 22 July 1876. See also Appendix F, Map 1.

50. *Natal Mercury*, 26 July 1877.

51. *Natal Mercury*, 7 September 1882.

52. NA, NLCC (A1380), File 17, Patrick to Behrens, 7 August 1884. See also H. Gamble, *Marianhill: A Century of Work and Prayer*, 1982, Ch.1 *passim*.

53. NA, NLCC (A1380), File 17, Patrick to Behrens, 18 September 1884.

Pinetown, and more particularly beyond Pietermaritzburg, sales were not so easily made. In order to secure an additional advantage, the Company's Natal manager, Carl Behrens, used all the influence he had to ensure that at least some railway stations would be sited on Company property.⁵⁴ Although it is never explicitly stated in the correspondence, there can be little doubt that the fact that the Company was prepared to donate land for track, stations and sidings, played some part in his success.⁵⁵ Eventually, four stations on the main line were sited on or near Company property: Manderston, on the farm Uitzoek near Pietermaritzburg; Frere, on the farm Plessis Lager, near Estcourt; Highlands, on the farm Langewacht, beyond Mooi River; and Howick, near the Company's projected village of New Howick.⁵⁶

All these properties were subdivided for sale in small lots, and it is in connection with this enterprise that there is some evidence of the Company withholding land from the market. It was thought that the railway stations would form nuclei around which villages would develop. If this were to happen, some of the lots, especially those immediately surrounding the station, could be expected to appreciate in value. The board therefore decided to reserve the station lots, as well as some of the village and surrounding country lots in the hope of a later increase in value.⁵⁷ Behrens was of the opinion that in the case of Manderston, where the lots were to be sold by public auction, keeping these lots out of the sale would cause dissatisfaction among the buyers. The board, therefore, altered their decision and allowed the lots to be offered for sale, but at double the reserve price of the other lots which they were willing to sell.⁵⁸ To this extent, then, the Company was withholding land, but it was on far too small a scale to have seriously affected land availability in the colony.

54. NA, NLCC (A1380), File 14, Patrick to Behrens, 10 November 1881.

55. NA, NLCC (A1380), File 17, Patrick to Behrens, 22 May 1884.

56. NA, NLCC (A1380), File 17, Patrick to Behrens, 22 May 1884; NA, NLCC (A1380), File 16, Half-Yearly Report of the Directors to the Proprietors, 28 December 1883; NA, NLCC (A1380), File 17, Patrick to Behrens, 18 September 1884; NA NLCC (A1380), File 17, Report of the Directors to the Proprietors, Twenty-Third Ordinary General Meeting, 29 May 1884. See also Appendix F, Map 1.

57. NA, NLCC (A1380), File 14, Patrick to Behrens, 19 January 1882.

58. NA, NLCC (A1380), File 15, Patrick to Behrens, 31 August 1882.

In the event, the expected villages failed to materialise, but the land was sold, either to provide country estates for wealthy merchants eager to escape the heat and dust of Pietermaritzburg in summer, or for the establishment of smallholdings which became viable once produce could be cheaply and efficiently transported to the market. The lots at New Howick sold particularly well, and by the end of 1883, 6975 acres, including land set aside by the Company for commonage and outspan, had been disposed of.⁵⁹

The unimproved land of the Company, whether traversed by the railway or not, was finding a market during this period despite competition from the government and the unfavourable economic climate. However, the cultivated estates, which had become so great a liability that the decision was taken to close them, proved unsaleable. Although, by 1880, the drought had broken and good crops were being harvested, the bad seasons of the recent past had been devastating enough to scare off would-be purchasers. The Durban manager of the Standard Bank reported in February 1881 that "As regards the sugar planting industry it is pleasing to report a continuation of favourable weather, and to record a most successful season...At present very few indications exist of fresh investments in Estates".⁶⁰

The improvement in the weather conditions, which brought prosperity to the planting sector as a whole in Natal, increased the crops on the Company estates, but the final accounting still showed a loss of £3674 for the year 1880.⁶¹ The irony was that the plantations could not be made profitable because the Company had invested not too little, but far too much money in them. The Capital and Inventory Accounts for the five cultivated estates to 31 July 1881, shown in Table 7.4 below, reveal the extent of this investment.⁶² To show even a 10 per cent return on investment, the estates would have had to make an annual profit of £4556. Far from making a profit, however, the estates had made a total loss of £18 594 over the period 1874 - 1880, which averaged out at a loss of £2656 per annum.⁶³ During the

59. NA, NLCC (A1380), File 17, Patrick to Behrens, 22 May 1884.

60. A. Mabin and B. Conradie (eds), *op. cit.*, pp.105-106.

61. NA, NLCC (A1380), File 13, Report of the Directors to the Proprietors, Twentieth Ordinary General Meeting, 23 June 1881.

62. NA, NLCC (A1380), File 14, Oliver to Behrens, 20 October 1881.

63. *Ibid.*

drought years. it was easy enough to blame the losses on the bad seasons, but the improved conditions showed up a deeper underlying cause of the lack of profitability. It became apparent that "...the hopes held out of profitable working under the influence of a liberal outlay in manures, labour etc." were not to be realised.⁶⁴ The open-handed policy of the board, which was taken full advantage of by the estate managers, combined with heavy expenses for transport and falling produce prices, created a situation in which operating costs far outstripped the best possible returns.⁶⁵

Table 7.4

Capital investment in NLCC Cultivated Estates
as at 31 July 1881

	Capital a/c	Inventory a/c
Riet Valley	£12 218 13s 3d	)
Chaka's Kraal } Stuckeridge }	11 857 6s 3d	) £6 352 10s 8d
Torvale	5 667 1s 11d	789 6s 11d
Snaresbrook	7 914 11s 2d	762 14s 7d
Total	37 657 12s 7d	7 904 12s 2d

Source: NA, NLCC (A1380), File 14, Oliver to Behrens 20 October 1881

By October 1881, the board had realised their mistake, and a resolution was passed to the effect that:

64. *Ibid.*

65. NA, NLCC (A1380), File 13, Pattrick to Behrens, 5 May 1881.

...the General Manager be instructed to take the steps which he considers best, to relieve the Company with as little delay as possible from the active management, either by finding responsible men to take leases on easy terms, or by getting rid of the employee's, Coolies etc. and disposing of the Live Stock and moveable property. If this extreme course prove necessary it is hoped that the properties may be cut up and gradually disposed of.⁶⁶

The decision to sell the estates piecemeal, rather than entire, was taken in view of the fact that in order to cover the original cost of the land, recover the capital expenditure, and make a reasonable profit, the estates would have to be priced far above what the market would bear.⁶⁷

As it happened, leasing proved to be a viable alternative to selling the estates. Stuckeridge was leased to S. Pinder, the former manager, and F. Morrison, who planted sugar with considerable success.⁶⁸ This estate, which was sold to H. Croad in 1919 for £13 000,⁶⁹ was the only one to maintain its integrity. The Company, in 1883, began to lease portions of the other four estates to Indian smallholders.⁷⁰ This activity, which doubtless did little to improve the Company's popularity among whites in the colony, provided a source of income from the properties until they were eventually cut up and sold.

The closure of the cultivated estates during the first-half of the 1880s also signalled the demise of the Natal Coffee Works, which had been installed to process the produce of the estates. Had coffee-growing proved successful elsewhere than on the Company estates there might have been a need for it, but as it was the board were forced to enquire of Behrens "...whether they could be turned to any other account, now that their ordinary occupation was going".⁷¹ Behrens, not being able to find any alternative use for the Coffee Works, was instructed to offer them for lease or

66. NA, NLCC (A1380), File 14, Oliver to Behrens, 20 October 1881.

67. A. Mabin and B. Conradie (eds), *op. cit.*

68. NA, NLCC (A1380), File 15, Patrick to Behrens, 28 April 1882.

69. R. F. Osborn, *op. cit.*, p.193.

70. NA, NLCC (A1380), File 15, Patrick to Behrens, 25 January 1883.

71. NA, NLCC (A1380), File 15, Patrick to Behrens, 21 September 1882.

for sale.⁷² The board were unwilling to reduce the amount at which the Coffee Works stood in the balance sheet, so the sale price was set at £13 000,⁷³ which proved to be unrealistic in view of the depressed state of the economy. By the mid-1880's only one serious offer, of £4000 for the property without the machinery, was received and this was rejected.⁷⁴

The figures for total land sales during this period, shown in Table 7.5 below, reflect the difficulties which the Company was experiencing in this very important sector of its business.⁷⁵ Acreages sold were dropping dramatically, as were profits, although the latter were falling less steeply due to the improvement in the price of land. This would have been more evident but for the fact that Company land was sold on a credit system whereby repayments were made over a number of years. The depression was not only affecting new sales, but was causing the cancellation of sales where the purchaser had fallen into arrears.⁷⁶ The profits already entered in previous balance sheets had to be deducted from the profits of succeeding years, causing them to be lower than actual sales warranted.⁷⁷

Table 7.5

Land Sales, 1880 -1884

Year	Acreage	Profit (£)
1880	40 000	22 050
1881	-	23 076
1882	21 000	14 674
1883	7 471	4 942
1884	6 476	6 079

Source: NLCC Annual Reports and Balance Sheets, 1880 - 1884

72. NA, NLCC (A1380), File 15, Patrick to Behrens, 8 February 1883.
73. NA, NLCC (A1380), File 16, Patrick to Behrens, 23 August 1883.

The Company's difficulties in its Land Department were not confined to land sales during this period. As the largest absentee proprietor, it once again came under attack, this time on two fronts, from members of the Legislative Council on the question of black squatters. The first was an attempt to impose a tax on land which would impose a relatively heavier burden on absentee landowners, and the other was the start of another agitation about the amount of hut-rent charged by landlords, which was conducted with particular virulence by the editor of the *Natal Witness*.⁷⁸

The land tax was originally intended to be a tax on value, and to this end, a Valuation Roll was drawn up for the colony and published in the *Government Gazette* of 1 March 1881.⁷⁹ However, the principle of taxation upon assessed value was abandoned, possibly as a result of manifest inequities in the system of valuation,⁸⁰ and a simpler tax on area was proposed.⁸¹ The tax was to be one farthing per acre on farms of less than 500 acres, and one halfpenny per acre on farms over 500 acres. However, if the larger farms were "beneficially occupied", that is by whites, they too would be taxed at one farthing per acre.⁸²

Although, in the words of John Robinson, this bill handled resident landowners "...as gently as any fiscal measure that could be framed",⁸³ there was considerable resistance to the very idea of a direct tax on land.⁸⁴ This resistance was stronger

74. NA, NLCC (A1380), File 16, F.A. Barker to Pattrick, 25 July 1883.

75. See also Appendix E.

76. NA, NLCC (A1380), File 17, Pattrick to Behrens, 27 November 1884.

77. NA, NLCC (A1380), File 18, Report of the Directors to the Proprietors, Twenty-Fourth Ordinary General Meeting, 21 May 1885.

78. *Natal Witness*, 20 July 1881, 8 September 1881,

79. *Natal Mercury*, 10 March 1881.

80. A leading article in the *Natal Mercury*, 10 March 1881, pointed out that there was no standard in the valuations, but that it had been carried out by several men each with his own subjective view.

81. *Natal Mercury*, 4 July 1884.

82. *Ibid.*

83. *Ibid.*

among up-country farmers with their vast acreages than along the coast where farms tended to be much smaller. Indeed, the Victoria Planters' Association considered the proposed tax to be "...a just and fair one, and not bearing heavily on the agricultural interest".⁸⁵ However, the up-country farmers had an unassailable majority in the Legislative Council and, without even troubling to join in the debates, simply voted it out of existence.⁸⁶

The NLCC either felt confident that the Land Tax Bill had little chance of passing into legislation, or considered a mere farthing per acre not worth fighting over. For whatever reason, there is no evidence to suggest that they perceived the proposed tax as a threat of any kind. The matter is not mentioned in any Company report, and the only mention in the correspondence is Patrick's confiding in Behrens: "I learn with pleasure that this bill has been thrown out".⁸⁷

The resurrection of the question of hut-rents on private lands came in 1882 when T. Reynolds proposed the following motion in the Legislative Council:

That in the opinion of the Council the practice so largely followed by absentee land proprietors of extracting extortionate rents from their native tenants was calculated to lead to grave complications; and that the Council would lend its support to any measure which might be suggested for dealing with the matter and would tend to the advancement and future welfare of the colony.⁸⁸

The motion was rather vague and, as Mr Saunders remarked in the subsequent debate, "...seemed to be launched against the Land and Colonisation Company, whose funds people were glad enough to borrow in times past".⁸⁹ However, as a Native Commission was sitting at that time to consider the question, it was decided to defer the matter until the report was completed and the motion was withdrawn.⁹⁰

84. A spate of letters to the editor, printed in the *Natal Mercury* and the *Natal Witness* at this time attest to public dissatisfaction with the idea of a tax on land.

85. *Natal Mercury*, 21 July 1884.

86. *Natal Mercury*, 15 September 1884.

87. NA, NLCC (A1380), File 17, Patrick to Behrens, 16 October 1884.

88. *Natal Mercury*, 24 July 1882.

89. *Natal Mercury*, 21 July 1884.

90. *Ibid.* The Natal Native Commission of 1881-82 was appointed to investigate matters of Native

Meanwhile, the data contained in Table 7.6 indicates that the Company continued to earn a substantial income from rents, in the proportion one-third from town properties and two-thirds from land.⁹¹ The figures do not distinguish between rents collected from white lessees and those from black squatters, but the moderate increase over the five-year period does not seem to indicate a propensity to rack-renting on the part of the Company. There is no mention in the correspondence of any increase in the hut-rent during this period, and, indeed, there is very little reference to the subject, indicating perhaps that it was not regarded as particularly important in the Company's operations as a whole.

Table 7.6

NLCC Income from Rents (Land and Town Property), 1880 - 1884

Year	Rent (£)
1880	9 842
1881	10 604
1882	10 490
1883	10 195
1884	11 083

Source: NLCC Annual Reports and Balance Sheets, 1880 - 1884.

This assumption is given added weight by the fact that the Company continued to take a strong interest in the question of white immigration to the colony. They considered it to be in the best interests of the Company that the land should be

law, administration and education. Its Report was published in the *Natal Government Gazette*, 31 October 1882.

91. See also Appendix E.

settled by white rather than black farmers. Not that they had any objection to selling land to blacks, but their attitude was one of nineteenth-century confidence in white superiority and they simply did not envisage a strong and profitable market emerging from the black population. This is clearly indicated in a remark made by Oliver to Behrens on the subject: "I see the sale of 200 acres of Uitzoek is to a Kafir. I suppose the war put money in the pockets of some of the more industrious of the dark gentry".⁹²

The Company wanted white settlers on its lands, and it was sharply critical of the ineptitude of the government in promoting immigration, particularly its insistence on a careful selection of would-be settlers. The board's opinion was conveyed to Behrens in the following terms:

With respect to your remarks as to the failure of all previous Immigration Schemes, the Board quite agree with you that it is a mistake to try and induce only a certain class of people to emigrate to Natal. After all, Byrne's scheme, with its many failings, has done more for the Colony than all the others together.⁹³

The board considered it unnecessary to enquire into the means of people wishing to emigrate which, considering that the vast majority of nineteenth-century emigrants were virtually indigent, would certainly have widened the field of recruitment.⁹⁴

The board had its own proposals as to how emigration to Natal ought to be promoted:

Let the advantages of the Colony be freely advertised..; let a free passage be offered to people of all nations; and a proper reception in the Colony...be assured to them together with a free gift of land of about 200 acres....You must hold out inducements in the advertisements for parties to select Natal, otherwise they will go to America, New Zealand, or other places which hold out greater inducements.⁹⁵

92. NA, NLCC (A1380), File 13, Oliver to Behrens, 20 September 1880.

93. NA, NLCC (A1380), File 13, Oliver to Behrens, 26 October 1880.

94. *Ibid.*

95. *Ibid.*

The Company was prepared to provide 200-acre plots of its own land to government-assisted immigrants under the provisions of the proposal made by Bergtheil and forwarded to the Natal government in 1876.⁹⁶ It is a measure of the government's tardiness in dealing with the question of immigration that by the mid-1880s this offer had yet to be either accepted or rejected.

The Company did not have the resources, and considered it outside its province, to enter into any large-scale immigration scheme. It did, however, lend its support to various small private schemes for introducing settlers. Among these, was the scheme initiated by Abbot Franz Pfanner who was in charge of setting up the Trappist monastery at Mariannhill, near Pinetown. The board not only offered "...pecuniary assistance, to a limited extent, should it be applied for", but also provided the services of Jonas Bergtheil, whose considerable experience of the colonial immigration machinery proved useful in cutting through red tape.⁹⁷ Abbot Pfanner had not complied with the rules laid down by the Natal government for obtaining assisted passages, but Bergtheil was able to negotiate these successfully.⁹⁸ The proffered pecuniary assistance took the form of interest-free loans, without security.⁹⁹ In October 1883, Behrens was authorised to advance up to £1000 to the Trappists in order to "...facilitate the settling of these people on our lands as much as possible".¹⁰⁰ This amount was advanced by January 1884,¹⁰¹ and in April of the same year a further advance of £1000 was authorised.¹⁰²

At the same time as the Trappist scheme was receiving attention, the Company entered into negotiation with C. A. Voigt, an emigration agent based in Leipzig who sent emigrants to all parts of the world.¹⁰³ Voigt informed the Company that the

96. *Ibid.*

97. NA, NLCC (A1380), File 16, Patrick to Behrens, 29 March 1883.

98. *Ibid.*

99. NA, NLCC (A1380), File 16, Patrick to Behrens, 27 September 1883.

100. NA, NLCC (A1380), File 16, Patrick to Behrens, 25 October 1883.

101. NA, NLCC (A1380), File 17, Patrick to Behrens, 3 April 1884.

102. NA, NLCC (A1380), File 17, Patrick to Behrens, 17 April 1884. See also J. B. Brain, "Marianhill Centenary: A Look at the Early Years", *Natalia*, 12, December 1982, pp.58-70.

103. NA, NLCC (A1380), File 16, Patrick to Behrens, 15 November 1883.

majority of the emigrants with whom he dealt wanted to go to the United States, but that there were always some families which wanted to go to Africa.¹⁰⁴ The Company sent information on the prices and terms upon which its lands were offered for sale, and agreed to pay Voigt 5 per cent commission on the selling price of any lands purchased by settlers sent out through his agency.¹⁰⁵

Although the rents from land were showing a moderate increase and some profit was coming in from land sales, the Company's financial position was not sound enough to allow for any great expenditure on projects such as immigration. This was due in no small measure to the continuing drain on the Company's resources caused by its support of the Natal Plantations Company. It was during this period that the final decision was taken to cut off this support and leave the Plantations Company on its own, to stay afloat or sink into bankruptcy on its own. The Company had continued its support mainly to retain the confidence of investors, but the point had been reached at which this confidence was being more adversely affected by the lack of returns from the Plantations Company than it would be by its demise.

The decision to refuse further funding to the Plantations Company was taken at a time when it had a better chance of surviving on its own than it had ever had before. The directors of the Plantations Company reported at their tenth ordinary general meeting in July 1880 that the seasons had been very favourable and they expected their 1880-1881 crop to yield 1000 tons of sugar, if not more.¹⁰⁶ The crops of the 1878-1879 season had been sold for £4800, and the estates were in such good condition that the directors were confident that large crops in each succeeding year might be reasonably anticipated.¹⁰⁷ That this was not unreasonable is borne out by the fact that the sales of the 1879-1880 and 1880-1881 crops realised £8066 and £21 489 respectively.¹⁰⁸

104. NA, NLCC (A1380), File 16, C A Voigt to Patrick, 7 November 1883.

105. NA, NLCC (A1380), File 16, Patrick to C A Voigt, 9 November 1883; NA, NLCC (A1380), File 16, Patrick to C A Voigt, 15 November 1883.

106. NA, NLCC (A1380), File 13, Natal Plantations Company Directors' Report to be presented at the Tenth Ordinary General Meeting of Shareholders on 20 July 1880.

107. *Ibid.*

108. NA, NLCC (A1380), File 14, Natal Planations Company Directors' Report to be presented at the Twelfth Ordinary General Meeting of Shareholders on 20 March 1882.

However, the system of allowing the managers to draw upon the NLCC for any funds which they considered necessary for working the plantations had proved to be just as pernicious as it had been in the case of the NLCC's cultivated estates. The combined working expenses of the Canonby and Umtata estates had been estimated at £4800 per annum in 1868, when they were sold to the Plantations Company. This figure had mushroomed to £21 000 per annum by 1880, and this was not inclusive of £7000 expended on manure.¹⁰⁹ During this period, the out-turn of the estates had only increased to double that of 1868.¹¹⁰ Obviously, then, productivity was suffering and profitability was being decreased, rather than increased, under this open-handed system.

However, it was not merely the funding of the Plantations Company which adversely affected its viability; its financial structure was such that during its brief history it had accumulated a burden of debt which by 1882 had crippled it beyond redemption. The directors were forced to admit this at the twelfth ordinary general meeting:

The primary cause of the non-success of this Company arises from the fact that the purchase of the property and the working capital was originally obtained by the issue of interest bearing debentures. To provide for the interest sacrifices were made from the start....By subsequently deferring payment of the debenture interest and borrowing money to provide new and improved machinery...and increase the acreage under cultivation, the Company has now, by adding the accumulated interest to capital, assumed a yearly interest charge beyond its capacity.¹¹¹

The NLCC had guaranteed the Plantations Company's debentures, and had therefore been forced to meet the interest payments as they fell due.¹¹² They had also advanced money for improvements to the estates, thus allowing the Plantations Company to sink ever deeper into debt. As in the case of its own estates, the NLCC had invested not wisely but too well.

109. NA, NLCC (A1380), File 14, H P Price to Behrens, 15 December 1881.

110. *Ibid.*

111. NA, NLCC (A1380), File 14, Natal Plantations Company Directors' Report to be presented at the Twelfth Ordinary General Meeting of Shareholders, 20 March 1882.

112. See Chapter 2.

In March 1882, the NLCC decided that it could no longer continue to provide the Plantations Company with funds for running expenses. The board passed a resolution to the effect:

That the General Manager and the Natal Plantations Co. give notice that this Company will make no further advances for or to the Natal Plantations Co. after the 30th June next, and until then only such as are absolutely essential. That on 1st July next a fresh account be opened to which all receipts from the Estates shall be credited and all outgoings debited....The disposal of the balance at the end of the season to be reserved for the decision of the Board.¹¹³

The purpose of the creation of this account was to allow the Plantations Company, which formerly had been obliged to remit all proceeds of sugar sales direct to the NLCC, to use those proceeds to carry on the estates.¹¹⁴

Under this new dispensation, and with the aid of good seasons, the Plantations Company was enabled to limp along for another two years. The death blow was struck, however, by a sharp decline in the price of sugar during this period. A notice calling an extraordinary general meeting of the shareholders in December 1884, to discuss the expediency of closing the plantations, gave the following assessment of the situation:

Owing to the assistance of their Governments Beetroot has been largely planted in Germany, Austria and France, whose people are content to pay an enormous sum annually out of the public funds to assist these growers....This premium has stimulated the production of Beetroot to an extent which floods Europe with Sugar, so that the price has gone down to a figure which even Beetroot growers consider ruinous....We used to sell Concrete Sugar in London at 22/- per cwt., we sell it now at 9/-.¹¹⁵

The Plantations Company, whose estates were amongst the best-equipped and most

113. NA, NLCC (A1380), File 15, Patrick to Behrens, 23 March 1882.

114. NA, NLCC (A1380), File 15, Price to Behrens, 30 March 1882.

115. NA, NLCC (A1380), File 17, Natal Plantations Company Notice to Shareholders, 10 December 1884.

flourishing in the colony, might have been slowly able to work its way out of debt, given good seasons and at least stable sugar prices. As it was, the company had to be wound up and the estates were returned to the NLCC.

By the time of the annual general meeting in mid-1885, the directors were able to inform the shareholders that all subsidiary activities had ceased and that they were now "...simply a Land and Money-investing Company".¹¹⁶ The business of granting loans on mortgage in the colony was carried on to good effect during this period. By mid-1882, the depression following the withdrawal of the imperial troops had led to a scarcity of money and a rise in the interest rates.¹¹⁷ The Company could, at this point, raise money on debentures at 5 per cent and enquired of Behrens whether it could be invested at 9 per cent in the colony.¹¹⁸ Behrens replied that the market rate was 8 per cent, which the board considered satisfactory, and he was authorised to lend up to £5000 at this rate.¹¹⁹

At the same time, the rules for lending money on mortgage were relaxed to facilitate the placement of funds. Loans were to be granted up to one-half instead of one-third of the value of the mortgaged property, the period of loans was to be extended from five to fifteen years and instalments could be paid in yearly rather than half-yearly instalments. However, for glaringly obvious reasons, the prohibition of loans on the security of sugar estates was to remain in force.¹²⁰ Within the framework of these revised rules, Behrens was given the power to modify "...such terms and conditions as he may consider, in his absolute discretion, best in the interests of the Company".¹²¹

During the Company's earlier phase of lending, in the 1860s, the board had concentrated on mortgages on rural land and had been reluctant to advance money

116. NA, NLCC (A1380), File 18, Report of Proceedings at the Twelfth Ordinary General Meeting, 21 May 1885.

117. NA, NLCC (A1380), File 15, Patrick to Behrens, 8 June 1882.

118. *Ibid.*

119. NA, NLCC (A1380), File 15, Patrick to Behrens, 15 June 1882; NA, NLCC (A1380), File 15, Patrick to Behrens 29 June 1882.

120. NA, NLCC (A1380), File 15, Patrick to Behrens, 24 August 1882.

121. *Ibid.*

on the security of town property. The board also favoured a policy of granting many small loans, with none exceeding £3000, thus spreading the risk.¹²² During this period, both these policies underwent modification, probably due to the considerable expansion and development of towns and particularly of Durban. During the latter half of 1882, two applications were received for loans on the security of Durban property which were of such magnitude that they had to be referred to the board for approval. Both loans, one for £8000 and one for £6000, were approved.¹²³

Loans continued to be made throughout this period, except for one short period in 1883 when Company funds were somewhat straitened, and the earnings from interest are indicated in Table 7.7 below. The sharp drop between 1881 and 1882 was the result of the removal of loans to the Plantations Company from the balance sheet.¹²⁴ At an interest rate of 8%, the lowest of these figures represents an investment in excess of £50 000 in the colony which, in view of the depressed state of the economy and the size of the Company, was a substantial sum.

Table 7.7

Interest on NLCC Loans, 1880 - 1884

Year	Interest (£)
1880	9 527
1881	10 127
1882	5 120
1883	4 798
1884	4 268

Source: NLCC annual Reports and Balance Sheets, 1880 - 1884

122. See Chapter 2.

123. NA, NLCC (A1380), File 15, Patrick to Behrens, 7 September 1882; NA, NLCC (A1380), File 15, Patrick to Behrens, 21 December 1882.

The loans made in the colony were financed by the issuing of Company debentures in the London market. An analysis sent to Behrens in 1883 showed that the Company was at that point carrying a debenture debt of £115 650, not including the £19 100 Plantation Company debentures which the Company had guaranteed. This debt represented twenty separate issues, for varying amounts and falling due in every year from 1883 to 1903.¹²⁵ With the income arising from interest, rents and land sales, the Company was enabled to meet its commitments without great difficulty during this period. A single exception was the payment of an exceptionally large sum of £16 250 in 1884 which the Company would have been hard-pressed to find, were it not for the fortuitous land sale to the Trappists.¹²⁶

The overall profitability of the Company suffered a decline during this period, from the boom years of 1880 - 1881 to the depression of 1883 - 1884. However, it was able to meet its commitments and the dividend on the preference shares was regularly paid. As is evident in Table 7.8 below, it was the dividend on ordinary shares, as the last call on profits, which suffered. This decrease in profitability, particularly as payments to the Plantations Company had been discontinued, can be directly ascribed to the fall off in land sales occasioned by government competition in a market reduced through the depressed state of the economy. Rents and interest payments, the Company's other main sources of income, were not severely affected during this period.

Table 7.8

Profit and Dividend Declared on Ordinary Shares, 1880 - 1884

Year	Profit (£)	Dividend (%)
1880	16 876	6
1881	13 821	3
1882	8 498	2.5
1883	4 765	-
1884	5 501	-

Source: NLCC Annual Reports and Balance Sheets, 1880 - 1884.

By the end of 1884, the Company had come full circle in that its operation was once again essentially very similar to what it had been in the 1860s. It owned land and lent money on mortgage, the latter being either raised on the security of the land, or realised from the sale of land. It had shed all the encumbrances collected in its foray into the plantation economy and had no vested interest in any subsidiary company. It was, however, in a very much stronger position than it had been twenty-five years previously. Its rural landholding was greater and was providing a steady income in the form of rents from white lessees and black squatters. It also owned a considerable amount of urban property (being in 1884 the largest ratepayer in Durban),¹²⁷ from which it was deriving further rental income. It was not, however, content merely to survive on the collection of rent, but continued to promote immigration and support any attempt to develop the economy in the interest of selling its land and investing the proceeds.

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- 124. NA, NLCC (A1380), File 16, Report of the Directors to the Proprietors, Twenty-Second Ordinary General Meeting, 24 May 1883. See also Appendix E.
 - 125. NA, NLCC (A1380), File 16, Patrick to Behrens, 30 August 1883.
 - 126. NA, NLCC (A1380), File 17, Patrick to Behrens, 9 October 1884. See also Appendix E.
 - 127. *Natal Mercury*, 11 November 1884.

CHAPTER EIGHT

1885 - 1890: The Gold-Paved Road to Prosperity

It has become a commonplace that the discovery of the main reef of the Witwatersrand transformed the South African economy, but what is perhaps still not fully appreciated is the pace and spatial dimensions of that transformation. The rapidity with which Johannesburg at the epicentre grew from bare veld to boom town is accepted, but the almost equally astonishing revitalisation of Natal on the periphery is less widely known. In the space of four short years, the colony rose from the depths of depression to a previously unknown level of prosperity almost entirely on the strength of the gold discovery in the Transvaal.

The rapidity and strength of this recovery were largely due to the fact that Natal was in a much better position to benefit from the gold strike than it had been fifteen years earlier when diamonds were discovered. Development within its two main economic sectors, trade and agriculture, had reached a point where it was poised to take full advantage of the opportunities springing up on the Rand. The railway-line was extending steadily into the interior, the problem of the sand-bar across the mouth of Durban harbour was nearing solution and commercial agriculture, both on the coastal belt and in the up-country, was making good progress.

The NLCC, in turn, was in a good position to benefit from the improvement in the colony's economic outlook. It had shed itself of all its unprofitable encumbrances, considerably reduced its debenture debt and subdivided several of its properties for sale as farming units on a scale which, with better markets and transport, was now becoming viable. However, internal dissension damaged the Company's credit in London and it was only towards the end of the 1880s that it was able to take full advantage of the improved conditions in Natal.

The Company, also during this period, began to alter its direction towards the kind of operation which was to ensure its success well into the twentieth century. Land sales, although still important, became less vital to the survival of the Company as its income from investments and rents became, for the first time, sufficient not only to cover expenses, but to pay a dividend on the ordinary shares. Some part of this increase came from the business of collecting rents from black squatters, but that was still regarded as income which would eventually be lost as the land was sold. For

the long term, the Company was investing in the improvement of its town properties, mainly in Durban, to keep pace with the urban development resultant upon the increase in trade through the port.

The fortunes of the Natal Government Railways during this period provide an excellent indicator of how serious the depression had become by mid-1886, and of how strong the recovery was thereafter. In 1885 the railway ran at a loss of £23 602, forcing the government, which was paying a large amount of annual interest on the capital, into a deficit of expenditure over revenue of £111 200.¹ The main line to Ladysmith was opened on 21 June 1886, but with the railway still showing a loss on the first-half of the year, the governor, Sir Arthur Havelock, was opposed to any further extension.² However, for the fourth quarter of 1886 the railways showed a profit of £19 175 and the revenue for 1887 reached a record £257 877. In these favourable circumstances, extension to the gold-fields became imperative and bills to provide for this were passed in March 1888.³

The improvement in railway revenue was a reflection of the fact that, as the manager of the Standard Bank reported in February 1889, "In the Trade ... of Natal remarkable progress is manifest under almost every head, and the Colony is deriving marked advantage from its proximity to the Transvaal".⁴ Table 8.1 below indicates how dramatically the trade of Natal did improve after 1886. The increase in imports was largely a result of increased demand from the Transvaal, especially for ironmongery and machinery.⁵ The increase in exports was to some extent due to the increase in gold exports, but also owed something to improvements in agriculture.⁶

1. H. Heydenrych, *op. cit.*, pp.57, 61.

2. *Ibid.*, p.59. See Appendix F, Map 1.

3. *Ibid.*, pp.59-60.

4. A. Mabin and B. Conradie (eds), *op. cit.*, p.245.

5. *Ibid.*, p.225.

6. *Ibid.*, p.236.

Table 8.1

Colony of Natal Imports and Exports: 1886-1888

	1886	1887	1888
Imports (£)	1 367 506	2 263 920	2 890 468
Exports (£)	960 290	1 056 959	1 417 871
including			
Native Gold (£)	113 166	143 551	391 643

Source: A. Mabin and B.Conradie (eds), *The Confidence of the Whole Country*, 1987, p.245.

A further indication of how the prosperity of Natal had improved during this period is the amount of investment capital which flowed from the colony to the Transvaal gold-fields. An analysis printed in the *Natal Mercury* on 17 August 1888 showed that between the beginning of 1886 and that date, no less than 43 gold companies had been floated in Natal, 19 in Durban and 24 in Pietermaritzburg.⁷ Together, these represented a capital close to £1 500 000, and according to the analysis, most of this capital was paid up. These figures bear out the remark made by the manager of the Standard Bank that "There appears to have been considerable speculation in gold shares on the part of the Natal public, and in some instances large profits were made".⁸

The ability of the Company to take advantage of the improvement in conditions in Natal was to some extent circumscribed by a crisis in London which arose out of the actions of a group of shareholders intent on moving the locus of power from London to Natal. This group attempted to oust the London board of directors by charging them with mismanagement of the Company's affairs, almost from its inception. The

7. *Natal Mercury*, 17 August 1888.
8. A. Mabin and B.Conradie (eds), *op. cit.*

presentation of the charges and the board's reaction are worth examining in detail as they involved an intensive survey of the Company's affairs over the preceding twenty-five years. They therefore provide a useful drawing together of the many disparate threads which made up the Company's operation.

The group of shareholders, which had as its spokesman T.D. Bolton, a barrister, opened its campaign by sending a circular to all shareholders of the Company, without reference to the board. The circular was sent in May 1884, immediately after the Company report for the year ended December 1883 was issued, and before the annual ordinary general meeting. It referred to the Company report as "unsatisfactory and disappointing" and gave the opinion that the Company "...ought by this time to have built up a large reserve fund and established a permanent income".⁹ The circular went on to state that the Company owned very good land, much of which would now be served by railway, and had excellent opportunities for conducting business in loans and mortgages, but that the matter of the cultivated estates and the involvement with the Natal Plantations Company required "enquiry and explanation".¹⁰

The crux of the matter was reached, however, in the statement by Bolton *et. al.* that:

We are also of opinion that the interests of the Company would be best secured by the establishment of a small competent Board in Natal, thus preventing all the responsibility and operations of the Company being left in the hands of the Manager, and that the number of Directors on this side should be reduced.¹¹

In view of the fact that the manager, Carl Behrens, had shouldered his responsibilities since the earliest days of the Company, without ever earning the smallest censure, this reason for locating a board in Natal strikes a somewhat spurious note.

The objective of circularising the shareholders was to cause enough dissatisfaction to oust the board at the annual general meeting. Bolton and his group failed to do

9. NA, NLCC (A1380), File 17, Circular to the Shareholders of the Natal Land and Colonisation Company, 21 May 1884.

10. *Ibid.*

11. *Ibid.*

this, although the meeting was described by Pattrick as "very stormy".¹² They did succeed in having a committee of enquiry appointed to "...investigate and examine the affairs of the Company...to call in professional assistance and to take all such steps as they may deem desirable in order to carry out the objects for which they are appointed".¹³ The committee was to consist of four members, Thomas Morgan Harvey, Paul Henwood, Thomas Dolling Bolton and Thomas Seaber.¹⁴

The composition of the group which put their names to the circular, and more particularly of the committee of enquiry, gives a strong indication of the source of this attempt to take over the direction of the Company. Pattrick sent to Behrens an analysis of the shareholders who signed the circular, giving the occupations of all but four whose names were followed by a question mark.¹⁵ Twelve of the twenty-three were stock and share brokers; two, including Bolton, were barristers; and three were colonial merchants with large interests in Natal. The three colonial merchants were Thomas Seaber, Thomas Morgan Harvey of Harvey, Greenacre (a Durban firm of drapers) and Paul Henwood, the founder of Henwoods (then an ironmongery in Durban).¹⁶ It seems clear that these three merchants were the instigators, Bolton was the spokesman and legal advisor, and the others were hoping to profit from the fluctuations in share prices which were likely to accompany the take-over bid. Seaber, Harvey and Henwood doubtless envisaged themselves as constituting the "small competent Board in Natal", thus having the power to control the investments of the Company in their own interests.

The analysis sent by Pattrick also showed the number of ordinary and preference shares held by members of the group and the dates on which they had become shareholders. Almost all were shareholders of relatively recent date, most having acquired their shares between 1879 and 1883. Seaber had been a shareholder since 1881, Harvey had only acquired his shares in 1883 and, most significantly, Henwood was not a shareholder at all at the time at which the committee of enquiry was convened.¹⁷ "On attention being called to this, ninety shares were transferred into

12. NA, NLCC (A1380), File 17, Pattrick to Behrens, 29 May 1884.

13. *Ibid.*

14. *Ibid.*

15. *Ibid.*

16. NA, NLCC (A1380), File 18, Directors' Answer to Report of Committee, 31 January 1885.

17. NA, NLCC (A1380), File 17, Pattrick to Behrens, 29 May 1884.

Mr. Henwood's name by other persons for a nominal consideration."¹⁸ Together, the members of the group held 4319 ordinary shares out of a total of 36 500 (11.8 per cent) and 1148 of the 10 000 preference shares (11.5 per cent).¹⁹ Obviously, this was not a large enough holding to ensure a take-over of the Company. The group was forced to rely on a vote of the shareholders to bring about the changes which they envisaged, and in order to secure this vote they had to show incompetence on the part of the incumbent directors.

This the committee set out to do with, it must be stated, the provision by the board of every facility which they might require. They were given free access to the Company's offices, allowed to examine all the documentation of the Company from its inception and were encouraged to call upon the Company secretary or any other member of the office staff for assistance at any time.²⁰ They were also requested to meet with the board in order to discuss their findings, but this they refused to do.²¹ After an exhaustive enquiry which lasted from May until December 1884, they produced a report which contained nothing more damaging than vague accusations, on the strength of which they demanded the convening of an extraordinary general meeting.²²

The report of the Bolton group focused on the "many large and continuous losses" which the Company had sustained through its association with the Cotton Plantations Company, the Natal Investment Company, the Natal Central Railway Company, the South African Gold Fields Exploration Company and the Natal Plantations Company.²³ It also alluded to the losses made by the unsuccessful cultivation of estates and the failure of the Natal Coffee Works. According to the report, these diversifications extended beyond the "legitimate business" of the

18. NA, NLCC (A1380), File 18, Directors' Answer to Report of Committee, 31 January 1885.

19. Share totals taken from NA, NLCC (A1380), File 17, NLCC Balance Sheet for year ended 31 December 1883.

20. NA, NLCC (A1380), File 18, Directors' Answer to Report of the Committee, 31 January 1885.

21. NA, NLCC (A1380), File 17, Directors' Circular and Interim Report to the Shareholders, 24 December 1884.

22. NA, NLCC (A1380), File 17, Report of the Committee appointed at the Annual General Meeting held on 29th May 1884.

23. *Ibid.*

Company which was "the purchase and sale of property, leasing of property, and loaning surplus moneys at the high current colonial rates of interest".²⁴ It also accused the board of having disposed of sundry losses by adding them to the nominal value of the Company's lands, thereby avoiding their declaration in the profit and loss accounts.

The committee was forced to concede in its report that the Company was, at the time of its investigation, in a sound financial position, and that the future prospects of both the colony and the Company were very promising. It gave as its opinion, however, that:

... it is impossible to restore public confidence under the existing management, and it would be to the interest of the Shareholders that the present Board resign, and that a provisional Board should be appointed. This provisional Board at the end of twelve months should retire, and a permanent Board be elected, consisting of five or seven Directors, two or three of whom should reside in Natal...²⁵

It is richly ironic that the only failure of public confidence that there might have been would have been solely induced by the machinations of the Bolton group itself.

The Bolton report was issued on 19 December 1884, direct to the shareholders, without the board being given a sight of it, and was accompanied by a request that a meeting of shareholders should be convened within a month.²⁶ The board replied with a circular, dated 24 December 1884, pointing out "the unfairness of such a proceeding" and offering a few remarks "as the Report is calculated to injure the Company if its statements go uncontradicted for even a fortnight".²⁷ The board pointed out that, of the five companies mentioned by Bolton, four had been defunct for more than thirteen years and that of these only two had resulted in a small loss to the Company. It was admitted that involvement with the Plantations Company had resulted in some loss to the Company, but that the whole subject had been

24. *Ibid.*

25. *Ibid.*

26. NA, NLCC (A1380), File 17, A Crawford, Secretary of the Committee of Shareholders to the Shareholders, 19 December 1884.

27. NA, NLCC (A1380), File 17, Directors' Circular and Interim Report to the Shareholders, 24 December 1884.

discussed in open meeting with the shareholders, that the loss had been written off with their approval, and that it had not "impaired the intactness of the capital".²⁸

The Bolton committee returned to the attack with another circular, dated 3 January 1885, reiterating its vague accusations and containing the following justification of its proceedings:

Your Committee can have no object in putting other than the true facts before the Shareholders, and this they believe they have done, and it is for the Shareholders to say whether they prefer the present state of things to continue or to adopt the suggestion thrown out by the Committee, and by a change of management and policy endeavour to put the Company on a sure basis, obtaining for it the confidence which it so much needs, more particularly in the Colony, and without which future success seems improbable.²⁹

The circular closed by stating that the committee would be issuing proxy forms, which it earnestly requested the shareholders to sign.

By 31 January 1885, the directors had prepared an exhaustive answer to the report of the Bolton committee.³⁰ This was sent to the shareholders, together with a notice that an extraordinary general meeting had been convened for 18 February.³¹ The directors earnestly requested that the shareholders attend the meeting in person, if at all possible, but failing this, they were not asked for a proxy, but sent a form which asked for an opinion on two questions: "1. Were the Committee justified in making the charges contained in their Report against the present Board?" and "2. Do you concur in the recommendation of the Committee that the Board should resign?"³²

The answer of the board to the report of the Bolton committee³³ consisted largely of a detailed history of the Company, most of which has been comprehensively

28. *Ibid.*

29. NA, NLCC (A1380), File 17, Circular from the Shareholders' Committee, 3 January 1885.

30. NA, NLCC (A1380), File 18, Directors' Answer to Report of Committee, 31 January 1885.

31. NA, NLCC (A1380), File 18, Patrick to the Shareholders, 31 January 1885.

32. NA, NLCC (A1380), File 18, Form, Circulated to Shareholders, February 1885.

33. The source for the following lengthy discussion is, unless otherwise indicated, NA, NLCC (A1380), File 18, Directors' Answer to the Report of Committee, 31 January 1885.

covered in the previous chapters of this work. However, it also provided a useful summary of the final outcome in financial terms of the Company's involvement in several other companies which had been formed in London for the purpose of carrying out various operations, mostly in Natal, but also elsewhere in southern Africa. The Company's involvement in these enterprises took various forms and was of varying degrees of closeness and all have been mentioned previously in the text. However, as these references are scattered and as the winding-up of the various companies stretched over decades and has not been followed in detail the findings of the Bolton committee are summarised below to provide an overview of this aspect of the Company's dealings from 1860 to 1884.

The original involvement of the Company in the Cotton Plantation Company consisted simply of the sale of 31 891 acres of land in 1862, which earned the Company £6596 net profit. When the Cotton Company got into difficulties during the financial crisis of 1866, the Company bought back this land, taking Cotton Company bonds and shares in payment, and advanced money on mortgage on the other lands held by the Cotton Company. The Cotton Company went into liquidation in 1867, and the Company acquired ownership of a further 79 492 acres of land. Included in this land were the three estates, Riet Valley, Stuckeridge and Torvale, which the Company kept in cultivation. The cost of these transactions to the Company amounted to £36 653. On the credit side, the Company had to that date (1884), sold 10 073 acres at a profit of £6421, and the remaining land stood in Company's books at £80 806, giving a total estimated profit on all transactions with the Cotton Company of £50 574. All these transactions were clearly set forth in successive profit and loss accounts and balance sheets.

The Company's dealings with the Natal Investment Company followed a similar pattern to those with the Cotton Company, but they proved to be far less profitable. The first transaction was the sale of 113 416 acres of land, at a profit of £13 023. However, only £3000 of the purchase money was paid in cash, the rest consisting of bills and debentures of the Investment Company. This company being yet another casualty of the 1866 crisis, the sale was cancelled in that year and the Company resumed possession of the lands. At the same time, however, the Company advanced £10 000 to the Investment Company in an effort to tide it over, but in vain as the latter went into liquidation in 1867. The NLCC recovered £10 020 under the

liquidation, which covered the £10 000 advance, but this left the problem of the profit of £13 023 which had been carried to the profit and loss account in 1864, but which only existed on paper. This amount was finally written off in 1873, but it represented a loss of profit and not a net loss on the Company's investment. None of these transactions was carried out without the full knowledge and consent of the shareholders.

The Natal Central Railway Company and its associate, the Natal Coal Company, applied to the Natal Legislature in 1863, the first for a guarantee and the second for a concession, without which neither would have been able to raise capital. The bills were passed in Natal, but were refused the imperial sanction in London, and thus neither company ever began operations in earnest. The NLCC undertook their agency, allowed them office space and clerical assistance and provided warehousing for some machinery belonging to the Natal Coal Company. The full extent of the indebtedness of these companies to the NLCC was £1003 on the part of the railway company and £631 on the part of the coal company. The former sum was written off as a bad debt in 1865, while the latter remained in abeyance as the Natal Coal Company took no steps to wind up its affairs until 1882. The NLCC had retained the machinery abandoned in its warehouse by the Coal Company and had, in the meantime, been employing it in the Coffee Works. This machinery was valued at £280 and the debt of the Coal Company less that sum was written off in 1882. Again, all these transactions had been reported to and discussed with the shareholders at the time.

The South African Gold Fields Exploration Company was another venture which the NLCC considered worthy of assistance, even if some risk were involved. Between 1868 and 1872, the Company acted as agents for this enterprise, allowed their employees office space, and made them some small cash advances. The total debt amounted to £1369, which was declared a bad debt and written off to profit and loss.

The Natal Plantations Company, with which the NLCC had by far the longest and most substantial association, has been dealt with in some detail through all the preceding chapters of this work. The final financial arrangement to which the Company came in 1882 was to write off £72 326 as a doubtful debt on the balance

sheet, and to simultaneously take credit on the other side for £69 233 as additional value on land, as the Company had first claim on the Plantations Company estates. This left an actual cash loss of £23 130 which was still to some extent recoverable as the Company had a bond secured on the stock and crops of the Plantations Company. All transactions with the Plantations Company had been exhaustively discussed with the shareholders at successive general meetings, and the final writing off of the debt had been unopposed at the general meeting held in 1883.

The directors of the NLCC took great pains to present this thorough analysis of all the Company's transactions with other Natal enterprises to the shareholders, many of whom had come to hold stock long after the events in question. This was probably to dispel any impression that the Company's involvement with so many enterprises, not one of which had been successful, must have been extremely costly. The Bolton group, naturally, were doing their best to strengthen such an impression, with their claims of "large and continuous losses".³⁴

In the final analysis, it can be seen that the Company did make losses, particularly in the case of the Plantations Company, but that at the same time it was careful to cover itself against any loss of capital. It is for this reason that, although dividends on the ordinary shares were often not paid, the Company was always able to meet its commitments without drawing on its capital, thus maintaining itself in a sound financial position. The directors were also able to refute the suggestion of the Bolton group that losses had been hidden from the shareholders by adding them to the value of the lands without explanation. To the vague accusations of the Bolton group, the directors responded with a wealth of detail to show that every financial transaction of the Company had been approved by the shareholders.

The answer of the directors to the Bolton report also contained a rather revealing discussion of their attitude to the accusation that the Company had lost the confidence of settlers in Natal:

In Natal [the Company's] credit is as good as that of any bank there. The Company requires but little credit in Natal. It is in

34. NA, NLCC (A1380), File 17, Report of Committee appointed at the General Meeting held on 29th May 1884, dated 19 December 1884. The Company's explanation has been dealt with in some detail here as previous mention of these enterprises as unsuccessful might have conveyed the impression that they caused a drain of capital from the Company.

England that it requires good name and credit - to keep our Debenture rates low - to enable us to lend at a good profit....The cause of the unpopularity of the Company is not far to seek. The Company through the crisis of 1866...dared to live. It was...able to pull through, while many Colonists had to succumb. Another cause of unpopularity is the natural dislike of Colonists to absentee proprietors, but even this...is most unreasonable, for the Company has spent not only its capital but much of its income in the Colony.³⁵

This underscores, once again, the fact that Natal Land and Colonisation Company was to some extent a misnomer. Although the Company had very large vested interests in Natal, it never ceased to consider itself a London financial company.

The extraordinary general meeting "To receive and consider the Report of the Committee" and "If thought expedient, to request the present Directors of the Company to resign their position", was held on 18 February 1885.³⁶ Once the proceedings had been opened, Bolton addressed the meeting, reiterating the claims which had been contained in his committee's report. He then moved "That the report of the Committee appointed at the General Meeting held on 29th May, 1884, be received and adopted, and that the same be entered on the Company's Minutes".³⁷

There then followed, according to an unidentified newspaper account sent by Patrick to Behrens, a "long and desultory discussion in which several shareholders took part".³⁸ An amendment was then moved "That the Report be received and not adopted" and this was followed by a further amendment, moved by a shareholder, W Fuller, "That this meeting declines to receive and adopt the report of the Committee, considering it to be an unjustifiable attack on the present Board of Directors".³⁹ The Chairman, Henry Kimber, then addressed the meeting at considerable length, refuting the claims made by Bolton.

35. NA, NLCC (A1380), File 18, Directors' Answer to Report of Committee, 31 January 1885.

36. NA, NLCC (A1380), File 18, Report of Proceedings at an Extraordinary General Meeting held at the Common Street Hotel, London, on the 18th day of February, 1885, dated 24 February 1885.

37. *Ibid.*

38. NA, NLCC (A1380), File 18, Report of the Proceedings of the Extraordinary General Meeting of 18 February 1885, in an unidentified, undated newspaper.

39. *Ibid.*

Finally, after the meeting had lasted over three hours, Fuller's amendment was put and carried by a majority of three to one. Bolton then requested that his original motion be put and it was lost. Nothing daunted, he then demanded a poll as the committee had sent out proxies. The chairman gave the results of the proxies and of the opinions for which the board had asked as follows: In favour of the board, 409 votes from the holders of 21 901 shares representing £890 409 of capital; in favour of the committee, 198 votes from the holders of 8939 shares representing £83 445 of capital. This gave the board a clear majority of 211 votes.⁴⁰ After this, even the indefatigable Bolton was forced to concede defeat. He withdrew his demand for a poll and the meeting was closed with a vote of thanks to the board.⁴¹

Bolton and his party had shrewdly chosen to attack the Company at a time at which they could reasonably have expected to be able to arouse dissatisfaction among the shareholders. After a short period of good returns, the Company had once again ceased to pay a dividend on the ordinary shares, and the massive investment in the Natal Plantations Company had come to naught. They probably also thought that no company operating in a field in which there was such abundant opportunity for financial chicanery would be able to withstand close scrutiny. However, they reckoned without the fact that the directors of the NLCC belonged to that school of Victorian businessmen who conducted their business (according to their lights) fairly and honestly. It is a measure of this probity that the committee, in minutely examining twenty-five years of the Company's history, were only able to make vague accusations - all of which were easily refuted by the board.

The board and the shareholders in all probability, and with some justification, assumed that the threat from the Bolton group had been satisfactorily dispelled. At all events, the ordinary general meeting, held on 21 May 1885, was very poorly attended by the shareholders and the board made no attempt to arm itself with proxies.⁴² The Bolton group, however, attended in force: "Exclusive of the Directors, there were only 14 shareholders present... - 7 of whom were members of

40. NA, NLCC (A1380), File 18, Report of the Proceedings at an Extraordinary General Meeting held at the Common Street Hotel, London, on the 18th day of February, 1885, dated 24 February 1885.

41. *Ibid.*

42. NA, NLCC (A1380), File 18, Circular from the Directors, 27 June 1885.

the late Committee of Investigation".⁴³ Their purpose was to prevent the adoption of the report and the accounts, thereby discrediting the board and, hopefully, forcing its resignation.

Bolton "denounced the figures in the Balance Sheet as 'delusive and practically fraudulent,'...made other remarks depreciatory of the Company's position, and stated his intention to move the rejection of Report and Accounts".⁴⁴ It was Harvey, however, who raised the issue which was to become the group's second line of attack, and which was to result eventually in long-drawn-out litigation. He "stated that if a valuation of the Company's Property were made, it would startle everyone [and] moved that an independent valuation of all the Lands and Property of the Company be taken".⁴⁵ This motion was seconded by Henwood.

The chairman, Henry Kimber, fearing that the Bolton group had attended in sufficient strength to carry the meeting, suggested using the power given by the articles of association to adjourn the meeting for a fortnight. The shareholders who were present, however, expressed dissent from the views of Bolton and his colleagues and desired that the motion to adopt the report and accounts be put without delay. This was done and the motion was carried with only three dissentients.⁴⁶ It seems likely that these three were the ringleaders - Bolton, Harvey and Henwood - and that the others of the committee had decided to abandon the attempt to discredit the Company.

Apart from the danger to the directors of being deprived of control of the Company, the Bolton party's actions constituted a very real threat to the Company itself at a time of some vulnerability. A particularly large number of debentures was about to fall due in July 1885, the renewal of which would depend entirely on the soundness of the Company's credit. A circular to the shareholders which accompanied the report of the proceedings of the ordinary general meeting stated that:

These repeated attacks, unless Shareholders support the

43. *Ibid.*

44. NA, NLCC (A1380), File 18, Report of Proceedings at the Twenty-Fourth Ordinary General Meeting of Shareholders, 21 May 1885.

45. *Ibid.*

46. *Ibid.*

Directors in force, must have a very depreciatory effect upon the value of the Company's shares in the Market, and consequently upon the high standing of the Company as regards credit in issuing or renewing Debentures.⁴⁷

In the event, although the Company's shares were adversely affected by the statements made at the ordinary general meeting, all the debentures were successfully provided for.⁴⁸

Whether still convinced of the rightness of his position, or whether embarking on a personal vendetta, Bolton took his cause a step further in May 1886 by instituting formal proceedings against the Company and its directors in the Court of Chancery.⁴⁹ He contended that the Company's practice of writing off various sums by adding them to the value of the Company's lands was fraudulent and had resulted in a grossly inflated book value of the lands and therefore of the capital of the Company. He argued that if these sums had been debited to the profit and loss account, where he believed they belonged, funds would not have been available to pay the preference share dividend, and hence asked for an injunction against the payment of any dividend until the case should have been decided.⁵⁰

It became apparent at the twenty-fifth ordinary general meeting, held on 6 May 1886, that Bolton was acting entirely on his own and had lost the support of Seaber, Harvey and Henwood.⁵¹ The reasons for this defection remain a matter of conjecture, but some indication may be gained from the fact that at this meeting Henwood was elected to a seat on the board, the Hon. F.C. Drummond having retired.⁵² In addition, Harvey returned to England to stand as the Conservative parliamentary candidate for Mid-Hertfordshire in the next general election, which took place in 1892.⁵³ Henry Kimber, the chairman of the Company, had been

47. NA, NLCC (A1380), File 18, Circular from the Directors, 27 June 1885.

48. NA, NLCC (A1380), File 18, Report of Proceedings at the Twenty-Fourth Ordinary General Meeting of Shareholders, 21 May 1885.

49. NA, NLCC (A1380), File 18, Bolton to Patrick, 22 July 1885.

50. NA, NLCC (A1380), File 20, Harries, Wilkinson and Raikes [Solicitors of the NLCC] to Bolton, 4 February 1887. See also Appendix E.

51. NA, NLCC (A1380), File 19, Report of the Directors to the Proprietors, Twenty-Fifth Ordinary General Meeting, 6 May 1886.

52. *Natal Mercury*, 11 June 1886.

53. *Natal Mercury*, 9 August 1892.

elected as Conservative M.P. for Wandsworth in November 1885, and may have been instrumental in arranging Harvey's nomination.⁵⁴

As proceedings in the Court of Chancery were not conducive to the speedy resolution of cases, Bolton's action appeared likely to suspend the payment of a dividend for a considerable period of time. The Company attempted to settle the matter with Bolton before it came to court, but their offer was rejected.⁵⁵ In the end, the whole matter rested upon whether or not the Company's lands were overvalued, and in February 1888, the directors authorised a complete re-valuation of their lands.⁵⁶ This was placed in the hands of F.E. Goodricke, an eminent Durban solicitor, who had handled the Company's business for many years, and three auctioneers, Benningfield and Acutt in Durban and Raw in Pietermaritzburg, were retained as advisors.⁵⁷

The valuation was an enormous task, and while it was in progress one further effort was made to circumvent the Bolton action. In January 1890, a suggestion was made to the directors by a group of shareholders that the preference shares should be converted into five per cent debenture stock. If that were done, the payment due would be interest, and therefore a debt, rather than a dividend which was dependent on profits.⁵⁸ A letter was sent to Bolton, enclosing a copy of this proposal, and asking whether the carrying out of the proposal would cause him to drop his action.⁵⁹ Bolton replied that he thought the suggestion would be beneficial to the various classes of shareholders, and that he "might be willing to entertain the suggestion".⁶⁰

On 27 February 1890, an informal meeting of preference shareholders, representing 4000 preference shares, was held to consider the proposal to convert their shares to

54. *Natal Mercury*, 4 August 1892.

55. NA, NLCC (A1380), File 20, Letter from the Directors to the Shareholders, 4 February 1887.

56. NA, NLCC (A1380), File 21, Patrick to Behrens, 2 February 1888.

57. *Ibid.*

58. NA, NLCC (A1380), File 22, O V Morgan, H M Robertson, W J Wilson, H Midlane, E Wagg, G W Hall, and A H Baker to the Directors, 8 January 1890.

59. NA, NLCC (A1380), File 22, Patrick to Bolton, 21 January 1890.

60. NA, NLCC (A1380), File 22, Bolton to Patrick, 22 January 1890.

debentures.⁶¹ A committee was appointed to examine the question further, but reported back that they could not recommend the acceptance of this proposal. They did, however, make a counter-proposal - that the preference shareholders should simply be paid off at £7 10s. per £5 share and that the £50 000 represented by the preference shares should be removed from the capital of the Company.⁶²

This proposal was assented to by 91 shareholders, holding together 8826 shares of the total 10 000.⁶³ However, as stated on the interim report dated February 1891:

On examination of the matter, so many fine points of technical nicety and difficulty arose on the construction of the Acts of Parliament which limit the powers of the Court, that the conclusion which the Directors arrived at was that it was not desirable at present to take any further steps in the matter.

All the attempts to settle the Bolton matter without recourse to law having failed, then, there remained no alternative but to await the decision of the court.⁶⁴

This finally came in December 1891, when Mr Justice Romer decided that the action had failed and dismissed it with costs.⁶⁵ As the action had been dragging along since 1886, the costs were considerable. The directors offered to release Bolton from them in return for his acceptance of the court's decision as final and his agreement not to appeal.⁶⁶ The Company was now finally in a position to resume the payment of dividends which it did in 1892. All arrears on the preference shares from 1885 were paid in full and a dividend of 1½ per cent was declared on the ordinary shares.⁶⁷ The smallness of this dividend was due to the large sum of money which the Company had to disburse in legal costs.

The implication contained in Slater's article - that it was only after 1892 that the Company could afford to pay a regular dividend - failed to take account of the

61. NA, NLCC (A1380), File 22, Patrick to Rycroft, 7 March 1890.

62. NA, NLCC (A1380), File 23, Patrick to Shareholders, 30 June 1890.

63. NA, NLCC (A1380), File 23, Interim Report, 5 February 1891.

64. *Ibid.*

65. *Natal Mercury*, 8 January 1892.

66. *Natal Mercury*, 25 April 1892.

67. *Ibid.* See also Appendix E.

Bolton action.⁶⁸ In fact, the Company's profitability, freed of the constant drain occasioned by expenditure on the cultivated estates and on the Plantations Company, increased considerably during the period 1885-1890.⁶⁹ The improvement in economic conditions in the colony as a result of the Transvaal gold discoveries not only improved the Company's income, but also caused a considerable rise in the value of the Company's lands. As the decision in the Bolton action hinged upon whether the value assigned to the lands in the Company's accounts was inflated or not, Bolton's own delaying tactics acted to his detriment. If the land had been overvalued when he first issued his writ, at a time of acute depression in Natal, they certainly were not by the time judgement was handed down in late 1891.

During this time, while Bolton's activities were harassing the directors in London, Natal was undergoing a crucial period of change. Although the interior republics had provided a market for Natal's produce, and had used the colony as a channel for the import and export of goods for many years, the development of the Witwatersrand caused a major intensification of these activities. The most important aspects of this change, from the Company's point of view, were the improvement in demand for agricultural produce and hence for land, and the development of Durban as a major port and commercial centre. It is Slater's opinion that the Company moved into the area of urban development only when forced to by the change in power associated with the granting of responsible government.⁷⁰ However, the Company had been involved in urban renting since the 1860s, and it was during the period under review that, for reasons of economic advantage, it intensified its activities in this field.

The situation with regard to land sales in 1885 was very bad indeed. The government continued to offer Crown land for sale on terms with which the Company could not compete, and the commercial depression was showing no signs of lifting.⁷¹ The Company sold land on a system of credit whereby purchasers paid interest on the amount owing on the property, until it was paid off. In 1885, however, Behrens was authorised to offer its coast lands for sale with no interest in

68. H. Slater, *op. cit.*, p.274.

69. See below p.223.

70. H. Slater, *op. cit.*, p.277.

71. NA, NLCC (A1380), File 20, Report of the Directors to the Proprietors, Twenty-Fifth Ordinary General Meeting, 6 May 1886.

order that "...the Capital [should] be unblocked and ... put to some profitable use".⁷² It was also decided to cease the subdivision of properties,⁷³ to allow a five per cent or ten per cent discount on the sale price of various other properties,⁷⁴ and to put back into the market properties which had been reserved during the time of railway construction.⁷⁵

Despite these stratagems, however, only 1507 acres of land were sold in 1885, while 727 acres had to be taken back on cancellation of previous sales.⁷⁶ It must also be stated that the Company, while prepared to make concessions, was not prepared to sell at any price. An offer of £4000 for all the agricultural lots of the Weltevreden subdivision was rejected on the grounds that it would be at a loss to the Company.⁷⁷ The situation continued to worsen and the directors' report for the year ended 31 December 1886 contained the following:

During the past year only 201 acres of land have been sold...The 'profit on properties sold' has fallen to a merely nominal amount - £247, consequent upon an almost entire absence of demand for land during the past year, mainly due to the temporary exodus to the Transvaal gold fields...⁷⁸

The directors proved to be rightly confident that the exodus was merely temporary, and that the development of the Witwatersrand would soon "...re-act in favour of Natal, the trade and traffic of which have already increased thereby".⁷⁹

Land sales began to pick up in 1887 and the directors were able to report a profit of £2374 on 3265 acres sold during that year.⁸⁰ Profits dropped again in 1888 to

72. NA, NLCC (A1380), File 18, Patrick to Behrens, 24 September 1885.

73. NA, NLCC (A1380), File 19, Patrick to Behrens, 7 January 1886.

74. *Ibid.*

75. NA, NLCC (A1380), File 19, Patrick to Behrens, 26 February 1886.

76. NA, NLCC (A1380), File 20, Report of the Directors to the Proprietors, Twenty-Fifth Ordinary General Meeting, 6 May 1886. See also Appendix E.

77. NA, NLCC (A1380), File 19, Patrick to Behrens, 21 January 1886.

78. NA, NLCC (A1380), File 20, Report of the Directors to the Proprietors, Twenty-Sixth Ordinary General Meeting, 17 June 1887.

79. *Ibid.*

80. NA, NLCC (A1380), File 21, Report of the Directors to the Proprietors, Twenty-Seventh Ordinary General Meeting, 11 June 1888.

£1500,⁸¹ but the year 1889 showed a much more marked improvement and the interim report at the end of that year stated that, "The prices offered and given for land have considerably advanced, and buyers are more numerous".⁸² When the accounts for 1889 had been made up, it appeared that the Company had sold 12 929 acres of land and two city properties, at prices totalling £12 279 which yielded a profit of £6163.⁸³

The improvement in the land market in Natal was due mainly to the influence of the Transvaal gold-fields, but it was also influenced to some extent by reports of gold strikes in the colony itself. Posterity knows, of course, that these finds were of no consequence, but eyes already dazzled by the richness of the main reef were prepared to see a glittering future in these insignificant traces. Prospecting was encouraged on the Company's properties by allowing prospectors access and giving an undertaking that anyone discovering gold would receive one-quarter of any profit realised on the sale of the estate.⁸⁴

Gold was actually discovered in 1887 on one of the Company's estates - named, appropriately enough, Golden Valley - but, as a special communication to the shareholders reported:

It transpired that...the fact was carefully concealed from the General Manager, and with the connivance, it is said, of the Company's own Local Agent. It further transpired that Mr. Pearce, when he purchased from the Company at £2561, had already arranged with a Syndicate to sell them the property for £15 000 - the Company's Local Agent being one of the Syndicate.⁸⁵

The directors were understandably aghast at having sold what appeared to be a gold mine for such a paltry sum and took steps to have the sale cancelled.⁸⁶ A

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- 81. NA, NLCC (A1380), File 22, Report of Proceedings at Twenty-Eighth Ordinary General Meeting, 23 May 1889, reprinted from *The Financial News*, 24 May 1889. See also Appendix E.
 - 82. NA, NLCC (A1380), File 22, Interim Report, 19 December 1889.
 - 83. *Natal Mercury*, 4 June 1890.
 - 84. NA, NLCC (A1380), File 20, Memorandum to the Shareholders, 24 March 1887.
 - 85. *Ibid.*
 - 86. *Ibid.*

compromise was reached with the syndicate which had purchased the estate whereby the Company would receive a substantial shareholding in any company formed to exploit the property.⁸⁷

Shortly thereafter, the Company put out a proposal for the formation of The Natal Land Prospecting Syndicate Limited "For the purpose of prospecting and mining on the lands of the Natal Land and Colonisation Company, Limited, and any others which may appear desirable".⁸⁸ This syndicate was only open to shareholders of the NLCC, and continued to operate throughout this period, chiefly by sending prospectors to various Company farms.⁸⁹ An interim report of the syndicate, sent to the shareholders in December 1889, reported that gold discoveries had been reported in Victoria County and that shafts were being sunk on Thorndale, one of the Company's properties near the only gold-field that was actually proclaimed in Natal.⁹⁰ This proclamation took place early in 1888 and the government paid the prospectors £1000 reward for the first payable discovery.⁹¹

Although these gold strikes never came to anything and are, therefore, virtually ignored in the literature, they may have played a fairly important role during this particular phase of the colony's development. They were certainly taken seriously at the time, both by the government and by the settler business community, and may have helped to stem a mass exodus to the Witwatersrand. The prospect of gold in Natal kept interest alive in the property market, and ensured that some of the available investment capital stayed in Natal instead of flowing straight to the Transvaal. By the time it was ascertained that none of the strikes was genuinely payable, the small investor had already been excluded from the mines of the Reef.

The Company also, during this period, began to take a greater interest in its urban properties. Most of these had been acquired as a result of calling in mortgages in the

87. NA, NLCC (A1380), File 20, Report of the Directors to the Proprietors, Twenty-Sixth Ordinary General Meeting, 17 June 1887.

88. NA, NLCC (A1380), File 20, Proposal for the Formation of the Natal Land Prospecting Syndicate, Limited, 2 June 1887.

89. *Ibid.*

90. NA, NLCC (A1380), File 22, Natal Prospecting Company, Limited, Interim Report, 19 December 1889.

91. NA, NLCC (A1380), File 21, Patrick to Behrens, 31 May 1888.

latter half of the 1860s and had since been regarded merely as a source of rent. Little had been spent on improvements to the properties and they had been freely available for sale. In view of the rapid development of Durban, however, these properties came to be regarded, as early as 1887, as a good outlet for spare investment capital. Patrick informed Behrens in November of that year that the board thought it "...undesirable to sell any Town properties which are bringing in good rents in view of an advancing market, and the difficulty of re-investing funds profitably".⁹²

Rents were rising in Durban as construction could not keep up with the pace of development, and the Company was able to re-let properties on increasingly favourable terms. In a letter to Rycroft, the new general manager who succeeded Behrens on his retirement,⁹³ Patrick remarked:

Durban rents The Board are pleased to find that you are able to raise these rents, and particularly so as you are at the same time making the Tenants pay the rates. They consider this a good principle, and they would be glad if you could make it a rule on all renewals or re-lettings.⁹⁴

Under these circumstances, the board gave instructions to Rycroft that he was not to sell any Durban property at all without first reporting to them with full details of the offer.⁹⁵

The Company also embarked on a programme of planned investment in the improvement of town properties. Rycroft was sent permission in August 1889 to exceed the proposed expenditure of £750 on alterations and additions to one of the Durban properties, on condition that the improvements would be such as to allow an increase in rental sufficient to ensure the Company a return of 12½ per cent.⁹⁶ At the same time, he was informed that he might regard this as a general instruction

92. NA, NLCC (A1380), File 21, Patrick to Behrens, 10 November 1887.

93. Behrens retired on 31 July 1888, after twenty-eight years with the Company. He was granted a pension of £500 *per annum* for life. He died on 12 May 1893. KCAL, Behrens Papers, KCM 25626.

94. NA, NLCC (A1380), File 22, Patrick to Rycroft, 28 February 1889.

95. NA, NLCC (A1380), File 22, Patrick to Rycroft, 21 March 1889.

96. NA, NLCC (A1380), File 22, Patrick to Rycroft, 30 August 1889.

which he might act upon "...as regards any other Town properties, especially business premises, wherever you think the Company's revenue will be thereby similarly improved".⁹⁷

This policy proved to be a sound one and there was considerable demand for this type of investment. By the end of 1889, the directors were able to state in an interim report that:

Opportunities have also arisen of good investment of the Company's surplus cash, hitherto employed in paying off its Debentures. The Company's tenants in Durban, desiring increased accommodation to meet increased business, have been willing to pay higher rents, yielding a remunerative return upon the outlay, which the Company has been willing to make. The result of this policy on the income of future years must be favourable, besides greatly increasing the capital value of the Company's property.⁹⁸

By mid-1890, the Company was involved in the following projects in Durban: a housing development to consist of six detached houses or a square of ten houses; the construction of a boarding house; the building of a shop front with offices above and behind; the extension and refurbishment of the Marine Hotel; and the construction of a new building to house its own offices. Meanwhile, in Pietermaritzburg, it was involved in the remodelling and renovation of the old police barracks.⁹⁹

The Company's preoccupation with urban renting did not occasion any lack of interest in rural renting. The collection of hut-rent from black squatters continued to be an important source of revenue, although it underwent the same vicissitudes as the other activities of the Company during this period. In July 1886, when conditions were severely depressed, Patrick wrote to Behrens to inform him that "The Board consider that under the circumstances you name, it would be best to allow the Kafirs a little time before taking any measures to enforce payment, which as you observe would only ruin them and not benefit us".¹⁰⁰

97. *Ibid.*

98. NA, NLCC (A1380), File 22, Interim Report, 19 December 1889.

99. NA, NLCC (A1380), File 23, Patrick to Rycroft, 20 June 1890. An indication of property values in Durban at this time is that in August 1890 the Company refused an offer of £8000 for the Marine Hotel. NA, NLCC (A1380), File 23, Patrick to Rycroft, 7 August 1890.

The annual report of the directors for the year 1886 gave the following explanation with regard to hut-rents:

The unremunerative state of the labour, cattle and corn markets, on which the Kafirs almost entirely depend for their money requirements, has prevented many of them from punctually meeting their engagements, and the rental account has therefore somewhat decreased.¹⁰¹

The Company was prepared to give the black squatters time to pay their rents, but they were not prepared to write off any arrears. The directors remained confident that the debts would be settled once economic conditions improved.¹⁰² Their confidence was not misplaced as, by the end of 1887, they were able to report that all arrears of rent had been paid.¹⁰³

As economic conditions improved, the hut-rent collection improved steadily, but not markedly, until the end of 1890, when notice was given of an increase in the rates at which rent would be charged.¹⁰⁴ The improvement before this date may have been due in part to more cultivation being undertaken (for which the Company charged extra), but was probably mainly due to increasing numbers of squatters living on the Company lands. Between 1880 and 1891, the black population of Natal increased from 362 500 to 456 000,¹⁰⁵ possibly due to immigration from Zululand which remained in a very unsettled state following the Anglo-Zulu war.

The Company continued to regard the promotion of immigration as one of its functions, although the unfavourable economic climate in the earlier part of this half-decade hampered its efforts. In January 1886 a new governor, Sir Arthur Havelock, was appointed for Natal.¹⁰⁶ Before he sailed for the colony, the board of

100. NA, NLCC (A1380), File 19, Patrick to Behrens, 29 July 1886.

101. NA, NLCC (A1380), File 20, Report of the Directors to the Proprietors, Twenty-Sixth Ordinary General Meeting, 17 July 1887.

102. *Ibid.*

103. NA, NLCC (A1380), File 21, Report of the Directors to the Proprietors, Twenty-Seventh Ordinary General Meeting, 11 June 1888.

104. NA, NLCC (A1380), File 23, Patrick to Rycroft, 19 September 1890.

105. Z. A. Konczacki, *op. cit.*, p.4.

106. NA, NLCC (A1380), File 19, Patrick to Behrens, 21 January 1886.

the NLCC requested and were granted an interview, in order to renew their proposals for forming a joint emigration scheme with the government.¹⁰⁷ Before the interview, Sir Arthur Havelock was supplied with copies of all the most important documents which had passed between the Company and the Secretary of State for the Colonies after the Butler Report of 1875.¹⁰⁸

According to an explanatory letter sent to Behrens, the objectives of the delegation to the new governor were:

(1) to disarm opposition by informing His Excellency of the causes which made the Company unpopular in the Colony - cautioning him against unfavourable remarks and even slander which he was likely to hear directed against us. (2) to prepossess him in favour of the Company, and (3) to assure him of the Board's desire to assist the Government in the settlement of Natal, whatever he might hear in the Colony, to the contrary.¹⁰⁹

This initiative on the part of the directors was followed up in Natal by Behrens having an interview with the governor to re-iterate the Company's eagerness to co-operate with the government in some kind of emigration scheme.¹¹⁰ Whether the governor was impressed with the Company's representations is not clear, but as the depression still had Natal in its grip, Patrick was quite right in fearing that "...with the finances of the Colony in such a state, nothing will be done in the direction of Immigration yet".¹¹¹

As conditions improved in Natal it might be thought that this was an ideal time for a renewed initiative on immigration, particularly as the subject became a focus of attention in Britain which was in the throes of what came to be known as the "Great Depression" of 1873 to 1896. There was a slowing down in the rate of growth of the British economy, and although "the questions of just when the main change in trend occurred, the extent of the deceleration, its significance, and its causes, are the subject of debate",¹¹² the distress which it caused was very real.

107. *Ibid.*

108. *Ibid.*

109. *Ibid.*

110. NA, NLCC (A1380), File 19, Patrick to Behrens, 15 July 1886.

111. *Ibid.*

A leading article in the *Natal Mercury* on the subject of the depression gave the following opinion:

British trade is depressed, and British industry outrivalled in foreign and even home markets, the drift of population is more and more into the great cities, whose poorer quarters are veritable human warrens...Nor is this excess of population confined to what are called the working classes. In all circles of life there are more heads and hands than occupation can be found for. The middle classes feel the pinch in their way...And even in the upper social strata, the need for outlets for younger sons and poorer branches is a constant cause of thought and anxiety.¹¹³

The obvious way out of this trap of increasing population and decreasing opportunity to earn a living was by emigration. During the five-year period 1886-1890, 871 406 persons migrated from Great Britain and Ireland to the United States of America.¹¹⁴

There was a body of opinion in Britain that this stream of emigration should be diverted by government assistance to the colonies of the empire. Henry Kimber, as a Member of Parliament and chairman of the NLCC, was in an ideal position to become a spokesman for this group. On 15 March 1886 he asked a question in parliament of the First Lord of the Treasury relating to the depression in trade and the lack of employment. He concluded the question by asking "...whether Her Majesty's Government would take any steps to induce the spread of our population and the employment of capital over the vast unoccupied lands in the colonies entrusted to the British nation...".¹¹⁵

A parliamentary committee consisting of 25 members of the House of Lords and 135 members of the House of Commons, among whom was Henry Kimber, was

112. P.S. Bagwell and G.E. Mingay, *Britain and America: A Study of Economic Change, 1850 - 1939*, 1970, p.175.

113. *Natal Mercury*, 25 October 1887.

114. P.S. Bagwell and G.E. Mingay, *op. cit.*, p.115.

115. *Natal Mercury*, 4 June 1886. Reprinted from the *European Mail*, 19 March 1886

formed in February 1887 to consider the question of state-aided or state-directed colonisation.¹¹⁶ After eight months' deliberation, six schemes, one of which proposed by Kimber, were put forward to be considered by the government.¹¹⁷ The Secretary of State for the Colonies chose Kimber's scheme and forwarded it to the European Land and Immigration Board which suggested that it should be transmitted to the various colonial governments for their opinion.¹¹⁸

The scheme involved the raising of public funds in Britain on the security of lands granted by the colonial government. These funds would be used to transport, equip and settle emigrants who would be required to pay the interest on the loan.¹¹⁹ The amount of money involved (£300 per family of five), and the fact that the colonial governments were to be responsible for payment of the interest in the case of default by the settlers, were regarded as serious stumbling blocks by the colonial governments. In fact, no interest was expressed by any of the colonial governments, with the exception of Natal, which was prepared to consider a modified scheme.¹²⁰ The British government was not prepared to set up the scheme solely for the benefit of the "tiny Colony of Natal", and the matter was turned over to another parliamentary select committee.¹²¹

Kimber remained convinced that his scheme could be successful in settling immigrants on vacant land in Natal. Defeated by the ponderous machinery of the Colonial Office, he decided to turn to private capitalists for funding. In April 1889, he addressed a letter to Sir Charles Mitchell, the administrator of the Natal government, outlining a scheme to raise £14 400 privately in London to finance a settlement on the Umzimkulu.¹²² The matter was referred to the Natal Land and Immigration Board where the fear was expressed that, as the land for the settlement would be used as security to raise the capital, failure of the scheme would mean that "...the capitalists would get the land and we would get none of the immigrants".¹²³

116. *Natal Mercury*, 25 October 1887.

117. *Ibid.*

118. *Natal Mercury*, 16 December 1887.

119. *Natal Mercury*, 10 February 1888.

120. *Natal Mercury*, 3 July 1888.

121. *Natal Mercury*, 11 September 1888.

122. *Natal Mercury*, 14 June 1889.

123. *Ibid.*

The Land and Immigration Board resolved to "...defer the matter, and circulate the scheme for private information".¹²⁴ This proved to be a not-so-subtle way of deferring the matter indefinitely.

Kimber continued to promote immigration without any government assistance. According to a report in the *Natal Mercury* "...while the House of Commons have been...slowly cogitating in the Committee on Colonisation...he has at his own expense, and in less time, settled a larger space, sent over more and better white settlers, and produced a larger result".¹²⁵ Among his schemes was the settling of two of his sons on 10 000 acres near Dargle to whom boys from Dr Barnardo's homes were sent to learn farming, and the introduction of "good practical farming people" from Devonshire.¹²⁶

The assisted passages scheme of the Natal government continued to operate, providing a steady trickle of immigrants. During 1890, 1000 immigrants were introduced under this system,¹²⁷ and the decade 1880-1890 saw an increase in the white population from 25 300 to 46 800.¹²⁸ A good deal of this immigration can be ascribed to the spin-off from the Witwatersrand gold rush. Although the main flood of immigration went to the Transvaal, there were enough rumours of gold strikes in Natal to divert some of the stream to the colony. Also, not all the settlers were prepared to face the harsh hurly-burly of a raw mining camp, but preferred to attempt to make their fortunes by supplying the miners from a distance. The new settlers, however, showed little inclination to face the rigours of life on the land and most sought to make a living in the urban centres.¹²⁹

Despite disappointments in the field of immigration, and the upheavals occasioned by Bolton, the Company made significant progress in the period 1885-1890.¹³⁰

124. *Ibid.*

125. *Natal Mercury*, 11 December 1891.

126. *Ibid.*

127. *Natal Mercury*, 20 February 1891.

128. Z. A. Konczacki, *op. cit.*, p.4.

129. *Natal Mercury*, 20 February 1891.

130. The figures in the following comparison are taken from NA, NLCC (A1380), File 19, Report of the Directors to the Proprietors, Twenty-Fifth Ordinary General Meeting, 6 May 1886, and from reports of the Thirtieth Ordinary General Meeting in the *Natal Mercury*, 3 June 1891 and 17 June 1891. See also Appendix E.

Total revenue for 1890 was £18 113, which was not very much higher than the £17 213 earned in 1885. However, significant changes had occurred in the three items which together made up total revenue. The largest item, rent of land and town property, had increased from £11 309 to £13 576. This figure, in view of the increase in the hut-rent rate and the improvements to town properties could be expected to continue to rise. The second item, interest on mortgage and on outstanding balances on land purchases, had dropped from £4061 to about £2045 as the balances on which the interest was charged had dropped from £52 512 to £17 043. This was largely due to the fact that debtors were able to make regular payments due to the improved economic conditions, but the decrease in land sales after the 1879-1881 boom was also a factor. The third item of revenue, profit on properties sold, increased from £1842 to £2779.

Although total revenue had not increased a great deal, expenditure was considerably reduced due to the fact that the debenture debt had been reduced from £107 400 at five and six per cent to £50 000, some of which had been issued at four per cent. The corresponding decrease in interest, together with the concerted effort which had been made to reduce running expenses, raised the profit from £2219 to £8776. The balance of profit and loss, due to the accumulated undistributed dividends awaiting the settlement of the Bolton action, amounted to £22 485. On the asset side of the balance sheet, the landed property account had increased, despite land sales, from £425 261 to £426 032 as a result of investment in improvements to urban properties.

Although the first gold strike on the Witwatersrand was only made in 1886, its positive effects on the Natal economy were felt so rapidly that by 1890 the Company had already benefited substantially. The attempted takeover by the group of Natal shareholders and Bolton's subsequent court action caused some disruption of the London office and a wavering of public confidence in the Company in Britain. However, these factors were scarcely felt in the colony, where rising land values and considerable urban development were laying the foundations of the Company's future profitability. Despite strenuous efforts on the part of Kimber, in both his private and public capacities, to set up a systematic, government-assisted immigration programme, little progress was made in this direction. However, the

improving conditions gave a greater likelihood to spontaneous immigration. After thirty years of operation, partly as a result of careful management and sound financial practice, but also due to the fortuitous improvement of the economy through the mineral discoveries, the Company was finally poised to become a consistently and substantially profitable concern.

CHAPTER NINE

CONCLUSION

Ubiquitous references to the Natal Land and Colonisation Company in the literature on colonial Natal attest to its importance in the developing economy as well as to the extent of its operations. However, the depressing sameness of these references, in the vast majority of which Slater's article is cited as the source, indicate that very little is actually known about its organisation, *modus operandi*, or effect on the economy. The impression has been created of some vast, shadowy - if not actually shady - enterprise, controlled by absentee directors intent on conserving their vast landholdings against an expected rise in value, without regard for the possibly deleterious effects which this might have on the colony struggling to establish itself on the eastern seaboard of southern Africa. That this impression is, quite simply, wrong, has been made abundantly clear by the study of the available records, especially those of the Company itself.

As evidenced by the terms of the original prospectus of the NLCC, it was never, from its inception, a land speculation company in the generally accepted sense.¹ That it owed its existence to rampant land speculation fostered by conditions in Natal prior to the formation of the Company in 1860 is not in question. During its brief tenure, the administration of the Republic of Natalia was responsible for the prodigal granting of vast tracts of land to Boer trekkers who, lacking the resources to develop it, began to dispose of their grants. This market in land grants reached boom proportions after the British annexation caused a mass exodus of disgruntled Boers back over the Drakensberg. Some of the largest speculators in these grants, not having abundant resources themselves, turned to British financiers in an attempt to turn their paper claims into a marketable commodity - shares in a joint-stock company.² Once the NLCC was incorporated, the land which the claims represented ceased to be a commodity held on speculation, and became a fixed asset of the Company to be used as collateral in financial dealings, and to be judiciously liquidated to provide capital for investment.

1. See above, p.14.

2. See above, pp.17-18.

The business of the Company, according to its articles of association, was to be conducted in four main areas, all of which were more or less strongly linked to its activities in London. The Land Department was to deal in land in various ways, but chiefly to sell the Company-owned land on a credit system whereby ten per cent of the purchase price was to be paid in cash, leaving ninety per cent as an interest-bearing loan on mortgage. The Company could afford to leave its capital tied up in this manner, because the land was at the same time being used as collateral to raise money on debenture bonds in the London money market.³ The money thus raised was channelled through its Loan Department into mortgage bonds on fixed property in Natal. As colonial rates at which the Company was lending were at least four percentage points higher than the rates at which money could be raised in London, this system was expected to secure a steady income to the Company.⁴ The Colonisation Department was to be a joint enterprise in which the London office would be responsible for recruitment of suitable immigrants, while the Natal office would undertake their reception and settlement on Company land. The Agency Department was set up to attend to the business of absentee owners of land in Natal, most of whom were resident in Britain, although some lived in the Cape Colony.⁵

During the first five years of the Company's existence, the operation of the Land and Loan Departments proceeded smoothly enough to justify the most sanguine predictions of the prospectus. More than half of the Company's landholding was sold, largely through the setting up of two subsidiary companies, the Natal Investment Company and the Natal Cotton Company. Demand for capital in Natal was strong enough to absorb not only the proceeds of these sales, but every farthing which could be raised in London. By 1864, the Company had loaned £170 337 on mortgage, for setting up plantations, for the importation of sugar-processing and other milling machinery, for urban development and for the importation of indentured Indian labour.⁶ Interest payments were punctually met and substantial dividends were paid to the shareholders.⁷

3. See above, p.21.

4. See above, pp.22, 25-26.

5. See above, p.23.

6. NA, NLCC (A1380), File 2, Report of the Directors to the Proprietors, Fourth Ordinary General Meeting, 1 June 1865.

7. See Appendix E.

Encouraged by this success, the Company attempted to further the development of the colony by instigating projects for the construction of a railway-line to the interior, for the opening up of the coalfields, and for an immigration scheme to be carried out jointly with the Natal government. The Colonial Office, however, was apprehensive that development on this scale would set the white settlers on a collision course with the black population, and all the schemes were vetoed in London. However, despite this set-back, which the Company regarded as purely temporary, the mid-1860s saw the Company in a relatively strong position. The rudimentary Natal economy had responded well to the introduction of capital on a large scale, and it appeared that the Company's objectives of fostering development, selling its land at ever-increasing values and re-investing the proceeds would be realised.⁸

These optimistic expectations were abruptly shattered when the financial crisis of 1865 and the subsequent depression dealt a crippling blow to the fledgling Natal economy. The crisis was caused by the collapse of the house-of-cards structure of over-extended credit which had been sustaining the economic boom since the establishment of the imperial banking network in 1861-1862.⁹ Contributing factors were the Basuto War of 1865, which cut off communication with the interior, and a severe drought which affected the staple exports of wool and sugar. The depression which followed as a result of the loss of business confidence and the abrupt drying up of sources of credit was deepened in Natal by the deleterious effect on the sugar industry of the introduction of beet sugar onto the world market.¹⁰

The financial crisis itself had only a minimal effect on the finances of the Company, due to the fact that it had only extended credit on well-secured mortgages. The spate of bankruptcies which left the banks holding worthless note-of-hand debts left the Company virtually untouched.¹¹ However, the depression of 1865-1869 was of fundamental importance in shaping the future course of the Company in the colony.

8. See above, pp.35-36, 47.

9. C.G.W. Schumann, *op. cit.*

10. See above, p.61.

11. During the nineteenth century, a common instrument of credit was the "note-of-hand", a promissory note secured only by the signatures of the borrower and one or more guarantors. They were negotiable and were often discounted one or more times.

It could no longer unilaterally pursue its objectives and expect the economy to react to the stimulus which it provided. Instead, it was forced into a position of reacting to adverse economic conditions and re-arranging its strategy to fit new parameters.

The depression had a chain-reaction effect on the Company's operations, both in London and in Natal. As economic conditions worsened after 1865, interest payments on the huge mortgage debt which the Company had outstanding in Natal decreased, thus considerably reducing the Company's income.¹² More significantly, however, as loans which had been made for five-year periods began to fall due, capital repayments also failed to be met. This had serious repercussions on the financial status of the Company in the London money market. The decline in income made it difficult for the Company to meet its own interest payments on the debenture debt which it had raised to fund the loans in Natal. This caused a decrease in the funds available for dividend payments, which eventually ceased in 1867, the same year in which capital repayments on its own debenture debt began to fall due.¹³ Investors' confidence in the Company ebbed and the directors found it impossible to renew the debentures for a further term, as they had hoped, but instead had to find the money to redeem them. The Company weathered its difficulties by calling up the uncalled capital on its shares, but this depleted the reserves upon which it had relied as security when borrowing.

The course upon which the Company had embarked in Natal was also to some extent diverted as a result of the depression. Faced with substantial defaulting on interest and capital repayments, the Company was forced to start foreclosing on mortgages. It pursued this course with extreme reluctance, because it meant exchanging what should have been a regular source of income for land which would have future value, but which was then virtually unsaleable.¹⁴ However, the continually mounting figure for "past-due interest" was an undesirable feature on the balance sheet as it began to undermine the confidence of investors and shareholders alike, and the Company was left with no alternative. It was through these foreclosures, which were the result not of any deliberate policy, but rather of adverse circumstances, that the Company came to own such enormous landholdings

12. See Appendix E.

13. See above, pp.67-68. See also Appendix E.

14. See above, pp.69-70.

in the colony. Another significant aspect of these foreclosures was that they brought into the Company's possession urban properties in both the main centres, Durban and Pietermaritzburg, and estates which had already been brought under cultivation. The Company thus, perforce, became an urban rentier and also became involved in the plantation economy.¹⁵ The appearance of the balance sheet was considerably improved by the foreclosures, as the outstanding debts were more than compensated for by the value of the property taken over. However, as conditions in the colony had brought the sale of land to a virtual standstill, there was no way of converting these paper assets into much-needed capital.

The NLCC might well at this point have sunk into oblivion, along with numerous other nineteenth-century investment companies which discovered to their cost that interest rates in far-flung corners of the globe were so high because the attendant risks were so great.¹⁶ The situation was saved, however, by the fortuitous discovery of diamonds in the sub-continent, which brought relief to the Company both in Natal and in London. The economy of Natal, which was supported on the twin pillars of agriculture and trade, benefitted considerably from the diamond discoveries, despite the distance of the diggings from the colony. Every imaginable commodity, from basic foodstuffs to imported mining equipment, had to be transported to the fields, and demand raised prices to a level which made the long trek not only feasible, but highly profitable. The flow of income into the colony improved the Company's prospects in Natal, but of at least equal importance was the effect which the diamond discoveries had on the London money market. Southern Africa came to be regarded as a highly attractive field of investment, and the raising of capital for any venture in this area became a great deal easier.¹⁷

The discovery of diamonds was an important stimulus to economic development in Natal, and perhaps its most important effect was to point up exactly how sadly underdeveloped the colony was. Commercial agriculture and the economic infrastructure, particularly in the area of transport, were so rudimentary as to severely restrict the colony's response to the challenge. Attempts were made during the early 1870s to widen the scope of the plantation economy and to improve

15. See above, pp.72-73.

16. M. Edelstein, *op. cit.* pp.70-1.

17. See above, p.85.

communications by the construction of a railway-line. Identifying its own interests with those of the colony, the NLCC soon became embroiled in both areas of enterprise.

The Company revived its earlier railway scheme in a modified form through the formation of a new company, the Central Railway Company of Natal. The Legislative Council, however, rejected this proposal in favour of a far more grandiose scheme, proposed by J.W. Welborne, which projected a network of lines from Durban to the interior and up and down the coast. The fact that this would only be achieved at a well-nigh ruinous cost to the colony was glossed over by the Council in its eagerness to obtain the benefits of mechanised transport.¹⁸ The Colonial Office accepted the Welborne scheme in principle, but before the finer details could be negotiated it was put paid to by a radical change in the political climate. The Conservatives were voted into power in Britain in 1874, shortly after the Langalibalele uprising in Natal revived all the imperial government's fears for the colony's security. The new Secretary of State for the Colonies, the Earl of Carnarvon, was convinced that confederation was the answer to the security problem in southern Africa. In order to secure the Natal government's support in promoting this scheme, he offered the colony an imperial guarantee for the construction of a railway-line, thus obviating the necessity for granting concessions to a middleman such as Welborne.¹⁹

The NLCC was greatly interested in the bringing of railways to Natal, and when the acceptance of the Welborne scheme appeared to be a *fait accompli* it decided to offer no active opposition. However, when the change in government put the scheme once more into the balance, the directors embarked on a course of public opposition and made private representations to Carnarvon on its inadvisability. Carnarvon undoubtedly had his own ulterior motives for rejecting the Welborne scheme,²⁰ but the Company may well have been of some use in providing him with ammunition, thereby playing some small part in saving the colony from the consequences of its rash decision to accept it.²¹

18. See above, pp.88-89, 91.

19. See above, pp.101-102.

20. Carnarvon wanted to be able to offer Natal favourable terms for the construction of a government railway as a "bribe" to secure the colony's support for his confederation scheme. See above, p.101.

21. See above, pp.99-100, 102.

It was also during this period that the Company became actively involved in the plantation economy of Natal. Its involvement was accidental, rather than planned, as it stemmed from the taking over of estates already under cultivation through the foreclosure of mortgages. The decision was made, however, to keep the estates in good working order to ensure that they would not lose their value, and to prove that Natal had the capacity to be a successful producer of tropical cash crops.²² Despite the expenditure of large amounts of capital, however, disease in the coffee which had been extensively planted on some of the estates nullified these ambitions after only one successful crop. Two of the largest and best-equipped estates, on which sugar had been planted, were "sold" to the Natal Plantations Company in a transaction which left the NLCC as part-owner of the new company and guarantor of its considerable debenture debt. The NLCC accepted the fact that it would need to subsidize the initial stages of the Plantations Company's development, but was confident that it would soon begin to pay its own way. However, the estates of the Plantations Company were plagued by drought, labour difficulties, lack of transport and the falling sugar price, and merely became an ever-increasing drain on the resources of the NLCC.²³

The attempts of the NLCC during the first-half of the 1870s to further the development of Natal by the promotion of railway construction and involvement in the plantation economy were not particularly successful. The economy may have benefitted to some extent from the rejection of Welborne's scheme, with its exorbitant cost in concessions, but the Company probably only played a minor role in this rejection. Of more importance was the decision of the Company not to allow the cultivated estates which it had taken over to return to wilderness. The plantation economy was in the throes of a difficult period of readjustment, and the cessation of planting on such a number of established estates would have seriously affected, not only output, but confidence in the future of the industry in Natal. However, from the Company's point of view, both these attempts to seed development through the importation of capital and thereby increase its own sources of revenue had failed to bear fruit. The net result was an outflow of income, and the Company was obliged to explore other avenues whereby the shortfall could be made good.²⁴

22. See above, p.103

23. See above, p.109.

24. See above, pp.109-112.

Having failed to make investment pay, the only income-producing asset left to the Company was the land which it owned in Natal. Its extensive foreclosures had left it with a considerably increased acreage, which it could turn to profitable account either by selling or by leasing or renting. The land market was not favourable to the pursuit of the first option. Immigration to the colony continued to be a mere trickle which, when combined with the exodus of fortune-seekers and transport riders to the diamond fields, turned into a net outflow. Leasing of land to white settlers suffered from the same reduction in demand, and although rents from urban properties were increasing as occupancy grew, they were ultimately constrained by the number of properties and the prevailing rates.²⁵ The only area in which the Company could increase its income from the land was in collecting hut-rents from black squatters. A policy was instituted whereby the rent per hut was raised, with further payments to be made for land cultivated by any but strictly traditional methods, and the collection of rents was made more systematic. Black peasant agriculture was increasing in extent and improving in productivity during this period, and the residents on Company land were not only able to pay the increased rents, they were prepared to do so because it tended to be good quality land close to the main markets.²⁶ The Company regarded this source of income opportunistically, as a means whereby it could keep afloat until economic conditions improved to a point at which it could reinstitute its policy of land sales and reinvestment. Black squatters were given no security of tenure, and it was understood that should the land be sold, and should the new owners require it, they would be instantly removed.

The reputation of the Company in the colony had been considerably tarnished by its policy of foreclosure in the latter half of the 1860s. It had become transformed in the public estimation from a generous supplier of much-needed capital, with the development of the colony at heart, to a grasping, despotic organisation which placed the interests of its foreign-based shareholders above those of Natal. The decision to become more seriously involved in the collection of hut-rents from black squatters brought further opprobrium from the white population and led, in the latter half of the 1870s, to a concerted campaign to discredit it. The Company

25. See above, p.110.

26. See above, p.115.

survived by being able to convince the Colonial Office that the accusations leveled against it were unfounded and unjust, but the stigma which was attached to its name in the colony has survived even to the present day.

The most generally accepted "fact" about the NLCC in the current literature is that it tied up the land of Natal, being willing and able to wait for an increase in value before selling, and that it thereby prevented colonisation and economic development. This view was first formulated in 1875 in a report on the history of European immigration into Natal which was presented by a member of Sir Garnet Wolseley's staff, Major Butler.²⁷ Wolseley had been sent to Natal in a temporary capacity to resolve the constitutional crisis occasioned by the Langalibalele revolt, and Butler spent a mere five months in the colony. Largely on the basis of hearsay, he reported to the Natal executive that immigration into the colony had failed because insufficient land was available for granting to settlers, due to the large proportion which was being held by land speculators in general and the Company in particular. He recommended that the government should either confiscate this land or impose punitive taxes to force its sale.²⁸

Carnarvon, Secretary of State for the Colonies, appeared disposed to accept this recommendation, and the publication of Butler's report unleashed a flood of hostile criticism against the Company in Natal. Carnarvon backed down on being confronted with a righteously indignant deputation from the Company, but opinion in the colony proved to be less amenable to change. Despite the findings of a government commission of enquiry into Butler's report - that it was ill-founded in fact and unjustified in its conclusions - the Company continued to be held responsible for the failure of European immigration.²⁹ A series of four bills passed by the Legislative Council in 1877, with the ostensible purpose of making more land available for European settlement, included one specifically designed to allow confiscation of privately-owned land which was not occupied by whites. Bill No. 20 made provision for a commission of enquiry to investigate land usage in Natal, and particularly to ascertain how much private land was occupied by blacks. Most of the original land grants in Natal had been made conditional on "beneficial occupation",

27. See above, pp.116-118.

28. See above, p.118.

29. See above, pp.123-126.

but titles had changed hands frequently and the non-fulfilment of this condition had been compensated for by the payment of non-occupation tax. The purpose of Bill No. 20 was to revive these conditions and allow the government to revoke title on lands which were not occupied "beneficially", meaning by whites.³⁰

That there was an ulterior motive to Bill No. 20, beyond acquiring land for immigrants, is suggested firstly, by the existence of considerable evidence that the government of Natal could not possibly have required the amount of land over which it intended to acquire confiscatory powers. Natal's underdeveloped economy with its rudimentary infrastructure would not have been able to accommodate large numbers of immigrants, and the government was fully aware of these constraints. The second factor to be considered is the treatment by the government, both in Britain and the colony, of the NLCC's earnest and repeated attempts to initiate a joint scheme to facilitate large-scale immigration to Natal. Throughout the five-year period 1870 - 1875 the Company's suggestions, which included generous offers to make land available, were met with an official indifference which is difficult to reconcile with conterminous official statements on the urgent need to promote immigration.³¹

If the land which the government was attempting to confiscate by means of Bill No. 20 was not required for immigration, there must have been another imperative. The evidence suggests that the government's motive was not so much to regain ownership of the land as to regain control of how it was used. Almost all the privately-owned land in Natal supported independent black peasant farmers, a state of affairs which was resented for various reasons by powerful interest groups among the white population. The most obvious drawback, from the white point of view, was that if the blacks had independent means of supporting themselves and earning enough income to pay the taxes levied by the government, they would have no incentive to become wage labourers. Also, the small, scattered settlements of whites in the rural areas were surrounded, interspersed and vastly outnumbered by the homesteads of the black population. This situation raised fears for security, and was also cited as a factor which discouraged white immigration to the colony from other parts of South Africa. The third objection to the practice of allowing black squatters to settle on private land was that it gave these farmers the opportunity to compete with the white farmers in the production of basic foodstuffs.³²

30. See above, pp.127-128.

While the land in question was in private hands the blacks had a viable alternative to entering the white economy. Overt legislative measures to drive them off this land and force them into the already overcrowded locations would have been resisted by the landowners who, as British subjects, considered it their constitutional right to rent their land to whomsoever they chose. There would also have been resistance from powerful philanthropic groups in Britain, who kept a watchful eye on attempts by colonial governments to interfere with indigenous populations, and the measures would have had little chance of securing imperial sanction. If the land could be regained by the government, however, measures such as that proposed by the Lieutenant-Governor, Henry Bulwer, in 1876, to prohibit squatting on Crown Lands, would have been easier to implement. Mere confiscation for reasons of state, however, would have involved the government in compensation payments far beyond what the limited budget of the colony could bear. Butler's report, therefore, seemed to offer a good opportunity to attack land speculators, whose interests were a matter of utter indifference to philanthropists. If their titles to land could be revoked on the grounds that they had failed to carry out the conditions under which the grants had been made, the land would revert to the government and the question of compensation would not arise.³³

The accusation, therefore, that absentee landowners, of whom the NLCC was the most prominent, were tying up the land, making no effort to promote development and preventing colonisation, received wide currency in the official documents of this time. The Colonial Office, having received detailed documentation from the NLCC to prove that the accusations were unfounded in the case of the Company, were unconvinced by the Natal government's protestations and refused to sanction the passage of Bill No. 20 into law. However, the case against the Company remains engraved in the official records of Natal and has been taken at face value by researchers into this period.³⁴ Natal's lack of success in attracting immigrants has been simplistically and erroneously attributed to the lack of available land, and this important area of research has received little attention.

31. See above, pp.129-136.

32. See above, pp.142-144.

33. See above, pp.139-140.

34. See above, p.116.

The failure of the government's attempt to secure the confiscation of the Company's lands left it free to pursue its course in the colony. However, during the late 1870s, the Company was still constrained by economic conditions in Natal. Some measure of prosperity had accrued through increased trade with the diamond fields, and railway construction was begun in 1876. The market for land had improved to some extent, and the Company returned to the programme of selling land and re-investing the proceeds which had been interrupted, first by the depression of 1865 - 1869, and then by the lack of immigration and exodus to the diamond fields. The income which could be earned from the sale of land and re-investment of the proceeds was considerably greater than that which could be raised from black squatters. However, given the size of the Company's landholding and the still limited market, vast acreages of land remained unsold and hut-rent continued to be a major source of income.³⁵

The Company continued to plough a great proportion of its income back into Natal, through its own cultivated estates and through its involvement with the Natal Plantations Company. Losses were heavy in both areas, due to drought, disease, lack of transport and labour problems, and the Company was eventually forced to consider seriously the advisability of abandoning cultivation on its own account and cutting off support to the Plantations Company. However, there were many factors besides profitability which had to be considered. The abandonment of its own estates would have amounted to a confession that the plantation system was unworkable in Natal, even when capital was freely available. This would have made not only the estates themselves, but all the Company's other coastal landholdings virtually unsaleable. The refusal of financial assistance to the Plantations Company would have had a similar effect in Natal, and far more serious consequences in London. The NLCC had guaranteed the Plantations Company's debentures, and failure to honour this obligation would not only have resulted in the bankruptcy of the subsidiary, but would have seriously damaged the credit of the parent company. The decision was made, therefore, to continue funding both operations - always, it must be said, with the optimistic thought that as this type of enterprise was notoriously volatile, times might improve and all the losses might be recouped.³⁶

35. See above, p.150.

36. See above, pp.157-159.

The end of the 1870s was marked by the Anglo-Zulu War, the prosecution of which by a large imperial force occasioned the importation of a substantial amount of capital into Natal. This was of considerable benefit to the economy in general and to the land market in particular. The Company took advantage of this situation to sell as much land as possible, using the profit to declare a dividend on the ordinary shares for the first time since 1867.³⁷ Although income during the earlier part of this period had been sufficient to more than cover expenses, the excess had been used to stabilise the Company's financial situation in London, by paying off its eight per cent debentures and replacing them with a new issue at six per cent.³⁸

The NLCC entered the decade of the 1880s in a sound financial position, confident that the colony was at last on the path to development. The railway-line from Durban had reached Pietermaritzburg, and construction was expected to continue to push the line into the interior, thus opening access to the rich coalfields which were known to exist in the north of the colony. It was also expected that improved means of transport would encourage immigration and the settlement of the interior, thus increasing the value of land. The drought had also finally broken and agricultural prospects were improving. These expectations were realised to some extent, but success was tempered by the onset of a depression in the commercial sector, sparked off by the "diamond crisis" of 1881 and exacerbated, in Natal, by the sudden redundancy of stockpiled goods. This was caused partly by the withdrawal of the imperial troops after the settlement of the Anglo-Zulu War, and partly by the outbreak of hostilities with the Transvaal which cut off trade with the interior.³⁹

The change in circumstances in the colony which proved most detrimental to the Company was, ironically, that which was most enthusiastically received by the London board. In October 1880, the government of Natal announced a new policy with regard to the disposal of Crown lands. The price of Crown land was raised from 4s. per acre to 10s. per acre, on condition of occupation during nine months of each year, or 20s. per acre, not subject to any conditions, and regular auctions were to be held. The board of the Company saw this as a welcome advance, in that it would cause a general increase in the price of land in the colony. Although this desirable

37. See Appendix E.

38. See above, p.163.

39. See above, pp.167-168.

effect did occur, the Company found that large-scale selling by the government considerably reduced the sales of its own land. The Company did possess land which was traversed by the railway-line, and it pursued a policy of negotiating the placement of stations on these farms, which were then subdivided into smallholdings which became economically viable units once transport was assured. It had some success in the sale of these units, but was badly affected by government competition in the more inaccessible areas.⁴⁰

It was also during the early 1880s that the Company finally decided that the possible adverse consequences of terminating its involvement in the plantation economy no longer outweighed the advantages of continuing in the face of ever-increasing losses. The cultivated estates ceased planting and were put on the market which, however, proved so bad that a policy of leasing to Indian smallholders was instituted as a stop-gap measure. The Natal Plantations Company was advised that no further financial assistance could be expected and that company went into bankruptcy. This termination of an incessant drain on the Company's income left it with spare funds at a time when conditions of recession in Natal had raised the interest rate.⁴¹ Commercial life had been slowed, but was by no means at a standstill, and the Company re-instituted its policy of granting loans on mortgage, with a relaxation of rules and a change in emphasis towards lending on the security of urban rather than rural property.

In the midst of these uncertain conditions came the discovery of the Witwatersrand gold-fields - unquestionably the most significant event in the economic history of southern Africa. Natal, as a producer of foodstuffs and as the Transvaal's closest link with the outside world, through Durban harbour, was stimulated to develop at a far greater pace than it would have achieved on its own. The fortunes of the NLCC were so closely linked with those of the colony that it, too, was significantly affected by the transformation which gold brought about.

Two misconceptions about the Company's progress during this period, originating in Slater's article, have been dispelled by a detailed examination of the Company records. The first of these was that the Company's movement towards becoming an

40. See above, pp.171-176.

41. See above, p.191.

urban rather than a rural rentier began only after responsible government was granted to Natal in 1893. Slater argued that it was only because the Company was forced into selling its rural landholdings that it turned to urban property-owning instead.⁴² The evidence, however, shows that this movement took place rather earlier and for sound financial reasons. The discovery of gold stimulated very rapid urban development in Natal, particularly in the port city of Durban. The Company owned a considerable amount of property in Durban, and during this period it began to pour surplus capital into the development of these properties with a view to increasing the rentals. The rural land owned by the Company had always been regarded as an asset to be turned into capital, whenever the opportunity arose, but the urban properties were regarded as assets to be retained as they could provide a permanent source of income.⁴³

The second misconception in Slater's article is that he ascribed the fact that the Company failed to pay a dividend on its ordinary shares throughout this period to a lack of profitability.⁴⁴ In fact, dividend payments were suspended by an injunction in a court action against the Company. The court action arose out of an attempt spearheaded by three Natal merchants, Seaber, Harvey and Raw, to take over the direction of the Company and move the locus of power from London to the colony. The strategy of the take-over bid - to discredit the directors and force their resignation - failed, and the Company emerged virtually unscathed. However, the spokesman of the group, a lawyer named Bolton, refused to admit defeat and took the Company to court on the grounds of falsifying the balance sheet and paying unearned dividends. The action dragged on until 1892, when it was decided in the Company's favour, but while it was in progress no dividends could be paid.⁴⁵

The most significant fact about this period, however, was that the Company finally achieved a level of profitability at which it could afford to pay a dividend on its ordinary shares without having to rely on land sales. It was receiving a substantial income from interest on loans, rents on urban properties, leases to whites and hut-rents from blacks on its rural land. Without the constant drain of funds to the

42. H. Slater, *op. cit.*, p.277.

43. See above, p.216.

44. H. Slater, *op. cit.* p.274.

45. See above, pp.197-211.

Plantations Company and the cultivated estates, and with a considerably reduced debenture debt, at a low rate of interest, expenses were minimal and profitability was ensured. It had taken thirty years of struggle in the face of fluctuating economic conditions, but the Company entered the decade of the 1890s on the high road to prosperity.⁴⁶

It can be seen from the evidence presented above that to regard the NLCC as merely a land speculation company, or as an absentee landlord growing fat on the proceeds of rack-renting, is an over-simplification which utterly distorts the real nature of its operations. From its inception, the Company was primarily a financial concern whose major interest was in the manipulation of capital to the best possible advantage. It began its career with a large holding of land in Natal, but this was always regarded either as collateral for the raising of capital, or as an asset which would be turned into capital when conditions were favourable. Britain was, during this period, the world's leading source of capital investment, and the Company was merely one small link in this global network. Its aim was to use Natal as a field for investment, hoping that, by an initial injection of capital, a chain reaction of development would be set up and further investment opportunities would be created.

The influence of the Company on the economy of the colony was also neither as straightforward or as negative as the view that it was simply tying up the land would suggest. The initial inflow of capital shortly after its incorporation contributed substantially to the foundation of the sugar industry, and its involvement in the plantation economy helped prevent its foundering in the depression of the late 1860s. Far from being responsible for keeping land out of the market and thereby retarding European immigration, it made concerted efforts to sell land whenever possible, and campaigned indefatigably for the introduction of an organised scheme to bring settlers to Natal. The Company was involved to a considerable extent in the development of the two main urban centres of Durban and Pietermaritzburg, and also promoted suburban development along the main railway-line.

It must be stated, however, that the relationship between the Company and the colony was a reciprocal one, and that economic conditions in Natal exerted a

46. See above, pp.222-224.

considerable influence on the operations of the Company. The grand scheme with which the Company started out - to earn a steady income from the interest on loans on mortgage in Natal - was shattered by the depression of 1865 -1869. The Company was left with a legacy of thousands of acres of virtually unsaleable land, cultivated estates which could not be made to pay and urban properties which were only marginally profitable for decades. The improvement in conditions brought about by the diamond discoveries was followed by another severe depression, and it was only after the discovery of gold that the economy of Natal became a truly profitable field of investment for the Company.

The political climate was equally inimical to the implementation of the Company's schemes for development. The progress which the Company envisaged when it was formed - the construction of railways, the opening up of the coalfields and the introduction of immigrants on a large scale - was delayed by the reluctance of the imperial government to disturb the indigenous population. The railways had to wait one decade, the coalfields another decade after that, and no large-scale government immigration scheme was ever implemented. The Company was forced to rely on the collection of hut-rent from black squatters for survival, and this policy brought it into collision with the Natal government which resented the fact that such large numbers of black people were outside its control. The fact that the government of Natal wanted to close off the option of renting private land to blacks, and that it took steps in this direction once responsible government was granted, does not mean that the Company clung to this source of income until forced to abandon it. Although the imposition of the Absentee Land Tax in 1908 and its effect on the sale of Company land lies outside the scope of this work, the evidence would suggest that the Company was moving from rural to urban landowning long before this, and that the sale of land during that period was in response to an improvement in the market following the Anglo-Boer War, rather than a response to punitive taxation.

In disproving some long-held misconceptions about the role of the Company in colonial Natal, this work has raised some questions about the course of economic development in the region. For a full answer to these questions, considerable detailed research outside the scope of this study will be necessary. The Company was instrumental in channelling capital from Britain into Natal, and some of the effects of this inflow have been suggested. However, in the same period, capital was

flowing in from other sources, notably from the imperial banks. A quantitative assessment of the extent of the total capital inflow and the areas in which it was invested would be necessary to gauge the full impact on the economy.

Another area which requires further research is that of immigration. As the lack of land suitable for settling immigrants appears never to have been a factor, and as the Company consistently attempted to promote the systematic introduction of settlers with very little success, there must have been other reasons for Natal's slow rate of white settlement. Again, although some of these reasons have been suggested, a fuller investigation is indicated.

Finally, the prevailing conception of Natal as a rather backward colony with a painfully slow rate of growth in the nineteenth century is perhaps also due for re-examination. Progress in Natal has been overshadowed by the spectacular advances occasioned by mineral discoveries in the Cape and Transvaal. However, if these comparisons are not made, it can be seen that the economy underwent significant development and, although subject to cyclical setbacks, showed steady growth during this period. A weaving together of all the strands of research into a comprehensive economic history of nineteenth-century Natal is long overdue and might serve to dispel this particular misconception.

APPENDIX A**Prospectus of the Natal Land
and Colonisation Company**

NATAL LAND AND COLONISATION COMPANY

PROSPECTUS

London Board of Directors

Sir James D. H. Elphinstone, Bart., M.P. Chairman

J.P. Brown-Westhead, Esq., M.P.

W.W. Cargill, Esq. Director of the Oriental Bank Corporation

The Hon. Francis Drummond

J. Gillespie, Esq., Of the Firm James Barber & Co.

J.T. MacKenzie, Esq., Deputy Chairman of
Eastern Bengal Railway Co.

William Miller, Esq., M.P.

The Hon. William Napier, Director of the Lands Improvement Co.

Offices 41 Threadneedle Street

Natal Committee

J. Bergtheil, Esq., M.L.C.

W.H. Acutt, Esq.

J. Archbell, Esq., M.L.C.

J. Bresler, Esq.

R. Vause, Esq.

The Manager

Offices 6 Market Square Durban

Objects of the Company

1. LAND DEPARTMENT

To sell lands belonging to the Company, the purchasers of which may retain ninety per cent. of the amount on mortgage of the property sold, bearing interest at the rate of eight per cent. To lease lands belonging to the Company, for a term not exceeding seven years, with option of purchase, at a valuation, at the end of the lease.

2. LOAN DEPARTMENT

To grant loans not below £50, for terms of from one to five years, on the security of farms and plantations; of town property provided the buildings are of burnt brick or stone, and substantially built; and of saw, flour, oil and other mills situated in or near towns. To discount or take over mortgage bonds, with the security of the mortgagee.

3. COLONISATION DEPARTMENT

To promote immigration to this colony by assisted passages, on approved security, at a credit of twelve months, bearing colonial interest.

4. AGENCY DEPARTMENT

To invest money on any security named; to sell and buy landed property; to collect rents, interest and other property; to negotiate loans for the government and corporate bodies; to purchase machinery, and effect shipment and insurance thereon, on the security of mortgages on landed property; and to undertake other agency business.

APPENDIX B

**NLCC Letter to the Secretary of State for the Colonies,
The Earl of Carnarvon**

Natal Land & Colonisation Co. Ltd.

41 Threadneedle Street

London E.C. 21st May 1874

My Lord

This Company are the possessors of large Landed Estates and of House property in the City of Maritzburg and in the Town of D'Urban.

They have for many years been paying heavy Government rents and taxes on unoccupied and other lands while the Corporations of Maritzburg and D'Urban levy considerable dues on Town properties.

The interests of the Company are so completely identified with those of the Colony, that the Directors gladly comply with your Lordship's permission to give their opinion on the Railway Bill now under consideration.

The question of Railways in Natal has for many years been under the consideration of Government, and the Directors have consistently and at much expense, both of time and money advocated their being made from the year 1862 onward, and the Directors are of opinion that all the lines now proposed should be made at once.

The Directors have given their best attention to the provisions of the Natal Railway Law recently passed, and to the subsequent law numbered 11, conferring further privileges on the intended Railway Company with the very strongest desire to assist any good measure and in the spirit of not raising any difficulty against the particular mode proposed unless of such a character as to involve an injustice or a complication in the future.

But with the best desire to forward the immediate construction of the Railway, they have reluctantly arrived at the following conclusions viz.

1. That the contract proposed by this law will entail on the Colonists and owners of property in the Colony most grievous burdens not only excessive and unnecessary in themselves, but incommensurate with the advantages obtained.

2. That in the future, the peculiar provisions of this law will permit, and almost necessarily bring about complications whereby the Colonial Government will be hampered and fettered in its action, as regards other Railways and as regards the settling of Crown Lands, and in its dealings with the Natives.
3. And that the only escape from this position will be a repurchase by the Government of the line made partly with public funds, and under disastrous circumstances, and after loss of much time.
4. That it will be cheaper and more expeditious for government to undertake the construction itself, in which case it would only pay the actual cost of exactly the line it would require, whereas the proposed contract necessarily implies, and actually gives a large profit to Contractors and others.
5. That the power to impose in some cases an almost prohibitive tariff, which the Government reserve no power of controlling, is really a power of further taxing the Colonists, or depriving them of the benefits which a Railway ought to confer.
6. That the enormous power of sub-leasing not only fetters the Colony whether the Contract is broken by the Company or not, but coupled with the power to give their sub-lessees running powers over the line of Railway, actually confers a monopoly over ourselves and all other land and mineral owners in the Colony, on our own Railway, made with our own money and on our own land.

And lastly, that the numerous crudities and inconsistencies in these two laws, as passed and in the proposed contract, are so serious as to render the latter a misfortune, instead of a benefit to thousands of Colonists and others interested in the Colony.

A memorandum or statement has been prepared at our request, by one of our colleagues Mr Kimber of Lombard Street, who has made a close examination of the subject, and contains, so far as time and reasonable limits as to volume permitted, the proofs and reasons upon which our conclusions above mentioned are based. A copy of that statement will be forwarded to your Lordship by Mr Kimber in the

course of a post or two.

A memorandum containing some important observations upon the subject by another of our Colleagues - The Honourable F.C. Drummond - who has long been interested in the Colony is also enclosed.

We have no doubt that if some able legal draughtsman attached to your Lordship's Department will carefully examine these laws he will discover even more inconsistencies than are thus pointed out, and if any further facts are wanting to support our conclusions which we can supply, some of our number will be happy to meet him or be happy to have the honour of waiting on your Lordship in the event of an interview being thought desirable.

I have the honour to be

Your Lordship's most obt servant

(signed) Wm Miller
Chairman

To the Right Honble
The Earl of Carnarvon
H.M. Principal Secy of State
For the Colonies.

APPENDIX C

**NLCC Memorandum on the Subject of
the Natal Railway Bill, 21 May 1874**

Memorandum on the subject of the

Natal Railway Bill

21 May 1874

The terms granted by the proposed Bill No.3 1874 are clearly set forth and commented on in Mr Kimber's Memorandum as extremely onerous to the Colony. Whilst the position of the Colony has greatly improved, the terms enacted for this Railway have become more stringent - an immediate lease of 2 and a half millions of acres for 12 years placing the development of minerals - Coal and Iron - almost entirely in the hands of the proposed Railway.

In 1865 the Government refused to sanction a Railway Bill passed by the Legislative Council on account of its being coupled with concessions to the "Coal Company", but this lease will lock up for 12 years the pick of the remaining Government Crown Lands viz. 4,800,000 as per margin.

In 1869 Mr Welbourne [sic] first made a proposition to Government on the subject of Railways in Natal and in 1871 the Legislative Council adopted his scheme involving a grant of 3 millions of acres, to be made over as Colonists were settled on the lands, a condition widely differing from those in the proposed lease.

At the Government upset price of 4/- the 2 and a half millions of acres represent a sum of £500,000 and although waste yielding at present a considerable Revenue to Government from the Hut Tax levied on Natives residing upon it.

It is worthy of consideration whether the existing state of the Colony demands so great a sacrifice of its resources, in order to obtain Railways, as this and a subsidy of £40,000 a year for 20 years, entail, or whether the true interests of the Colonists would not be best served by the Government undertaking to make the lines required, from funds raised by the issue of Government Debentures.

Without entering on details it can be proved from official returns that Natal has of late prospered greatly by increased trade as well as increased cultivation of land.

While a careful comparison of the Trade of 1873 with that of 1868 (the period on which Mr Welbourne first based his calculations) will show that Natal in addition to its own resources is largely benefited by its internal trade with the Diamond Fields, the Orange River Free State, and the Transvaal Free State, with its newly discovered Gold Fields and that Railways are required for the yearly increasing traffic.

In the event of the Government determining to adopt the example set by the neighbouring Cape Colony of retaining the lines in their own hands, the value of the Crown lands would be greatly enhanced, and the Colonists could depend upon fair and equitable rates for transit of Goods.

It may be noticed that Mr Secretary Cardwell in February 1865, while declining to sanction the Railways then agreed to by the Legislative Council, being clogged with the concessions to the "Coal Co." added that "if the Railway is really likely to pay, would it not be better to follow the example of Ceylon, and for the Colony to make the line, borrowing in the London Market".

The example thus cited of Ceylon has well stood the test of 9 years, having more than fulfilled the expectations of a favourable result.

There is a question of extreme importance but chiefly for Government consideration, whether such a power over Natives as is proposed by the terms of the lease of 2 and a half millions of acres, should be granted to any Company.

(signed) Thos. C. Drummond

APPENDIX D

**Editorial: *Natal Mercury*, 1 July 1876:
Rejoinder of the NLCC**

REJOINDER OF THE NATAL LAND AND COLONISATION COMPANY [LIMITED]

Having commented at the time upon the subject, we now publish a "memorandum" just issued by the Natal Land and Colonisation Company [Limited] bearing upon Major Butler's report in view of utilising the unoccupied lands of the colony for European settlers. "Major Butler, C.B.[a member of the Staff of General Sir Garnet Wolseley, C.K.B., on his special mission to Natal], in a report to the Colonial Office, dated 3rd July, 1875, recommends the adoption of a squatting law empowering the Governor to locate squatters upon lands of private proprietors, and to lease and sell such lands on terms to be fixed by the Government, or in the alternative, a law to impose a special tax upon such private proprietors as do not lease their lands at fixed Government rates. The object designated by this proposal, viz., that of securing the occupation and settlement by Europeans of the now unoccupied lands in the colony, by leasing to small farmers portions of large private estates, upon a term of years, with the right of purchase to the tenant at the end of his lease, is a most proper and advisable one. Being one, however, which the private proprietors have themselves for years past been offering, not only to small farmers, but to any other settlers, voluntarily, it is difficult to understand why a coercive law of penalties for not doing it - should be proposed. The inaccuracy of the supposed fact upon which this report was based and the non-necessity of such a law, were considered by the private proprietors so apparent that they did not fear that it would be seriously countenanced by the Home Government. But when very recently in the papers laid before Parliament [February, 1876] they found a Despatch of Her Majesty's Colonial Minister, the Earl of Carnarvon, dated 20th October 1875, to the Governor of Natal, Sir H. Bulwer, giving countenance to, and inviting further report upon these propositions, they were naturally much alarmed. In that Despatch his Lordship says that the proposed measures involve "a certain amount of interference with private property, and on that account open to grave objection, were it not that, as Major Butler says, "exceptional evils can only be met by exceptional remedies." And his Lordship gives his opinion that "the consideration of measures, to which under ordinary circumstances just exception would be taken," are in this case justified by [1] "the great urgency of advancing the settlement of the country," and [2] "the very advantageous terms upon which the properties which have remained so long undeveloped were acquired." At an interview which his Lordship was good enough to accord, on the 21st of March last, to the Directors of the Natal Land and Colonisation Company, he was pleased to disclaim the idea that the measures in

question were proposed in consequence of any supposed offence or dereliction on the part of the Company, or other private proprietors, and to state that the "real object of the scheme was rather of a military character than a civil nature." Though somewhat reassured by this disclaimer, there is room for fear that the remarks made and the grounds taken by Major Butler in his Report, and His Lordship's quasi endorsement thereof in his despatch, will be taken in a very different sense in the colony, and may tend, by exciting feeling, and interfering with the freedom of contract and trade, to retard rather than accelerate the great object which, in common with his Lordship, all persons interested in the colony, especially its landowners, must naturally desire to attain; and it is in the hope of averting these exceptional measures, removing the misconceptions on which they are founded, and drawing attention to the more natural and free and perfectly feasible methods which are open for adoption, that the present remarks are written. If powers of compulsory dealing with private property are to be adopted for State reasons, and not on the grounds of breach of duty on the part of proprietors, it ought surely to be put clearly on that footing, and the invariable principle of compensation recognised, should injury result to the proprietors by the exercise of those powers. It is obvious that a law to tax specially private proprietors, who will not lease or sell at the rates ordered by Government, is a way of shutting them out of competition with the Government in selling the Crown lands and might be exercised most injuriously and even ruinously to individuals. It must be allowed that the natural inference from the above, [vide Major Butler's report] statements would be that the private proprietors and particularly the company above alluded to, had locked up their lands, like the Hudson Bay Company of old, to keep them as wilderness, to prevent colonisation, and to obstruct the progress of the colony by refusing to part with such lands to willing emigrants. Statements which naturally would excite not only the ill-feeling and jealousy of the envious, but even the just indignation of all well-wishers of the colony. The very proposal with which Major Butler concludes, viz.: a compulsory taking and leasing to others of the private lands, in itself contains by irresistible implication, the suggestion that such private proprietors are not willing to let or sell their lands without coercion. Now, what are the facts as regards the company above alluded to, who are the largest proprietors, and who hold no doubt some of the best lands in the colony? Incorporated in 1861, with a share capital of £225 000, afterwards increased to £415 000, entirely subscribed in England by about 400 English shareholders, besides large sums of borrowed money, its very object as well as name was Colonisation. And this object has been steadily pursued, in spite of all

failures and discouragements, and without any aid or support from the Government. Nearly all the large capital above mentioned has been spent in or on the colony. They had, at the most, 688,000 acres, and have now only about 622,000, having sold as much as buyers could be found for; they never had 1,000,000 as Major Butler says. And of these the company have brought under occupation of producers [principally white settlers] over 130,000 acres, and have 1,000 acres under cultivation themselves. The company's lands are all, and always, for sale, in blocks or in subdivisions of any size, and at moderate prices, as will be seen by comparing them with the prices of those actually sold. Free grants are made on condition of occupation. Leases are granted for terms of years commencing at almost nominal rents, and with option of purchase at any time during the lease. Their land cost - not a "few bags of coffee" in any case, but £413,600 besides large sums since spent for up-keep and occupation. All of their lands are derived under titles commencing with the grant of the Government itself. Many of these grants contain clauses which actually expressly sanction non-occupation by stipulating for, and in consideration of an annual non-occupation tax, which has always been punctually paid where due. The company have paid to the Government, up to the end of 1875, quit rents, rates and non-occupation tax to the amount of £20,000, a sum exceeding the amount which according to Major Butler's own Report, has been expended by the Government itself in seven years in emigration. The company have expended most of their income, and the produce of their cultivation, amounting to many thousands a year, in the colony, [save interest and expenses of management in England]. They maintain 406 white and coloured people as cultivators, managers, and in its transport service, which itself is a boon to the colony. They advance money to colonists for general purposes, and lend nearly the whole price of the land to settlers purchasing, and on easy terms of repayment. They have a large and productive livestock. They have introduced machinery. They produce in the colony coffee, sugar, corn, tobacco, and other produce. They have expended money in promoting emigration in a variety of ways, and have several times endeavoured to urge propositions upon successive Governments for the time being, but unfortunately without success. They have at the present time an agent travelling in Europe for the collection of emigrants. That these efforts are scarcely seconded by the Government, see the following extract from a letter dated 4th February, 1876, from the Government Emigration Commissioners, Downing Street, in reference to the emigrants being collected by this agent:- "The Commissioners have been instructed by the Earl of Carnarvon to inform you that the funds in their hands on account of

the colony of Natal are so small, they would not be justified in disbursing these funds for the French Emigration, proposed by M. de Terrason, without further information from the colony." And last, but not least, their lands, so far from being locked up, have always been sold whenever there were buyers coming forward at all, on almost any terms convenient for the settler, although at prices which have not yet yielded a dividend for nine years on the ordinary share capital of the company, which is over £340,000. The Company are, at this moment, in a position to name selling or a letting price to the Government for every estate they have, and to show by the selling prices obtained for other lands that such a price is a fair one, and the Government or its settlers have only to ask, in order to have whatever land they wish to locate, on fair market terms. The Company's advances of money to colonists amounted at one time to about £200,000, most of which it has not even yet received back, but kept employed as capital in the colony. When the Commercial Panic of 1866 struck the colony, many colonists were ruined, and the Company itself was very much depressed. Nevertheless it has continued its assistance and operations, and has rarely foreclosed its mortgages, until after, at least, two years of forbearance without interest. The very special efforts of the company in direct emigration from time to time [commencing with a written offer of the company to the Government, in 1862, to establish depots and agencies at its own expense, and to assist emigrants in every possible way] are set forth in a memorandum already sent into the Colonial Office, prepared with great care by the Hon. F.C. Drummond, which will completely show, not only that there was "land to be had", but at prices that ought to astonish Major Butler; and that so far from the "system of small culture" being discouraged, the company have repeatedly offered 100 acres free gifts to settlers of country lands, and 25 acres of coastlands, besides other options and advantages. They erected barracks for reception of emigrants, gave assisted passages, advanced money, and sold land on credit in lieu of cash. Cutting up large blocks for small settlers is the constant object of the Company's work. Two villages have thus been founded, with a dedication of adjoining lands gratis, for the free outspan of their cattle, and sites for market and church, - and more would have been done in this way, had the Government given reasonable encouragement. The company's establishment and manager in Durban, afford the very best machinery and means by which settlers on first landing can obtain not only land, but the best advice by its experienced manager, Mr. Behrens and staff, whose very interests, as well as those of their employers, the company, must lie in the direction of colonization and distribution of their lands instead of keeping them as Major Butler suggests as huge "barriers

against the occupation of more remote districts, and drawing round them wide cordons of desolation", language more graphic than just to those against whom it is directed. There are numerous other owners of land in Natal who have expended considerable sums in the cause of emigration and settlement, and who have done, at their own expense, that which Governments have felt themselves unable to do. Among other things they dispatched an expedition, in charge of a surveyor, throughout Natal and the Transvaal, to examine and report, and, having received his report, they have now active agents through whom they place their lands at the disposal of emigrants and settlers upon any terms likely to suit them, thus employing English capital to provide the land which the settlers are, in many cases, unable themselves to do without assistance. The supposed uselessness to the colony of absentee owners in England is therefore an error. The Crown lands ungranted are 43/4 millions, not 2 or 3 only, as the Major says. The alienated lands, exclusive of native trusts, are less than 6,000,000, instead of 8,000,000, as he supposed and said. The foregoing being the real facts, what is the proposal: Major Butler proposes the compulsory granting of small farms of 200 or 300 acres [portions of large private estates], rent free for 5 years, then at 1s. per acre per annum for 20 years, and then to be purchased at a price fixed by the Government. Now the Company let and sell their lands on the following plan: They grant leases at the low rent of 4d. [in some cases less] per acre for the first year, rising $\frac{1}{2}$ d. or 1d. per acre each subsequent year for 7 years, with the option to the tenant to purchase each year at a corresponding price ranging from 16 to 21 years' purchase of the rental. And the company sells on payment of a moderate part [from a tenth to a fifth] of the money down, leaving the rent payable by half-yearly installments over any number of years which may be agreed on. But any form of terms is adopted that is likely to suit the bona fide emigrant. Here is the anomaly, therefore, of a law being proposed to force the leasing of private lands; and the price suggested is far above what thousands of acres of the best lands in the colony can be got for, by the asking. What is the necessary inference? That the facts have been mistaken - and the conclusion is therefore unsound. It is submitted with great earnestness that what Major Butler has called the "great cause of failure" arises, not, as he supposes, from there being "no land to be had", which is utterly disproved in fact, but because there were no buyers or tenants, and the reason for there being no buyers or tenants, was, that successive Governments have not expended sufficient in emigration, or afforded facilities for the settlement of the colony, at all comparable with the facilities given for and by other colonies. During the seven years of the assisted passage system, Major Butler

says 1,703 emigrants were introduced by the colony at an actual cost to the colony of about £7 per head. It is entirely inaccurate to say that that system failed because there was no land to be had. The few emigrants who were brought got all the land they wanted, and as is above shown, could have had more for nothing from the company if they desired. Even if that system, inadequate as it was, had been continued to the present day, the white population might have been at least doubled, and the supposed evil of the land system would have vanished by an abundance of buyers having found very willing sellers. The fact is that the company and other landowners have been almost the only considerable machinery at work to settle the colony - their interests have necessarily all lain that way; but the effect of the policy, adopted with the very best intentions from time to time, has been to subordinate the white settler to the uncivilisation of the native races, whose numbers and vices have progressed together, and have now produced a state of things which his Lordship very properly considers "urgent", and has most wisely resolved to rectify. If, then, the land can be got without such a law, what is the object of such a law? If the object of the proposed measure is to fix an arbitrary price less than fair value, it is, pro tanto, a confiscation. It is an unpleasant word; but it is really, the only one to describe the fact. If the object is not to fix less than, but only a fair price, and it be alleged that in this case it ought not to be left to the free market action, but be fixed by the Government, we are entitled to ask that our present selling prices, and also our history, cost price, profit, and other circumstances, and in particular the fact of our not having received dividends for 9 years, should be examined and taken into consideration, and unless the Government show that our prices are unreasonable, the company, it is submitted, cannot be justly called upon to part with their lands to anybody for less, either for the good of the State or for private persons, unless the State is willing to make good the difference to the Company. If the Government only wish owners to lease and sell on reasonable terms - we say - we are ready and willing; we give better terms than yours; bring us the settlers, we will welcome them without compulsion. Our offers are on record. Our terms are known to be reasonable. Make us an application for any of our lands; offer us a price, and until we have refused a fair price, do not pass a law to put a stigma upon us, and to affect the title to every large estate we have, and take a power which once given, might be used to force us to unreasonable terms. That the owners are willing sellers and letters cannot be disputed, because they have actually sold 66,000 acres, and let or leased 130,000 and are daily offering the rest. Their establishment in the colony, kept up at a considerable expense, is always open

for this express purpose, and a quotation may be had for any or all of their acres at any hour's notice. It is, therefore, not competent for any to say "there is no land to be had." Had the able manager of the NLCC at Durban been applied to for information, it would have been ascertained that any of the lands of the company could have been, and can be, obtained; and many of them at far more moderate prices than those which Major Butler proposes the Government should sell or lease it. It is true that his Lordship, on being informed of this, said, then the proposed measure can scarcely be harmful to the company, but with great respect it is submitted [1] that this is scarcely a sufficient ground for a general law to enable compulsory dealing with private property; and [2] it is, in fact, harmful, because unnecessary, discouraging to capital and to enterprise, and contrary to the principle of free trade; and its very passing would imply a slur and stigma upon landowners which they do not deserve. If unnecessary, such a law on this principle is, as his Lordship says, "open to grave objection." There will no longer be any free land market. Faith in the conservation of private rights and titles will be destroyed. No one will be secure that that which he buys for one price may not be taken from him for less. Upon no principle of justice can the Crown derogate from its own grants, and, after these grants passed into the hands of third parties [purchasers for value], who have continued to pay the considerations upon which the grants were obtained, claim to dispose of the lands or to fix their price without consent of the owners. We have sunk our capital in those lands and emigration, in the faith of a future return. We have waited years without a dividend, and will the Government now force us to arbitrary prices and terms without taking our place and repaying us our outlay and a fair interest for the nine years we have been without, all on the strength of the Government title. Besides this, the non-occupation tax, on condition of which much of the land was granted, being paid, is it fair to tax or mulct then owner still further, ex post facto, for non-occupation? Lastly as to what is feasible:- His Lordship in the despatch above alluded to, of 20th October, 1875, requested the Governor to state his opinion upon Major Butler's suggestion or any modification of it. Up to the date of the last advices from the colony, the Company were not informed of any inquiry being made of the company's manager, on the part of the Government, for information. It is therefore perhaps advisable to repeat that all the Company's lands are "to be had", and that the Company are willing to make or to receive from, the Government for consideration definite propositions for the sale or leasing of the whole or any part of these lands at fair and fixed prices, on receiving, either at the Company's office in London, or through their establishment in Natal,

any invitation of the Government to do so. The Company, in fact, invite a proposition from the Government. The Company are also willing, as they have shown by former offers and propositions to the Government, now perhaps forgotten, to assist the Government with all the Company's available resources both in land and by their staff and machinery for emigration, in getting the colony settled For no amount of land offers or gifts will effect the object desired without assisted emigration. The latest proposition made by the Company to the Government, founded on a suggestion of Mr. Bergtheil, and with which two members of the Board personally waited on the Under Secretary of State, is as follows:- That a Committee, consisting of an Officer appointed by Government and the Manager of the Company [with the Governor of the Colony as Arbitrator], shall select centres of not less than 3,000 acres in each county from the lands of the Company suitable for locating immigrants. These centres to be sub-divided by Government in lots of 200 acres each. The Company to grant every alternate lot of 200 acres as a free gift to the immigrant after 5 years' successful occupation, and free of rent meanwhile. The Government to receive the immigrants on their arrival in Natal, provide the transport to their locations, and temporary homesteads, etc. In exchange for every title to land belonging to this Company issued to immigrants, the Company to be entitled to a like number of acres of any ungranted Crown Lands at that time belonging to Government. In conclusion, it is hoped that the Government may find in the suggestions of a voluntary assistance of the Company, as before stated, a more natural, free, and feasible method of action than a compulsory land law, and that the Government will, at all events, be willing to make inquiry of the Company before taking action in the matter, and make available the fifteen years' practical experience and work of the Company upon the subject. It is also respectfully submitted that, as the supposed cause of failure of every attempt to colonise, viz., "no land to be had," is shown not to exist, and the reasoning and proposals based upon it are consequently fallacious - the real cause of failure, viz., the distance of the colony and the expense of the passage [which is too great for the small tenant farmer and family], can only be removed by the remedy which has successfully been applied elsewhere, viz., a liberal assistance by Government to bridge over the distance and bring the colony nearer home, by a system of free passages, of which it is believed white people will then readily avail themselves. It has been found expedient to pay the passages of coloured people [coolies] and even to raise a public loan to further the object of merely securing the benefit of their labour. Is it not still more worthy of a liberal public grant, to secure an object of much higher State

importance, viz., the security and permanent settlement of the colony by means of white settlers?"

APPENDIX E
NLCC Selected Balance Sheet Items, 1861-1890

To 31 December (£)	Loans on Mortgage etc. (£)	Interest, Commission, (£)	Income (Rents) (£)	Profit on Land Sales	Profit (£)	Dividend (%)	
						Ord.	Pref.
1861	28 372	969	Nil	Nil	3 036	Nil	Nil
1862	75 194	9 436	Nil	Nil	6 541	5	Nil
1863	140 949	18 471	Nil	5 567	13 103	9	Nil
1864	170 337	22 481	Nil	11 514	22 983	10	Nil
1865	191 845	29 907	Nil	Nil	11 064	5½	Nil
1866	219 615	26 365	Nil	Nil	8 804	4½	Nil
1867	200 748	28 814	Nil	Nil	10 837	Nil	Nil
1868	155 687	19 177	Nil	Nil	13 367	Nil	Nil
1869	87 767	17 920	2 765	12 870	20 445	Nil	Nil
1870	38 237	14 915	4 273	Nil	4 343	Nil	Nil
1871	30 633	2 707	5 914	Nil	2 056	Nil	Nil
1872	-	-	-	-	-	-	-
1873	14 539	2 737	6 937	3 470	3 123	Nil	Nil
1874	11 846	2 544	7 676	2 148	3 517	Nil	Nil
1875	14 839	2 371	9 543	3 807	4 415	Nil	8
1876	13 172	1 962	9 108	5 683	328	Nil	8
1877	29 751	4 245	10 335	3 807	2 399	Nil	8
1878	12 310	4 940	9 346	17 414	16 873	Nil	8
1879	14 739	7 610	9 427	25 904	25 437	5	8
1880	8 901	9 529	9 842	22 050	16 876	6	8
1881	8 284	10 127	10 604	23 076	13 821	3	8
1882	10 808	5 120	10 490	14 674	8 498	2½	8
1883	19 451	4 798	10 406	4 942	4 765	Nil	8
1884	13 014	4 268	11 083	6 079	6 746	Nil	8
1885	10 696	4 061	11 309	1 842	2 219	Nil	5
1886	6 441	3 201	10 136	247	254	Nil	Nil*
1887	4 045	1 974	11 076	2 374	3 665	Nil	Nil*
1888	-	-	11 480	1 500	6 420	Nil	Nil*
1889	-	-	-	6 163	12 305	Nil	Nil*
1890	-	-	13 576	2 779	22 485	Nil	Nil*

*Bolton Action

Source: NLCC Balance Sheets, 1861-1871, 1873-1887; Reports of Company Meetings, 1888-1890.

APPENDIX F

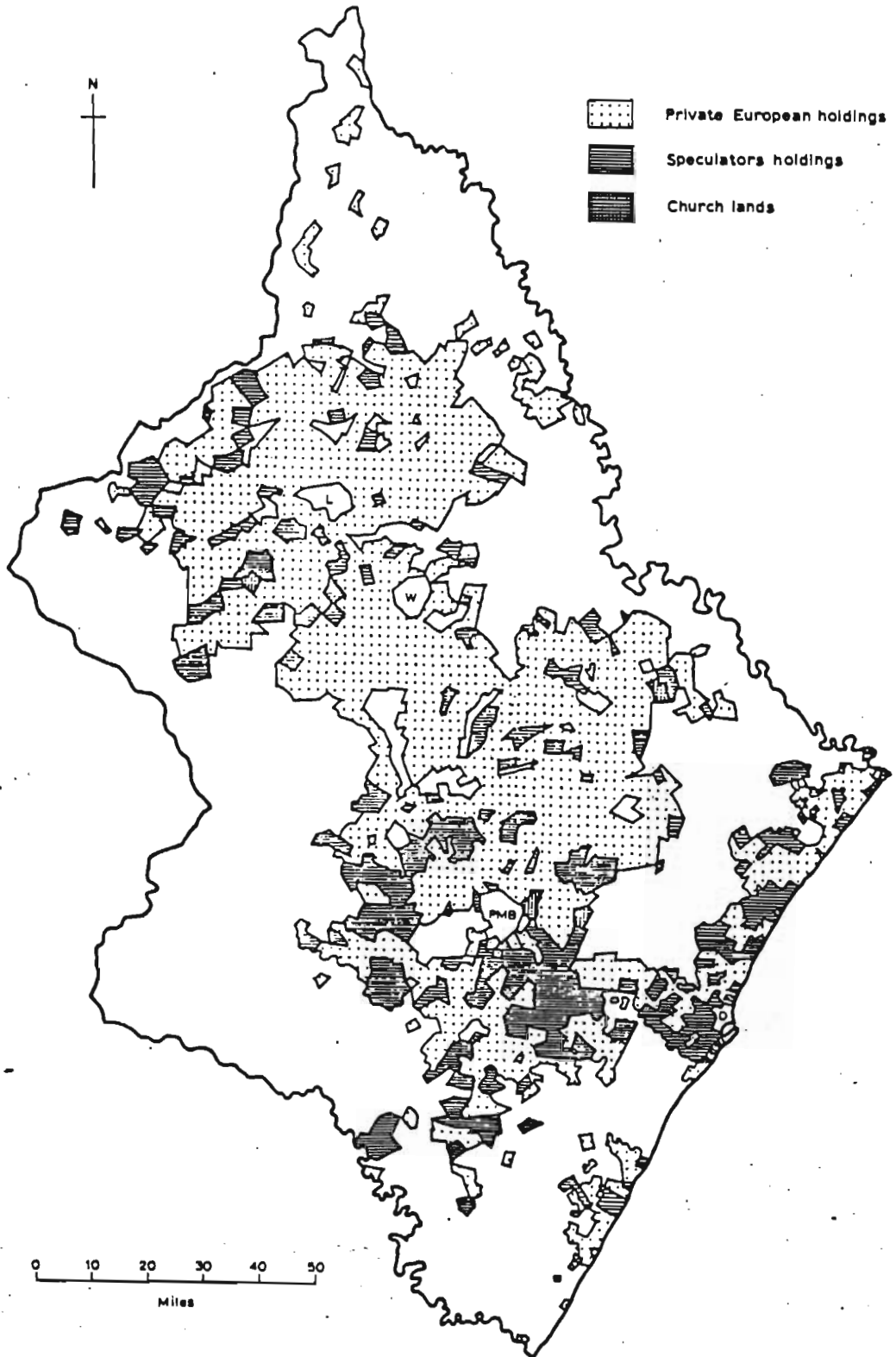
Maps

MAP 1
Colony of Natal showing Counties, Principal Towns
and Railway Development



MAP 2

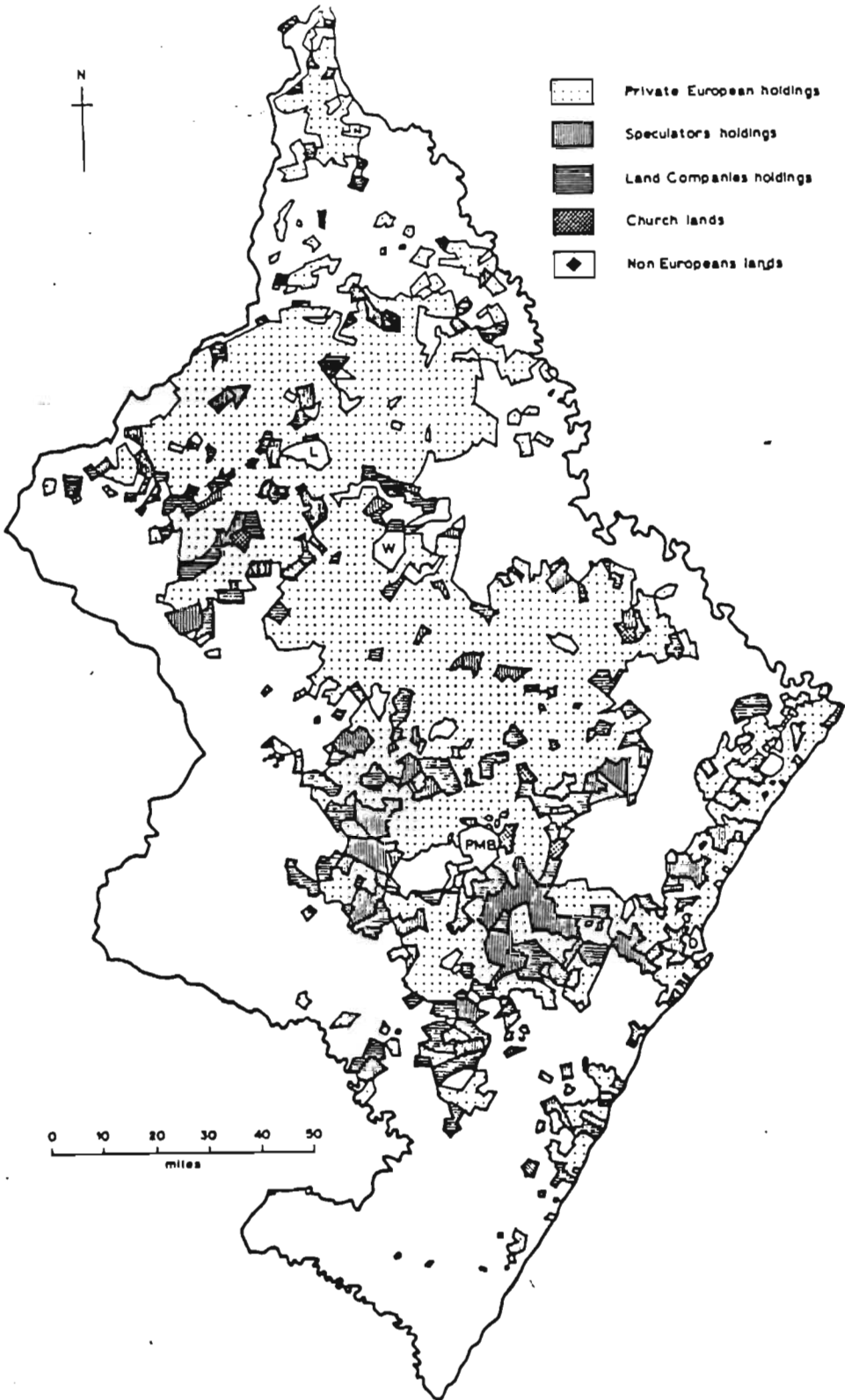
Land Ownership, Natal, 1860



Source: A.J. Christopher, "Natal: A Study in Colonial Land Settlement", 1970.

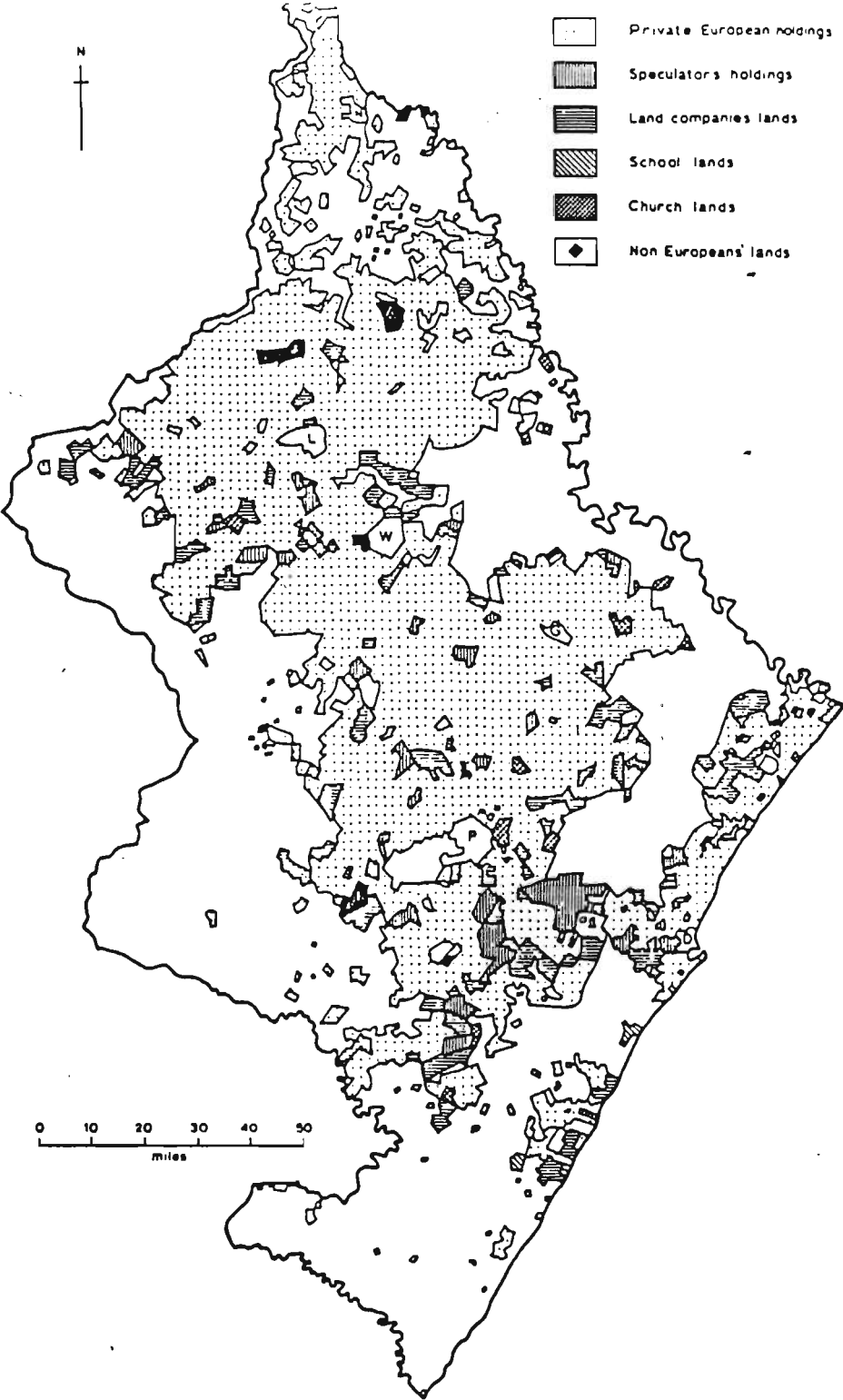
MAP 3

Land Ownership, Natal, 1870



Source: A.J. Christopher, "Natal: A Study in Colonial Land Settlement", 1970.

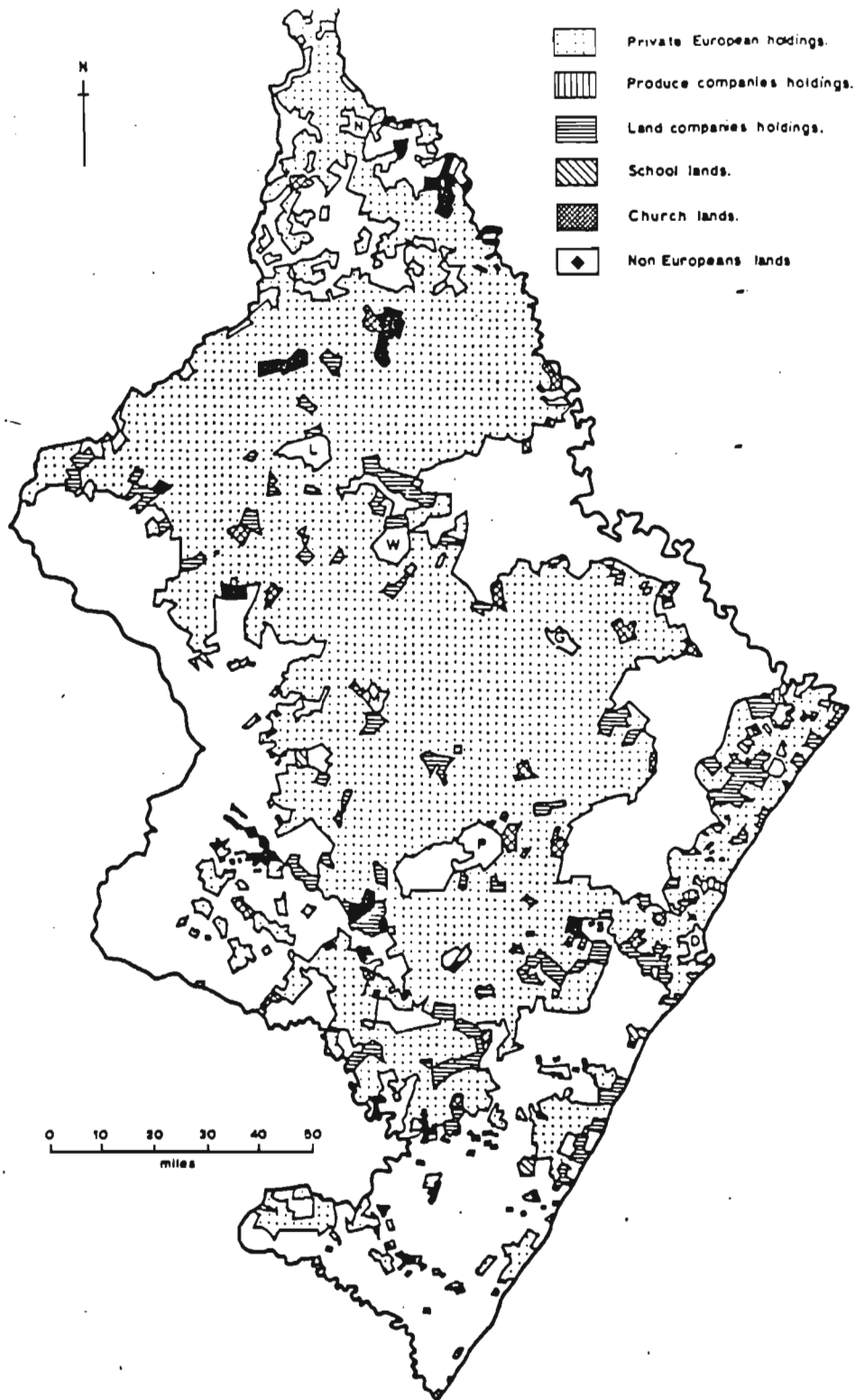
MAP 4
Land Ownership, Natal, 1880



Source: A.J. Christopher, "Natal: A Study in Colonial Land Settlement", 1970.

MAP 5

Land Ownership, Natal, 1890



Source: A.J. Christopher, "Natal: A Study in Colonial Land Settlement", 1970.

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