**SANDALWOOD ACT AMENDMENT BILL 1940**

**House of Assembly, 8 August 1940, pages242-4**

Second reading

**The Hon. R. J. RUDALL (Angas—Commissioner of Crown Lands)—**The object of the Bill is to extend the period of operation of the Sandalwood Act, 1930. This Act, unless extended, will expire at the end of October next. The Government has decided to ask Parliament to remove the time limit on the Act so that it will become a permanent part of the administrative machinery of the State. Experience has shown that the sandalwood trade cannot be maintained on a profitable basis without control exercised jointly both in South and Western Australia. The history and present position of the sandalwood trade are clearly set out in a report furnished to the Government by the Director of Lands, and as this report will enable honourable members to appreciate the justification for extending the Act, it may be quoted in full. The report is as follows:—

The sandalwood industry was commenced in this State in 1926, when W. Skuthorp was granted a licence to pull sandalwood from certain areas for 12 months, on payment of a royalty to the Crown of 10s. per ton, plus licence fees for carting, etc. A quantity of 1,961 tons was pulled under this licence. In May, 1926, the secretary of the Western Australian Sandalwood Company applied for a licence in South Australia, and offered to pay a royalty of £9 per ton, in addition to fees for pulling, cleaning, and dray licences. The company, however, was unable to compete against Skuthorp, owing to the difference in the royalties payable, and only pulled 120 tons. The entry of South Australia into the sandalwood industry affected Western Australia’s market for the wood in China, and the Government of that State called a conference on the matter, the result of which was that the Western Australian Government agreed to limit its pulling operations to 5,400 tons per annum, and the South Australian Government to 2,600 tons, the total annual consumption in China at that time being estimated at 8,000 tons. Tenders were then called in South Australia for the right to pull this State’s quota, and the successful tenderer, a syndicate comprised of pullers, pulled 2,194 tons, the royalty to the Crown on which was £9 10s. per ton. Owing to there being at that time no control over the pulling of sandalwood from private property in South Australia, large quantities of wood from this source were forwarded to China without any regard to market requirements, and this had a very marked effect on sales of all sandalwood in China, as dealers in China who were handling the wood for the syndicate were not prepared to continue to buy any wood whilst indiscriminate forwarding of private property supplies was continued.

A further conference was therefore held on December 15, 1927 between the Governments of Western Australia and South Australia and the Western Australian Sandalwood Merchants Association. A representative of the Kwong Shing Cheong Association, which handled the wood prior to distribution to the dealers in China, was also present. It was decided that Western Australia’s quota of new pulling should be reduced to 4,935 tons per annum and South Australia’s quota of new pulling should be reduced to 2,700 tons for each of the next two years, and that the balance of the agreed quotas between the two States was to be made up from stocks which had accumulated during the private property boom. The Co-operative Sandalwood Company was then formed in South Australia to supply the abovementioned quantities, and during the first year of its operations forwarded 1,796 tons. Owing to the large quantities of sandalwood still being obtained from private property, a further conference was held in August, 1929, when it was decided to include in the quotas for the remaining two years all sandalwood pulled from private lands, so as to keep the export down to as low a figure as possible, and not flood the market in China. During the second year of the agreement the Co-operative Sandalwood Company pulled 1,938 tons, but during the third year a quantity of only 92 tons was pulled from Crown lands, private property operations being entirely responsible for this small quantity. The industry was in such a stagnant condition that in 1930 it became necessary for an Act of Parliament to be passed to control the pulling of sandalwood from all lands within the State, the quantity from private property being limited to 10 per cent of the aggregate from this State.

An agreement was entered into in 1932 between the Governments of Western Aus­tralia and South Australia and the sandalwood companies in both States, which pro­vided for the control of pulling, exporting and marketing in China of all sandalwood pulled in both States. The agreement also provided for the appointment of a committee, known as the Sandalwood Export Committee and comprising the Director of Lands in South Australia, the Conservator of Forests in Western Australia, and a representative of the two companies, to control all operations of the companies in matters relating to the pulling, purchasing, marketing and exporting of sandalwood for China, control the policies of the companies with regard to the marketing of sandalwood in China, fix the selling prices in China for the various grades of sandalwood, require the representative of the companies in China to supply a summary giving particulars of sales and market conditions in China during the previous month, make conditions governing any dealings m marketing of aromatic woods other than sandalwood logs, and appoint representatives to inquire and make inspections at the expense and on behalf of the committee. The sales organization in China and the general manager of the companies in Australia were under the direction of the committee, and no appointment was to be made by the com­panies to which the committee objected. Each party to the agreement was to bear the expenses of its own representation on the committee, but the committee was to handle funds contributed by the parties to the agreement to give effect to any matters incidental to or arising out of the agreement. The agreement provided that the committee should decide the quantity of sandalwood to be exported, which should not exceed the quantity necessary to keep the market in China fully supplied. Of this quantity, Western Australia was not to export more than two-thirds and South Australia one- third. Temporary fluctuations in these quotas were to be allowed, but such fluctuations were to be adjusted within one year from the date when such fluctuations were approved.

Licences for the pulling of new sandalwood were to be issued to replace the wood as it was sold in China; the same quotas were to apply for new pulling, except that provision was made for liquidation of stocks spread over the term of the agreement. Stocks of sandalwood held in Australia and China were to be limited as far as possible to 2,400 tons. The sole dealer’s licence in South Australia for export of sandalwood to China was to be granted to the South Australian Sandalwood Company. The companies were required to purchase from the pullers all sandalwood pulled under licences, at the following rates:—Western Australia, £16 per ton; South Australia, Crown lands, £12 10s. per ton; private lands, £11 10s. per ton.

The committee had power to increase these rates if considered necessary so as to leave a reasonable margin to the puller for his labour after meeting any increase in costs in connection with his operations. In 1935 it was found necessary to increase the rates payable to pullers in this State by £1 per ton, owing to increased costs on account of greater distances to be travelled to pull the wood. Profits from the sale of the wood, after deducting certain charges provided for in the schedules to the agreement, were to be distributed as follows: First £3 to the Government, next £1 to the company, next £3 to the Government, next £1 to the company, next £3 to the Government, next £2 to the company. Any balance in excess of £13 to be divided equally between the Government and the company. The puller was required to pay £1 per ton royalty out of the amount paid by the company to the puller on receipt of the wood at Port Adelaide, and the company was required to pay at the same time the profit (or royalty) on such wood. This profit was calculated on previous sales in China. At the commencement of the agreement, licences were issued for the pulling of 362 tons of South Australian wood, but, as there had not been any previous sales on which to calculate the profit, a royalty of £9 per ton was fixed on this quantity, and thereafter the royalty on the first parcel of wood received from the pullers was to be calculated on the profit derived from the earliest sales of the 362 tons above- mentioned, and so on in chronological order until each month’s quota was completed . No royalty was payable to the Government on wood pulled from private property, as the puller was required to pay to the lessee or owner of the land the royalty, the rate of which was fixed at the time of issue of the licence to pull from such land. A further menace to the industry in the form of substitutes, such as sugarwood, rosewood, etc., had arisen after control of all sandalwood supplies had been established, and it became necessary in 1936 to amend the Act so as to include “all species of aromatic wood.” The agreement was renewed in 1937 with several amendments, etc., the principal amendment being in connection with quotas, which were altered from two-thirds Western Australian wood and one-third South Australian wood to seven-twelfths Western Australian wood and five-twelfths South Australian wood.

Since the commencement of hostilities between China and Japan, deliveries of sandalwood in China have decreased considerably, and in this respect South Australian deliveries have suffered more than Western Australian deliveries, as some areas which consumed South Australian wood only are now under the control of Japan. It has, therefore, been impossible to keep to the quotas established under the agreement, and it was found necessary on June 22, 1939, to provide that quantities of wood shipped to China from the two States shall be based on market requirements in China as determined from time to time by the committee, provided that best endeavours shall be made to maintain deliveries of sandalwood in accordance with quotas provided under the agreement. The agreement was further amended to provide that the committee, by unanimous decision, shall determine the quantities for which licences for pulling new wood may be placed in the two States, and such quantities shall be based on the tonnage of sandalwood required to maintain stocks in China and Australia at a figure equal to 12 months’ estimated consumption of sandalwood in China. At the time of the amendments to the agreement the Conservator of Forests in Western Australia also requested that the method of calculation of royalty (or profit) be altered so as to base the royalty on any future pulling on an average of the account sales for the three preceding months, instead of going back to the royalties declared on wood for which this State would be entitled to issue new licences in the event of deliveries in China increasing. On analysis of the figures, however, this proposal was found to work out unfavourably to the Government, and the proposed alteration was not agreed to. The royalties remaining unused date back to June, 1937, when the amount was declared at £13 15s. 5d. (32 tons). Royalties for July (79 tons), August (29 tons) and September, 1937 (37 tons), were fixed at £13 2s. 5d., £13 6s. 2d., and £13 4s. 6d. per ton respectively, but from then onwards the profit dropped to approximately £10 per ton. As licences have now been issued for the pulling of 250 tons, the Government will benefit to the extent of the higher royalties mentioned above, so that if the royalty under an extension of the agreement is based on account sales for the three preceding months, the Government will not now lose, as it is unlikely that the Government’s profit will decrease much, if any, below an average of £10 per ton.

The present registered dealer has handled 4,869 tons from Crown lands since 1932, and has paid a royalty of £58,181, an average of £11 19s. Id. per ton. This amount includes the royalty of £1 per ton payable by the puller. The total revenue received from sandalwood from the commencement of operations (1926) to date is £121,353. The Sandalwood Act and the agreement expire on October 31, 1940, and the Western Australian Government is now seeking the intentions of the South Australian Government with regard to a renewal of the agreement. I consider that there is every reason for the renewal of the agreement, particularly in view of the delicate nature of conditions in China and the consequent necessity for control of cutting and shipments, and I therefore recommend that approval be given for me to communicate with the Western Australian Conservator of Forests to ascertain whether the agreement in its present form would be acceptable to Western Australia. There does not appear to be any need for amendments from the South Australian standpoint. If it is decided to renew the agreement which I recommend, subject to any alteration which may be decided upon, it will be necessary to extend the Act, which also lapses on October 31, 1940. This could be effected by repealing section 11 of Act of 1930 as amended by section 4 of Act of 1936, the effect of which would be that the Act would continue until and unless repealed. That is the report submitted to the Government. Members will see that the Bill has been made as brief as possible. All it does is to delete the clause in the Act which limits the measure to the period expiring in October next. I am satisfied that the Sandalwood Act is absolutely essential and, as far as one can see, always will be. Unless there can be this control over the sandalwood trade, not only by the South Australian Government, but in conjunction with the Western Australian Government, there will never be a satisfactory state of affairs. We have sufficient proof that the Act has operated successfully and that it has been fair to everybody concerned. I recommend that it be kept in operation for all time.

Mr. Macgillivray—Did you say that South Australia had lost her sandalwood market because the Japanese had occupied the territory in which sandalwood from this State was used?

The Hon. R. J. RUDALL—The actual area in which the South Australian sandalwood was used has been largely occupied by Japanese troops. The Western Australian wood is of better quality than the South Australian, being bigger and more matured. It is admittedly superior for the purposes for which it is required by the Chinese. I think I am correct in saying that whereas the Western Australian wood is bought by the richer Chinese, the poorer Chinese buy South Australian wood. The hostilities with Japan have certainly affected the sale of South Australian wood in the area in which it was used, and likewise have affected the purchasing power of the poorer classes of Chinese. If we had an equal quality of wood to deliver we would have a much greater claim, but I do not think anybody can dispute the facts as I have set them out, namely, that the quality of our sandalwood is not up to the quality of the Western Australian article, but under the quota system South Australia has obtained a fair deal from the Western Australian Government. I move the second reading.

The Hon. R. S. RICHARDS (Wallaroo— Leader of the Opposition)—This is one Bill the House need not delay. When I was Commissioner of Crown Lands I was closely associated with negotiations which brought about the development of the sandalwood trade. One important factor in concluding the agreement was that Western Australian exporters were the first to exploit the market in China and South Australia came into competition with Western Australia after that State had very firmly established the sandalwood business. It seems strange, but when sandalwood is cheap the demand by China is not very keen, but when it is dear the Chinese eagerly seek it and appear to get more benefit from the aroma of the wood. It is one of those anomalies which are associated with marketing. The more the Chinese have to pay for sandalwood the greater the benefit they appear to derive. The war has meant that the area which we were formerly able to exploit has been taken from us, and without legislation of the kind before us we might be unable to dispose of any of our sandalwood. It is highly desirable that we should continue to work in co-operation with Western Australia, and I raise no objection to the second reading.

Bill read a second time.