**SANDALWOOD ACT AMENDMENT BILL 1933**

**Legislative Assembly, 19 October 1933, pages 1727-30**

Second reading

**The Hon. M. MclNTOSH (Albert—Commissioner of Crown Lands)—**This Bill is a short one and really re-enacts existing legislation. It might be a matter of interest, as wheat was the subject of discussion this afternoon, for me to draw a remarkable analogy, if it can be called one, by saying that the price of wheat in China, as elsewhere in the world, affects the sale of sandalwood in Australia. We have had a report from representatives in China setting out that one of the reasons for the relative falling off in the demand for sandalwood in certain parts of China, particularly along the Yangtse-Kiang Valley, was that in five years a great quantity of sandal­wood was used in the joss houses to propitiate and appease the God of the Locusts. For many years locusts used to descend on the crops and destroy them and in an endeavor to appease the god sandalwood was burned. A recent cable message gave two factors, one that the locusts had not been so bad and the other that awing to the disastrous fall in the price of wheat it would not matter if the locusts ate it or not. The Chinaman who gave the information said that if the cost of sandalwood was 50 times as great as that of wheat and. he had to burn sandalwood to appease the god in consequence of locusts eating the wheat, the end would not justify the means. Things of that sort must obviously be in the nature of treading on somebody’s toes.

Mr. Anthoney—I think the Western Australian people are treading on our toes.

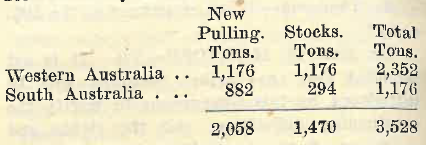
The Hon. M. MclNTOSH—I am prepared to place before the honorable member some valuable data. From 1926 onwards we have had a continual series of control by different Ministers and although I have approached the matter with a great deal of diffidence I am satisfied, after reading the whole of the information, that the right thing to do is to give effect to the intentions expressed in the Bill and continue control. I ask members to be careful in their criticism as there is only a limited demand for sandalwood in China and there are far more sellers than buyers. Sales to-day have been established on a most reasonable basis. I have been advised and believe that any suggestion of relinquishing control in Australia would be quickly cabled to China and would react against sales there. Nobody can teach the Chinaman his business. He is one of the most cute buyers in the world, particularly in the realm of barter, and if there was any bluff he would probably hold off buying. Other matters can be dealt with by internal control. This Bill aims at one thing only and that is the continuation of control for a further period. The information available in respect of the marketing conditions in the sandalwood consuming centres has gone to show the necessity in the interests of all concerned for a common policy in the States of South Australia and Western Australia with a view to the two Governments acting jointly in restricting shipments to China to actual market requirements, and it was to enable this control to be effected that the Act was introduced. At the time of the passing of the Act in 1930 the position was complicated by the fact that the sandalwood companies had accumulations of stocks at Fremantle, Port Adelaide, Port Augusta, and in China, amounting to about 10,000 tons, which was sufficient to meet all the demands in China for a considerable time. If accumulated stocks had been shipped to China without restriction it would have destroyed the Market and rendered future pulling unprofitable. Full royalty had been paid on these stocks, and the companies, therefore, had strong claims to be allowed to ship without restriction. If the control over South Australian private property supplies had not been instituted in 1930 a forced liquidation of the accumulation of stocks could not have been prevented and a large quantity of wood would have been thrown on the market at cut rates, which would have flooded the market and stopped all South Australian sales. To guard against the stocks being thrown on the market to the detriment of new pulling, provision was made in the agreement between the Governments and the company whereby the shipment of stocks would be spread over a period of years. At the commencement of the agree­ment, in July, 1932, the South Australian company held 1,558 tons of stocks (1,051 tons in South Australia and 507 tons in China), and the Western Australian company 6,770 tons (6,0S3 tons in Western Australia and 687 tons in China). Members will notice the great amounts of stocks that are held in Western Australia in proportion to what we hold. The Western Australian wood realises a slightly higher price in China than does the South Australian wood.

Mr. Beerworth—You restricted the pulling of wood in South Australia to an inferior quality.

The Hon. M. MclNTOSH—That is not so. The Chinaman is prepared to pay more for Western Australian wood than for South Australian. Some of the most expensive wood in China to-day is from Queensland. The Chinaman is the arbiter of that and we cannot tell him that he does not know his business. Does the honorable member say we should not have control?

Mr. Beerworth—Yes, conditional control. We should have State control by the State.

Mr. MclNTOSH—That cannot be done. Any suggestion of discontinuing the control of the existing organisation would perhaps smash the thing beyond redemption for months to come. It is an agreement which has been entered into between the States and one State cannot alter it. Both Parliaments have to ratify it. The agreement provides for the issue of licences to replace deliveries in China in the proportion of Western Australia two-thirds and South Australia one-third, but Western Australia must use half of its quota for liquidation of stocks and South Australia one-quarter. Under these arrangements the shipments authorised for the first year are as follows



It will therefore be seen that South Australian stocks have been reduced 294 tons to 1,264 and Western Australian stocks 1,176 tons to 5,594 tons. If deliveries in China continue as during the first year of operations it will take approximately four years to reduce the stocks to the quantities mentioned in the agreement. In regard to Western Australia having the advantage under the agreement of sending away double the quantity sent from South Australia, it is pointed out that this has been the basis of all agreements between the States from 1926 onwards. It was considered to be a reasonable apportionment of the business having regard to the fact that South Australia did not come into the sandalwood business until the year 1926, whereas the wood has been exported from Western Australia almost continuously for about 80 years. In his speech Mr. Beerworth said that South Australia pioneered the industry but Western Australia was really the pioneer of the industry, because if one examines the Western Australian Year Book it will be found that over a period of 80 years the total sales of sandalwood by Western Australia amount to over £4,000,000. When the present agreement was signed in July, 1932, it was considered reasonable to continue the apportionment, but as the necessity for control and also for an agreement between the States, was due largely to the menace of the large stocks held by the Western Australian Company it was provided in the Agreement that Western Australia must use half of its quota for the liquidation of stocks, but South Australia only a quarter of its quota. This meant that although the apportionment of shipments between the States was Western Australia 66 2/3 per cent, and South Australia 33 1/3 per cent., the apportionment of new pulling was Western Australia 57 per cent, and South Australia 43 per cent. During the last few years, or since control we have been pulling a quantity not much less than Western Australia. In order to check up the information already obtained by the department in regard to the necessity for control of shipments the Government towards the end of 1931 asked Sir Herbert Gepp—Commonwealth Consultant on Development—who was taking a health trip to China, to make full inquiry and report as to the marketing conditions existing in regard to the sandalwood industry at the China end. Sir Herbert made exhaustive inquiries from all sources and furnished a valuable report which generally justified the action taken by the Government in controlling the industry. He expressed the opinion that it was desirable that market for higher priced and genuine sandalwood should be preserved to the maximum extent possible and that this desirable objective could be achieved completely only by single unit control both in Australia and China. Sir Herbert’s recommendations may be summarised as follows:—

1. The immediate establishment of a single unit control under the supervision of the Governments of South Australia and Western Australia covering all activities in sandalwood in the two States, the object of this action being to ensure the maximum of new pulling operations and the stability of the market whilst existing surplus stocks are being sold.

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TO 3,528

Australian ) 1,264 and as to 5,594 tue as dur- ; will take the stocks the agrae- tralia hav- eement of itity sent i but that agreements onwards, ible appor- ;ard to the eome into year 1926, rted from lously for Beerworth lie industry he pioneer amines the II be found total sales ia amount sent agree- ?as consid- >rtionmjent, d also for wag duo stocks held ay it was stern Aus- for the tralia only leant that iments be- ilia 66 2/3 per cent., is Western istralia 43 s, or since quantity

1. A sales organization under single unit control representative of Australian interests both in Australia and China.

For the purpose of carrying out Sir Herbert’s recommendations, provision was made in the agreement between the Governments of the two States and the Sandalwood companies under which an export committee consisting of one representative of each Government, and one joint representative of the two companies were appointed for the purpose of controlling the following matters:—

1. The quantity of sandalwood to be pulled from time to time.
2. The Government royalty to be charged.
3. The shipping of sandalwood to China and the general policy of the companies in regard to marketing organisations and prices in China.

An important provision in the agreement is for the regulation of the profit that may be made by the companies so that such profits shall be properly distributed between the Governments and the companies, and that a reasonable return shall be paid to the pullers. In order, to ensure the necessary unit control suggested by Sir Herbert, it was essential that the South Australian and Western Australian companies, as the present holders of stocks, should be used as sole operators under the control of the Export Committee until the stocks had been liquidated. In this connection it is interesting to note that the principal objector to the companies being given the sole control, submitted a tender in 1927 for payment of a certain royalty on wood taken from Crown lands subject to his being given the sole right to export wood from this State. That is a remarkable case of inconsistency. Strong representations have been made from time to time why control should be dispensed with after the same firm stipulating it could only pay royalty if given the sole right.

Mr. Beerworth—Was that a company or a private person?

The Hon. M. MclNTOSH—A person trading as a firm. It is inconsistent for the firm to complain now about the same right that was stipulated should be given to them. Objection was also taken to control in China, particularly by the agents there, who obviously thought that their markets would be effected. Frorn time to time we hear people say that they will do so and so if given the right, but they would, not find a new market to take the place of sales under regulated control.. As already stated the Government has under the agreement been able- to authorise the shipment of 1,176 tons from South Australia during the first year of operations, and of this quantity 882 tons represented new pulling, from which the revenue received by the Government would be about £8,000. Under the agreement the rights of the- pullers have been protected as they are guaranteed the fixed price of £12 10s. per ton at Port Adelaide, from which £1 is deducted for royalty; irrespective of whether the company is able to make a profit or not and the Government does not receive any royalty other than £1 collected from the pullers until the account sales of the company show that the price Obtained by the company for the wood is in excess of costs. The surplus is distributed as follows:—

£’

To the Government 3‘

To the company 1

To the Government 1'

To the company .. 1

To the Government 3

To thIf the margin is over £13, any balance is payable to the company and the Government concerned on a fifty-fifty basis. The charges and expenses of the company are supervised by the Sandalwood Export Committee, and the monthly account sales are checked and reported upon by an expert Government accountant. The accountancy is very well done, and everything closely supervised. I do not intend asking members to vote blindly, or without a full knowledge of the position, and I am therefore prepared to make available the whole of the dockets and the report by Sir Herbert Gepp. As, however, it affects people trading in China, we do not want their names published without their having the opportunity to reply. Sir Herbert Gepp has informed me that he is willing to make the report available if so desired. An Allocation Board, consisting of three persons, one of whom is a representative of the pullers, meets every quarter for the purpose of allocating the quantity of wood for which licences can be issued amongst the applicants on a fair basis. When the Bill for the control of operations over all lands within the State was introduced into the House in 1930, considerable opposition was met with on account of interference with the rights of private property owners. One of the objects of the Bill, however, was to safeguard the interests of such owners and assure them a royalty equal to that obtained by the Government for wood pulled from Crown lands. Prior to control it was the opinion in the department that a large quantity of the 4,000 tons of wood which was marketed as coming from private property was being taken from Crown lands, the pullers alleging that it was obtained from private property and, owing to the vast areas over which the pullers were operat ing, it was practically impossible to prove that the wood was taken from Crown lands. Since the passing of the Act, applications have only been received for the right to pull 77 tons from private property, and of this quantity only 15 tons has been forwarded. This is evidence that private property has been practically denuded of sandalwood, and points to the conclusion that the majority of wood alleged to have been pulled on private property was obtained from Crown lands, on which the Government did not receive any royalty.

It is the Government’s desire to have the Bill carried with a minimum of argument. The system has been operating from 1926 onwards and was more particularly brought into being during the regime of the previous Government, and in effect I ask power for it to be continued until 1937. I do not want the House to be restricted in its observations, but I can earnestly suggest that it would be extremely inadvisable to raise doubts and queries which may give buyers in China any hope or belief that decontrol is likely to ensue. If they thought so the market would be disorganised, which would mean loss to the South Australian Government and South Australian pullers. I move the second reading.

Mr. LACEY secured the adjournment of the debate.