

SANDALWOOD BILL.

Second reading.

The COMMISSIONER of CROWN LANDS (Hon. R. S. Richards)—The purpose of this Bill is to invest the Government with power to control the output of sandalwood from this State. The Bill has been introduced as the result of an agreement between the Government of the State and the Government of Western Australia, whereby these Governments have mutually agreed to co-operate in restricting the output of sandalwood from both States, so as to maintain remunerative prices for this commodity. Both South Australia and Western Australia are financially interested in the sandalwood trade, inasmuch as this State derives considerable revenue from royalties on sandalwood pulled from Crown lands, while Western Australia not only derives revenue from a similar source, but has also guaranteed the overdraft of the local sandalwood company to an amount of £150,000. If the bottom falls out of the market the Government of Western Australia will have to make good the obligations of the company to the banks, and neither that State nor this will be able to collect royalty at the present rates. The market for sandalwood is in China, where the wood is used in connection with Chinese religious observances, and both States are now faced by determined and astute endeavors on the part of the Chinese merchants to outwit the Australian producers of sandalwood and break the market, so as to get the wood at cheap rates. Since 1923 the royalty payable on sandalwood to the Western Australian Government has been £9, and in this State royalties of £9 a ton for

the wood were first received in 1926, and since July, 1927, the State has received £9 10s. a ton in royalties. The State can collect royalty only on sandalwood pulled from Crown lands, including pastoral leases, but has no control over the amount of royalty on sandalwood pulled from private lands. The maintenance of the royalties at the present rates and of a proper price for the sandalwood cutters depends upon limiting the output from the whole of Australia to a figure in the region of 7,000 tons of sandalwood per annum. In February, 1928, an arrangement was made between the Government of South Australia and the Government of Western Australia whereby they agreed to limit the total output of sandalwood from Crown lands in both States for a period of three years commencing on the 1st February, 1928. South Australia was entitled to pull 2,000 tons during the first year, and 2,700 tons during each of the second and third years. The royalty was to be £9 10s. per ton. During the same period the Western Australian Government undertook to limit the pulling of new wood in Western Australia to 4,935 tons per annum, on which the royalty was to be £9 a ton. A further arrangement was that the Sandalwood Merchants' Association of Western Australia should limit its total shipment to China in each year to 6,700 tons. Subsequent to this arrangement developments calling for further action took place. The Chinese merchants first restricted very considerably their purchase of Crown lands sandalwood, and in May, 1929, ceased buying entirely. Since that date shipments from Western Australia have entirely ceased, and since the same date until quite recently no sandalwood on which the Government received a royalty was shipped from this State. In August, 1929, as the result of further negotiations between the States of South and Western Australia, it was agreed that for the second two years of the period of the original agreement Western Australia's quota was to be reduced by 1,000 tons annually, thus bringing the annual amount to 3,935 tons, while South Australia's quota from all sources including private lands was to be 2,700 tons. This, however, has not relieved the position, and the present position is that there are 8,500 tons of accumulated stocks of sandalwood in Western Australia and about 1,600 tons (exclusive of 700 tons recently shipped) in this State. The Western Australian authorities claim, however, that since May last over 1,000 tons of

sandalwood from this State on which no royalty was paid has been sold to the Chinese merchants at prices considerably below what would be a remunerative price for sandalwood on which the full royalty had been paid. This wood had enabled the Chinese merchants to carry on business for the time being without purchasing any wood through the usual channels. They had considerably reduced their stocks, and hoped that if they were able to carry on without making further purchases the accumulated glut of wood in Australia would cause a fall in price. The Western Australian authorities strongly represented to this Government that the maintenance of existing prices and of the Government royalty depends upon an adequate State control of the whole of the output from both South and Western Australia, including not only the output from Crown lands, but also the output from private property. The difficulty is to police the areas on which the sandalwood is growing so that the Crown may get the royalty.

Mr. Moseley—Can you not get it at the shipping ports?

The COMMISSIONER of CROWN LANDS—The difficulty there is to prove where the wood came from.

The Hon. T. Butterfield—Put the onus of proof on the shipper.

The COMMISSIONER of CROWN LANDS—That is included in the Bill. For the present we are unable to cope with the situation. It has been said by people who profess to know that 95 per cent. of the sandalwood that has been shipped ostensibly from private lands has been unlawfully pulled from Crown lands and the Crown has thus been deprived of £9 10s. per ton royalty. It is difficult at present to effectively deal with the industry so as to place it on a basis where the State can be assured of the royalty and the private landowner can receive a fair price for the sandalwood pulled on his property.

Mr. Anthony—Some consideration might be shown to the holders of pastoral leases.

The COMMISSIONER of CROWN LANDS—The terms of their leases are not being violated.

Mr. Moseley—In the first place they have no right to the sandalwood on their holdings.

The COMMISSIONER of CROWN LANDS—No. After negotiations and conferences an arrangement has been entered into between the

two Governments whereby the amount of sandalwood pulled in the future will be governed by the amount shipped from existing stocks. South Australia has intimated to the Government of Western Australia that it is prepared to take the following action:—(a) To introduce legislation generally on the lines of the Western Australian Act, No. 27 of 1929, for consideration of Parliament, so as to limit the output of sandalwood from "private" property, as well as from "Crown property," for four years from July 1, 1930, to June 30, 1934, provided that the Western Australian Government is prepared to obtain an extension of their Act to the same date (June 30, 1934, instead of December 31, 1932, as at present). (b) To then make regulations to give effect thereto. (c) To limit exports of sandalwood from this State to 2,333 tons per annum for four years, provided that the Western Australian Government agrees to limit the exports from Western Australia to 4,667 tons per annum for the same period. The object underlying these arrangements is to get rid of accumulated stocks of sandalwood in both States.

The Hon. T. Butterfield—And of the company with whom an agreement has been made.

The COMMISSIONER of CROWN LANDS—The purpose of the Bill is not to get rid of the company. A tentative agreement was entered into between the previous Government and the Co-operative Sandalwood Company and that does not terminate until the end of December. This Bill does not continue that agreement or place any obligation on the Government to continue it. At present the accumulated stocks in Western Australia are larger in proportion to the total amount allowed to be exported under the arrangement than are the accumulated stocks in this State, and therefore it follows that this State will be in a position to permit a much larger proportion of new wood to be pulled during the currency of the agreement than Western Australia. Probably our exportable amount will include about 3 tons of new wood to every ton of old wood, whereas the corresponding figures for Western Australia will be approximately one ton of new wood to one ton of old wood. In order to invest the Government with the power to carry out this arrangement the present Bill has been brought down. Clause 3 provides that the Government may by proclamation fix the maximum amount of sandalwood which may be cut, pulled, or removed from any land whatever in the State during

the period mentioned in the proclamation. The existing provision in the Crown Lands Act, which enables the Government to require a licence from any person before he cuts sandalwood is limited to sandalwood growing upon Crown lands, and the Government has, in consequence, no power to control the cutting and export of sandalwood from private lands. Clause 3 removes this limitation, and gives complete control over all lands. Clause 4 requires any person who cuts sandalwood from any land, whether Crown lands or private lands, to take out a licence and pay an appropriate fee. If an unlicensed person cuts any sandalwood as an employee of any other person the employer commits an offence, as well as the unlicensed person himself. Sandalwood cut by a person who has no licence becomes the property of the Crown. Licences authorising persons to cut sandalwood on Crown lands must provide for a royalty to be paid to the Commissioner of Crown Lands. Licences authorising a person to cut sandalwood from private lands may provide for payment of a royalty to the owner or lessee of these lands. The intention, of course, is that the royalty for sandalwood taken from private lands will be fixed at the same amount as that for sandalwood taken from Crown lands. By clause 6 it is provided that licences for private lands must not authorise persons to take in the aggregate from private lands more than 10 per cent. of the total quantity of sandalwood fixed for the State. Clause 7 empowers the Commissioner to refuse any application for a licence. Clause 8 provides that any person who buys sandalwood for re-sale or export must be registered as a sandalwood dealer. The purpose of this provision is to enable the Government to focus the trade into channels where it will be able to exercise proper supervision of the amount leaving the State, and thus restrict the amount exported, and also prevent the export of sandalwood on which the proper royalty has not been paid or which has been pilfered. The powers given by the Bill are admittedly wide powers to control the industry, and a good deal of discretion is given to the Commissioner, but these powers are absolutely necessary if the industry is to be safeguarded, and if the arrangements entered into between the Government of this State and the Government of Western Australia and the Government of this State and the Co-operative Sandalwood Company (South Australia) Limited are to be carried into effect. I have here a statement giving

details of the industry in this State. During the past three years the value to this State of the sandalwood industry in payments to the Government, wages to men engaged in pulling, railway and shipping charges has been as under:—

	£
Year ended June 30, 1928	70,794
Year ended June 30, 1929	81,378
Year ended June 30, 1930	46,500

Royalty and licence fees paid and now due to the Government for the last three years were as follows:—

	£
Year ended June 30, 1928	23,409
Year ended June 30, 1929	24,043
Year ended June 30, 1930	12,064

Under the agreement entered into by the previous Government with the Sandalwood Company, the latter are called upon to pay 6 per cent. interest on all royalties outstanding, and, speaking from memory, there is a sum of about £4,000 outstanding.

Mr. Giles—What is the cause of the big drop between 1929 and 1930?

The COMMISSIONER of CROWN LANDS—Various things combined to lead us to believe that a considerably larger quantity of sandalwood was available in South Australia than was originally estimated.

Mr. Moseley—It is not sandalwood, it is bitter peach.

The COMMISSIONER of CROWN LANDS—Wood was going on the market that had been pilfered, with the result that we were unable to collect the amount of royalty that otherwise should be forthcoming. Prior to 1928 there were various royalties fixed. The amount originally collected was 10s. a ton, and the royalty collected under it was £1,203. Then there was a royalty of £9 a ton, under which we received £1,185. Since then the amount of royalty has been £9 10s., and under that agreement the State has received £21,507. The comparative figures for the three years' period referred to disclose a very substantial falling off in revenue during the last year. Full investigation of the position shows the necessity for immediate action by the Government to put the industry on a firm basis. For the years 1926, 1927, and 1928, the average consumption in China was 7,300 tons per annum, whereas, during the past year, it has not exceeded 3,500 tons. While this is no doubt in a measure due

to the world-wide shrinkage in trade, it would appear from reliable information received from China that the principal cause is the lack of effective control in Australia in the regulation of supplies of wood from private sources. Whilst the figures quoted disclose a very serious shrinkage in trade during the past year, the position will certainly become considerably worse unless the industry is brought under Government control. The position so far as this State is concerned, from the standpoint of revenue, is very serious indeed. Members will realise that unless the control sought by the Bill is given and the conditions are made practically uniform in both States, if Western Australia should decide to put the whole of its stocks on the market the effect would be to cripple our market, and the same would apply to Western Australia if we placed the whole of our supply on the market. The principle underlying the Bill is that there should be effective control in order that the revenue derived from sandalwood might be protected. It is essential in these times that the State should derive as much revenue as possible.

The Hon. T. Butterfield—The same argument might be used by any member of the combine.

The COMMISSIONER of CROWN LANDS—So far as their particular profits are concerned, but I am speaking to-day on behalf of the biggest combine in South Australia—the people of the State—and I am asking that their interests be protected. I move the second reading.

The Hon. R. L. BUTLER secured the adjournment of the debate until August 13.