

**STANDING COMMITTEE ON
ENVIRONMENT AND PUBLIC AFFAIRS**

**INQUIRY INTO THE SANDALWOOD INDUSTRY
IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 17 OCTOBER 2012**

Members

**Hon Brian Ellis (Chairman)
Hon Kate Doust (Deputy Chairman)
Hon Phil Edman
Hon Colin Holt
Hon Lynn MacLaren**

Hearing commenced at 10.35 am**COAKLEY, MR TIM****Executive Chairman, Wescorp Holdings Pty Ltd, sworn and examined:**

The CHAIRMAN: On behalf of the committee I would like to welcome you. I must ask you before we start whether you would like to take the oath or the affirmation.

[Witness took the oath.]

The CHAIRMAN: You will have signed a document entitled “Information for Witnesses”. Have you read and understood that document?

Mr Coakley: Yes, I have.

The CHAIRMAN: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record and please be aware of the microphones and try to speak into them. Ensure you do not cover them with papers or make noises near them. I remind you that your transcript will become a matter for public record. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded in the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Before I ask you—it is just the formal part of the proceedings—to make an opening statement, if you wish, I would like to introduce our committee so that we know who is behind the desk over here. On my left is Hon Phil Edman, Hon Lynn MacLaren, Hon Col Holt and our deputy chair, Hon Kate Doust is running late. She sent a message that she has been held up and I am Hon Brian Ellis in the chair:

Would you like to start with an opening statement on your operations and give us some information about Wescorp.

Mr Coakley: Wescorp is a private company that has been operating since 1986. We became involved in the sandalwood industry in 1994, when we won the tender to market and process the sandalwood on behalf of CALM, the Department of Conservation and Land Management in those days. It was a seven-year, plus three-year tender and it was extended for an extra three years. We tendered again in 2004 when we won another 10 years with a three-year extension. The contract finishes in June 2014.

The CHAIRMAN: Is there anything else you wish to add?

Mr Coakley: I suppose we are responsible for marketing and achieving the best prices and return to the state as part of our charter from under the tender to add value to the product within the state before it is exported and create employment. We think we have done reasonably well.

The CHAIRMAN: You had to tender for those contracts. I do not suppose you know how many others were in the tender process?

[10.40 am]

Mr Coakley: In the first one I believe there were expressions of interest first, and I think 32 people that made expressions of interest and then the tender award reduced that to four who could tender. I think it was similar in the last process in 2004.

The CHAIRMAN: We received your submission, and in your submission you alleged there is a lot of illegal harvesting of wild sandalwood.

Mr Coakley: Yes sir.

The CHAIRMAN: How did you arrive at that conclusion? I am interested to know how you identify illegal compared with legal.

Mr Coakley: We have been suggesting to the authorities for the past four years that the trade in illegal wood is growing and that until 18 months ago generally about 100 tonnes was coming out of Western Australia illegally that was going through Queensland and others through Western Australia. How we know that is that we see it in the market place. We go to the market regularly—myself and staff—and they present the wood certainly differently from the way we present it. You see it there so you know what it is.

The CHAIRMAN: Have you gone to Queensland to see it?

Mr Coakley: Yes; but more in the market in Taiwan and China is where you see it first. That gives you the signal. Then you come back and make the inquiries. Certainly in the last 12 to 18 months there has been a huge increase in the illegal trade.

The CHAIRMAN: What about locally then? You were saying you know of roughly 100 tonne going to Queensland.

Mr Coakley: No; 100 tonne was getting into the market per annum illegally via Queensland and other parties as well and via this state. Certainly in the past 18 months we believe probably as much illegal wood is being harvested as there is legal wood being harvested.

The CHAIRMAN: Do you know the operators who are operating out of WA handling the illegal sandalwood?

Mr Coakley: I do not think we can put our finger on it, but we have got a pretty good idea, sir.

The CHAIRMAN: Have you reported that to the authorities?

Mr Coakley: Yes sir. That has been followed up.

The CHAIRMAN: It concerns me when you were saying that in your estimation there is as much illegal timber as the legal amount. If there is that much, I am astounded that it is not tracked down and stopped. I would have thought if there is as much going out illegally as legally, surely someone could put their finger on it.

Mr Coakley: I think you will have noticed in the past six weeks there have been some enormous seizures of illegal sandalwood—close to 200 tonnes—in different busts throughout the state, so I think the authorities are well and truly onto it now.

The CHAIRMAN: Can you explain the process with the timber you get, and how you verify that that is all legal?

Mr Coakley: The timber we get is from the FPC; it is delivered to us and there has been a system in place with delivery dockets, and it is all audited and controlled that way.

The CHAIRMAN: The tonnages you receive from people who have been contracted to harvest, do you keep a record of the tonnes they deliver that matches with the tonnes they are allowed to cut?

Mr Coakley: Exactly. Every month we report back to FPC in a management document that tells exactly how much wood has been delivered from various contractors, the user date and what they have delivered that particular month. Every week we send the delivery dockets to the FPC as well, disclosing how much has come in and what it weighed in at and who it is from so the contractors can get paid.

The CHAIRMAN: Whose responsibility is it if someone is over their contract? It is FPC's responsibility to follow up that person, I presume, not you?

Mr Coakley: No; it is definitely not us. We are simply an agent of the agency.

Hon LYNN MacLAREN: We wanted to tease out a bit more about the legal relationship between you and the FPC. You have touched on that a bit. Is there any more you can explain about the relationship between your functions and obligations with them?

Mr Coakley: Obviously, our obligation is to process the wood on their behalf and then market that on their behalf. We never own their wood; we simply get a commission for selling the wood to the market and we get a processing fee for processing that wood, whether it is into powder, pre-grind or whatever the market, will achieve the best price for the government.

Hon LYNN MacLAREN: Is that all specified in the contract?

Mr Coakley: Absolutely, yes.

Hon LYNN MacLAREN: Is the contract with FPC a public contract?

Mr Coakley: I do not know. I do not think so. I do not know, to be quite honest. I would doubt it, because there is a fair amount of confidential information there on our pricing.

Hon LYNN MacLAREN: That is coming up for renewal in 2014. At what point do you start negotiating, or do they put out for tender?

Mr Coakley: Normally, it is 12 months before they call for expressions of interest. That is what happened in the past. Post-expression of interest they then call for tenders.

Hon LYNN MacLAREN: So you have not started doing that yet?

Mr Coakley: I have not been notified, no.

Hon COL HOLT: You won your first tender in 1994.

Mr Coakley: Yes.

Hon COL HOLT: Is that when you first started trading in sandalwood?

Mr Coakley: Yes.

Hon COL HOLT: So you guys started in 1986?

Mr Coakley: Yes, we were in fruit and vegetables, livestock, milk and grain.

Hon COL HOLT: I was led to believe that Wescorp was actually started by the WA government, but that is not right, is it?

Mr Coakley: No.

Hon COL HOLT: I wonder where I got that impression from.

Mr Coakley: It was called Wesfarmers International and then in 1986 Wesfarmers wanted to get out of the export business and there was a management buyout from the Wescorp staff and they got investors in and formed Wescorp Holdings, I think in October 1986.

Hon COL HOLT: Is your business mostly sandalwood or do you still have those other interests in fruit and vegetables?

Mr Coakley: No, we sold the fruit and vegetables in 2002 and then we sold the milk distribution company we had in Singapore in 2001. We shut down the meat trading company because the banks were making more money than us and we shut down the livestock in 2003 after we completed the importation of the dorpers, SAMMS and damaras into Australia. We sold the hardware. We really concentrated then on the sandalwood. Since then we have built up into more aromatic timbers. We also have Wescorp Agarwood, which is planting agarwood, which is not a native timber, in northern Queensland. We are doing trials there and hoping to start an industry there as well.

Hon COL HOLT: So your main business is in —

Mr Coakley: In aromatic timbers. We have a new market as well. Part of the original contract with CALM was that we had to find a way of value adding to the product in Australia for ag employment, and so after a number of years we have done enough research to be able to make our own sandal sticks. We learnt through our studies of Indigenous behaviours that they used to repel mosquitos with sandalwood, so we developed New Mountain Sandalwood, which is the mosquito stick repellent that you can buy in Bunnings, Coles and Woolworths.

The CHAIRMAN: You are the marketing agent of FPC, but in your submission you say that you do not have anything to do with the supply of oil to Mt Romance.

Mr Coakley: We process it on behalf of FPC. The contract is directly with FPC and Mt Romance. As their agent, we process it into pre-grind and they send it down to Mt Romance and the oil is taken out of that.

The CHAIRMAN: So you are not involved in direct marketing with Mt Romance then?

Mr Coakley: We do not get a commission for that at all; that is just a government contract.

The CHAIRMAN: I will tell you a view that was expressed to us in one of the hearings that some oil producers in WA are producing more sandalwood oil than would be possible based on their supply of sandalwood. Do you have a view on that? It was expressed to us that on the contracts that are available, they could not possibly produce that amount of oil, unless it came from somewhere else.

[10.50 am]

Mr Coakley: Possibly some oil is being produced from illegal sandalwood, but the legal sandalwood—we know exactly how much goes to Mt Romance and is used to go to Paperbark as well. Mt Romance, we know, also buys private property sandalwood to supplement their extraction. Does that answer your question?

The CHAIRMAN: I am also thinking ahead because in your submission you mentioned—going back to Mt Romance, it is being subsidised by up to \$5 million. Can you explain that?

Mr Coakley: What happens is that under the contract between Mt Romance and FPC, or CALM in the old days, they do not pay the export price for the wood. That wood is subsidised to the tune of what we have been able to work out is around \$5 million a year.

Hon COL HOLT: As the marketing agent, because FPC has this contract with Mt Romance, you are almost forced to sell—I know you are the middleman—but there is a supply quota that has to go to Mt Romance, which means that in actual fact the amount of wood that is now available to sell on the open market or to the highest bidder is greatly reduced.

Mr Coakley: It is more than that because it is the premium wood.

Hon COL HOLT: So what you are actually saying is that because FPC has this contract with Mt Romance, which takes all the premium wood, the ability for you, as the marketing agent to say, “Well, we don’t want it; we will sell it to the highest bidder”, is greatly reduced, and that is where you are suggesting the subsidy is coming from.

Mr Coakley: What they could achieve in the export market for that wood is the \$5 million difference.

Hon COL HOLT: What are the figures for the export market now in terms of the premium wood? Do you know how much it costs per tonne?

Mr Coakley: It will vary because the oil, basically, is best held in the roots, the butts and what we call the UCLs—uncleaned logs—and, to a lesser degree, the SGLs—the smaller green logs. The UCLs are probably the premium product because a lot of that can go to carving and can sell at the upper end of the market for between probably \$18 000 and \$25 000 a tonne. Depending on which region it comes from, because sandalwood is not sandalwood; they have different levels of alpha

and beta in them, probably the minimum price would be about \$15 000 for UCL. For the butts and roots, you are probably looking at around \$15 000 or \$16 000 per tonne.

Hon COL HOLT: Do you know of any source of public information where we could find out over a period of 10 years—say since 2004—what the international price was for those sorts of products? Can we get information like that?

Mr Coakley: Yes, sir.

Hon COL HOLT: Do you know where we can get it from?

Mr Coakley: We have it.

Hon COL HOLT: Can you supply it to us?

Mr Coakley: I think I would have to get permission from the FPC, because it is their information.

Hon COL HOLT: Maybe we can ask them.

Mr Coakley: The prices are there for the last 18 years.

Hon LYNN MacLAREN: I wanted to ask questions about the environmental sustainability of the industry, which also came up with the FPC. The current quota is 1 500 tonnes of greenwood and 1 500 tonnes of deadwood harvested from crown and private land per annum.

Mr Coakley: That is right; in total.

Hon LYNN MacLAREN: I wanted to hear your opinion about how sustainable that is.

Mr Coakley: Certainly the majority of that comes from the FPC; 90 per cent of that wood is through the Forest Products Commission. Certainly their operation is sustainable. It is quite a landmark, what they are doing now. I know that last year and this year—do not quote me on the exact figures—I am pretty sure it put in about 600 or 700 kilometres of seed planting right through the better areas where you have the right hosts and you do not have the vermin of goats and sheep killing those potential sandalwood trees. I think I have seen every single sandalwood industry and plantation in the world over the last 18 years, and Western Australia has the highest reputation for sustainable harvesting. It is a model that stands up against everyone else and most people are quite envious of it.

Hon LYNN MacLAREN: How long does it take for sandalwood to mature?

Mr Coakley: To get to the size, which is the Sunshine tin diameter of 150 millimetres, in the goldfields you are probably looking at about 90 to 120 years and in the wheatbelt you are looking at about 25 to 35 years. The thing about sandalwood is that the faster it grows, the less oil it lays down. It makes heart wood when it is stressed, which is why the goldfields sandalwood is generally considered much better than the wheatbelt sandalwood because the yields are better and the quality is there—not necessarily the quality; the quality can be in the wheatbelt wood, the alpha and beta, but the yields will be better.

Hon LYNN MacLAREN: So another factor, of course, is that the wild sandalwood has a higher oil content.

Mr Coakley: Generally, yes. The trees are older and have had a harsher time of growing.

Hon LYNN MacLAREN: What is your view about the sustainability of the wild sandalwood harvest?

Mr Coakley: If they do not take the extra thousand tonnes illegally every year out of the forest, I think it is very sustainable. As part of our ISO program, we go to the goldfields and visit the FPC sites probably every six months, because we need to satisfy ourselves that we are in a sustainable industry as well. So we always go out and see what they have been doing and offer assistance, where we can, in a practical, market-driven way to ensure that it is sustainable. I was recently harvesting wood out of Hawaii and the program there was that they had to replant and I helped them

set up the nursery. We did some work on host trees and that sort of stuff with them; they had to keep replanting. I withdrew from that because they did not continue to do their replanting, and that is just part of our policy; it must be sustainable. We walked away from a very good market, but that is what we did.

Hon LYNN MacLAREN: So you think it is sustainable at the level of 1 500 tonnes every year—green and dead wood, including the wild wood?

Mr Coakley: Yes, I do, from what I have seen. With the FPC, we basically help them do a grid of every 50 kilometres throughout the state, building up data of the quality of the wood that is there. It is FPC's information, but we have an in-house scientist who works for us in a lab, so we have tested those trees in those 50-kilometre grids; we have seen a lot of wood out there. Now, with this new planting system going on—Operation Woylie—I think there are going to be a lot more trees there in 100 years than there are now, definitely. It is quite exciting.

Hon LYNN MacLAREN: The plantation stuff is very exciting; I think the concern is about the wild stuff.

Mr Coakley: I am more concerned about the plantation.

Hon LYNN MacLAREN: You think the plantation has been illegally harvested?

Mr Coakley: No, no.

Hon LYNN MacLAREN: Have they harvested the plantation yet?

Mr Coakley: Some have been harvested, yes.

Hon LYNN MacLAREN: Really?

Mr Coakley: Yes.

Hon PHIL EDMAN: What is the quality like?

Mr Coakley: Terrible, and I think that is what is going to mess up the whole market.

Hon PHIL EDMAN: Is that because of the speed?

Mr Coakley: The age.

Hon PHIL EDMAN: Yes, that is what I mean. You are saying that if it is 100 years old, there is more time for oil to be extracted; whereas if it is in the wheatbelt, it is 25 years —

Mr Coakley: The stuff that they have been harvesting is around about 10 to 12 years, which, unfortunately, is way too young, and a lot of them are obligated to start harvesting at 15 to 20 years. I see the sandalwood industry being in enormous turmoil over the next five to 10 years worldwide, because of this substandard wood being forced onto the market because of prospectuses et cetera; I think it is going to be a nightmare.

The CHAIRMAN: Just on that, then, we have spoken about sustainability and you are saying that the program that FPC is doing is good. You handle most of the product after Mt Romance is supplied?

Mr Coakley: Yes.

The CHAIRMAN: Do you plan to go into the overseas market?

Mr Coakley: Yes.

The CHAIRMAN: We have heard allegations from local producers of no reliable supply of the products they want to develop for the local market, so how do you see that being satisfied?

[11.00 am]

Mr Coakley: It is rather difficult while there is a Mt Romance contract there that has to be supplied with 550 tonnes. Basically, FPC would probably harvest between 650 and 700 tonnes of—it is the

oil producers that are making this inquiry—and it is basically between 650 and 700 tonnes of wood that comes from the government that is suitable for oil extraction. Already, 550 of that is contracted to Mt Romance, so there is basically 100 tonnes left. To sell the lower grade powders, which is what we call the agarbatti industry, you need to have some of this wood as well. I can go back to an example in 2001; we exported 402 tonnes of UCL to the overseas market. In 2011 we did 22 tonnes, because that is all we had left. That, I think, in itself has also increased the demand for the illegal wood in Western Australia. I do not know how far you have gone with this, but with the illegal wood, basically the operators go in with their chainsaws, trim the tree, cut all the branches off, cut it off at the ground and take the UCL out, because the government does not have UCL to sell anymore and so they are taking that out of there and unfortunately leaving the rest of the tree there to rot and disappear. That, to me, is the biggest tragedy, because the UCL is generally around about 28 to 29 per cent of the total tree, so you are leaving a lot of valuable timber behind. Because of that shortage of UCL to the market, it has created a vacuum in the market and that is why the illegal guys have come in to top that up, and that is why we say it is not available; to be fair, it is not. WA has been exporting to these guys and FPC have got customers there that have been dealing in our wood for three generations. We have broken their rice bowl, basically, or put a good chip in it, because now we are forcing them to take powders and lower grade product with agarbatti and they do not get the good quality stuff.

Hon KATE DOUST: In your submission, Wescorp talked about it being their view that perhaps the industry is currently overregulated and over-bureaucratic in the way it is managed.

Mr Coakley: I do not think I said that.

Hon KATE DOUST: It says in the submission that the current situation is that research is housed in the Department of Agriculture and Food and operational management is conducted by FPC and the regulatory role is conducted by DEC, and that it seems overly bureaucratic and inefficient, so you did say that.

Mr Coakley: Yes, sorry; I did say that!

Hon KATE DOUST: I am just wondering: if that is your view, how could it be done better?

Mr Coakley: It worked very well under CALM, when it was just under one body, because conservation knew what the marketing side was doing and it was all managed in one house. It is under three bodies now; you have the ag department, the FPC and DEC. It is rather confusing and, I think, probably not unusual. There is not a lot of talking sometimes between those particular ones; they will handball issues.

Hon KATE DOUST: I just want to follow up with that; we discussed this at the last hearing. Given that the legislation that underpins the industry was actually set up in 1929, and the regulations in 1993, has there been any discussion in the industry about the need to have a review of the legislation to bring it up to the modern era? Are there any key flaws that your organisation has identified in the legislation or the regs that need to be changed?

Mr Coakley: No, I do not really think there is. I suppose what upset us the most was that no-one was initially taking responsibility for this illegal wood that was being taken out, and it took a while for them to react. I think they have reacted extremely well now and I think people have grabbed hold of it and I think it is going to work. I do not see a lot of reasons why. I mean, FPC is out there on a limb; it was created to be a commercial operation that was not really commercial. When it was under CALM, there were no issues about that; it was there to conserve the product and also to manage the resource. I think FPC has had a bit of a hiding in the last 10 years with the reduction in native forests and the income dwindling significantly. Now some of the research people are in the ag department; John Brand probably knows more about growing sandalwood in Western Australia than anyone, but he is now in the ag department; he is not even in the FPC. It is just little housekeeping things like that.

The CHAIRMAN: Everything seems to be revolving around this illegal —

Mr Coakley: It has brought it to a head, Sir.

The CHAIRMAN: It has brought it to a head, and I am struggling with what could be the best way to deal with it—obviously to stop it, but the demand is there, like I mentioned before. With the local producers who do not have a reliable supplier, that has created a market for the illegal, because all the legal stuff has been allocated and already has contracts for buyers. When you say that the illegal is just as much as the legal, that is a lot of timber. We accept that it is there; it is being harvested. So how do we get that into the market and control it?

Mr Coakley: I think the penalties are a joke; the penalties are ridiculous. I just flew back from India last night, and in India they would have an arrest every two or three days of people stealing red sandalwood or someone's sandalwood. It might be one tree; it might only be two tonnes or whatever. They go to jail there for years for that, and it is highly publicised and everything like that. Western Australia was always held as a country that had security of tenure of the product and we were doing so well at it, and the Pacific Islands and India and Indonesia were a bit of a joke because they could not control their illegal stuff. It is a bit embarrassing going overseas at the moment because we are now the joke because we are letting as much go as that. When we tell them the penalties, they just laugh at us. So I think the penalties are ridiculous. Particularly with the plantation wood coming on in the next few years, that can be a front for the illegal wood as well that is coming from the wild, so there should be very good documentation, I think, of any cartage. Anyone who has sandalwood in a vehicle must have a permit before they pick it up, or something like that so that if they at least get pulled over, they must be able to show they have permission from DEC in Merredin or Geraldton to carry this wood, whether it is plantation or wild wood. If they do not, I think the penalty is to put them away; set an example.

Hon LYNN MacLAREN: So are they exporting the illegal logs, or are they processing here and exporting oil?

Mr Coakley: It is a combination of all.

Hon LYNN MacLAREN: So how do you actually export a log without a permit?

Mr Coakley: It is interesting; customs and AQIS actually do not have to talk. You can get an AQIS inspection, and you do not have to prove ownership of it. They had to explain to us in the office one day that if someone had a container outside our factory and they were throwing logs over the fence and putting them in a container and AQIS were there to inspect that —

Hon LYNN MacLAREN: It would not be illegal?

Mr Coakley: — they would not deal with it; they would just have to issue the permit. That, to me, is just unbelievable?

Hon LYNN MacLAREN: Do you have a permit to export logs?

Mr Coakley: Yes.

Hon LYNN MacLAREN: Are you exporting logs as well as the product?

Mr Coakley: Mainly powder and pre-grind. But, no, we have to have a permit under the federal law, and we have to report each of those sales to the federal government as well.

Hon LYNN MacLAREN: So the illegal stuff that has come to light recently—in the last six weeks, did you say?

Mr Coakley: Yes.

Hon LYNN MacLAREN: That would be since —

Mr Coakley: It has been happening for about 18 months, but in the last six weeks there have, fortunately, been a lot of seizures, yes.

Hon LYNN MacLAREN: So you think the illegal stuff demonstrably increased about 18 months ago?

Mr Coakley: It started, largely, 18 months ago; we could always deal with, sort of, 50 tonnes that we knew was being smuggled out—whatever it might have been—illegally. But about 18 months ago, you could see it significantly increase in the marketplace and whenever you were there, you saw it, and certainly in the last 12 months it has been horrific.

Hon LYNN MacLAREN: Then this crackdown has occurred, basically, since the petition was tabled?

[11.10 am]

Mr Coakley: It might be coincidence, yes; I am not sure.

Hon LYNN MacLAREN: Just putting it out there!

Mr Coakley: I certainly raised it. We had the minister open our factory in June this year—I think it was about middle to early June—and in my presentation to him, I raised then that there was this illegal wood. So I think it has been on the radar before this petition, to be quite honest.

Hon LYNN MacLAREN: Okay. Is there anything you can attribute 18 months ago that would have led to the dramatic increase in illegal harvesting?

Mr Coakley: As I say, I think it is —

Hon LYNN MacLAREN: Because you have been in the business for how many years?

Mr Coakley: Eighteen years.

Hon LYNN MacLAREN: And all of a sudden there is this increase. Do you know why?

Mr Coakley: I think some people were doing it illegally and were not getting tapped on the shoulder and knew the fines would be very low, so they just kept building up on that.

The CHAIRMAN: Just on that—sorry to butt in—who do you believe is doing it? Is it an organised, concerted effort to harvest illegal —

Mr Coakley: I do not think I can answer this here.

The CHAIRMAN: Or is it individuals?

Mr Coakley: I do not think I can answer it publicly, to be quite honest.

The CHAIRMAN: Okay. We can go into private session.

Hon COL HOLT: Yes, we can. Can I just ask a question, and then we may consider it?

You said there has been a bit of a spike. Do you think they have got better at harvesting it illegally or transporting it illegally or exporting it illegally, or all three?

Mr Coakley: All three; I think they have got quite brazen about it as well.

Hon COL HOLT: Yes, because you have to have all those links before you get it to the marketplace.

Mr Coakley: Yes. It takes a bit longer to get to the market because it has to go through not the normal ports and that sort of stuff; it might take 60 days instead of the normal 20 days, but it is worth it because it is cheap and —

Hon COL HOLT: There are a few pressure points in there if you wanted to do something about it.

Mr Coakley: Absolutely; there are, yes.

Hon LYNN MacLAREN: Just following on from Col, is there a particular area where it is being harvested illegally, because it can be grown in the wheatbelt or the goldfields, and there are different qualities of wood? Would you say it is spread throughout the state or do you think there is

a particular area—maybe a remote area—where they are getting away with it, or maybe an area that is close to a port?

Mr Coakley: It is rather sad because you could drive through the wheatbelt two or three years ago and people who knew sandalwood knew it was on just about every road that you drove through, and they are not there now. They have been taken from there. That is not a lot, but it has, unfortunately, gone. You will see the stump is still there. But, generally, no, it is in the remote areas of the goldfields. I think they are even getting onto pastoralists' stations and taking it, because the pastoralists report back because they can hear a chainsaw operating in the back paddock, but by the time they get there, the ute has gone and there is just stuff on the ground left. It is pretty widespread.

The CHAIRMAN: I want to come back to the illegal harvesting, but there are a couple of questions I want to ask before I do that. Can you explain whether the current uses of sandalwood are the most lucrative and efficient use of the resource; and, if not, what other uses could it be used for?

Mr Coakley: We divide the sandalwood industry into, basically, three markets, if I can simplify it. You have the art market, the oil market, and the agarbatti market. The art market is what we call the carving log or the timber that has not been blemished and does not have the branches and that type of thing; generally, you achieve twice the amount of money for that as you would if you were taking the oil out of it. So if you take the Indian sandalwood for a starter, in India they are paying about \$110 to \$120 a kilo for what we call a carving log; whereas they are paying probably around \$50 a kilo for that same wood to go to the oil market. So that is your most lucrative market, but probably only about three per cent of the timber that is harvested in the world is suitable for that market. It is quite a small market, but, unfortunately, it is used as a price indicator of how rich the industry is. The next one is your oil market, which obviously goes to your perfumes, chewing tobaccos, medicines, aromatherapy, air fresheners—that type of thing. Of the trees you would harvest in the world, probably only about 35 per cent of the total tree would be suitable for that type of business, because once you get below 1.5 per cent yield, it is too expensive to take that oil out, so generally you want more than 1.5 per cent to make that worthwhile. The next one is the agarbatti, which is the biggest industry; it is biggest by volume but lowest by value. All that wood that is harvested from the tree, other than the art market, all ends up in the agarbatti. So even if you take the oil out, you have what you call spent charge, and that goes back into the agarbatti industry. So, basically, 97 per cent of the tree is firewood for burning in temples and that type of thing. Does that help?

The CHAIRMAN: It does. Related to that, it has been alleged to us that 40 tonnes per annum of the green wood used to be guaranteed to the paperbark company —

Mr Coakley: It was never guaranteed.

The CHAIRMAN: What I have here is that it was guaranteed. But it has been diverted into the blending of the lower grade products you have just mentioned. Is this true; and, if so, why is more green wood now required for blending?

Mr Coakley: It is not. It is not being blended. As I said to you, in 2011 we only exported 22 tonnes of UCL. In 2001 we exported 400 tonnes. It is not being used in blending. Basically, the contract is to supply Mt Romance with those specific products. A certain amount of roots and butts must go of the 550. There is UCL and SGL. That was negotiated more recently—probably two or three years ago—where they increased the volume of the SGL. I have not got the figures, but I think from 250 to 300 tonnes. That does not sound right. Can I ask my manager, who is here? He will give an exact figure.

The CHAIRMAN: We will probably have to swear him in.

Mr Coakley: Okay, do not worry then.

The CHAIRMAN: I am thinking of going into private session. I want to ask that question of you again, and I think I will go into private session. If no other members wish to ask a question, I will go into private session so I can ask you that question I asked before.

[The committee took evidence in private]