

## Warner, Mark

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**From:** Marian Drage <mdrage@wasandalwood.com>  
**Sent:** Wednesday, 18 July 2012 4:04 PM  
**To:** Warner, Mark  
**Subject:** Request for a Royal Commission into the Forest Products Commission  
**Attachments:** WA Sandalwood Plantations Letter to the Minister.doc

Dear sirs,

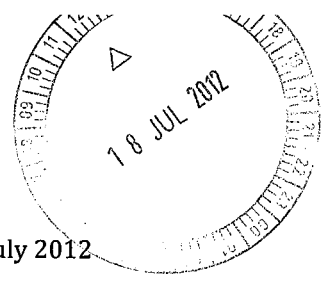
Please find attached our letter to Hon. Wendy Duncan MLC regarding the request for a Royal Commission into the Forest Products Commission.

Ms Duncan suggested we forward our letter to Hon. Brian Charles Ellis MLC of the Environment and Public Affairs Committee for consideration.

With best regards  
Marian Drage on behalf of Ronald Mulder



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12<sup>th</sup> July 2012

Hon Wendy Duncan MLC,  
Member for Mining & Pastoral,  
National Party Office,  
Parliament House,  
PERTH WA 6000

Dear Minister Duncan,

**Re: Royal Commission into the Forest Products Commission - WA sandalwood**

We support your request for a Royal Commission into the Forest Products Commission with a specific focus on the WA sandalwood industry.

There are several issues we would like to table:-

1. The management of the WA sandalwood industry under the FPC
2. Market access to the WA sandalwood harvested in the state by the FPC
3. Private landholder access and indigenous communities
4. Managing the future of the sandalwood industry in WA

**Background of WA Sandalwood Plantations (WASP)**

WASP was established in 2001, when it realised that with the relaxing of religious practices in China and the establishment of the sandalwood oil industry in the state, the demand for WA sandalwood was growing at a greater rate than the wild resource was capable of meeting on a sustainable basis. Over the past 11 years the plantation sector has grown to more than 15,000 hectares, all of which has been planted in the traditional growing area, the Wheatbelt, creating jobs and downstream value-add in rural WA. WASP is a major stakeholder in the industry, owning and managing plantations which will come on stream to supplement the wild harvest sandalwood from 2018.

In the past WASP has tried to assist in the development of the industry but has found this difficult, as have many other WA companies, because of a resistance by the FPC and its agent to allow others to participate.

WASP would like to make a clear statement that it sees a need for the wild harvest to continue and believes the resource can be managed effectively to meet future demands. We believe there is sufficient plantation wood to meet the demand for the incense and higher volume component of the sandalwood market, which could reduce the wild harvest volumes by 50% in the coming years if planned well to meet that important goal.

**1. The management of the WA sandalwood industry under FPC**

Prior to 2001 the WA sandalwood industry was controlled by CALM (now DEC) which was responsible for issuing harvesting licenses, sales and marketing, harvest contractors and ensuring there was little, if any, illegal harvesting. The system worked well as CALM received the funds from the harvesting and as a result managed the industry well. Illegal harvesting was minimised as they had experienced staff 'on the ground' to monitor wood movement.

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In 2001 the Government separated the responsibilities of CALM and placed the commercial component of the sandalwood industry with FPC whilst leaving licensing and monitoring to the newly formed DEC. This immediately created an issue as DEC had no funds to manage the industry as all revenue went to FPC. This resulted in a lack of strategic management practice which has confused the private grower, as well as a lack of control as the staff required to manage the industry were not allocated in the state budget.

FPC on the other hand, had a simple objective of getting enough wood to meet their quota and generate as much revenue as possible. The revenue from their sandalwood harvesting and sales generated a large proportion of their profits, which was vital to the overall performance of FPC operating as a commission. The issue is simple, the separation of the industry from its policeman (DEC) has left it open to illegal harvesting and poor management which seriously harms the future of this great industry, one that has survived for more than 150 years.

It is our opinion that the only way to move forward with a co-ordinated industry approach is for the management of harvesting, licensing and sales of the wild harvest sandalwood to return to the control of DEC. Such a move would enable the plantation industry to work hand in hand with DEC to manage the transition to plantation wood, tighten up licensing, give more ownership to indigenous communities by letting them build sustainable businesses, give pastoral lease holders a supplementary income for the hard years and spread the wealth in the community rather than to a government department – FPC.

The timing of this change is currently most appropriate. FPC has lost all of its key sandalwood representatives and is now being advised solely by their selling agent – Wescorp Sandalwood. We are of the opinion that this could eventuate as a negative for the industry as Wescorp Sandalwood has a vested interest that is not necessarily the same as the industry's view and is also involved in other sandalwood industries in overseas countries competing with the local WA industry.

We would be willing to participate in any discussions on how this re-structuring can be managed in the future to ensure a positive outcome for all, but it must move forward now to preserve the industry for the next 100 years.

## **2. Market access to the WA sandalwood harvested in the state by FPC**

We believe FPC currently harvests approximately 1800-2000 tonnes of sandalwood per annum – this is split approximately 70% greenwood (live trees) and 30% deadwood (collecting trees that have died naturally). At this stage we are aware that FPC has a contract to supply Mt Romance with wood for oil production, at a rate of 550 tonnes per annum of greenwood until 2016, which is an excellent value-add for this raw material and one that has created 50 jobs in Albany. That leaves a substantial amount of wood that could be processed and add value in Australia, for example alternate oil producers to Mt Romance, who could assist in growing the sandalwood oil market further, creating regional and rural employment.

However the FPC and their selling agent, Wescorp Sandalwood (holder of the processing, marketing and selling contract till 2014), will not release wood to local producers to enable them to progress their businesses.

These local manufacturers (including WASP) have offered the same price as FPC achieve on the export market but still FPC prefers to sell to offshore companies who create the very added value products we can produce here in WA. Surely if local industry is willing to pay the same price, they should be given access to the wood to add value locally. Adding value in WA will create jobs and additional export revenue, increase tax revenue and develop a more sustainable industry – is that not a win-win?

We would like to see local companies given access to sandalwood if they can and are willing to pay the export market price. This would probably happen more readily if DEC controlled all of the harvesting and issued licenses to individual companies and communities. These new producers would become sellers and local companies would have access to create added value businesses and new export revenue. We sincerely believe that the FPC does not add any value to the sandalwood industry if it does not support local value adding and that government should not really be in a commercial market like the sandalwood industry – it should just manage it on a sustainable basis and that is the role of DEC.

### **3. Private landholder access and indigenous communities**

We have seen many changes in land ownership over the past 10 years and this has directly impacted on the area available to FPC to harvest. DEC and the National Trust have both acquired properties, filled in the water holes and let the land return to nature, meaning no more sandalwood harvesting. Many lands have been returned to indigenous communities and this too has created its own set of harvesting issues as the communities do not see why they cannot harvest their wood. The result is simple. FPC has been squeezed geographically speaking and the result of this has seen them move on to pastoral leases, creating friction with our farmers to find enough wood to reach their desired quota. At the same time this has seen a large increase in illegally harvested wood as people get frustrated at seeing a government department take a valuable resource from their land and they get nothing in return. If FPC were to be taken out of the supply chain DEC would then be able to license these groups to harvest the wood on their land and sell to the market. Suddenly with the additional policing and the land owner seeing that they can create a new legal business working with DEC, many of our illegal harvesting concerns will disappear.

Additional policing will assist in minimising many of the remaining problems. It is also likely to see legal harvesters 'dobbing in' illegal harvesters so as to preserve the industry and its valuable resource. Again, this moves much needed revenues back to the grass roots of the industry, creates jobs and new industries in regional towns.

### **4. Managing the future of the sandalwood industry in WA**

The WA sandalwood industry has an amazing history. It formed the financial backbone of the state's economy long before traditional agriculture. It has a right to survive and there is no doubt that the rate of wild harvest has to be reviewed over the coming years as we work towards the day when the plantations can become the major producer of the medium to lower quality wood required for the incense industries of Asia. There will always be a place for wild harvest wood but where there are reductions in harvest volumes many of the people working in those regions of the industry will have the very qualities required to harvest plantation wood, so they are investing their time to learn skills that will be needed for years to come.

It is our view that re-structuring the industry now will enable it to meet the changing demands on supply and cause minimum upset to current supply or management contracts FPC has with third parties. DEC will be able to control the industry ensuring that it is sustainable, well managed and policed whilst giving badly needed revenue streams to communities and farmers in regional WA. Changing the policy to allow local companies to purchase wood will see more added value – demand for WA sandalwood oil is enormous and only partially filled currently.

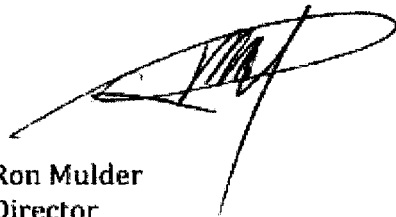
### Summary

Our view is that the industry has to be more commercially structured, managed by DEC to ensure compliance and see a new revenue stream to local communities and farmers by the removal of FPC's control of harvesting, marketing, sales and processing. We need an industry that is cohesive, working together and not one that is at odds because of personal vested interests.

The WA Sandalwood Act needs to be updated to meet the industry changes and to give DEC the powers to control the wild harvest industry in the coming years. It has to allow clearer capacity to prosecute offenders; this is not the case currently. Finally, WASP would be willing to participate in any industry body that has a charter to achieve the above in the best interests of the industry and for all stakeholders. We must take this opportunity now to protect Western Australia's oldest industry.

We thank you for giving us the opportunity to participate in this review and look forward to receiving positive feedback on which to build the WA sandalwood industry.

Yours sincerely,



Ron Mulder  
Director

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