



Hon. Brian Ellis MLC  
Chair  
Standing Committee on the Environment  
C/- Parliament House  
Harvest Terrace  
PERTH WA 6000

3 Sept 2012

Dear Sir

**Petition Number 152 – Tabled by Hon. Wendy Duncan in the Legislative Council**

GP Forestry is pleased to make a submission with regard to Petition Number 152, as tabled by Hon. Wendy Duncan which suggests changes to the management and sustainability practices of the current Western Australian Sandalwood industry.

GP Forestry is very familiar with the management regulations associated with the existing legislation, particularly in relation to the planning, harvesting, processing and export of Western Australian Sandalwood (*Santalum spicatum*) from the State's pastoral regions and adjoining areas of Unallocated Crown Land (UCL). This understanding provides for the company's opinion that the State's available native sandalwood resource is very well managed by the Forest Products Commission (FPC).

A long standing industry that has been supported by its own Act and various regulations since 1929, is a testament to a properly managed government business with appropriate control measures. It is healthy for any business to have regular internal reviews of its management practices and any alternative suggestions provided by external interest groups should be noted.

**With regard to some specific points raised in Petition 152**

The petition's points outlined as the "Background" provides coverage of known facts, most drawn from State legislation, annual reports and industry plans and are therefore mostly undisputable at this level. The petition's section listed as "Concerns raised by other parties" provides a suite of issues that, unfortunately, seem to be driven by individuals or businesses with their own self-interests. The descriptions of the issues are varied and demonstrate a lack of understanding of the State's native sandalwood industry and the associated intricacies. Some of the

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concerns appear to be in conflict with others, therefore further issues and concerns would be created. A scatter-gun approach to find holes in business is a poor and desperate approach.

### ***Existing FPC Management Practises***

The Petition's written submission highlights several areas concerned with the FPC's management practices, both at an operational level and at the contract tending stage. I am aware that these areas of concern have been thoroughly investigated or addressed by the appropriate determining authorities including the Menzies Shire Engineer, the Commissioner of Soil and Land Conservation, the Corruption and Crime Commission and the Ombudsman's office. In all cases the individual findings did not support the insinuated claims of improper planning or management. I would suggest that these concerns have been adequately noted and reviewed and no further time or money should be unnecessarily wasted.

### ***Other Processors to be Involved***

On the surface it would seem unusual for a very valuable Western Australian product, such as sandalwood, not to be 100 % utilised locally if the demand existed.

Mount Romance Australia (MRA) hold a contract of sale with the State for the supply of 550 tonnes of the highest grades of green (living) sandalwood produced by FPC contractors. This contractual agreement allows for the wood to be provided at an extremely discounted price, this arrangement is valid until July 2016. MRA are producers of refined sandalwood oil of which the majority is exported.

The high grade sandalwood supplied to MRA through the contract arrangement accounts for the vast majority of the high grade product harvested, the remaining low grade products are not suitable for oil extraction as it is low yielding. Low grade sandalwood is however, very suitable for the incense market and is readily purchased by Asian consumers via the continued marketing dedication provided to the State through a contract with Wescorp Sandalwood. Very little if any of the low grade product is directly sold into the local market as there is no demand for it here.

I understand that a small amount of high grade sandalwood needs to be used in some incense powder recipes. While the majority of the incense recipes utilises the lower grade products, the addition of some high grade product enhances the end product, ensuring the sale of the low grade sandalwood. High grade sandalwood can also be sold as an incentive product to secure the sale of more low grade sandalwood.

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Without the inclusion of the high grade into the international market it is unlikely that all the low grade would be sold, therefore leading to a decline in the State's sandalwood revenue, under-utilisation of the harvested tree and most importantly, the decline of an Australian serviced international market that will be very similar to the mostly low grade produce expected from Western Australian Sandalwood plantations expected to commence in a few years.

While the MRA contract is in place there seems to be no suitable sandalwood available for another substantial competitor in Western Australia. There is also no opportunity to increase the annual harvest as the permissible 1500 tonnes of green sandalwood is already reached.

### ***Illegal Harvesting***

A number of the 'concerns' raised relate to the increase in the theft of State owned sandalwood from pastoral leases and surrounding UCL. This is an activity that has steadily risen in the past ten years, particularly the last two years.

GP Forestry agrees that there needs to be a review of the penalties and policing with regard to illegal sandalwood and other forest products. The relative Acts provide a solid base to successfully prosecute, however, the associated penalties are mostly antiquated and do not provide an adequate deterrent.

Policing the State's sandalwood resource which extends over two thirds of the State and includes some of the most remote sections of land in the world is virtually impossible, even a fourfold increase in the on ground surveillance would be mostly ineffective. A solution may be found with a review of the penalties and increasing the fines considerably. An investigation into the federal export requirements and those of AQIS may also service to provide a resolution.

### ***Conclusion***

GP Forestry is supportive of the continued management of the native sandalwood industry by the FPC. There is an opportunity to review the industry, however not for the reasons provided in Petition 152 as tabled by Hon. Wendy Duncan.

I believe the FPC together with industry experts could provide the Standing Committee on the Environment with a review that includes real concerns and the solutions to maintain this historic, regional based industry. The only area where there is a level of agreement in the petition is a review of the penalties associated with the theft of sandalwood and a strategy to reduce illegal harvesting.

This is an industry with a fantastic history that is uniquely Western Australian. All Western Australians should be proud of this and embrace it. It is very unfortunate that some individuals do not appear to share this view but rather have their own

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agendas which appear uninformed and based on self-interest, having no long term benefits to the State.

I understand the majority claims of the petitioner have already been thoroughly investigated and have been found to be unsubstantiated, therefore I see no logic in a continuation.

Thank you for this opportunity to provide a submission, GP Forestry would be happy to provide any additional information or provide further clarification.

Yours faithfully



Grant Pronk  
*GP Forestry*  
PO Box 252  
HARVEY WAust 6220

040 988 2280  
[grant@gpforestry.com.au](mailto:grant@gpforestry.com.au)