

To:

**Ministry of Commerce of the People's Republic of China**

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**Application of the Wine Industry of the People's Republic of China for  
Countervailing Duty Investigation on Imported Wines Originating in  
Australia**

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**Application of the Wine Industry of the People's Republic of  
China for Countervailing Duty Investigation**

**Applicant for the Countervailing Investigation:**

**China Alcoholic Drinks Association**

**Agent of the Applicant with Full Authority:**

**BEIJING B&H ASSOCIATES LAW FIRM**

**6 July, 2020**

**Applicant for the Countervailing Investigation:**

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Legal Representative: Wang Yancai  
Contact Person: Huo Xingsan  
Contact Number: 010-57811300

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## ACKNOWLEDGEMENT

As the agent with the full authority of the Applicant filing the application for countervailing duty investigation on imported wines originating in Australia, we have thoroughly reviewed this application for countervailing duty investigation and its annexes and signed this application for countervailing duty investigation on behalf of the Applicant of this case. In accordance with the information and materials currently available to us, we confirm that the contents of this application for countervailing duty investigation and the attached evidence are accurate and complete.

In accordance with the *Foreign Trade Law of the People's Republic of China* and the *Regulations of the People's Republic of China on Countervailing Measures*, the application for countervailing investigation is hereby formally filed.

BEIJING B&H  
ASSOCIATES  
LAW FIRM

Agent of the Applicant with Full Authority: BEIJING B&H ASSOCIATES LAW FIRM (seal)

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6 July, 2020

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## Section A - Text of Application

### I. Stakeholders

#### (I) The Applicant and producers of domestic like products

##### 1. The Applicant

Name:	China Alcoholic Drinks Association
Address:	Floor 6, (Nanxin Building), No. 11 Sanlihe Road, Haidian District, Beijing
Postal Code:	100831
Legal Representative:	Wang Yancai
Contact Person:	Huo Xingsan
Contact Number:	010-57811300

(See Annex I: The Applicant's Certificate of Registration as a Social Group Legal Person and Power of Attorney)

The China Alcoholic Drinks Association (CADA) is a national industry organisation voluntarily constituted by brewers applying bioengineering technology and related technology, and the relevant units serving them. It is a non-profit social group with a legal personality.

CADA aims to: abide by the Constitution, laws, regulations and national policies, adhere to social morality, adapt to the needs of the socialist market economy, promote the production, circulation, management, enhancement of scientific and technological strength, and expansion of international exchange of the liquor-making industry, reflect the situation and opinions of the industry, safeguard the legitimate rights and interests of its members, assist the government in strengthening industry management, develop industry coordination, wholeheartedly serve the industry, promote the healthy development of the industry and make greater contributions to the national economic construction.

One of the important tasks of CADA is to "assist the government in promoting the circulation of the alcoholic commodity market, protecting reasonable competition and cracking down on illegal acts." In addition, CADA is also committed to safeguarding fair competition in the industry, the overall interests of the industry and the legitimate rights and interests of consumers.

CADA has a wine branch which is responsible for the macro management of the wine industry. CADA currently has a total of 122 wine-producing member units (see Annex II:

Description of wine producer members). These member units account for the vast majority of total domestic production and are representative and influential in the industry.

In recent years, a large number of Australian wines have been exported to China at low prices, which has caused severe impact and injury to the domestic wine industry. On behalf of the Chinese wine industry, the member units made a resolution to file the application for countervailing duty investigation into imported wines originating in Australia with CADA as the Applicant in accordance with the *Regulations of the People's Republic of China on Countervailing Measures* (hereinafter referred to as "*Countervailing Measures Regulations*") (See Annex III: Meeting notes).

## **2. Agent entrusted by the Applicant**

To file the application for countervailing duty investigation, the Applicant hereby authorises BEIJING B&H ASSOCIATES LAW FIRM to apply for and carry out the countervailing duty investigation as its agent with full authority. See the Power of Attorney for the delegated authority. (See Annex I: The Applicant's Certificate of Registration as a Social Group Legal Person and Power of Attorney)

As entrusted by the Applicant, BEIJING B&H ASSOCIATES LAW FIRM has appointed Lawyers Guo Dongping, He Jinghua, and Lan Xiong to jointly handle all matters of this case on the entrustment of the Applicant. (See Annex IV: Letter of Appointment for the lawyers and the lawyers' Practising Certificates)

Agent with full authority of the Applicant for the countervailing duty investigation:

BEIJING B&H ASSOCIATES LAW FIRM

Guo Dongping Lawyer Practising Certificate No.: 11101200310402136

He Jianghua Lawyer Practising Certificate No.: 11101199510115344

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Website: [www.bohenglaw.com](http://www.bohenglaw.com)



### 3. Producers of domestic like products

According to the Applicant, the current producers of domestic like products include but are not limited to:

- (1) Company name: Yantai Changyu Pioneer Wine Company Limited  
Add.: No. 56 Dama Road, Yantai, Shandong  
Tel.: 0535-6633656  
Fax: 0535-6633639
- (2) Company name: COFCO GREATWALL Wines & Spirits Co., Ltd. (literal translation)  
Add.: Floor 14, No. 8 Chaoyangmen South Street, Chaoyang District, Beijing  
Tel.: 010-85006688  
Fax: 010-85006688
- (3) Company name: Wei Long Grape Wine Co., Ltd.  
Add.: No. 276 Huancheng North Road, Longkou, Shandong  
Tel.: 0535-8955876  
Fax: 0535-8955876
- (4) Company name: CITIC Guoan Wine Co., Ltd.  
Add.: No. 39 Hongshan Road, Urumqi, Xinjiang Uygur Autonomous Region  
Tel.: 0991-8881238  
Fax: 0991-8882439
- (5) Company name: Tonghua Grape Wine Co., Ltd.  
Add.: No. 28 Qianxing Road, Tonghua, Jilin  
Tel.: 0435-3948468  
Fax: 0435-3949616
- (6) Company name: Gansu Mogao Industrial Development Co., Ltd.  
Add.: Park No. 1, Hi-tech Industrial Development Zone, Chengguan District, Lanzhou, Gansu  
Tel.: 0931-8776219  
Fax: 0931-4890543
- (7) Company name: Sino-French Joint-Venture Dynasty Winery Ltd.  
Add.: No. 29 Jinwei Road, Beichen District, Tianjin  
Tel.: 0222-6998888  
Fax: 0222-6990996

(8) Company name: Kweichow Moutai Distillery (Group) Changli Wine Industry Co., Ltd.

Add.: Changli East Industrial Park, Qinhuangdao, Hebei

Tel.: 0335-2186299

Fax: 0335-2186919

(9) Company name: Ningxia XiXiaKing Winery Co., Ltd. (literal translation)

Add.: No. 1 Grape Town Street, Yongning County, Ningxia

Tel.: 0951-8450198

Fax: 0335-8450159

(10) Company name: Shangri-la Winery Co., Ltd. (literal translation)

Add.: Floor 8, Jiahe Guoxin Mansion, No. 15 Baiqiao Street, Dongcheng District, Beijing

Tel.: 010-56969000

Fax: 010-56969800

For other known producers of domestic like products, please refer to "Annex II: Description of wine producer members".

#### **4. Proportion of the Applicant's output of like products in the total output of domestic like products in the same period prior to the date of the application**

Unit: 10,000 kl

<b>Period</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total output of like products represented by the Applicant	62.00	64.00	48.00	45.00	38.00
Total output of domestic like products	116.11	105.66	67.91	50.67	45.15
<b>Proportion of total output of like products represented by the Applicant in the total output of domestic like products</b>	53.40%	60.57%	70.68%	88.81%	84.16%

Notes: (1) Please refer to Annex II for the total output of like products of member enterprises represented by the Applicant; and

(2) Please refer to "Annex V: Description of the production and operation of domestic wine industry" for the total output of domestic like products.

According to the above statistics, the total output of like products represented by the Applicant in 2015, 2016, 2017, 2018 and 2019 accounted for over 50% of the total output of

domestic like products in the same period. In accordance with the *Countervailing Measures Regulations*, the Applicant shall have the right to file the application for countervailing duty investigation on behalf of the domestic wine industry.

## **(II) Domestic wine industry**

Wines are made from full or partial fermentation, using fresh grapes or grape juice as the raw material. They are mainly used for consumption as an alcoholic beverage.

The industrialization of the Chinese wine industry began with the establishment of the "Changyu Pioneer Wine Company" in 1892, but it was difficult to develop during the war times. When the People's Republic of China was founded in 1949, the total domestic production of wines was only 84 kl. Since then, thanks to the efforts of the state and all parties, the wine industry has been revitalized. To date, China's wine industry has formed a considerable production scale. Furthermore, during its development, the wine industry has played an important role in increasing the employment and income of local farmers, prospering the local economy, and promoting ethnic integration and social stability, thereby generating remarkable social and economic benefits.

According to the relevant statistics, there are hundreds of domestic wine producers in more than 20 provinces, autonomous regions, and directly-controlled cities, mainly in Shandong, Hebei, Ningxia, Xinjiang, and Gansu. Due to the different characteristics of soil, climate and landform, each region has formed its own wine grapes and wine products. Meanwhile, domestic wine producers are developing towards scale and collectivization; for example, Yantai Changyu Pioneer Wine Company Limited, COFCO GREATWALL Wines & Spirits Co., Ltd. (literal translation), Wei Long Grape Wine Co., Ltd. and CITIC Guoan Wine Co., Ltd. are quite representative and influential in the domestic market with their respective production scales and brands.

Although the scale of the industry has been expanding, the total output of domestic wine shows a downward trend due to the impact of imported products in recent years. According to the National Bureau of Statistics, from 2015 to 2019, the total outputs of domestic wine were 1.1611 million kl, 1.0566 million kl, 679,100 kl, 506,700 kl and 451,500 kl respectively. The total output in 2019 decreased by 61.11% from 2015.

In the consumer market, according to the scope of the products involved, the apparent wine consumption from 2015 to 2019 showed a downward trend of 1.5494 million kl, 1.5286 million kl, 1.2224 million kl, 1.0094 million kl and 904,500 kl respectively. Although there is no official statistical data on actual demand, the domestic wine consumption market remains good overall as reflected by all parties. According to the data analysis cited from OIV<sup>1</sup> in

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<sup>1</sup> Please refer to the media reports at <http://www.winechina.com/html/2020/04/202004300821.html>. The report cites the data analysis of the International Organization of Vine and Wine (OIV).

related media reports, China is the world's fifth-largest wine consumer and one of the world's fastest-growing countries in wine consumption. On the basis of global consumption of 24.4 million kl in 2019, global per capita consumption was around 3.2 l, with the top four countries – the U.S., France, Italy and Germany – averaging 10.1 l, 39.5 l, 37.5 l and 24.5 l respectively. In contrast, China's per capita consumption is only about 0.6 l, which is not only lower than the global per capita consumption but also far lower than that of the major consumers. Therefore, China's wine consumption market has the potential to grow. In particular, with the generational shift of mainstream consumer groups and the impact of consumption upgrading in the future, the capacity of China's wine market will continue to expand.

As a significant wine consumer and an emerging wine consumer market, China has become the focus of attention for major wine producers including Australia. In recent years, in order to seize and expand their market share in China, Australian wine producers have adopted lower prices and reduced prices to export a large number of wine products to China.

According to China Customs, there has been a significant increase in the import volume and decrease in the import price of products originating in Australia subject to the investigation request since 2015. The import volume increased by 113% from 56,700 kl in 2015 to 120,800 kl in 2019, and the import price decreased by 13.36% from USD 7,759/kl in 2015 to USD 6,723/kl in 2019; with the substantial growth of import volume, its market share in China increased from 3.66% in 2015 to 13.36% in 2019, a cumulative increase of 9.70 percentage points.

In the context of the continuous substantial increase in import volume, continuous increase in market share, continuous increase in proportion to the total output of domestic like products and a sharp decline in import price, the unfair import of products subject to the investigation request has severely damaged the domestic market order and caused severe impacts to the domestic industry:

On the one hand, the output of like products in the domestic industry dropped from 1.1611 million kl in 2015 to 451,500 kl in 2019, a significant decrease of 61.11%. On the other, according to the prices monitored by the NDRC or the prices disclosed by the relevant listed companies, the sales prices of like products in the domestic industry generally show a downward trend and are depressed and restrained by the imported products. Since both quantity and price have been adversely affected, the market share of domestic like products dropped sharply from 74.43% in 2015 to 49.58% in 2019, a significant decrease of 24.85 percentage points; the sales revenue dropped from RMB 46.605 billion in 2015 to RMB 14.509 billion in 2019, a significant decrease of 68.87%; and the profit dropped from RMB 5.214 billion in 2015 to RMB 1.058 billion in 2019, a significant decrease of 79.71%. These facts indicate that the production and operating conditions of the domestic industry are deteriorating rapidly and that the large volume import of low-price Australian products subject to the investigation request is damaging the domestic industry.

Considering the above situations and other relevant reasons described hereinafter, the Applicant believes the following: the large volume import of low-price Australian products subject to the investigation request is the cause of material injury to the domestic industry, and that there is an apparent correlation between the subsidies for the Australian products subject to the investigation request and the injury to the domestic industry. Therefore, on behalf of the domestic wine industry, the Applicant has urgently filed the application for countervailing duty investigation into Australian products subject to the investigation request in order to safeguard the lawful rights and interests of the domestic industry.

### **(III) Other import reliefs**

So far, regarding imported wines originating in Australia, except for this application for countervailing duty investigation, the domestic wine industry has not filed any other application for trade remedy, nor taken or made any other legal action for import remedy in accordance with the *Foreign Trade Law of the People's Republic of China* and other relevant laws.

### **(IV) Known producers, exporters and importers of products subject to the investigation request**

On the basis of reasonably available information and materials, the Applicant provides the following list of known producers, exporters and importers of products subject to the investigation request:

#### **1. Producers**

(1) Enterprise name: Treasury Wine Estates Limited

Add.: 58 Queensbridge Street, Southbank, VIC 3006, Australia

Tel.: +61(3)85333000

Fax: +61(3)96905196

Official website: <https://www.tweglobal.com>

(2) Enterprise name: Australian Vintage Limited

Add.: 275 Sir Donald Bradman Drive, Cowandilla, SA 5033, Australia

Tel.: +61(8)81728333

Fax: +61(8)81728399

Official website: <https://www.australianvintage.com>

(3) Enterprise name: Casella Wines Pty Limited

Add.: Level 5, 460 Pacific Hwy, St Leonards, NSW 2065

Tel.: +61(2)93304700

Fax: +61(2)69613099

Official website: <https://www.casellafamilybrands.com>

(4) Enterprise name: Accolade Wines Australia Limited

Add.: Reynell Road, Reynella, SA, Australia

Tel.: +61(8)83922222

Fax: +61(8)83922154

Official website: <http://www.accolade-wines.com>

(5) Enterprise name: The Yalumba Wine Company

Add.: 40 Eden Valley Road, Angaston, SA 5353, Australia

Tel.: +61(8)85613309

Fax: +61(8)85613393

Official website: <https://www.yalumba.com/>

(6) Enterprise name: South Australian Wine Group Pty Ltd

Add.: 1 Butler St, Port Adelaide, South Australia 5015, Australia

Tel.: +61(8)84472566

Fax: +61(8)84472588

Official website: <https://www.sawinegroup.com.au/>

(7) Enterprise name: The Wine Company Pty Ltd

Add.: 6 Expo Court, Mt Waverley, VIC 3149, Australia

Tel.: +61(3)95623900

Fax: +61(3)95623839

Official website: <https://wineco.com.au/>

(8) Enterprise name: The Truffle & Wine Co.

Add.: 490 Seven Day Road, Manjimup, WA 6258, Australia

Tel.: +61(8)97772474

Fax: +61(8)97772820

Official website: <http://truffleandwine.com.au/>

(9) Enterprise name: Wingara Wine Group

Add.: Level 1, 166 Albert Road, South Melbourne, VIC 3205, Australia

Tel.: +61(3)96825000

Fax: +61(3)96825200

Official website: <https://www.wingara.com.au/>

(10) Enterprise name: Stoney Rise Wine Company

Add.: 96 Hendersons Lane, Gravelly Beach, TAS 7276, Australia

Tel.: +61(3)63943678

Fax: +61(3)63943684

Official website: <http://www.stoneyrise.com/>

## **2. Exporters**

According to the Applicant, the above producers are also exporters because they are also engaged in the export business.

## **3. Importers**

According to the Applicant, the major domestic importers and their import materials, including contracts, copies of bills of lading, commercial invoices, packing lists and contact addresses, were filed with the Customs of the People's Republic of China. The Applicant provides the following materials and information on domestic importers to the maximum extent possible.

Known importers in China include but are not limited to the following enterprises:

(1) Company name: AHCOF Industrial Development Co., Ltd.

Add.: Floor 13, Sunon Plaza, No. 389 Jinzhai Road, Hefei

Tel.: 0551-2831025

Fax: 0551-2831057

(2) Company name: Guangzhou Dragon's Journey Winery Co., Ltd.

Add.: No. 233 Helian Road, Baiyun District, Guangzhou

Tel.: 020-86269666

Fax: 020-86269975

(3) Company name: ASC Fine Wines Co., Ltd. (literal translation)

Add.: No. 499 Riying North Road, Pilot Free Trade Zone, Shanghai, China

Tel.: 021-60561999

Fax: 021-64453202

(4) Company name: Shanghai Foodstuffs Imp. & Exp. Corp.

Add.: Room 1002, No. 525 Sichuan Road, Shanghai

Tel.: 021-63571801

Fax: 021-63571806

(5) Company name: Jiangsu Hebe Bay Wine Industry Co., Ltd. (literal translation)

Add.: Room 3-3, Building 18, World Window Creative Industrial Park, No. 6 Guanghua East Street, Qinhuai District, Nanjing

Tel.: 025-84629816

Fax: 025-84629579

(6) Company name: C&D Logistics (Shanghai) Co., Ltd.

Add.: Room 408, Building 2, No. 8123 Chuannanfeng Road, Situan Town, Fengxian District, Shanghai

Tel.: 021-61635160

Fax: 021-61635155

(7) Company name: Hongsu Industrial (Shanghai) Co., Ltd. (literal translation, possible typo in original Chinese text)

Add.: Room 304, Block B, No. 169 Taigu Road, Waigaoqiao Free Trade Zone, Shanghai

Tel.: 021-58660798

(8) Company name: Pernod Ricard China Wines & Spirits Co., Ltd. (literal translation)

Add.: Room 825, Floor 8, No. 6 Jilong Road, Pilot Free Trade Zone, Shanghai, China

Tel.: 021-63906088

(9) Company name: Guangzhou Tall Trees Trading Ltd.

Add.: Unit 6C, Jianhe Centre, No. 111 Tiyu West Road, Guangzhou, Guangdong

Tel.: 020-38267278

## **II. Description of products subject to the investigation request and scope of investigation applied for by the Applicant**

### **(I) Description of products subject to the investigation request**

**Chinese name:** 装入 2 升及以下容器的葡萄酒

**English name:** Wines in containers holding 2 litres or less

**Product description:** Products subject to the investigation request are wines in containers holding 2 litres or less that are made from full or partial fermentation, with fresh grapes or grape juice as raw material.

**Main use:** Mainly used for consumption as alcoholic beverage.

### **(II) Country of origin and destination of products subject to the investigation request**

Scope of investigation requested: Wines originating in Australia that are exported to China.



### **(III) Serial number of products subject to the investigation request in the Customs Import and Export Tariff of the People's Republic of China**

The serial number of products subject to the investigation request in the *Customs Import and Export Tariff of the People's Republic of China* is 22042100.

(See Annex VI: Customs Import and Export Tariff of the People's Republic of China (2015 – 2019))

### **(IV) Import tariff, VAT and regulatory conditions of products subject to the investigation request**

Import tariff: In 2015, an MFN rate of 14% was applied to products subject to the investigation request; from 2016 to 2019, agreed tariff rates of 8.4%, 5.6%, 2.8% and 0 were applied to products subject to the investigation request.

VAT rate: The VAT rate applicable from 2015 to 30 April, 2018 was 17%; from 1 May, 2018 was 16%; and from 1 April, 2019 was 13%.

(See Annex VI: Customs Import and Export Tariff of the People's Republic of China (2015 – 2019))

Consumption tax rate: From 2015 to 2019, the consumption tax rate applicable to products subject to the investigation request was 10%.

(See Annex VII: Table of consumption tax items and tax rates)

## **III. Description of domestic like products and comparison with products subject to the investigation request**

### **(I) Description of domestic like products**

**Chinese name:** 装入 2 升及以下容器的葡萄酒

**English name:** Wines in containers holding 2 litres or less

**Product description:** domestic like products are wines in containers holding 2 litres or less that are made from full or partial fermentation, with fresh grapes or grape juice as raw material.

**Main use:** Mainly used for consumption as alcoholic beverage.

## **(II) Comparison of products subject to the investigation request with like products in the domestic industry**

### **1. Sameness or similarity of domestic like products and products subject to the investigation request in physical and chemical properties and product quality**

Domestic like products and products subject to the investigation request can meet the basic physical, chemical and sensory requirements prescribed in the relevant norms on wines, and shall be subject to the *National Standard of the People's Republic of China for Wines* (GB15037-2006) when circulating on the market.

Although wines are varied, there is usually no substantial difference in the main physical and chemical indexes (such as alcohol by volume, total sugar, citric acid, sugar free extract, etc.) and sensory requirements (such as colour, level of clarity, level of carbonation, fragrance, flavour, etc.) among the same or similar varieties of domestic like products and products subject to the investigation request. Wines can be classified by colour, sugar level and level of carbon dioxide, etc.

In terms of product quality, different countries and enterprises usually have their own quality classification standards for wine products. Due to the differences in quality standards, it is difficult to make one-on-one comparison between domestic like products and products subject to the investigation request. Moreover, even wines produced with the same grape variety may still have quality differences due to differences in the raw material, soil, climate, maturity and the liquor-making methods. However, all wines share the same basic raw material and production processes. They are made from full or partial fermentation with fresh grapes or grape juice as the raw material and conform to the basic physical and chemical properties of wines.

### **2. Sameness or similarity of domestic like products and products subject to the investigation request in appearance and mode of packaging**

Although wines are varied, they can be classified by colour into white wines, red wines and rosé wines. White wines are close to colourless, pale yellow with slight green, light yellow, straw yellow or golden yellow; red wines are purplish red, deep red, ruby red, red with slight brown or red brown; and rosé wines are peach coloured, light rose-red or light red. There is no substantial difference in appearance between wines of the same variety of domestic like products and products subject to the investigation request.

In terms of packaging, most domestic like products and products subject to the investigation request are packaged in 750 ml standard glass bottles, while some are packaged in 350 ml, 500 ml and 700 ml bottles.

### **3. Sameness or similarity of domestic like products and products subject to the investigation request in raw material**

Both domestic like products and products subject to the investigation request are made with fresh grapes or grape juice as the raw material. Different wines are made from different grape varieties. In addition, some producers of products subject to the investigation request and domestic like products also directly purchase raw wines for production, but raw wines are also made from fresh grapes.

According to the Applicant's preliminary understanding, grape varieties in Australia are mostly introduced from Europe or South Africa. The main grape varieties for red wine-making mainly include Syrah, Cabernet Sauvignon, Pinot Noir, Grenache and Malbec, while the main grape varieties for white wine-making mainly include Chardonnay, Sauvignon Blanc and Riesling. Most of our wine grape varieties are also introduced from Europe. There is no substantial difference in wine grape varieties between domestic like products and the Australian products subject to the investigation request. The wine grape varieties mainly include Cabernet Sauvignon, Merlot, Cabernet Gernischt, Chardonnay, Sauvignon Blanc, Italian Riesling and Riesling. Due to the influence of the climate, soil and planting technology, the quality of grapes produced in different regions varies, which further affects the quality of wines but does not change their basic physical and chemical properties.

In view of the above facts, the Applicant believes that there is no substantial difference in raw material between domestic like products and products subject to the investigation request.

### **4. Sameness or similarity of domestic like products and products subject to the investigation request in the technological process of production**

Domestic like products and products subject to the investigation request share the same technical principles. As the raw material fresh grapes or grape juice are first converted into raw wines through full or partial fermentation and finished wines are made afterwards through stabilisation, clarification, blending, freezing and filtration. However, the specific technological processes of production for different types of wines vary. For the purpose of filing this application, the Applicant only takes the technological processes of producing red wines and white wines as examples, which are described below:

Red wines: Sort, destem, and crush the grapes, and carry out the primary alcoholic fermentation after the grape jam is placed in a cylinder. Open the cylinder to separate and press the grape skin residue and pour the grape juice into the cylinder for secondary fermentation, turning malic acid to lactic acid. When fermentation is complete, the grape juice is turned into raw red wine. After storage, stabilisation, clarification, blending, freezing and filtration, red wines meeting all indexes can be bottled and packed for warehousing.

White wines: Sort and press the grapes, pour the grape juice into a cylinder and ferment after clarification. The grape juice becomes white wine after fermentation, during which all or part of the sugars are converted into alcohol. After storage, clarification, blending, freezing and filtration, white wines meeting all indexes can be bottled and packed for warehousing.

There is no apparent difference in process and production technology between domestic like products and products subject to the investigation request. Domestic like products and products subject to the investigation request mainly use modern production equipment for mass production, including grape sorting equipment, destemer and crusher, fermentation cylinder, presser, centrifuge, plate and frame filter, diatomaceous earth filter and wine pump. The production equipment is similar to that used for Australian products subject to the investigation request. In addition, due to traditional habits and regional characteristics, some domestic and Australian producers also adopt traditional wine-making techniques, but the technical principle is the same as that of modern equipment. There is no substantial difference.

#### **5. Sameness or similarity of domestic like products and products subject to the investigation request in consumption field and end-use**

Domestic like products and products subject to the investigation request share basically the same consumption fields and end-use. Both products are mainly consumed as alcoholic beverages, and are generally available to consumers in stores, supermarkets, exclusive stores, online shops, restaurants and recreation venues.

#### **6. Sameness or similarity of domestic like products and products subject to the investigation request in marketing channels and customer groups**

Products subject to the investigation request generally enter the Chinese market through shipping containers from major ports in China, then enter local markets through direct sales, online sales or brokerage. Domestic like products also circulate on the domestic market mainly through direct sales, online sales or brokerage. Furthermore, domestic like products and products subject to the investigation request compete with each other on the domestic market. Both products are provided to the same consumer groups in stores, supermarkets, exclusive stores, restaurants and recreation venues. Therefore, domestic like products and products subject to the investigation request are the same or overlapping in sales channels and sales regions and compete with each other.

#### **7. Conclusion**

To sum up, the Applicant believes that there is no substantial difference between domestic like products and products subject to the investigation request in physical and chemical properties, appearance and packaging, production techniques, main use, sales

channels, sales regions and customer groups. They are like products which are competitive and mutually-substitutable.

#### IV. Imports of products subject to the investigation request

##### (I) Changes in import volume of products subject to the investigation request

##### 1. Changes in absolute import volume of products subject to the investigation request

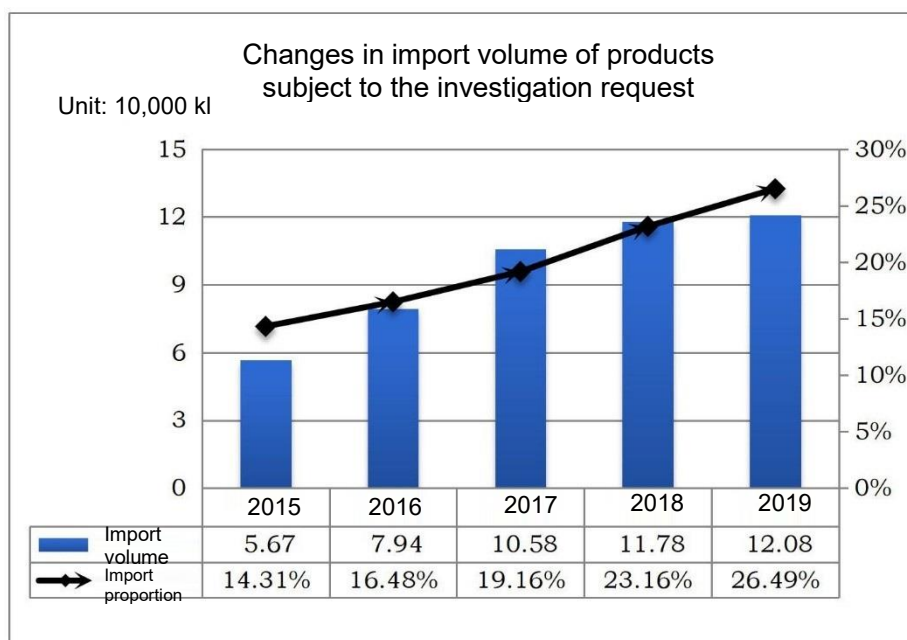
##### Changes in import volume of products subject to the investigation request

Unit: kl

Period	Country	Import volume	Proportion of volume	Variation of volume
2015	China's total imports	396,141	100.00%	-
	<b>Australia</b>	<b>56,681</b>	<b>14.31%</b>	-
2016	China's total imports	481,778	100.00%	21.62%
	<b>Australia</b>	<b>79,385</b>	<b>16.48%</b>	<b>40.05%</b>
2017	China's total imports	552,319	100.00%	14.64%
	<b>Australia</b>	<b>105,826</b>	<b>19.16%</b>	<b>33.31%</b>
2018	China's total imports	508,739	100.00%	-7.89%
	<b>Australia</b>	<b>117,845</b>	<b>23.16%</b>	<b>11.36%</b>
2019	China's total imports	456,018	100.00%	-10.36%
	<b>Australia</b>	<b>120,812</b>	<b>26.49%</b>	<b>2.52%</b>

Notes: (1) Please refer to "Annex VIII: Customs statistics on wine import and export" for the data sources in the above table; and

(2) Proportion of volume = import volume of products subject to the investigation request / China's total imports.



During the investigation period, the import volume of products subject to the investigation request showed a continuous and substantial growth. From 2015 to 2019, the import volume was 56,700 kl, 79,400 kl, 105,800 kl, 117,800 kl and 120,800 kl, respectively, with year-on-year increases of 40.05%, 33.31%, 11.36% and 2.52% in 2016, 2017, 2018 and 2019, respectively. The import volume in 2019 dramatically increased by 113% from 2015.

During the same period, the proportion of products subject to the investigation request to China's total import volume also showed continued growth. From 2015 to 2019, the proportion was 14.31%, 16.48%, 19.16%, 23.16% and 26.49%, respectively, with a significant increase in 2019 of 12.18% from 2015.

## 2. Changes in relative import volume of products subject to the investigation request

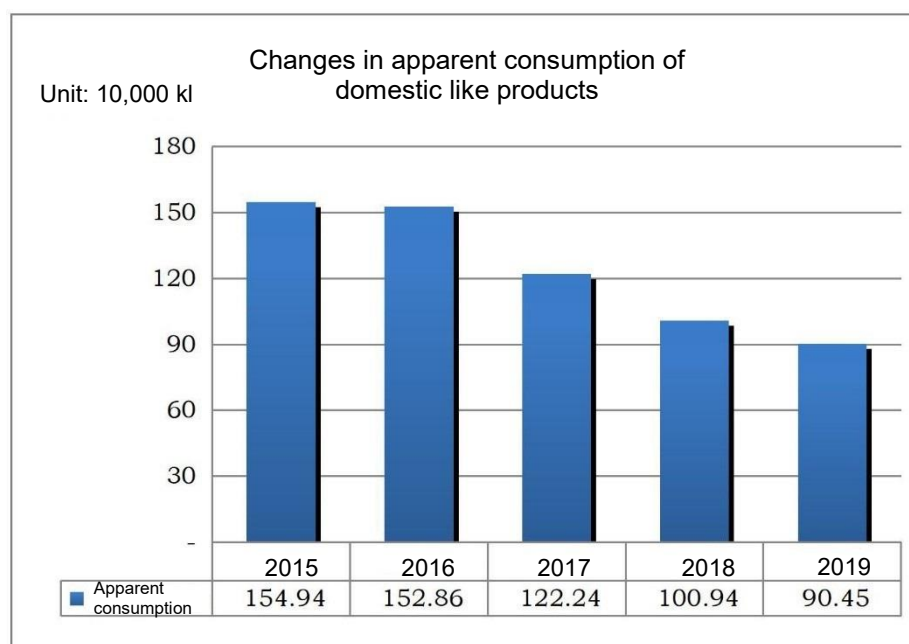
### 2.1 Changes in apparent consumption of domestic like products

#### Changes in apparent consumption of domestic like products

Unit: kl

Period	China's total output	China's total imports	China's total exports	China's apparent consumption	Variation
2015	1,161,100	396,141	7,793	1,549,448	-
2016	1,056,600	481,778	9,796	1,528,582	-1.35%
2017	679,100	552,319	9,063	1,222,356	-20.03%
2018	506,700	508,739	6,053	1,009,386	-17.42%
2019	451,500	456,018	2,991	904,527	-10.39%

- Notes: (1) Please refer to "Annex V: Description of the production and operation of domestic wine industry" for the total wine production in China, and "Annex VIII: Customs statistics on wine import and export" for import and export data; and
- (2) Apparent consumption = China's total output + China's total imports - China's total exports.



During the investigation period, the apparent wine consumption in China showed a downward trend. From 2015 to 2019, the apparent consumption was 1.5494 million kl, 1.5286 million kl, 1.2224 million kl, 1.0094 million kl and 904,500 kl, respectively, with year-on-year decreases of 1.35%, 20.03%, 17.42% and 10.39% in 2016, 2017, 2018 and 2019, respectively. The apparent consumption in 2019 decreased by 41.62% from 2015.

Although there is no official statistical data on actual demand, the domestic wine consumption market remains good overall as reflected by all parties. According to the data analysis cited from OIV in related media reports, China is the world's fifth-largest wine consumer and one of the world's fastest-growing countries in wine consumption. On the basis of global consumption of 24.4 million kl in 2019, global per capita consumption was around 3.2 l, with the top four countries – the U.S., France, Italy and Germany – averaging 10.1 l, 39.5 l, 37.5 l and 24.5 l respectively. In contrast, China's per capita consumption is only about 0.6 l, which is not only lower than the global per capita consumption but also far lower than that of the major consumers. Therefore, China's wine consumption market has the potential to grow. In particular, with the generational shift of mainstream consumer groups and the impact of consumption upgrading in the future, the capacity of China's wine market will continue to expand.

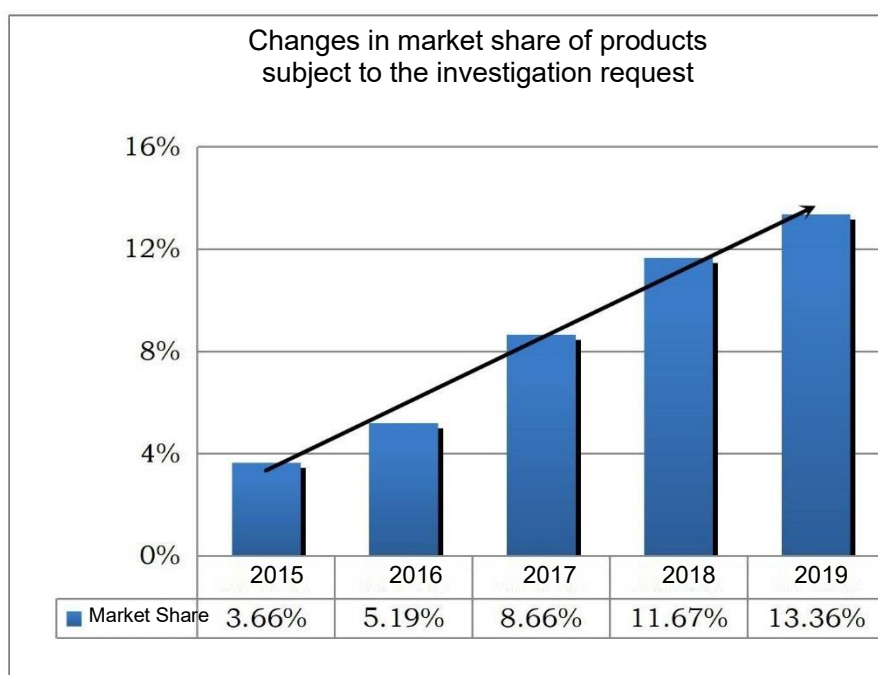
## 2.2 Changes in market share of products subject to the investigation request

### Changes in market share of products subject to the investigation request in China

Unit: kl

Period	Import volume of products subject to the investigation request	Apparent wine consumption in China	Market share of products subject to the investigation request	Increase or decrease in percentage
2015	56,681	1,549,448	3.66%	-
2016	79,385	1,528,582	5.19%	Increase by 1.54%
2017	105,826	1,222,356	8.66%	Increase by 3.46%
2018	117,845	1,009,386	11.67%	Increase by 3.02%
2019	120,812	904,527	13.36%	Increase by 1.68%

Note: Market share of products subject to the investigation request = import volume of products subject to the investigation request / apparent wine consumption in China.



During the investigation period, with the sustained and substantial increase in import volume, the market share of products subject to the investigation request showed continued growth. From 2015 to 2019, the market share was 3.66%, 5.19%, 8.66%, 11.67% and 13.36%, respectively, with year-on-year increases of 1.54%, 3.46%, 3.02% and 1.68% in 2016, 2017, 2018 and 2019, respectively. The market share in 2019 increased by 9.70% from 2015 and was the highest during the whole investigation period.



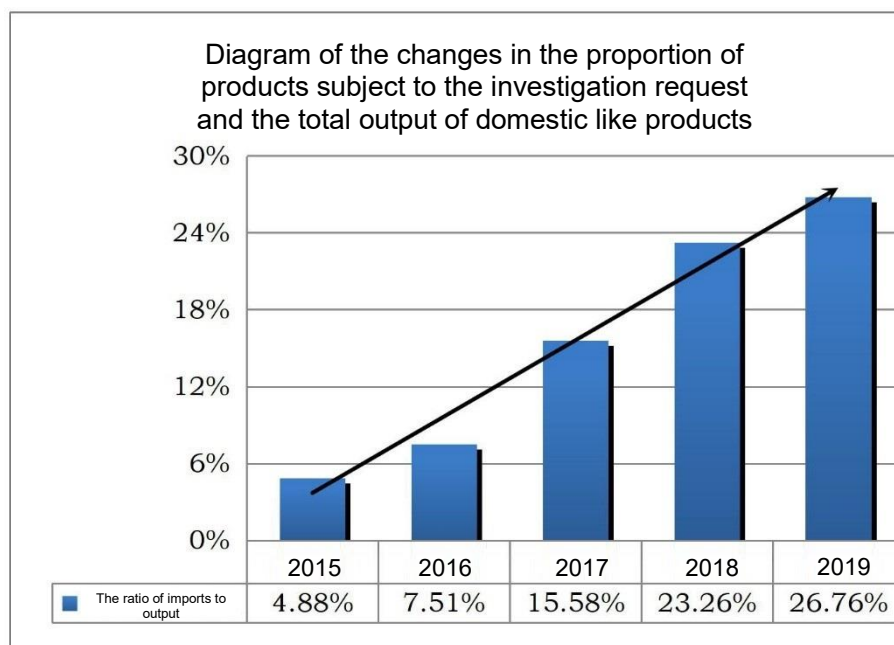
### 2.3 Changes in the proportion of imports of products subject to the investigation request to the total output of domestic like products

#### Changes in the proportion of products subject to the investigation request to the total output of domestic like products

Unit: kl

Period	Import volume of products subject to the investigation request	Total output of domestic like products	The proportion of products subject to the investigation request to the total output of domestic like products	Increase or decrease in percentage
2015	56,681	1,161,100	4.88%	-
2016	79,385	1,056,600	7.51%	Increase by 2.63%
2017	105,826	679,100	15.58%	Increase by 8.07%
2018	117,845	506,700	23.26%	Increase by 7.67%
2019	120,812	451,500	26.76%	Increase by 3.50%

Note: The proportion of products subject to the investigation request to the total output of domestic like products = import volume of products subject to the investigation request / the total output of domestic like products.



During the investigation period, with the sustained and substantial increase in import volume, the proportion of products subject to the investigation request and the total output of domestic like products kept increasing. From 2015 to 2019, the proportion was 4.88%, 7.51%, 15.58%, 23.26% and 26.76%, respectively, with year-on-year increases of 2.63%, 8.07%,

7.67% and 3.50% in 2016, 2017, 2018 and 2019, respectively. The proportion in 2019 increased by 21.88% from 2015 and was the highest during the whole investigation period.

## (II) Changes in import prices of products subject to the investigation request

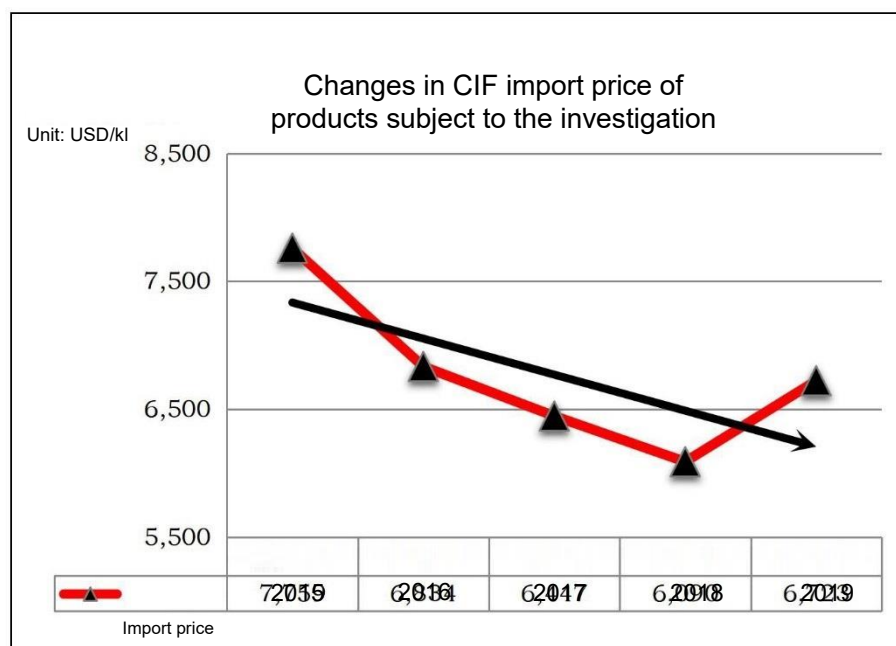
### Changes in import prices of products subject to the investigation request

Unit: kl, USD, USD/kl

Period	Country	Import volume	Import value	Import price	Variation of price
2015	China's total imports	396,141	1,878,320,951	4,742	-
	<b>Australia</b>	<b>56,681</b>	<b>439,807,206</b>	<b>7,759</b>	-
2016	China's total imports	481,778	2,194,981,117	4,556	-3.91%
	<b>Australia</b>	<b>79,385</b>	<b>542,542,756</b>	<b>6,834</b>	<b>-11.92%</b>
2017	China's total imports	552,319	2,552,695,824	4,622	1.44%
	<b>Australia</b>	<b>105,826</b>	<b>682,275,226</b>	<b>6,447</b>	<b>-5.67%</b>
2018	China's total imports	508,739	2,574,643,489	5,061	9.50%
	<b>Australia</b>	<b>117,845</b>	<b>717,682,271</b>	<b>6,090</b>	<b>-5.54%</b>
2019	China's total imports	456,018	2,192,008,491	4,807	-5.02%
	<b>Australia</b>	<b>120,812</b>	<b>812,200,451</b>	<b>6,723</b>	<b>10.39%</b>

Notes: (1) Please refer to "Annex VIII: Customs statistics on wine import and export" for the data sources in the above table; and

(2) Import price = import value / import volume.



During the investigation period, the import prices of products subject to the investigation request generally showed a downward trend. From 2015 to 2019, the import prices of products subject to the investigation request were USD 7,759 / kl, USD 6,834 / kl, USD 6,447 / kl, USD 6,090 / kl and USD 6,723 / kl, respectively, down 11.92% from 2015 in 2016, 5.67% from 2016 in 2017, 5.54% from 2017 in 2018, 21.51% from 2015 in 2018. In 2019, the import price increased by 10.39% over 2018 but still decreased by 13.36% compared with 2015.

In the context of a continuous substantial increase in import volume, continuous increase in market share, and continuous increase in proportion to the total output of domestic like products, the price cut of products subject to the investigation request has caused a tremendous impact on the domestic industry. As described below, like products in the domestic industry suffered significant price cut, price suppression and continued drop of total profit, which has caused impact and damage to the production and operation of domestic like products (please refer to the analysis and explanation of "the influence of products subject to the investigation request on related economic indicators or factors of the domestic industry" for details).

## **V. Subsidies for products subject to the investigation request**

Preliminary evidence available to the Applicant shows that there are subsidies for products originating in Australia subject to the investigation request. The Applicant petitions the Investigating Authority to investigate the unfair trade practice that Australian products subject to the investigation request benefit from government subsidies. Hereinafter, the Applicant applies for a preliminary estimate of the subsidy margin for imported wines originating in Australia, during the investigation period from 1 January, 2019 to 31 December, 2019, in accordance with the information and data currently available.

**(I) Subsidy programs**

To file the application for countervailing duty investigation, the Applicant petitions the Investigating Authority to investigate the subsidy programs that may benefit the Australian products subject to the investigation request. These subsidy programs include:

1. Wine Equalisation Tax Rebate
2. The Export and Regional Wine Support Package
3. Regional Program
4. Wine Tourism and Cellar Door Grant
5. Managing Farm Risk Program
6. National Land care Program
7. Accelerating Commercialisation
8. Innovation Connections
9. Export Market Development Grants
10. The Research and Development Tax Incentive
11. Business Growth Grants
12. Australian Postgraduate Research Intern
13. Sustainable Rural Water Use and Infrastructure Program
14. Commonwealth On-Farm Further Irrigation Efficiency Program
15. 3-Year Write off on Water Facilities for Primary Producers
16. Drought Concessional Loans Scheme
17. Agriculture Advancing Australia Farm Help
18. Exceptional Circumstances Interest Rate Subsidies
19. Farm Finance Concession Loans Scheme
20. Agriculture Energy Investment Plan in Victoria
21. Regional Jobs Fund in Victoria
22. Food Source Victoria Grants
23. Regional Inward Buyer Mission Programme in Victoria
24. Business Energy and Water Program in the Australian Capital Territory
25. TechVouchers Program in New South Wales
26. Advanced Manufacturing Innovation and Growth Voucher System in Tasmania
27. Innovation Vouchers Program in Western Australia
28. Export Accelerator Grants in South Australia
29. Resource Productivity Assessment in South Australia
30. Regional Food Initiatives Program in South Australia
31. Supporting Brands of our Key Regions Grant Funding Program in South Australia
32. Vineyard and Orchard Expansion Program in Tasmania
33. Riverland Sustainable Futures Fund South Australia
34. South Australian River Murray Sustainability Program
35. NVIRP 2 On-farm Project in Victoria
36. On-Farm Productivity Improvement Grants Victoria
37. Agriculture Infrastructure and Jobs Fund - Victoria

- 38. Drought Recovery Concessional Loans Scheme in New South Wales and Queensland
- 39. Supporting More Efficient Irrigation in Tasmania
- 40. AgriGrowth Concessional Loan Scheme in Tasmania

## **(II) Detailed description and analysis of subsidy programs**

The development of Australia's wine industry is closely related to the vigorous support of the government. Through legislation, industrial planning and supportive measures, the Federal Government of Australia and state governments have conducted extensive intervention, control and management of the wine industry.

Wine Australia is the research and development, marketing and regulatory body for the Australian wine industry. It was established under the Wine Australia Act 2013. Its main functions are to coordinate or fund the research and development of grapes and wines, control exports of Australian wines, and promote the sale and consumption of wines, both in Australia and overseas. Government funding is an important source of funding for Wine Australia.

Wine Australia and Australian grape and wine sector jointly launched the *Vision 2050* and planned the long-term development route of the Australian wine industry. In line with the *Vision 2050*, Wine Australia also developed more detailed five-year plans, including the *Strategic Plan 2015-2020* and the *Strategic Plan 2020-2025*. The Five-Year Plans set out development plans, strategies and priorities, provided a fund allocation scheme and set up specific quantitative key performance indicators to measure the achievement of development expectations.

The *Strategic Plan 2015-2020* set out two development priorities and 12 basic development strategies for the Australian wine sector. The two development priorities include: (1) increasing demand for and the profit of Australian wine; and (2) Increasing competitiveness in vineyards, wineries and wine businesses. The 12 strategies include (1) Promoting Australian wine globally; (2) Protecting the reputation of Australian wine; (3) Building Australian grape and wine excellence; (4) Improving resource management and sustainability; (5) Improving vineyard performance; (6) Improving winery performance; (7) Enhancing market access; (8) Building capability (Developing people); (9) Business intelligence and measurement; (10) Extension and adoption of R&D; (11) Corporate affairs (Communication and cooperation with domestic and international shareholders [Translator's note: the original English text of the Strategic Plan says "internal and external stakeholders", the Application's drafters may have wrongly translated this phrase from English to Chinese]); and (12) Corporate services (information services or technical support). (Please refer to Annex XII (1)).

The *Strategic Plan 2020-2025* set out 5 basic development strategies, including (1) Increasing demand and the premium paid for Australian wine through marketing; (2)

Protecting the reputation of Australian wine; (3) Enhancing Australian grape and wine excellence with excellent research outcomes of grape growers and wine producers; (4) Supporting growers and producers in implementing environmental management practices by providing knowledge and tools to ensure environmental sustainability; and (5) Building business sustainability, excellence and leadership by accelerating the adoption of research outcomes and best practices. The Strategic Plan also provides specific plans for the allocation of funds, totalling AUD 65.4 million. (Please refer to Annex XII (1)).

In order to realize the above industrial planning, the Federal Government of Australia and state governments have launched a large number of subsidy programs. Detailed description and analysis are as follows:

## **1. Wine Equalisation Tax Rebate**

Different from other alcoholic beverages which are taxed according to their alcohol level, the Wine Equalisation Tax (WET) the Australian government imposes on wine is at the rate of 29% on the wholesale value of the wine. However, the preliminary evidence (Annex XII (2)) shows that, on the one hand, the equalisation tax the Australian government imposes on wine is lower than other alcoholic beverages<sup>2</sup>; on the other, wine producers can claim a partial rebate.

### **(1) Financial contribution**

According to Article 3.2 of the *Countervailing Measures Regulations*, "waiver of or failure to collect by the government of the exporting country (region) the income receivable" constitutes financial contribution. Under the above subsidy program, the Australian government reduces the tax payable by wine producers by introducing a lower equalisation tax and through partial tax rebate, i.e., the Australian government has given up this part of fiscal revenue receivable. Thus, it has constituted "financial contribution" in Article 3.2 of the *Countervailing Measures Regulations*. As shown by the preliminary evidence, without calculating the actual difference between the WET and taxes on other alcoholic beverages, the WET rebate alone amounted to AUD 330 million in 2016. At present, Australia still levies the WET on wine. However, due to limited data, the Applicant is unable to obtain the amount of the tax receivable actually given up by the government during the investigation period. The Applicant petitions the Investigating Authority to conduct further investigations later.

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<sup>2</sup> According to information disclosed on the official website of the Australian Taxation Office, among alcoholic beverages exceeding 10% by volume of alcohol, Brandy shall pay a tax of AUD 81.16 per liter of alcohol, while other alcoholic beverages shall pay AUD 86.9 per liter of alcohol. The tax rates for Australian alcoholic beverages can be found at <https://www.ato.gov.au/Business/Excise-and-excise-equivalent-goods/Alcohol-excise/Excise-rates-for-alcohol>.

**(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. The Wine Equalisation Tax Rebate is formulated by the Australian government and is specifically targeted at the wine industry, so it complies with the above legal provisions and is specific.

**(3) Benefits of the subsidy**

Under this subsidy program, the Australian government can lower the tax burden of wine producers and bring economic benefits to them by offering preferential tax rate and partial tax rebate. The difference between the WET and taxes on other alcoholic beverages together with the tax actually rebated by the Australian government constitute subsidy benefits available under this program. Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more information on the subsidy through other reasonable and open channels, especially the specific subsidy amount for each producer of the products subject to the investigation request. Therefore, the Applicant petitions the Investigating Authority to further investigate this subsidy program in its later investigations.

**2. The Export and Regional Wine Support Package**

To develop domestic economy, the Australian government unveiled the Export and Regional Wine Support Package (Please refer to Annex XII (3)). The Package is an AUD 50 million commitment, from 2017 to 2020, administered by Wine Australia and focused on building Australia's international wine exports in such a way that will benefit wine producers and assist export-focused businesses to grow. The Package includes many support measures, such as:

**2.1 International Wine Tourism Competitive Grants**

Under this grant program, the Australian government allocates AUD 5 million for eligible activities, including (1) wine tourism promotion activities targeting at attracting international tourists; (2) wine promotion activities targeting at attracting international tourists to specific regions; (3) wine events that aim to increase international wine tourism and spend by tourists; (4) infrastructure (hard or soft) aiming for concentration of services, products and experience that complements international wine tourism in a specific region or directly supports international wine tourism and has a benefit for multiple businesses in a specific region; and (5) innovative products or services which enable or complement international wine tourism and benefit multiple businesses in a specific region. (Please refer to Annex XII (3)).

## **2.2 International Wine Tourism State Grants**

Under this program, the Australian government allocates AUD 5 million for eligible activities, including (1) research to inform the development of wine tourism strategies within the state directed at growing international wine tourism; (2) facilitation of collaborative planning processes to develop wine tourism strategies within the state directed at growing international wine tourism; (3) implementation of international wine tourism activities identified in a strategy developed by an Australian State Wine Association or an Australian State Government; and (4) trialling new initiatives aimed explicitly at growing international wine tourism. (Please refer to Annex XII (4))

## **2.3 Wine Export Grants**

The grant program encourages small and medium wine producers to build new marketing channels in Mainland China, Hong Kong, Macau and the USA. The implementation period is from January 2018 to May 2020. The Australian government allocates AUD 1.5 million for eligible export promotion activities to support wine exports. In addition, according to the program guidelines, only wine producers with an aggregated turnover of less than AUD 20 million and export turnover of less than AUD 5 million are eligible for the grants. (Please refer to Annex XII (5))

## **2.4 China and USA marketing activities**

Under the grant program, the Australian government allocates AUD 32.5 million for dedicated marketing campaigns to increase wine exports to China and the USA. (Please refer to Annex XII (6))

## **2.5 Capability development**

The grant program, with financial support from Wine Australia, involves development and delivery of workshops and researches about export planning, market analysis, the development of wine tourism products and services, and barriers to export, in order to upskill regional wine producers and wineries in terms of export readiness and developing wine tourism products and services. (Please refer to Annex XII (7))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The Export and Regional Wine Support Package is a subsidy program of AUD 50 million administered by Wine Australia, and already constitutes “financial contribution” under Article 3.1 of the *Countervailing*



*Measures Regulations*. The subsidy program is implemented from 2017 to 2020, and remains in effect during the investigation period of this application. Due to limited information, the Applicant does not have access to the annual budget and allocations of the Wine Authority at this time.

## **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The Export and Regional Wine Support Package is targeted at the wine industry, and is mainly used to support exports. In particular, in the Wine Export Grants and China and USA marketing activities, it is explicitly mentioned that the funding is used for developing the Chinese market. Therefore, the Applicant believes that the Export and Regional Wine Support Package, which is administered by Wine Australia and is specifically targeted at the wine industry for export, accords with the above-mentioned legal provisions and is specific in nature.

## **(3) Benefits of the subsidy**

Under this subsidy program, Wine Australia can help Australian wine industry/businesses to boost exports through grant funding, bringing benefits to winemakers. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **3. Regional Program**

The Regional Program is a key initiative of Wine Australia to increase the demand for Australian wine and to increase the competitiveness of the Australian wine sector. The government formed 11 regional “clusters” which comprise of one or more regions, allowing all Australian wine regions to participate in the Regional Program. Within each cluster, a state or regional wine association coordinates the Regional Program. A five-year strategic plan (2017-2022) should be developed by each regional cluster to commence 1 July 2017. The strategic plan should identify the key regional issues and priorities to be addressed through regionally based research, demonstration trials and extension of research (Please refer to Annex XII (8))

**(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The Regional Program is administered by Wine Australia and coordinated by state or regional wine associations. All Australian wine regions can obtain the program funding. The investment cap is based on the value of Wine Equalisation Tax paid by a wine region. Wine regions that pay higher taxes receive a larger percentage of the total funding. The program invests a total of AUD 725,000 per year to the 11 clusters, amounting to AUD 3,625,000 over five years, and already constitutes “financial contribution” under Article 3.1 of the *Countervailing Measures Regulations*.

**(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The Regional Program, which is administered by Wine Australia and is specifically targeted at the wine industry, accords with the above-mentioned provisions and is specific in nature.

**(3) Benefits of the subsidy**

The subsidy program aims to increase the demand for Australian wine and to increase the competitiveness of the Australian wine sector, which can bring benefits to the Australian wine industry and enterprises. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

**4. Wine Tourism and Cellar Door Grant**

The grant program, which is administered by Wine Australia, is part of a coordinated suite of measures developed with the Australian grape and wine community, and compliments the components of the AUD 50 million Export and Regional Wine Support Package. The objective of the program is to support the development of the wine industry by attracting visitors to wine regions. (Please refer to Annex XII (9))

**(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The program is administered by Wine Australia. Wine producers who have met the eligibility criteria will be able to access an annual grant of up to AUD 100,000 for their eligible domestic wine sales. Total funding allocated by Wine Australia under the grant program will be capped at AUD 10 million each financial year, which already constitutes “financial contribution” under Article 3.1 of the *Countervailing Measures Regulations*.

**(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The subsidy program, which is administered by Wine Australia and is specifically targeted at the wine industry, accords with the above-mentioned provisions and is specific in nature.

**(3) Benefits of the subsidy**

Under this subsidy program, Wine Australia can help the Australian wine industry/businesses to boost exports through grant funding, bringing benefits to winemakers. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

**5. Managing Farm Risk Program**

The Managing Farm Risk Program is a subsidy program administered by the Department of Agriculture and Water Resources. When a farm applies for a new insurance policy, it can receive subsidies from the Australian government for the costs of advice and assessments (Please refer to Annex XII (10)). According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, the grant activity timeframe is from 2016 to 2019, with a total budget of AUD 20.2 million.

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The subsidy program, which is funded by the Federal Government of Australia and is administered by the Department of Agriculture and Water Resources to provide rebates to eligible farms for the costs related to the purchase of insurance, already constitutes “financial contribution” under Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. Not all farms are eligible for the Managing Farm Risk Program. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, only farm businesses that meet the criteria, for example, being involved within agricultural, horticultural, pastoral, apicultural or aquacultural industries, and having total cash receipts of less than AUD 2 million, are eligible to apply for the subsidy. Therefore, the Applicant concludes that the subsidy program accords with the above-mentioned provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under the subsidy program, the Australian government can help lower the farms’ costs and confer benefits to them by providing rebates to farms for costs incurred by the purchase of insurance. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute’s Grants List<sup>3</sup>, grape growers can apply for the program, each has access to a maximum funding of AUD 2,500. Since grapes provide the main raw material for wine production, financial subsidies that grape growers receive can be passed on and can bring benefits to the wine industry.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

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<sup>3</sup> Please refer to Annex XII (11).

## 6. National Landcare Program

The National Landcare Program is a subsidy program administered by the Department of Agriculture and Water Resources, which aims to protect, conserve and provide for the productive use of Australia's water, soil, plants and animals and the ecosystems in which they live and interact, in partnership with industry, communities and other governments. Smart Farms, the principal component of the National Landcare Program, is made up of three elements: Smart Farming Partnerships, Smart Farms Small Grants, and Building Landcare Community and Capacity. Through Smart Farming Partnerships, the government invests AUD 55 million to large scale projects to encourage the development, trial and roll-out of innovative tools and farm practices. Smart Farms Small Grants is an AUD 55 million competitive small grants program to support the adoption of best practices that improves the management and quality of natural resources and increases on-farm productivity. For Building Landcare Community and Capacity, the government invests AUD 24 million to support the sharing of knowledge and achievements, and promote community leadership. (Please refer to Annex XII (12))

### (1) Financial contribution

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The National Landcare Program, which is administered by the Department of Agriculture and Water Resources and receives a total of 134 million funding from the Government, already constitutes "financial contribution" under Article 3.1 of the *Countervailing Measures Regulations*.

### (2) Specificity

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. The above-mentioned subsidy program is administered by the Department of Agriculture and Water Resources. The program is targeted at smart farms, and the three different implementation plans have different targets, for example, Smart Farming Partnerships only invests into medium to large scale projects, not small ones. That is to say, the subsidy does not apply to all farm businesses or projects. Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

### (3) Benefits of the subsidy

Under the subsidy program, the Australian government can help lower farms or growers' costs and bring benefits to them. The actual expenditure in this subsidy program by the

Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>4</sup>, grape growers can apply for the subsidy program, each has access to a maximum funding of AUD 100,000. Since grapes provide the main raw material for wine production, financial subsidies that grape growers receive can be passed on and bring benefits to the wine industry.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **7. Accelerating Commercialisation**

Accelerating Commercialisation is administered by the Department of Industry, Innovation and Science to provide access to expert guidance and grants to help businesses commercialise their novel products, processes and services. The program offers three types of assistance to successful applicants: (1) Commercialisation Guidance, (2) Accelerating Commercialisation Grants, and (3) Portfolio Services. (Please refer to Annex XII (13))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The program is administered by the Department of Industry, Innovation and Science, and offers Commercialisation Guidance, Accelerating Commercialisation Grants and Portfolio Services to successful applicants, among which the Accelerating Commercialisation Grant provides funding to each eligible applicant to a maximum of AUD 250,000 or AUD 1 million, and already constitutes "financial contribution" under Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. Under the program, the subsidy is used to pay for qualified commercialisation costs, and only companies that meet the eligibility criteria can have access to the subsidy. An eligible applicant must be a for-profit company registered and

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<sup>4</sup> Please refer to Annex XII (11).

operating in Australia, and must have a novel product, process or service it wish to commercialise. To apply for an Accelerating Commercialisation Grant, applicants must also meet the turnover test outlined at Section 5 of the Customer Information Guide and show they can fund at least 50% of the project expenditure, including labour (plus on-costs), contracts, manufacturing plant, pilot and prototype manufacturing expenditure. This means that the Australian government has set multiple criteria in Accelerating Commercialisation, so not all companies can apply for the subsidy. Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under the subsidy program, the Department of Industry, Innovation and Science can help companies lower their commercialisation costs and confer benefits to the companies by offering free services and direct subsidy. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>5</sup>, grape growers and wineries can apply for the program to obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **8. Innovation Connections**

Innovation Connections is funded and administered by the Department of Industry, Innovation and Science to assist businesses to understand their research needs, connect with the research sector and fund collaborative research projects. The program first provides a free Innovation Connections Facilitation service which includes access to a highly skilled facilitator who will work with the business to discuss strategic research opportunities into new or existing markets, identify critical research areas, and find ways for the business to work with the research sector. Subsequently, a business can apply for an Innovation Connections Grant up to a maximum of AUD 50,000 to undertake a research project that addresses the recommendations made in the Innovation Facilitation Report. (Please refer to Annex XII (14))

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<sup>5</sup> Please refer to Annex XII (11).

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The program, administered by the Department of Industry, Innovation and Science, provides eligible applicants with access to free Innovation Connection Facilitation service and an Innovation Connections Grant of up to AUD 50,000 for each applicant, which already constitutes “financial contribution” under Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The Australian government has set multiple criteria for the subsidy program. An eligible applicant must be a for-profit company showing ongoing operation for over three successive years and have an annual turnover or operating expenditure between AUD 750,000 and AUD 100 million. The Innovation Connections Grant can only be used for research projects in collaboration with a Publicly Funded Research Organisation (PERO). Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under the subsidy program, the Department of Industry, Innovation and Science can help companies lower their costs incurred by research projects and confer benefits to the companies by offering free service and direct subsidy. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute’s Grants List<sup>6</sup>, grape growers and wineries can apply for the program to obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

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<sup>6</sup> Please refer to Annex XII (11).



## 9. Export Market Development Grants

The Export Market Development Grants (EMDG) is a key Australian government financial assistance program for exporters. Administered by Austrade, the scheme encourages small- and medium-sized Australian businesses to develop export markets, and reimburses eligible export promotion expenses. (Please refer to Annex XII (15))

### (1) Financial contribution

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The program, which is administered by Austrade and provides up to eight grants to each eligible applicant to reimburse up to 50 per cent of eligible export promotion expenses above AUD 5,000, already constitutes “financial contribution” under Article 3.1 of the *Countervailing Measures Regulations*.

### (2) Specificity

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The above-mentioned scheme is an export subsidy program administered by Austrade, which reimburses eligible export promotion expenses. In addition, the subsidy program only targets small- and medium-sized companies. Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

### (3) Benefits of the subsidy

Under the subsidy program, the Australian government can help companies lower their costs incurred by export promotion and confer benefits to the companies by offering export subsidy. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute’s Grants List<sup>7</sup>, each grape grower and winery can apply for up to AUD 150,000 of funding in this program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the

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<sup>7</sup> Please refer to Annex XII (11).

investigation authority to give further attention to this subsidy program during the investigation.

## **10. The Research and Development Tax Incentive**

The Research and Development (R&D) Tax Incentive aims to boost competitiveness and improve productivity across the Australian economy by encouraging industry to conduct R&D that may not otherwise have been conducted, improving the incentive for smaller firms to undertake R&D, and providing business with more predictable, less complex support. The program is jointly administered by the Australian Taxation Office and the Department of Industry, Innovation and Science, starting from 1 July 2011. (Please refer to Annex XII (16))

### **(1) Financial contribution**

According to Article 3.2 of the *Countervailing Measures Regulations*, “waiver of or failure to collect by the government of the exporting country (region) the income receivable” constitutes financial contribution. Under the above-mentioned subsidy program, the Australian government provides targeted R&D tax offsets: a 43.5% refundable tax offset for eligible entities with an aggregated turnover of less than AUD 20 million per annum, provided they do not enjoy income tax exemption; a 38.5% non-refundable tax offset for all other eligible entities (entities may be able to carry forward unused offset amounts to future income years). The Applicant believes that by providing tax offsets for eligible companies, the Australian government waives or fails to collect this part of its fiscal revenue, which constitutes “financial contribution” under Article 3.2 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by some enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The R&D Tax Incentive does not apply to all entities but is only available to entities that meet specific criteria and are engaged in specific R&D activities, and different tax offsets apply to different entities. Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under the subsidy program, the Australian government can help companies reduce their R&D costs and confer benefits to the companies by providing tax offsets. The actual amount of tax offset by the Government constitutes subsidy benefits available under this program.

According to the Australian Wine Research Institute's Grants List<sup>8</sup>, grape growers and wineries can apply for tax offsets in this program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **11. Business Growth Grants**

Business Growth Grants is a program administered by the Department of Industry, Innovation and Science, aiming to increase businesses' capability to trade in Australian markets and/or export markets. The grant amount is up to 50 per cent of eligible project costs. The minimum grant amount is AUD 2,500 and the maximum grant amount is AUD 20,000 (Please refer to Annex XII (17))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The program is administered by the Department of Industry, Innovation and Science. Each eligible applicant can obtain a grant of at least AUD 2,500 and up to AUD 20,000 to engage external expertise to help the business implement the recommendations in its plan. The Applicant believes that the subsidy program constitutes "financial contribution" under Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. The above-mentioned subsidy program is formulated by the Department of Industry, Innovation and Science, which specifies that the financial support shall apply to plans related to the improvement of the export market capacity. At the same time, the applicants must meet the requirement of having a total operating revenue between AUD 750,000 and AUD 100 million. Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

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<sup>8</sup> Please refer to Annex XII (11).

### **(3) Benefits of the subsidy**

Under this subsidy program, the Department of Industry, Innovation and Science can help companies lower their operating costs, enhance their export capacity, and confer benefits to them by providing funding. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>9</sup>, grape growers and wineries can apply for funding in this program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **12. Australian Postgraduate Research Intern**

The Australian Postgraduate Research (APR) Intern formulated by the Department of Industry, Innovation and Science is Australia's only all sector—all discipline postgraduate internship program. Working at the nexus between industry and academia, APR. Intern is a not-for-profit program open to all universities and industry sectors, including small-to-medium enterprises as well as government agencies. The program provides a platform for industry to further develop and innovate through short-term 3-5 month tightly focused research projects, and gives postgraduate students the opportunity to apply highly analytical research expertise to the project while gaining invaluable experience in an industry setting. (Please refer to Annex XII (18))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The APR. Intern program is administered by the Department of Industry, Innovation and Science, through which all small and medium-sized enterprises and government agencies can obtain a subsidy covering 50% of the cost of a 5-month PhD internship from the Australian government (usually AUD 26,000). The program thus constitutes "financial contribution" in Article 3.2 of the *Countervailing Measures Regulations* (Translator's note: this might be a typo in the original Chinese text - it should be Article 3.1).

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<sup>9</sup> Please refer to Annex XII (11).

## (2) Specificity

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The above-mentioned subsidy program does not apply to all businesses. It is established by the Department of Industry, Innovation and Science, and only applies to certain businesses (small and medium-sized enterprises) accepting PhD interns. Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

## (3) Benefits of the subsidy

Under the subsidy program, the Department of Industry, Innovation and Science can help companies lower their costs, enhance their export capacity, and confer benefits to them by providing direct subsidy. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute’s Grants List<sup>10</sup>, grape growers and wineries can apply for funding in this program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## 13. Sustainable Rural Water Use and Infrastructure Program

This is a national program involving AUD 10 billion, which is closely related to agricultural irrigation as well as water use and management<sup>11</sup>. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, this subsidy program began in 2007/2008 and will end in 2023/2024, and it involves the Federal Government providing funds for state and local governments. Under the program, the Australian state governments, based on their actual situations, implement specific subsidy projects, including:

13.1 Private Irrigation Infrastructure Operators Program for New South Wales<sup>12</sup>: A total of AUD 917 million was invested in three rounds;

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<sup>10</sup> Please refer to Annex XII (11).

<sup>11</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 11.

<sup>12</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 11.

- 13.2 Private Irrigation Infrastructure Program for South Australia<sup>13</sup>: preliminary evidence shows that the total value of all grants in two rounds has been AUD 14.4 million;
- 13.3 Queensland Healthy Headwater Water Use and Efficiency Program<sup>14</sup>: preliminary evidence shows that AUD 155 million has been provided across 12 rounds of open applications;
- 13.4 Goulburn Murray Water Connection Project Stage 2<sup>15</sup>: preliminary evidence shows that AUD 953 million has been funded in Stage 2;
- 13.5 Victorian Farm Modernisation Project<sup>16</sup>: preliminary evidence shows that AUD 100 million has been provided for the project;
- 13.6 New South Wales State Basin Pipe–Stock and Domestic<sup>17</sup>: preliminary evidence shows that AUD 137 million has been funded to implement the project;
- 13.7 New South Wales State Water Metering Scheme<sup>18</sup>: preliminary evidence shows AUD 119.9 million has been provided;
- 13.8 On-Farm Irrigation Efficiency Project<sup>19</sup>: preliminary evidence shows that AUD 509 million has been provided in five rounds.

## **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The Federal Government of Australia established the subsidy program and offered AUD 10 billion for funding, while the state governments implement programs based on their actual situations. The program thus constitutes “financial contribution” in Article 3.1 of the *Countervailing Measures Regulations*.

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<sup>13</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 12.

<sup>14</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 13.

<sup>15</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 14.

<sup>16</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 15.

<sup>17</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 16.

<sup>18</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 17.

<sup>19</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 18.

## (2) Specificity

According to Article 4 of the *Countervailing Measures Regulations*, “when determining specificity, such factors as the number of subsidised enterprises, the amount, proportion, duration and means of the subsidy granted to the enterprises shall also be considered.” For this subsidy program, although it’s not specified in the law which enterprises and industries can obtain the subsidy, it is clearly stated in the *Disclosure of Facts on which the Final Determination on the Countervailing Investigation into imports of Barley from Australia – Submission from Australia* that “in the area where River Murray water is used for irrigated crops.....Irrigation water (due to cost) is used on high value horticulture and grape crops”<sup>20</sup>. South Australia is the largest grape/wine region in Australia and produces about 50 per cent of the total national output. Therefore, the Applicant has reasons to believe that since wine regions are mainly located in arid areas, irrigation and water management projects mainly serve grape crops in wine regions including South Australia, making the Sustainable Rural Water Use and Infrastructure Program distinctly regional and possess de facto specificity.

## (3) Benefits of the subsidy

Under the subsidy program, the Federal Government of Australia and the state governments can lower the costs of growing grape crops and confer benefits to growers or farms by offering direct financial support. Since grapes provide the main raw material for wine, the wine industry can obtain benefits as well. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## 14. Commonwealth On-Farm Further Irrigation Efficiency Program

Upon authorisation by the *Water Act 2007*, the Australian government established the subsidy program to assist irrigators in the Murray-Darling Basin to modernise and improve the efficiency of their on-farm irrigation infrastructure<sup>21</sup>.

<sup>20</sup> Refer to Pages 4-5 of the *Disclosure of Facts on which the Final Determination on the Countervailing Investigation into imports of Barley from Australia – Submission from Australia* submitted by the Australian government in China's Barley Countervailing Case.

<sup>21</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 20.

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The Commonwealth On-Farm Further Irrigation Efficiency Program is authorised by law and funded under the Water for the Environment Special Account. Funding is provided through a funding agreement between the Commonwealth and local delivery partners, and the program is delivered through the local delivery partners (such as industry bodies and Catchment Management Authorities, irrigation bodies and irrigators). The Australian government provides AUD 15 million funding in this program. Therefore, the financial support provided by the Australian government under the Commonwealth On-Farm Further Irrigation Efficiency Program constitutes “financial contribution” in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.3 of the *Countervailing Measures Regulations*, subsidies “obtained by enterprises or industries in specified areas” shall be specific. The Commonwealth On-Farm Further Irrigation Efficiency Program is a regional subsidy initiated by the Australian government for the Murray-Darling Basin. Furthermore, according to the *Government Response to the Questionnaire on the Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, the Commonwealth On-Farm Further Irrigation Efficiency Program does not apply to all agricultural products, but limited to specific range of agricultural products, including grape, almond, citrus, jujube and the pasture for dairy products and other livestock feed. Among the 66 approved projects, 62 of them are related to the production of perennial trees and vine crops. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific.

### **(3) Benefits of the subsidy**

Under this subsidy program, grape crops benefit the most. The Australian government can lower costs for grape growers or farms and confer benefits to them by offering financial subsidies. Since grapes provide the main raw material for wine, the wine industry can obtain benefits as well. The actual expenditure in this subsidy program by the government constitutes subsidy benefits available under this program.

According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, the program was implemented from 2016 to 2018. Although the program has concluded, its non-repetitive nature allows the grape/wine industries to benefit continuously from the subsidy program. Therefore, the Applicant believes that it is necessary to allot such benefits across the



investigation period to reasonably reflect the actual benefits obtained by the products subject to the investigation request.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

### **15. 3 year write off on water facilities for primary producers**

Since 2015, the Australian government has been providing subsidies for primary producers' capital expenditure on water facilities by tax concession. The program is administered by the Australian Taxation Office. Producers receiving the subsidy can claim up to one third of capital expenditure on water facilities. Eligible projects include capital repairs, structural improvements and additions to any structure that conserves or conveys water, as well as Landcare operations.<sup>22</sup>

#### **(1) Financial contribution**

According to Article 3.2 of the *Countervailing Measures Regulations*, "waiver of or failure to collect by the government of the exporting country (region) the income receivable" constitutes financial contribution. Under the above-mentioned subsidy program, the Australian government allows primary producers to apply for tax concession to reduce their costs on water facilities and land care activities, meaning the Australian government has given up this part of its tax revenue, which constitutes "financial contribution" under Article 3.2 of the *Countervailing Measures Regulations*.

#### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. The above-mentioned subsidy program only applies to primary producers, not all farmers or enterprises. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, there's also limitation on eligible projects –only expenditure incurred by water supply facilities such as dams, water tanks, drilling, irrigation canals, water pumps, water towers and windmills can apply for the subsidy. Therefore, the Applicant concludes that this subsidy program accords with the above-mentioned provisions and is specific in nature.

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<sup>22</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 7.

### (3) Benefits of the subsidy

Under the subsidy program, the Australian government can help lower growers/farms' costs and confer benefits to them by tax deduction. Heavy irrigation is needed for growing grapes. Therefore, grape growers and farms often purchase and build water supply facilities. Eligible grape growers and farms can apply for the subsidy to gain benefits. The wine industry can thus obtain benefits from this program as well. The actual tax payable given up by the Australian government constitutes the obtainable benefits of the program.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## 16. Drought Concessional Loans Scheme

Under this subsidy program, farms under financial strain due to drought are regarded as eligible to apply for concessional loans up to 50 per cent of eligible farm business debt to a maximum of AUD 1 million. Concessional loans can be used for debt restructuring, certain operating expenses, and drought recovery and preparedness activities<sup>23</sup>. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, the loan scheme applies to all states. The application period is between 2014 and June 2017, and the period of implementation is different in each state. As of 31 October 2018, the Australian government had granted a total of AUD 296.7 million in loans with a maximum term of 5 years. There is no evidence that all loan programs have been terminated.

### (1) Financial contribution

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Under the above-mentioned subsidy program, the Australian government and state governments offer financial assistance to eligible farms in the form of concessional loans, which constitutes "financial contribution" in Article 3.1 of the *Countervailing Measures Regulations*.

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<sup>23</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 4.

## **(2) Specificity**

According to Article 4.3 of the *Countervailing Measures Regulations*, subsidies “obtained by enterprises or industries in specified areas” shall be specific. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, not all farm businesses are eligible to apply for the subsidy. Only those farm businesses located in the drought regions within the territory of Australia can obtain concessional loans under this scheme. Therefore, this subsidy program accords with the above-mentioned legal provisions and is specific.

## **(3) Benefits of the subsidy**

Under this subsidy program, the Australian government and the state governments can reduce costs for farm businesses and confer benefits to them by offering concessional loans. The concessional loan rates provided by the Government are significantly lower than normal commercial loan rates, and the interest spread between the two constitutes the obtainable benefits under this scheme. In view of the fact that Australian grape/wine regions are mainly located in arid areas, eligible grape farm businesses can also apply for the subsidy under the scheme, which in turn, will benefit the wine industry.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **17. Agriculture Advancing Australia Farm Help**

The Australian government provides grants for farmers facing severe financial difficulties and who are unlikely to obtain a loan from a financial institution. The program is administered by the Department of Agriculture and Water Resources. The program provides up to: 12 months income support (based on Newstart Allowance); AUD 5,500 for an Advice and Training Grant; AUD 75,000 for a Re-establishment Grant; AUD 2,500 for further advice and training.<sup>24</sup>

## **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. Under the above-

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<sup>24</sup> Please refer to Annex XII (20): OECD’s Australia: Estimates of Support to Agriculture, Page 18.

mentioned subsidy program, the Australian government provides grants for eligible farmers, including Advice and Training Grant, Re-establishment Grant and consulting fee, which constitutes “financial contribution” in Article 3.1 of the *Countervailing Measures Regulations*.

## **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. Not all farmers can have access to the grants under this program. The grants are only available to farmers facing severe financial difficulties and who are unlikely to obtain a loan from a financial institution. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific.

## **(3) Benefits of the subsidy**

Under this subsidy program, the Australian government can improve the financial position of agricultural producers, help them reduce costs and bring benefits to them by offering financial aids. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Eligible grape growers can apply for the subsidy, which will also benefit the wine industry.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **18. Exceptional Circumstances Interest Rate Subsidies (ECIRS)**

This subsidy program is initiated based on authorisation in the *Rural Adjustment Act 1992*. Under the program, the Australian government provides interest rate subsidies to farm enterprises and small businesses. When enterprises are in financial difficulties due to Exceptional Circumstances, then can obtain farm borrowings including working capital/overdraft, term loans, commercial bills, vendor debts and equipment finance (but not equipment leases).<sup>25</sup>

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<sup>25</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 4.

**(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. Under the above-mentioned subsidy program, the Australian government provided interest rate subsidies to eligible farm enterprises and small businesses in the form of concessional loans that can reach 50 per cent of the interest payable for the first year, and at 80 per cent in the second year, up to a maximum of AUD 500,000 for the entire program, which constitutes “financial contribution” in Article 3.1 of the *Countervailing Measures Regulations*.

**(2) Specificity**

According to Article 4.2 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly provided in the laws or regulations of the exporting country (region)” shall be specific. The above-mentioned subsidy program does not apply to all enterprises. Instead, only farm enterprises and small enterprises can enjoy concessional loans. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific.

**(3) Benefits of the subsidy**

Under this subsidy program, the Australian government can reduce the costs for farm enterprises and bring economic benefits to them by offering interest subsidy. The interest subsidy constitutes the obtainable benefits under this program. Eligible grape farm enterprises can apply for the subsidy, which will benefit the wine industry.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

**19. Farm Finance Concession Loans Scheme**

Under this subsidy program, the Australian government offers concessional loans to eligible farm enterprises for debt restructuring or productivity enhancement activities<sup>26</sup>. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, the loan scheme

<sup>26</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 4.

lasted for two years, and the application deadline was June 2018, but the loan term was up to five years. There is no evidence that all loan projects have been terminated.

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The subsidy program, which is initiated by the Australian government and implemented via the service agreements signed between the Australian government and state and regional authorities. The program offers financial support to eligible farm enterprises in the form of concessional loans, which constitutes “financial contribution” in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. Under the subsidy program, only farm enterprises are eligible to apply for the concessional loans. Therefore, the Applicant believes that this subsidy program accords with the above legal provisions and is specific.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Australian government can reduce the costs and expenses of farm enterprises and bring benefits to them by offering concessional loans. The concessional loan rates provided by the government are significantly lower than normal commercial loan rates, and the interest spread between the two constitutes the obtainable benefits under this scheme. Eligible grape farm enterprises can apply for the concessional loans, which will also benefit the wine industry.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **20. Agriculture Energy Investment Plan in Victoria**

The Agriculture Energy Investment Plan is a subsidy program initiated by the Victoria State Government. It plans to provide AUD 30 million to support enhancements to energy

efficiency and energy productivity, with a commitment to improve agricultural productivity, boost market access, grow exports and increase jobs. (Please refer to Annex XII (21))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The plan is administered by Agriculture Victoria and an Independent Advisory Panel has been established to help design and implement the Agriculture Energy Investment Plan. The Victorian Government provides AUD 30 million under this plan, funded by the government’s Agriculture Infrastructure and Jobs Fund, which constitutes “financial contribution” in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The subsidy program is a component of the Agriculture Infrastructure and Jobs Fund which mainly targets food and fibre products. The subsidy is not available for all agricultural sectors, and one of the important objectives of this subsidy program is to boost market access and increase exports. That is to say, the subsidy program itself is linked to export business. Therefore, the Applicant believes that this subsidy program accords with the above legal provisions and is specific.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Victorian Government can reduce the related industries’ costs and bring benefits to the industries and the enterprises by offering direct subsidies. The actual expenditure in this subsidy program by the government constitutes subsidy benefits available under this program. Grape/wine industry is an important agricultural sector and also an important export sector in the State of Victoria. According to the Australian Wine Research Institute’s Grants List<sup>27</sup>, grape growers can apply for this subsidy program for up to AUD 1 million funding. Since grapes provide the main raw material for wine production, the financial subsidies that grape growers receive can be passed on and bring benefits to the wine industry.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the

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<sup>27</sup> Please refer to Annex XII (11).

investigation authority to give further attention to this subsidy program during the investigation.

## **21. Regional Jobs Fund in Victoria**

The Regional Jobs Fund is administered by Regional Development Victoria. The aim of the Fund is to facilitate job creation, retain existing jobs, and expand markets at the meantime, by attracting and facilitating investment. The program focuses on regional competitive advantage or high-growth potential businesses, aiming to improve regional capacity and to innovate and capitalise on the potential of emerging industry sectors, especially the priority areas and new export markets identified by the government. (Please refer to Annex XII (22))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, “direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.” constitutes financial contribution. The program is administered by Regional Development Victoria and funded by the Regional Jobs and Infrastructure Fund (RJIF), which provides support for strategic projects and infrastructures through five program streams, including Investment Attraction, Innovation and Productivity, Employment Precincts, Market Access and Skills Development. The Applicant believes that the financial support provided by the Victorian Government to specific industries through the Regional Jobs Fund constitutes “financial contribution” in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The above-mentioned subsidy program mainly focuses on industrial sectors with regional competitive advantage or high-growth potential businesses, especially the priority areas and new export markets identified by the government. That is to say, the subsidy program itself is linked to export business. Therefore, the Applicant believes that this subsidy program accords with the above legal provisions and is specific.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Victorian Government can lower the enterprises’ costs, help the enterprises expand their exports, and bring benefits to them by offering direct subsidies. The actual expenditure in this subsidy program by the government constitutes subsidy benefits available under this program. Grape/wine is an important agricultural sector and also an important export sector in the State of Victoria. According to the Australian Wine



Research Institute's Grants List<sup>28</sup>, grape growers and wineries can apply for this subsidy program and obtain benefits from it.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **22. Food Source Victoria Grants**

The Food Source Victoria Grants is established by Agriculture Victoria under the Victorian Government, and it includes two types of subsidies, namely Planning Grants and Growth Grants. Planning Grants support farmers, growers, processors and manufacturers to work together to grow their businesses, explore growth opportunities and develop a growth plan with clear actions. Growth Grants address supply chain issues that present barriers to growth or to export development.

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. This funding program is administered by Agriculture Victoria, and the subsidies are provided to eligible applicants in the forms of Planning Grants and Growth Grants, which constitutes "financial contribution" in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. The above-mentioned subsidy program only applies to enterprises in the State of Victoria related to agricultural products, and it aims to promote cooperation among supply chain enterprises of agriculture products. Furthermore, the subsidy program itself is linked to export business, committed to expand the applicants' export business and help them solve supply chain problems hindering their export development. Therefore, the Applicant believes that this subsidy program accords with the above legal provisions and is specific.

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<sup>28</sup> Please refer to Annex XII (11).

### **(3) Benefits of the subsidy**

Under this subsidy program, the Victorian Government can help the recipients of the subsidy lower their costs and bring benefits to them by distributing grants. The actual expenditure in this subsidy program by the government constitutes subsidy benefits available under this program. Grape/wine is an important agricultural sector and also an important export sector in the State of Victoria. According to the Australian Wine Research Institute's Grants List<sup>29</sup>, grape growers and wineries can apply for this subsidy program and obtain benefits from it.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **23. Regional Inward Buyer Mission Programme in Victoria**

With the authority of the *Regional Development Victoria Act* and funding from the Moving Forward –Provincial Victoria Growth Fund, the programme provides one-off grants to assist firms to conduct inward buyer missions, with a focus on food, wine, and agribusiness related industries. The programme is committed to help Victoria's regional industries and businesses showcase their capacity to buyers and investors. (Please refer to Annex XII (24))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. With the authority of the *Regional Development Victoria Act* and funding from the Moving Forward –Provincial Victoria Growth Fund, the Regional Inward Buyer Mission Programme provides one-off grants to offset the cost of bringing buyers and influential journalists to Victoria, including contribution to airfares, accommodation, ground transport and meeting costs, which constitutes "financial contribution" in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.2 of the *Countervailing Measures Regulations*, "subsidies obtained by some enterprises or industries which are clearly provided in the laws or regulations of the

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<sup>29</sup> Please refer to Annex XII (11).

exporting country (region)" shall be specific. The Regional Inward Buyer Mission Programme is authorised by the *Regional Development Victoria Act* and mainly targets at food, wine and agribusinesses, which accords with the above legal provisions and it thus specific.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Victorian Government can lower the marketing costs of enterprises and bring benefits to them by offering direct subsidies. The actual expenditure in this subsidy program by the government constitutes subsidy benefits available under this program. The wine industry is explicitly specified by law as the target of the subsidy. Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **24. Business Energy and Water Program in the Australian Capital Territory**

Business Energy and Water Program is implemented by the Department of Sustainable Development of Australian Capital Territory (ACT), aiming to provide subsidies for eligible ACT enterprises which want to upgrade to more water-efficient and energy-efficient technologies, including lighting, appliances, heating or cooling, refrigeration, insulation, toilets and tapware. This subsidy can help enterprises lower their operating costs in water and energy utilisation. (Please refer to Annex XII (25))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Under the Business Energy and Water Program, the ACT Government would bear half of the costs (up to AUD 5,000) eligible enterprises spend on lighting, appliances, heating or cooling, refrigeration, insulation, toilets and tapware. This constitutes "financial contribution" in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. Under the Business Energy and Water Program, only applicants meeting certain requirements can obtain the subsidy. The requirements include: (1) the enterprise must be operating in Australian Capital Territory; (2) have electricity

bills of up to AUD 20,000 per year; and/or (3) employee a maximum of 10 full-time employees. Therefore, the Applicant believes that not all enterprises are eligible for this subsidy and the subsidy is only available to only certain enterprises which can meet the requirements. Therefore, this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Government of the Australian Capital Territory can lower the enterprises' costs and expenses in water and energy utilisation and bring benefits to subsidised enterprises by offering direct subsidies. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>30</sup>, grape growers and wine chateaus can apply for this subsidy program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **25. TechVouchers Programme in New South Wales**

TechVouchers program is administered by the Department of Industry in New South Wales. It aims to encourage research collaboration between small and medium-sized enterprises (SMEs) in New South Wales and Boosting Business Innovation Program delivery partners. Through this program, SMEs can be connected with an expert in a relevant field of research and embark on an innovative joint research project. The program also enables accesses to high tech instruments and facilities that would otherwise be difficult to access. (Please refer to Annex XII (26))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The TechVouchers program is administered by the Department of Industry in New South Wales and offers a cash subsidy of up to AUD 15,000 to each eligible enterprise, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

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<sup>30</sup> Please refer to Annex XII (11).

## **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. Under the TechVouchers program, only applicants meeting certain requirements can receive the subsidy. The requirements include whether the applicant has a partnership with other research institutions, the scale and location of the enterprise, etc. Furthermore, the TechVouchers program is only available to SMEs with an annual revenue of no more than AUD 30 million. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

## **(3) Benefits of the subsidy**

Under this subsidy program, the Government of New South Wales can lower the R&D costs of enterprises and bring benefits to them by offering cash subsidies. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute’s Grants List<sup>31</sup>, grape growers and wine chateaus can apply for this subsidy program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **26. Advanced Manufacturing Innovation and Growth Voucher System in Tasmania**

Advanced Manufacturing Innovation and Growth Voucher System program is administered by the Department of State Growth of Tasmania, aiming to encourage Tasmanian advanced manufacturing enterprises to choose a pathway to undertake innovation and growth initiatives thereby improving their competitiveness. This plan provides assistance in the following aspects, including quality assurance system authentication, designers in industry-industrial product and manufacturing design, disruptive technologies, as well as engineering and applied research (including embedded innovation identification, redesign and new product development). (Please refer to Annex XII (27))

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<sup>31</sup> Please refer to Annex XII (11).

**(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The Advanced Manufacturing Innovation and Growth Voucher System administered by the Department of State Growth of Tasmania provides a subsidy between AUD 5,000 and AUD 15,000 to eligible small and medium-sized advanced manufacturing enterprises in Tasmania, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

**(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. The Advanced Manufacturing Innovation and Growth Voucher System is only available to some small and medium-sized advanced manufacturing enterprises in Tasmania meeting certain requirements, and the annual sales turnover of eligible enterprises must be between AUD 300,000 and AUD 20 million. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

**(3) Benefits of the subsidy**

Under this subsidy, the Department of State Growth of Tasmania could lower the enterprises' costs and expenses and bring benefits to them by providing grants. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>32</sup>, grape growers and wine chateaus can apply for this subsidy program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

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<sup>32</sup> Please refer to Annex XII (11).

## 27. Innovation Vouchers Program in Western Australia

This program is an initiative under the New Industries Fund of the Government of Western Australia, which assists SMEs to commercialise their ideas and innovation and expand to create jobs. This program offers financial support for SMEs in the State of Western Australia to obtain professional skills, services or knowledge, helping them to carry out commercial activities and plans in the State of Western Australia. (Please refer to Annex XII (28))

### (1) Financial contribution

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. This program formulated by the Government of Western Australia provides subsidy of up to AUD 20,000 to each eligible small and medium-sized enterprise through the New Industries Fund, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

### (2) Specificity

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. This subsidy program is available to small and medium-sized enterprises in the State of Western Australia and requires that funding applications must be related to R&D, product development, technology transfer and intellectual property and commercialisation support expenses. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

### (3) Benefits of the subsidy

Under this subsidy program, the Government of Western Australia provides subsidies to enterprises via the New Industries Fund and helps them lower their costs and expenses in commercialisation and obtain benefits from the program. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>33</sup>, grape growers and wine chateaus can apply for this subsidy program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through

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<sup>33</sup> Please refer to Annex XII (11).

other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **28. Export Accelerator Grants in South Australia**

The Export Accelerator Grants in South Australia is a subsidy program formulated by the Government of South Australia and administered by the Department of Trade, Tourism and Investment. This program provides financial support of up to AUD 30,000 to eligible small and medium-sized enterprises to help them access new global markets via marketing and export development opportunities. (Please refer to Annex XII (29))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Export Accelerator Grants is a subsidy program formulated by the Government of South Australia which provides financial support of up to AUD 30,000 to each eligible enterprise through the Department of Trade, Tourism and Investment, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. Export Accelerator Grants is only available to small and medium-sized enterprises in the State of South Australia and poses many requirements in turnover, registration place, transactions, and proof of funds. For example, the enterprise's annual turnover must not exceed AUD 15 million in order to be eligible for this program. Furthermore, the Export Accelerator Grants is an export subsidy program and applicants must submit to the government their export market expansion or growth plans. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Government of South Australia could, by providing subsidies to eligible enterprises through the New Industries Fund, help small and medium-sized enterprises lower their costs and expenses in export marketing, expand the global market and allow them to gain benefits from the program. The actual expenditure in this



subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>34</sup>, grape growers and wine chateaus can apply for this subsidy program and obtain benefits.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **29. Resource Productivity Assessments in South Australia**

Resource Productivity Assessments in South Australia are formulated by Green Industries SA, a statutory body affiliated to the South Australian Government. The program aims to improve the enterprises' business performance and profitability by improving their operating efficiency, saving resources (materials, water and energy), preventing waste, and increasing productivity. (Please refer to Annex XII (30))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. This subsidy program formulated and implemented by Green Industries SA under the appointment of the Government of South Australia provides a subsidy of up to AUD 10,000 to each eligible applicant, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. This subsidy program is only available to commercial enterprises in the State of South Australia, and eligible applicants must meet certain requirements in terms of emission permission, discharge amount, and relationship between waste improvements and business. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

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<sup>34</sup> Please refer to Annex XII (11).

### **(3) Benefits of the subsidy**

Under this subsidy program, the Government of South Australia could, by providing direct subsidies, help the enterprises lower their operating costs, improve their business performance and profitability and thus, allow the enterprises to gain benefits from the program. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the Australian Wine Research Institute's Grants List<sup>35</sup>, wine chateaus can apply for this subsidy program and gain profit.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

### **30. Regional Food Initiatives Program in South Australia**

Regional Food Initiatives Program is a program under the Regional Development Fund of South Australian Government. The purpose of the RDF is to increase economic growth and productivity. Through the Regional Food Initiatives Program, South Australia is committed to facilitate collaboration and partnering of regional food networks and other relevant stakeholders and address the State Government priority, Premium Food and Wine from our Clean Environment. (Please refer to Annex XII (31))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The Regional Food Initiatives Program is a program under the Regional Development Fund of South Australian Government and it is implemented by the government's electoral committee, aiming to provide financial subsidies for eligible cooperative projects, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*. As shown by preliminary evidence, the South Australian Government granted subsidies of AUD 300,000 each year in 2014/2015 and 2015/2016. Due to limited information, the Applicant is not able to obtain more data on the subsidies, but there is no evidence indicating the termination of such a subsidy program. The Applicant has the honour to ask the Investigating Authority to further investigate the subsidy amount during the investigation.

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<sup>35</sup> Please refer to the Annex

## **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. This subsidy program only applies to eligible food enterprises in the State of South Australia. In particular, it gives priority to "Premium Food and Wine from our Clean Environment." Wine is the object of subsidy explicitly specified by the government. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

## **(3) Benefits of the subsidy**

Under this subsidy program, the South Australian Government could, by offering subsidies to eligible food enterprises via the Regional Development Fund, lower those enterprises' project costs and bring benefits to them. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Based on preliminary evidence, wine producers are eligible to apply for this subsidy, and wine producers receiving the subsidy can obtain benefits from it. Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **31. Supporting Brands of our Key Regions Grant Funding Program in South Australia**

Supporting Brands of our Key Regions Grant Funding Program was a 2014/2015 budgeting election commitment made by the State of South Australia. The objective is to support regions to develop and execute effective and sustainable region-specific strategic food, wine and culinary tourism marketing strategies and activities, which support both regional identities, the state brand and positioning of South Australia. (Please refer to Annex XII (32))

## **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. This subsidy program is funded by the State Government's financial budget with the government providing a subsidy ranging from AUD 15,000 up to AUD 40,000 to each eligible recipient, which constitutes “financial contribution” as mentioned in Article 3.1 of the *Countervailing Measures Regulations*. As shown by preliminary evidence, the South Australian Government allocated

AUD 400,000 in 2014 and 2015 respectively. Due to limited information, the Applicant is not able to obtain more data on the subsidy, but there is no evidence indicating the termination of such a subsidy program. The Applicant has the honour to ask the Investigating Authority to further investigate the subsidy amount during the investigation.

## **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. Under this program, the South Australian Industry (food, wine and tourism) associations and Regional Development Australia Associations are recipients of the subsidy. That is to say, this subsidy is not available to all industry sectors. Only a small number of industries, including the wine industry, are eligible for this subsidy. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

## **(3) Benefits of the subsidy**

Under this subsidy program, the South Australian Government could lower the relevant industries' marketing costs and bring benefits to those industries and enterprises by providing subsidies. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Viewing from preliminary evidence, the Wine Association is one of the recipients of the subsidy. Therefore, this subsidy can bring benefits to the wine industry. However, as the Applicant is unable to obtain the actual subsidy amount received by the Wine Association under this subsidy program and could not calculate benefits of the subsidy obtained by products subject to the investigation request, the Applicant has the honour to ask the Investigating Authority to further investigate the subsidy amount during the investigation.

## **32. Vineyard and Orchard Expansion Program in Tasmania**

This program is administered by the Department of State Growth of Tasmania, aiming to stimulate the growth of the fruit industry. This plan offered an interest grant for three years on commercial loans to support the expansion or establishment of vineyards or orchards in Tasmania. (Please refer to Annex XII (33))

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. This subsidy program administered by the Department of State Growth of Tasmania offers interest subsidy on

commercial loans to the recipients, which constitutes “financial contribution” as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

## **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. The recipients of the subsidy under this program are eligible vineyards and orchards. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

## **(3) Benefits of the subsidy**

Under this subsidy program, the Government of the State of Tasmania lowers the loan costs of vineyard or orchard owners and allows them to gain benefits from the program by providing interest subsidies. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Since grapes are the main raw materials for wines, the wine industry can thus benefit from such a program.

As shown by preliminary evidence, the Government of the State of Tasmania granted a total of AUD 139,000 of financial subsidies in the financial years 2015/2016 and 2016/2017. Although this subsidy program terminated in June 2018, it is a non-recurring subsidy and aimed to support the expansion or construction of vineyards. The grape/wine industries can still gain benefits from this subsidy program during the investigation period. Therefore, the Applicant believes that it is necessary to allocate such benefits of the subsidy to the investigation period to reasonably reflect the actual benefits of the subsidy obtained by the products subject to the investigation request.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **33. Riverland Sustainable Futures Fund South Australia**

To improve infrastructure and enhance industrial competitiveness in the Riverland Region, the State of South Australia provides a sustainability fund of AUD 20 million. To apply for this fund, applicants must prove to the South Australian Government or the Riverland

Region Government how its project helps to diversify the economy in this area or how it establishes the competitive advantages in the region.<sup>36</sup>

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Under the above subsidy program, the Government of the State of South Australia provides a development fund of up to AUD 20 million to eligible applicants to develop agriculture in the Riverland Region, which constitutes "Financial Contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.4 of the *Countervailing Measures Regulations*, "subsidies received by enterprises or industries in certain areas" shall be specific. This subsidy program is markedly regional and is only available to agricultural enterprises in the Riverland Region. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, eligible agricultural enterprises must be located in the Berri Barmera Council, Loxton Waikerie Regional Committee and Renmark Paringa Committee under the South Australian Government. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under this subsidy program, the South Australian Government could lower those enterprises' costs and expenses and bring benefits to them by offering subsidies to eligible food enterprises via the Development Fund. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, relevant wine chateaus in the Riverland Region received the subsidy and obtained benefits.

Although this subsidy program terminated in 2014, it was a non-recurring subsidy. The wine chateaus could still obtain benefits from this subsidy program during the investigation period. Therefore, the Applicant believes that it is necessary to allocate such benefits of the subsidy to the investigation period to reasonably reflect the actual benefits of the subsidy obtained by the products subject to the investigation request.

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<sup>36</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 8.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

### **34. South Australian River Murray Sustainability Program**

Within the four and a half years since 2013, the Government of South Australia provided AUD 260 million of financial support under this subsidy program, aiming to improve the water supply and efficiency of irrigation users of River Murray in South Australia.<sup>37</sup>

#### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. The above subsidy program is administered by Primary Industries and Regions SA (PIRSA), which offers development funds totalling AUD 260 million to water users in the Murray area. This constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

#### **(2) Specificity**

According to Article 4.4 of the *Countervailing Measures Regulations*, "subsidies received by enterprises or industries in certain areas" shall be specific. This subsidy program is markedly regional and is only available to agricultural enterprises in the Murray area. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian government in the Barley Countervailing Case, this area covers most part of the South Sudan (translator's note: possible typo in the original Chinese text)-Murray-Darling Basin natural resource management area, as well as some areas under the jurisdiction of local governments, such as the Alexandrina Council, Barossa Council, Clare Council and the Gilbert Valley Council. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

Besides, in the *Disclosure of Facts on which the Final Determination on the Countervailing Duty Investigation into imports of Barley from Australia-Submission from Australia*, the Australian Government clearly points out that "within the geographic area in which the crops are irrigated with the River Murray in South Australia... Irrigation water is primarily used for

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<sup>37</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 41. Please also refer to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case.

high value horticulture and grape crops"<sup>38</sup>. The Murray area is the major grape/wine region in the State of South Australia. Hence, the Applicant has reasons to believe that grape crops are the main recipient of the South Australian River Murray Sustainability Program, and this subsidy program possesses de facto specificity.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Government of South Australia could, through providing financial subsidies, lower the enterprises' costs and expenses and allow them to gain benefits from the program. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. Although this subsidy program has terminated in 2018/2019, it was a non-recurring subsidy. The grape growers or wine chateaus receiving the subsidies can still reap benefits from this subsidy program during the investigation period. Therefore, the Applicant believes that it is necessary to allocate such benefits to the investigation period to reasonably reflect the actual benefits received by the products subject to the investigation request.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **35. NVIRP 2 On-farm Project in Victoria**

The Government of the State of Victoria is committed to helping farmers optimise and upgrade their irrigation systems. It aims to supply water from dams to factories with the optimum efficiency to make sure that farms in the State of Victoria can realise their best interests in the course of farm modernisation.<sup>39</sup>

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Under the above subsidy program, the Government of the State of Victoria provides funding to help farmers optimise and upgrade their irrigation systems, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

<sup>38</sup> Refer to Pages 4-5 of the *Disclosure of Facts on which the Final Determination on the Countervailing Duty Investigation into imports of Barley from Australia-Submission from Australia*.

<sup>39</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 8.



## (2) Specificity

According to Article 4.4 of the *Countervailing Measures Regulations*, “subsidies received by enterprises or industries in certain areas” shall be specific. This subsidy program is markedly regional and is only targeted at farm enterprises located in the northern part of the State of Victoria. Therefore, this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

Besides, according to the *Disclosure of Facts on which the Final Determination on the Countervailing Duty Investigation into imports of Barley from Australia-Submission from Australia*, “Irrigation water is primarily used for high value horticulture and grape crops.”

<sup>40</sup>Since the State of Victoria is one of the main wine regions in Australia, the Applicant has reasons to believe that the optimisation and upgrading of the irrigation systems will act on the wine industry in certain arid areas. Therefore, this subsidy program also possesses the de facto specificity.

## (3) Benefits of the subsidy

Under this subsidy program, the Government of the State of Victoria can lower the manufacturing costs of subsidised enterprises and bring economic benefits to them by offering direct subsidies. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. As the wine industry is an important agricultural sector and also a major export sector in Victoria, the Applicant has reasons to believe that the wine industry can gain benefits from the program.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## 36. On-Farm Productivity Improvement Grants Victoria

Under this subsidy program, the Government of the State of Victoria subsidised drought-stricken farmers to improve infrastructure and productivity of their farms, including improving packing sheds and seedling nursery etc. Irrigation infrastructure was not included in this

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<sup>40</sup> Refer to Pages 4-5 of the *Australian Written Opinion to Letter of Disclosure Regarding the Final Determination of Countervailing Investigation Against Imported Barley Originating in Australia* submitted by the Australian Government in China's Barley Countervailing Case.

program. The subsidy amount does not exceed 50 per cent of the expenditure and does not exceed AUD 3,000.<sup>41</sup>

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Formulated by the Government of the State of Victoria and administered by the Rural Financial Company of Victoria, the above subsidy program provides each eligible farm enterprise with a subsidy not exceeding 50% of the expenditure and no greater than AUD 3,000, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. This subsidy program is markedly regional. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, subsidies are available to farm businesses that are located in the 25 municipalities most affected by the drought in northern Victoria, or in the Willoughby and Bacchus Marsh Districts, and only farm businesses with non-farm assets totalling at least AD750,000 are eligible for subsidies. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Government of the State of Victoria can lower the production costs of farm enterprises and bring economic benefits to them by offering direct subsidies. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. As the wine industry is an important agricultural sector and also a major export sector in Victoria, the Applicant has reasons to believe that the wine industry can benefit from the program.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the

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<sup>41</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 8.

Investigating Authority to give further attention to this subsidy program during the investigation.

### **37. Agriculture Infrastructure and Jobs Fund-Victoria**

In 2016, the Government of the State of Victoria provided AUD 200 million as the Agriculture Infrastructure and Jobs Fund, aiming at improving the performance and resilience of farmers and agricultural sectors. The Fund was administered by the Department of Economic Growth, Employment, Transportation and Resources. It played an important role in government-driven economic growth. Funding in the infrastructure and agricultural supply chain could improve productivity, increase exports, reduce costs and ensure that Victorian farmers, businesses and industries remain competitive. The Fund was also devoted to major investments and activities of the government in a number of projects to further increase agricultural productivity by focusing on projects and activities beyond the farms.<sup>42</sup>

#### **(1) Financial contribution**

According to Article 3.1 and Article 3.3 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc.", and "provision by the government of the exporting country (region) of goods or services other than general infrastructure" constitute financial contributions. Under the above subsidy program, the Government of the State of Victoria provides funding to help farmers improve their farm facilities with the purpose of developing agriculture, increasing export, and bringing down costs, which constitutes "financial contribution" as mentioned in Article 3.1 of the *Countervailing Measures Regulations*. At the same time, the Government of the State of Victoria also serves agriculture and improves agricultural productivity by through other investments or activities, thus constituting "financial contribution" in Article 3.3 of the *Countervailing Measures Regulations*. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, the financial budgets of this subsidy program in 2018/2019 and 2019/2020 were AUD 66.84 million and AUD 66.85 million respectively.

#### **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, "subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)" shall be specific. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, subsidies under this program are mainly targeted at food and fibre

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<sup>42</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 43.

products. Besides, one of the main objectives of the subsidy program is to increase export and the subsidy program itself is yoked to the export business. Therefore, the Applicant believes that accords with the above-mentioned legal provisions and is specific in nature.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Government of the State of Victoria can lower the production costs of farm enterprises and bring economic benefits to them by offering direct subsidies. The actual expenditure in this subsidy program by the Government constitutes subsidy benefits available under this program. As the wine industry is the main pillar of Victoria's economy and also a major source of export subsidies, the Applicant has reasons to believe that the wine industry can gain benefits from the program.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **38. Drought Recovery Concessional Loans Scheme in New South Wales and Queensland**

This subsidy program is formulated by the Australian Federal Government and administered under the Service Level Agreement signed between the Federal Government and the governments of New South Wales and Queensland. This subsidy program aims to help farms restore their productivity and profitability under drought conditions by offering concessional loans to eligible agricultural enterprises. The granted loan will be used for recovery activities related to drought, or expenditure related to re-planting.<sup>43</sup>

### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Under the above subsidy program, the New South Wales and Queensland governments provided loans to eligible farms at preferential interest rates, provided subsidies to eligible farms through concessional loan, which has consisted "financial contribution" under the Article 3.1 of the Regulations of the People's Republic of China on Countervailing Measures. According to the Government Response to the Questionnaire on Countervailing Investigation submitted by the Australian Government in the Barley Countervailing Case, the budgets of the State of New South Wales and the State of Queensland were AUD 50 million and AUD 70 million respectively.

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<sup>43</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 6.

## **(2) Specificity**

According to Article 4.4 of the *Countervailing Measures Regulations*, "subsidies received by enterprises or industries in certain areas" shall be specific. This subsidy program is markedly regional. Although it was formulated by the Federal Government, it only applies to the State of New South Wales and the State of Queensland. In addition, not all farm enterprises can apply for the subsidy, which is only available to farm enterprises affected by the drought in the two states. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

## **(3) Benefits of the subsidy**

Due to concessional loan provided by the NSW and Queensland governments, the subsidy program could reduce the operational costs of the farmers and benefit the farming enterprises. The interest rates of the concessional loan provided by the governments are lower than the rate of normal commercial loan, and the interest difference constitutes the benefits available under the program. According to the Applicant's understanding, the State of New South Wales is a major wine region in Australia and the wine industry is mainly located in the arid areas. Therefore, the Applicant has reasons to believe that the wine industry can apply for subsidies under this program, and the wine-producing enterprises receiving the subsidies can benefit from the program.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

## **39. Supporting More Efficient Irrigation in Tasmania**

This subsidy program was formulated by the Australian Federal Government and administered by the Government of the State of Tasmania, aiming to improve the efficiency of irrigation and ensure sustainable and effective utilisation of water resources in the irrigated area of Tasmania<sup>44</sup>. Under this program, the Government of the State of Tasmania provided financial support of AUD 80 million. At the same time, according to the Government Response to the Questionnaire on Countervailing Investigation submitted by the Australian Government in the Barley Countervailing Case, the Federal Government provided AUD 140 million of funding for this subsidy program. The total funding was AUD 220 million, and the allocation started in 2008/2009 and ended in 2014/2015.

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<sup>44</sup> Please refer to Annex XII (20): OECD's Australia: Estimates of Support to Agriculture, Page 9.

### **(1) Financial contribution**

According to Article 3.3 of the *Countervailing Measures Regulations*, "provision by the government of the exporting country (region) of goods or services other than general infrastructure" constitutes financial contribution. According to the Government Response to the Questionnaire on Countervailing Investigation submitted by the Australian Government in the Barley Countervailing Case, the support fund was directly given to Tasmania Irrigation Co., Ltd., a state-owned enterprise providing irrigation water for clients. Enterprises requiring irrigation water did not enjoy the subsidies directly, but they could "purchase water from Tasmania Irrigation Co., Ltd. at a price subsidised by the government's grant." Therefore, the Applicant believes that the Government of the State of Tasmania provided subsidies to a state-owned enterprise and allowed enterprises to purchase water services at low prices. It constitutes "financial contribution" in Article 3.3 of the *Countervailing Measures Regulations*.

### **(2) Specificity**

According to Article 4.3 of the *Countervailing Measures Regulations*, "subsidies received by enterprises or industries in certain areas" shall be specific. This subsidy program is markedly regional. It is a subsidy program formulated by the Australian Federal Government exclusively for the State of Tasmania. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

Besides, according to *Disclosure of Facts on which the Final Determination on the Countervailing Duty Investigation into imports of Barley from Australia-Submission from Australia*, "Irrigation water is primarily used for high-value horticulture and grape crops"<sup>45</sup>. Since the State of Victoria is one of the main wine regions in Australia, the Applicant has reasons to believe that irrigation water can benefit the wine industry. Therefore, this subsidy program also possesses the de facto specificity.

### **(3) Benefits of the subsidy**

Under this subsidy program, the Tasmanian Government provided financial subsidies to public agencies that provided water services to farm businesses at low prices, which can benefit farm businesses by reducing their production costs. The difference between the preferential prices at which farm enterprises purchase water supply services and the average water price constitutes subsidy benefits available under this program under this subsidy program.

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<sup>45</sup> Refer to Pages 4-5 of the *Australian Written Opinion to Letter of Disclosure Regarding the Final Determination of Countervailing Investigation Against Imported Barley Originating in Australia* submitted by the Australian Government in China's Barley Countervailing Case.

Although this program was terminated in 2014/2015, grape growers or farm enterprises could still benefit from the subsidy program during the investigation period. Therefore, the Applicant believes that it is necessary to allocate the benefits of the subsidy to the investigation period to reasonably reflect the actual subsidy benefits received by the products subject to the investigation request.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information of the subsidy through other reasonable public channels, especially how much each producer of the products subject to the investigation application is subsidised. The Applicant has the honour to ask the investigation authority to give further attention to this subsidy program during the investigation.

#### **40. AgriGrowth Concessional Loan Scheme in Tasmania**

This subsidy program is implemented by the Government of the State of Tasmania, aiming to advance its Agrivision 2050 plan. To increase the value of the agricultural and agri-food sectors in the State of Tasmania, the government provides low-interest loans to farm enterprises and agri-food enterprises in the State. When granting loans, the government needs to review the usage of the applicant's loan, including activities to enhance the value of agriculture related companies, such as innovative agribusiness initiatives.<sup>46</sup>

##### **(1) Financial contribution**

According to Article 3.1 of the *Countervailing Measures Regulations*, "direct provision by the government of the exporting country (region) of funds in the forms of allocations of money, loans, capital contribution, etc." constitutes financial contribution. Under the above subsidy program, the Government of the State of Tasmania provides subsidies to farm enterprises in the form of concessional loans. The maximum loan term is normally up to 5 years. Longer terms up to 15 years may be considered in specific circumstances. The Applicant claims that the concessional loans provided by the government constitutes "financial contribution" in Article 3.1 of the *Countervailing Measures Regulations*. As shown by preliminary evidence, the Government of the State of Tasmania provided financial subsidies of AUD 1,027,054 and AUD 4,085,308 in 2015/2016 and 2016/2017 respectively. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, the financial budgets of this subsidy program in 2017/2018 and 2018/2019 were AUD 10 million and AUD 20 million respectively.

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<sup>46</sup> For details of the subsidy program, please refer to Annex XII (19): WTO Notification on Subsidies of Australia: G/SCM/N/315/AUS Page 85.

## **(2) Specificity**

According to Article 4.1 of the *Countervailing Measures Regulations*, “subsidies obtained by certain enterprises or industries which are clearly determined by the government of the exporting country (region)” shall be specific. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, this subsidy is applicable to all Tasmanian farm companies and agri-food companies, except for wild fishing industry. In addition, eligible agri-food enterprises are limited to those with no more than 35 full-time employees and an annual turnover of no more than AUD 5 million. Therefore, not all farm enterprises can receive this conditional subsidy. Therefore, the Applicant believes that this subsidy program accords with the above-mentioned legal provisions and is specific in nature.

## **(3) Benefits of the subsidy**

Under this subsidy program, the Government of the State of Tasmania can lower the production costs and expenses of farm operators and bring benefits to them by offering concessional loans. The concessional loan rate provided by the government is lower than the average commercial loan rate, and the interest difference constitutes the benefits available under the program. According to the *Government Response to the Questionnaire on Countervailing Investigation* submitted by the Australian Government in the Barley Countervailing Case, wine chateaus or vineyard projects are the main targets of this subsidy program. Therefore, the wine industry can benefit from this subsidy program.

Due to the confidential internal information of the Australian government and enterprises, the Applicant is unable to obtain more specific information on subsidies through other reasonable and open channels, especially how much each producer of products subject to the investigation request is subsidised. Therefore, the Applicant has the honour to ask the Investigating Authority to give further attention to this subsidy program during the investigation.

## **(III) Estimates of the subsidy margin**

In this case, as mentioned above, the Australian Federal Government and the state governments implement a large number of subsidy programs involving legal policies, direct grants, cash assistance, concessional loans, tax breaks and agricultural services. However, due to the difficulties in collecting evidence, especially given the subsidy information involves the government’s internal confidential information, the Applicant cannot obtain and calculate the actual amount of subsidy received by products subject to the investigation request during the applied investigation period through other sensible public channels, and thus cannot calculate the scale of the subsidy. Nevertheless, the preliminary evidence indicates that the Australian Government provided vast amounts of financial contributions to relevant subsidy programs.



For example: in the Wine Equalisation Tax Rebate program, the amount of refund tax in 2016 was as high as AUD 330 million; the total financial contributions for the Export and Regional Wine Support Package reached AUD 50 million, including AUD 32.5 million spent on marketing campaign in China and the US; the Wine Tourism and Cellar Door Grant received a financial contribution of AUD 10 million each year; the National Landcare Program was a support program worth AUD 134 million; the Sustainable Rural Water Use and Infrastructure Program was a national plan involving financial contributions of AUD 10 billion; other subsidy programs were also heavily funded by the government's financial contributions.

Hence, the Applicant requests the Ministry of Commerce to initiate a countervailing investigation against imported wines originating in Australia and further investigate and calculate the presence, nature, subsidy amount and benefits of subsidy of the above listed subsidy programs, and make recommendation to the Customs Tariff Commission of the State Council, to impose countervailing duties on imported wines originating in Australia.

Besides, due to the complexity of laws and policies in Australia and its various states, and the fact that much of the information is confidential and not made public, the Applicant, given that it could not fully master the related evidence at this moment, reserves its right to make new requests for subsidy program investigation to the Investigating Authority based on the materials and evidence it may acquire within a reasonable period of time in the future, as well as its right to make further proposition on calculation of the amount and the scale of the subsidy of Australia's products subject to the investigation request.

## **VI. Injuries to the domestic industry**

### **(I) Cumulation**

The origin and exporting country (region) of the products subject to the investigation request concerns only Australia. Cumulation is therefore not applicable in this application.

### **(II) Changes in import volume and price of the products subject to the investigation request, and situation of the domestic industry**

#### **1. Increase in the volume of products subject to the investigation request**

##### **1.1 Changes in the absolute import volume of products subject to the investigation request**

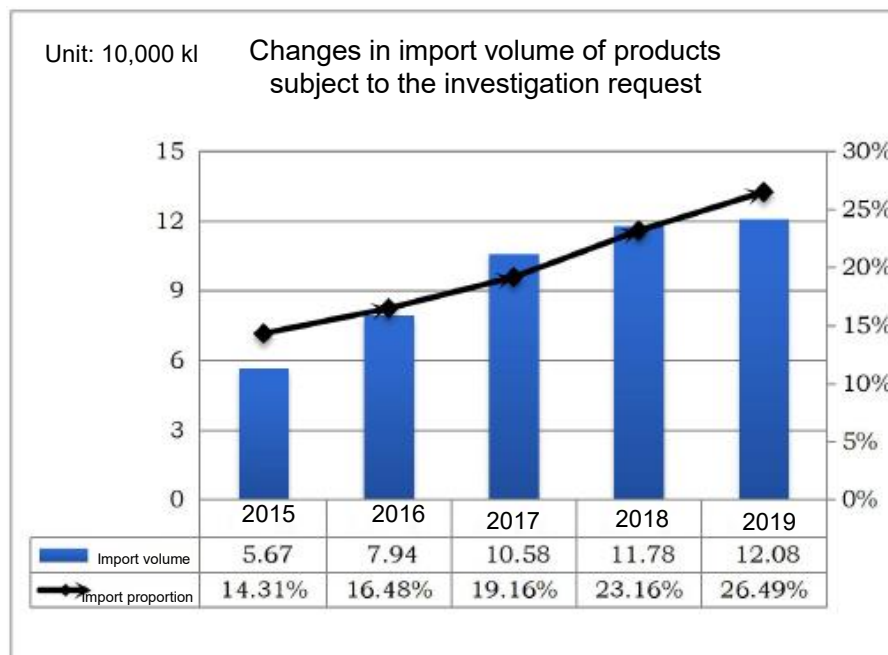
**Changes in the import volume of products subject to the investigation request**

Unit: kl

Period	Country	Import volume	Proportion of volume	Variation of volume
2015	China's total imports	396,141	100.00%	-
	<b>Australia</b>	<b>56,681</b>	<b>14.31%</b>	-
2016	China's total imports	481,778	100.00%	21.62%
	<b>Australia</b>	<b>79,385</b>	<b>16.48%</b>	<b>40.05%</b>
2017	China's total imports	552,319	100.00%	14.64%
	<b>Australia</b>	<b>105,826</b>	<b>19.16%</b>	<b>33.31%</b>
2018	China's total imports	508,739	100.00%	-7.89%
	<b>Australia</b>	<b>117,845</b>	<b>23.16%</b>	<b>11.36%</b>
2019	China's total imports	456,018	100.00%	-10.36%
	<b>Australia</b>	<b>120,812</b>	<b>26.49%</b>	<b>2.52%</b>

Notes: (1) Source: Annex VIII: Customs statistics on wine import and export;

(2) Proportion of volume = import volume of products subject to the investigation request / China's total imports.



During the investigation period, the import volume of products subject to the investigation request showed continuous and substantial growth. From 2015 to 2019, the import volume was 56,700 kl, 79,400 kl, 105,800 kl, 117,800 kl and 120,800 kl, respectively, with year-on-year increases of 40.05%, 33.31%, 11.36% and 2.52% in 2016, 2017, 2018 and 2019, respectively. The import volume in 2019 dramatically increased by 113% from 2015.

During the same period, the proportion of products subject to the investigation request in China's total import volume also showed continued growth. From 2015 to 2019, the proportion was 14.31%, 16.48%, 19.16%, 23.16% and 26.49% respectively. The accumulative increase from 2015 to 2019 reached 12.18 percent.

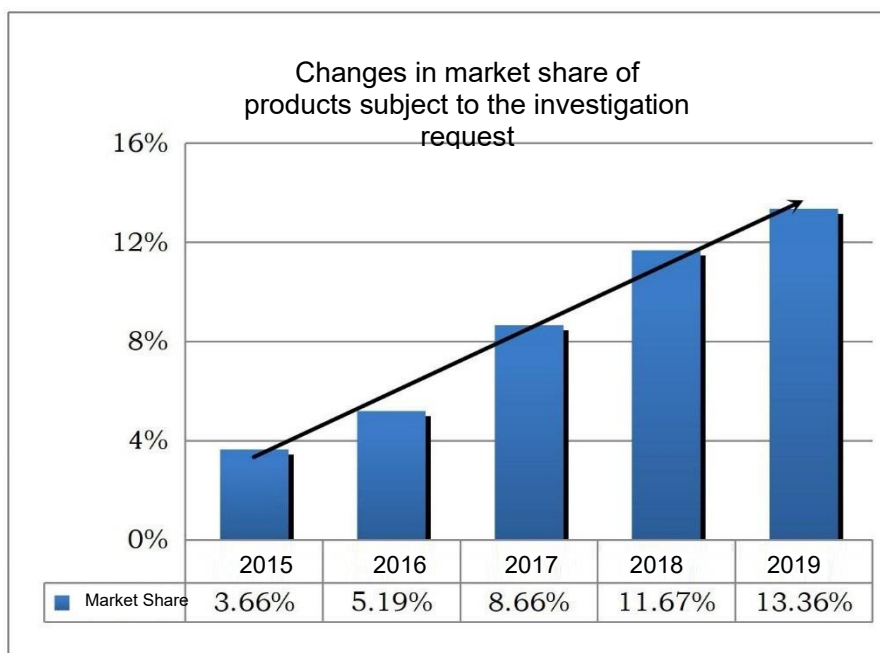
## 1.2 Changes in market share of products subject to the investigation request

### Changes in market share of products subject to the investigation request in China

Unit: kl

Period	Import volume of products subject to the investigation request	Apparent consumption of wine in China	Market share of products subject to the investigation request	Increase or decrease in percentage
2015	56,681	1,549,448	3.66%	-
2016	79,385	1,528,582	5.19%	Increase by 1.54%
2017	105,826	1,222,356	8.66%	Increase by 3.46%
2018	117,845	1,009,386	11.67%	Increase by 3.02%
2019	120,812	904,527	13.36%	Increase by 1.68%

Note: Market share of products subject to the investigation request = import volume of products subject to the investigation request / apparent consumption of wine in China



During the investigation period, with the sustained increase of import volume, the market share of products subject to the investigation request showed continued growth. From 2015 to 2019, the market share was 3.66%, 5.19%, 8.66%, 11.67% and 13.36%, respectively, with year-on-year increases of 1.54%, 3.46%, 3.02% and 1.68% in 2016, 2017, 2018 and 2019, respectively. The market share in 2019 increased by 9.70% from 2015 and was the highest during the whole investigation period.

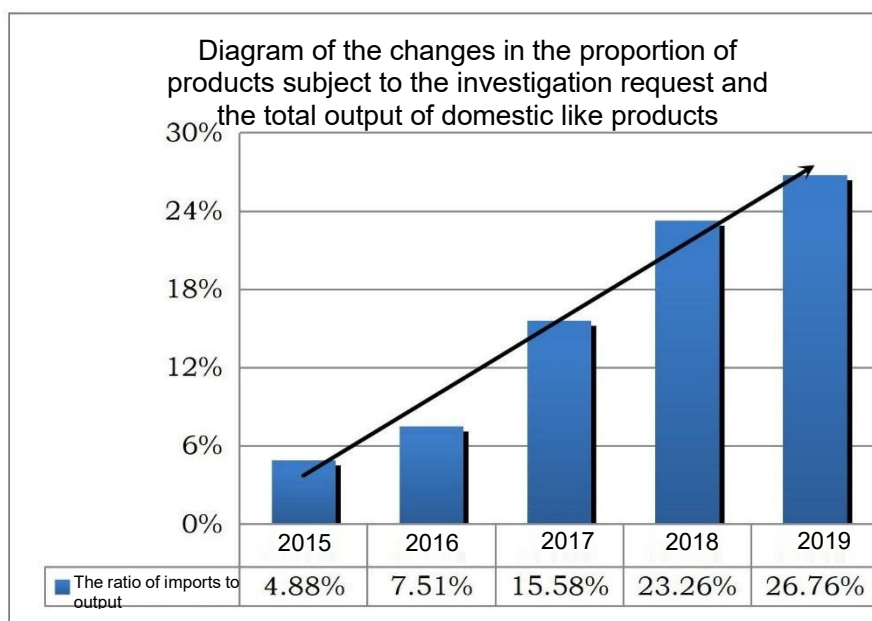
### 1.3 Changes in the proportion of products subject to the investigation request in the total output of domestic like products

#### Changes in the proportion of products subject to the investigation request in the total output of domestic like products

Unit: kl

Period	Import volume of products subject to the investigation request	Total output of domestic like products	The proportion of products subject to the investigation request to the total output of domestic like products	Increase or decrease in percentage
2015	56,681	1,161,100	4.88%	-
2016	79,385	1,056,600	7.51%	Increase by 2.63%
2017	105,826	679,100	15.58%	Increase by 8.07%
2018	117,845	506,700	23.26%	Increase by 7.67%
2019	120,812	451,500	26.76%	Increase by 3.50%

Note: The proportion of products subject to the investigation request in the total output of domestic like products = import volume of products subject to the investigation request / the total output of domestic like products



During the investigation period, with the sustained and substantial increase in import volume, the proportion of products subject to the investigation request and the total output of domestic like products kept increasing. From 2015 to 2019, the proportion was 4.88%, 7.51%, 15.58%, 23.26% and 26.76%, respectively, with year-on-year increases of 2.63%, 8.07%, 7.67% and 3.50% in 2016, 2017, 2018 and 2019, respectively. The proportion in 2019 increased by 21.88% from 2015 and was the highest during the whole investigation period.

## 2. Influence of products subject to the investigation request on the price of domestic like products

### 2.1 Changes in import price of products subject to the investigation request

#### Changes in import price of products subject to the investigation request

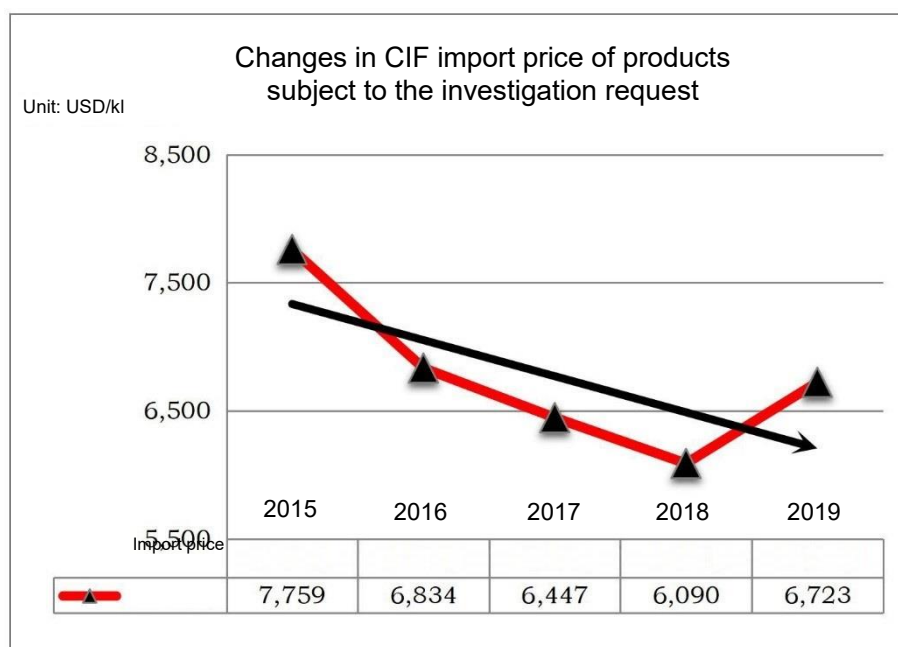
Unit: kl, USD, USD/kl

Period	Country	Import volume	Import value	Import price	Variation of price
2015	China's total imports	396,141	1,878,320,951	4,742	-
	Australia	56,681	439,807,206	7,759	-
2016	China's total imports	481,778	2,194,981,117	4,556	-3.91%
	Australia	79,385	542,542,756	6,834	-11.92%

2017	China's total imports	552,319	2,552,695,824	4,622	1.44%
	Australia	105,826	682,275,226	6,447	-5.67%
2018	China's total imports	508,739	2,574,643,489	5,061	9.50%
	Australia	117,845	717,682,271	6,090	-5.54%
2019	China's total imports	456,018	2,192,008,491	4,807	-5.02%
	Australia	120,812	812,200,451	6,723	10.39%

Notes: (1) Source: "Annex VIII: Customs statistics on wine import and export"

(2) Import price = import value / import volume.



During the investigation period, the import prices of products subject to the investigation request generally showed a downward trend. From 2015 to 2019, the import price of products subject to the investigation request were USD 7,759/kl, USD 6,834/kl, USD 6,447/kl, USD 6,090/kl and USD 6,723/kl respectively, down 11.92% from 2015 in 2016, 5.67% from 2016 in 2017, 5.54% from 2017 in 2018 and 21.51% from 2015 in 2018. In 2019, the import price increased by 10.39% compare with 2018 but decreased by 13.36% compared with 2015.

## **2.2 Influence of products subject to the investigation request on the prices of domestic like products**

### **2.2.1 Market competition analysis of products subject to the investigation request and domestic like products**

The Applicant believes that there is direct price competition between products subject to the investigation request and domestic like products in the domestic market and that changes in import volume and import prices have obviously adversely affected the prices of domestic like products:

First, as mentioned above, there is no substantial difference in the basic physical and chemical properties of products subject to the investigation request and the domestic like products. They are like products that are competitive and mutually substitutable. Therefore, they compete with each other in the Chinese market.

Second, products subject to the investigation request and the domestic like product are sold in the Chinese market at the same time through basically the same sales channels. They all face the national market by means of direct sales, brokerage or online sales. There is no substantial difference in the customer groups. This shows that there are objective conditions and platforms for competition between the two.

Third, products subject to the investigation request and the domestic like product are sold on the domestic market at the same time. Distributors or brokers purchase (or sell) products subject to the investigation request and domestic like products at the same time. There are also cases in which consumers consume products subject to the investigation request and the domestic like product at the same time. Therefore, there is a direct competitive relationship between products subject to the investigation request and the domestic like product on the domestic market.

Fourth, when there are no substantial differences in the physical and chemical properties, quality, sales channels and customer groups of products, the product price has an essential impact on the purchase choices of downstream users. Moreover, in recent years, rapid development of domestic e-commerce and improved market transparency make consumers more sensitive to price changes. Therefore, changes in import volume and import price will have an impact on the domestic market and domestic industry.

In the Chinese market, Australian wine manufacturers have a definite competitive advantage by virtue of their existing public praise and brands, as well as the consumption habits formed in consumer groups. Moreover, with the continuous substantial increase in the volume of imports and the continuous rise of market share, the discourse power of products subject to the investigation request in the Chinese market is also increasing, and their

influence is deepening. Competition between products subject to the investigation request and the domestic like product is intensifying, and the price impact on the domestic like product is also expanding.

Therefore, the Applicant believes that there is a direct competitive relationship between products subject to the investigation request and the domestic like product on the domestic market. In the case that the two are like products and can replace each other, and the product price has an essential impact on the purchase choices of downstream users, the price reduction of products subject to the investigation request is enough to have a negative impact on the sales prices of the domestic like products. Further details are as follows:

### 2.2.2 The sales prices of products subject to the investigation request and domestic like products show a downward trend

#### Price comparison between products subject to the investigation request and domestic like products

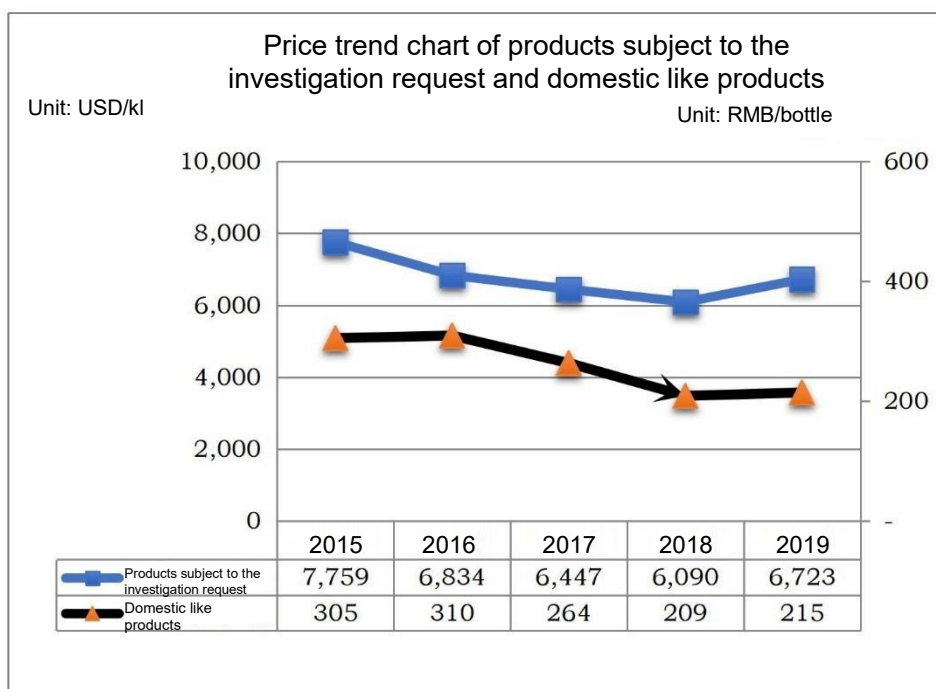
Period	Products subject to the investigation request		Domestic like products			
	Import prices in USD (USD/kl)	Variation	High-end price (RMB/bottle)	Medium and low-end price (RMB/bottle)	Arithmetic average price	Variation
2015	7,759	-	548	63	305	-
2016	6,834	-11.92%	549	70	310	1.41%
2017	6,447	-5.67%	454	73	264	-14.81%
2018	6,090	-5.54%	349	69	209	-20.74%
2019	6,723	10.39%	357	72	215	2.64%

Notes: (1) The import price of products subject to the investigation request comes from "Annex VIII: Customs statistics on wine import and export."

(2) The high-end prices and medium and low-end prices of domestic like products are derived from the data statistics of "750 ml of high-end dry red wine at 12% alcohol" and "750 ml of medium and low-end dry red wine at 12% alcohol" in the Average Price List of Industrial Consumer Goods in 36 Large and Medium-sized Cities disclosed by the Price Monitoring Centre of the National Development and Reform Commission of the People's Republic of China. For details, please refer to the "Annex IX: The National Development and Reform Commission's price monitoring data for dry red wine."

(3) Arithmetic average price = (high-end price + medium and low-end price)/2.





During the investigation period, the price trends of products subject to the investigation request and the domestic like product were basically consistent, with both showing a downward trend overall. In 2016, compared with 2015, the import prices of products subject to the investigation request decreased by 11.92%, while the prices of domestic like products increased by 1.41%. In 2017, compared with 2016, the import prices of products subject to the investigation request decreased by 5.67%, and the prices of the domestic like product decreased by 14.81%. In 2018, compared with 2017, the import prices of products subject to the investigation request decreased by 5.54%, and the prices of the domestic like product decreased by 20.74%. In 2019, compared with 2018, the import prices of products subject to the investigation request increased by 10.39%, and the prices of the domestic like product increased by 2.64%. In 2019, compared with 2015, the import prices of products subject to the investigation request dropped by 13.36%, and the prices of the domestic like product decreased by 29.71%.

Moreover, according to the available annual report data of four listed domestic wine companies, it can be proven that the sales prices of domestic like products showed an overall downward trend during the investigation period.

**Changes in sales prices of domestic wine products of four listed companies**

Unit: RMB/kl

Period	Sales volume	Sales revenue	Sales price	Variation of price
2015	118,082	4,756,285,400	40,279	-
2016	131,941	4,786,275,366	36,276	-9.94%
2017	138,816	4,957,887,993	35,716	-1.54%
2018	141,544	5,008,197,783	35,383	-0.93%
2019	119,811	4,715,495,377	39,358	11.23%

Notes: The above sales data come from the annual reports of four listed domestic wine companies (Yantai Changyu Pioneer Wine Company Limited, Tonghua Grape Wine Co., Ltd., CITIC Guoan Wine Co., Ltd. and Wei Long Grape Wine Co., Ltd.). The above four listed companies are all large-scale wine producers in China, the sales volume of which accounted for about 27% of China's total output in 2019, making them representative and influential. Their price situation can reflect the overall level of the domestic industry. Sales data from 2015 to 2019 can be found in "Annex X: Annual reports of four publicly listed wine companies."

According to the stats above, the actual sales prices of the domestic like products of the four listed companies also showed an overall downward trend from 2015 to 2019, with a decline of 9.94% in 2016 compared with 2015, 1.54% in 2017 compared with 2016, and 0.93% in 2018 compared with 2017; the prices in 2019 were 11.23% higher than those in 2018, but still 2.29% lower than those in 2015.

The above facts show that there is an obvious correlation between the prices of products subject to the investigation request and domestic like products. In particular, in the case that the two are like products and mutually substitutable, and the product price has an important impact on the purchase choices of downstream users, with the substantial increase in import volume and market share, the sharp decline in the import prices of products subject to the investigation request is bound to bring great price reduction pressure to domestic like products. Finally, it led to the decline of domestic like products during the investigation period, and the space for price increase was greatly restrained.

### **2.2.3 Products subject to the investigation request depress and suppress the sales prices of domestic like products.**

**Price difference between the prices of products subject to the investigation request and domestic like products**

Unit: RMB/kl (RMB 100 million)

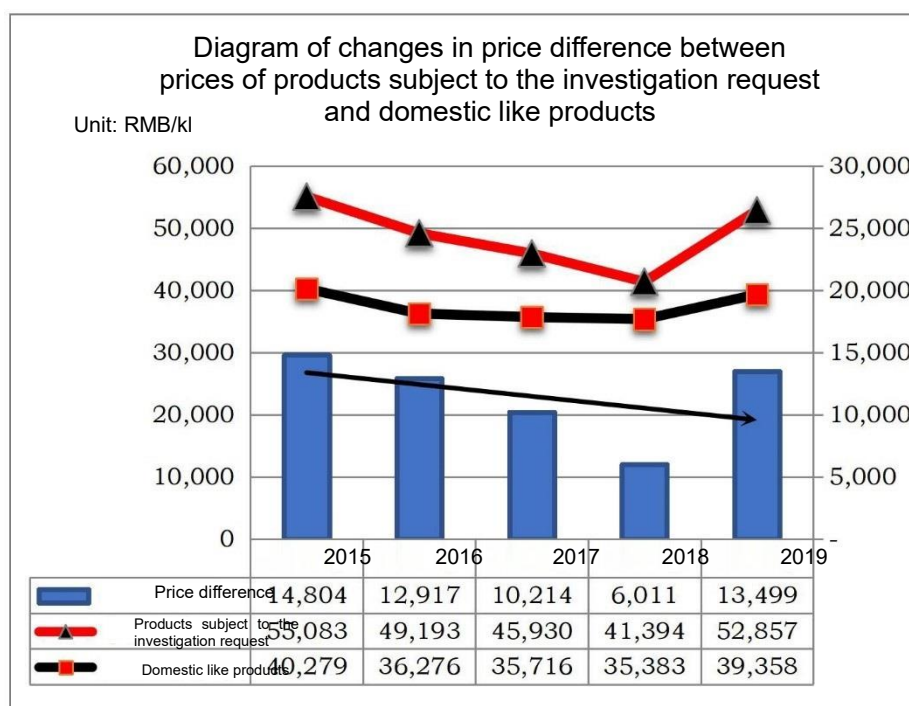
Period	Import price in RMB of products subject to the investigation request	Sales price of domestic like products	Price difference between the two	Total profits of domestic like products
2015	55,083	40,279	14,804	52.14
2016	49,193	36,276	12,917	47.80
2017	45,930	35,716	10,214	33.83
2018	41,394	35,383	6,011	12.71
2019	52,857	39,358	13,499	10.58

Note: (1) Import price in RMB of products subject to the investigation request = CIF import price in USD\* USD/RMB exchange rate \* (1 + import duty). For the USD/RMB exchange rate, please refer to "Annex XI: Exchange rates";

(2) For the sales prices of domestic like products, please refer to "Annex X: Annual reports of four publicly listed wine companies";

(3) Price difference between the two = import price in RMB of products subject to the investigation request - sales price of domestic like products;

(4) Total profits of domestic like products come from Annex V.



During the investigation period, due to the overall sharp decline in the import prices of products subject to the investigation request, the price gap between products subject to the

investigation request and domestic like products showed an overall narrowing trend. The price gaps from 2015 to 2019 were RMB 14,804/kl, RMB 12,917/kl, RMB 10,214/kl, RMB 6,011/kl and RMB 13,499/kl respectively, shrinking by 9% in 2019 compared with 2015. Obviously price reduction of products subject to the investigation request has depressed the prices of domestic like products.

Under the adverse effects of falling prices, the total profits of domestic like products have also fallen sharply, with a decrease of 8.32% in 2016 compared with 2015, 29.23% in 2017 compared with 2016, 62.43% in 2018 compared with 2017, 16.76% in 2019 compared with 2018 and 79.71% in 2019 compared with 2015. Therefore, in the case of the inability to open up more profit space, the price rise of domestic like products has also been significantly suppressed.

Based on the above analysis, the Applicant believes that the imported products subject to the investigation request caused apparent price depression and price restraint for the domestic like product during the investigation period.

### **3. Influence of products subject to the investigation request on the relevant economic indicators or factors of the domestic industry**

According to the law, the analysis of the impact of subsidised import products on the relevant economic factors and indicators of the domestic industry mainly includes a comprehensive assessment of all relevant economic factors and indicators of the domestic industry, including actual or potential changes, such as output, sales, market share, profits, investment efficiency, operating rate, price, employment, wages, raising capital or investment capacity and other indicators and factors.

For this particular case, there are great difficulties in collecting and counting the relevant economic indicators of individual production enterprises, even for the Applicant which has as many as 122 members from the wine production sector, as China's wine industry is very spread out, with hundreds of wine production enterprises concerned. Under this background, in the following analysis of the impact of products subject to the investigation request on the relevant economic factors and indicators of domestic like products in this application, the Applicant temporarily analyses the relevant economic indicators on the basis of the available total output, sales revenue and profits of wine enterprises above-scale calculated by the National Bureau of Statistics, the prices disclosed by the National Development and Reform Commission, as well as the sales data disclosed by four listed companies.

The Applicant applies to set the period for analysing injury to industry from 1 January, 2015, to 31 December, 2019. In the following analysis of the impact of subsidized imported products on the relevant economic factors and indicators of the domestic like products, this application evaluates the changing trends of economic indicators and factors such as output,

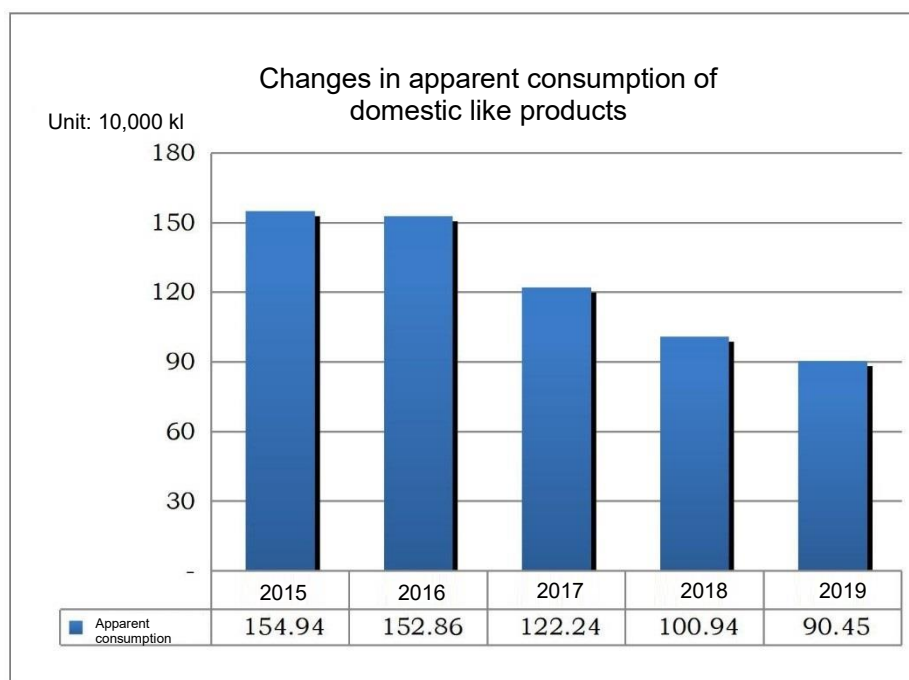
sales, market share, price and profit of the domestic like products from 2015 to 2019. Through this analysis and evaluation, the Applicant believes that the domestic wine industry is suffering as a result of a large number of low-cost imports of products subject to the investigation request.

### 3.1 Changes in apparent consumption of domestic like products

#### Changes in apparent consumption of domestic like products

Unit: kl

Period	Apparent consumption	Variation
2015	1,549,448	-
2016	1,528,582	-1.35%
2017	1,222,356	-20.03%
2018	1,009,386	-17.42%
2019	904,527	-10.39%



During the investigation period, the apparent wine consumption in China showed a downward trend. From 2015 to 2019, the apparent consumption was 1.5494 million kl, 1.5286 million kl, 1.2224 million kl, 1.0094 million kl and 904,500 kl, respectively, with year-on-year decreases of 1.35%, 20.03%, 17.42% and 10.39% in 2016, 2017, 2018 and 2019, respectively. The apparent consumption in 2019 decreased by 41.62% from 2015.

Although there is no official statistical data on actual demand, the overall domestic wine consumption market remains good overall as reflected by all parties. According to the data

analysis cited from OIV in related media reports, China is the world's fifth-largest wine consumer and one of the world's fastest-growing countries in wine consumption. On the basis of global consumption of 24.4 million kl in 2019, global per capita consumption was around 3.2 l, with the top four countries – the U.S., France, Italy and Germany – averaging 10.1 l, 39.5 l, 37.5 l and 24.5 l respectively. In contrast, China's per capita consumption is only about 0.6 l, which is not only lower than the global per capita consumption but also far lower than that of the major consumers. Therefore, China's wine consumption market has the potential to grow. In particular, with the generational shift of mainstream consumer groups and the impact of consumption upgrading in the future, the capacity of China's wine market will continue to expand.

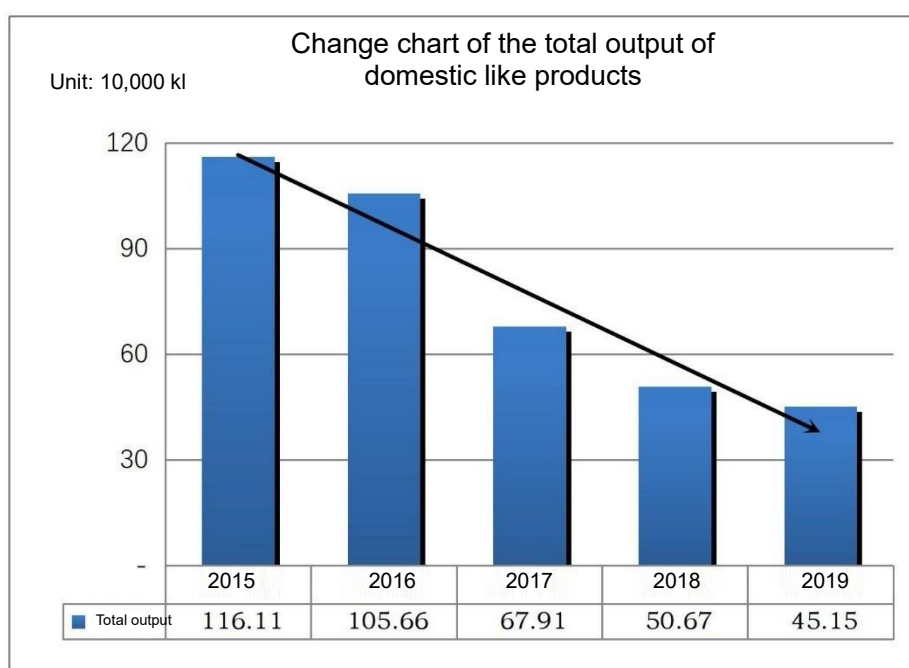
### 3.2 Changes in the output of the domestic like products

#### Changes in the output of the domestic like products

Unit: kl

Period	volume	Variation
2015	1,161,100	-
2016	1,056,600	-9.00%
2017	679,100	-35.73%
2018	506,700	-25.39%
2019	451,500	-10.89%

Note: The data come from "Annex V: Description of the production and operation of domestic wine industry".



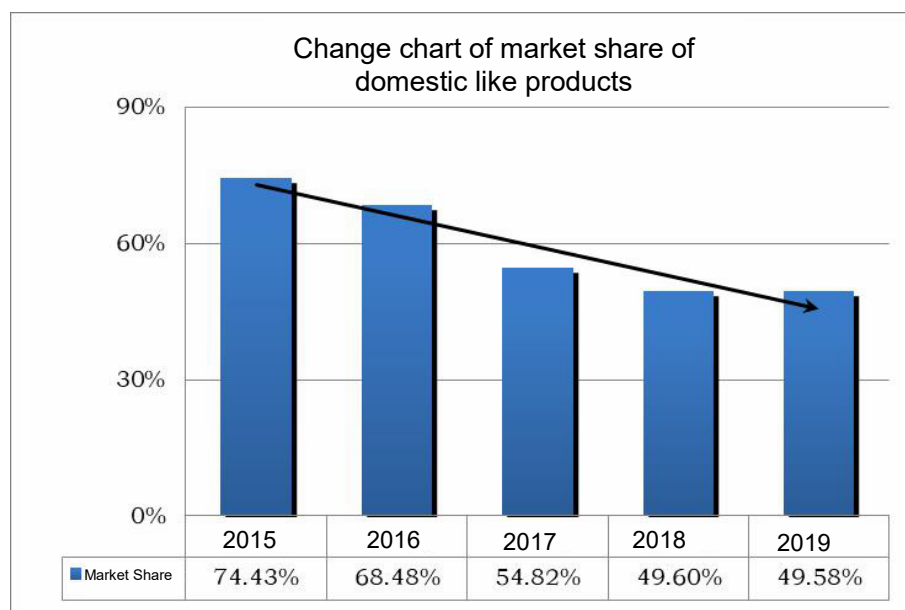
During the investigation period, due to the impact of a large number of low-priced imports of products subject to the investigation request, the output of the domestic like products showed a continuous downward trend. From 2015 to 2019, the total output of the domestic like products was 1.1611 million kl, 1.0566 million kl, 679,100 kl, 506,700 kl and 451,500 kl respectively, a decrease of 9.00% in 2016 compared to 2015, 35.73% in 2017 compared to 2016, 25.39% in 2018 compared to 2017, and a further decrease of 10.89% in 2019 compared to 2018. During the investigation period, the cumulative decrease was 61.11%.

### 3.3 Changes in market share of domestic like products

**Changes in market share of domestic like products**

Period	Market Share	Variation
2015	74.43%	-
2016	68.48%	Decrease by 5.95%
2017	54.82%	Decrease by 13.67%
2018	49.60%	Decrease by 5.22%
2019	49.58%	Decrease by 0.01%

Note: Market share = (total output of like products of the domestic industry – total export volume of China) / domestic apparent consumption.



During the investigation period, due to the impact and occupation of products subject to the investigation request, the market share of the domestic like products showed a continuous downward trend. The market share from 2015 to 2019 was 74.43%, 68.48%, 54.82%, 49.60% and 49.58%, respectively, 5.95 percentage points lower than 2015 in 2016, 13.67 percentage points lower than 2016 in 2017, 5.22 percentage points lower than 2017 in 2018, 0.01

percentage points lower than 2018 in 2019, and 24.85 percentage points lower than 2015 in 2019.

### 3.4 Changes in sales prices of domestic like products

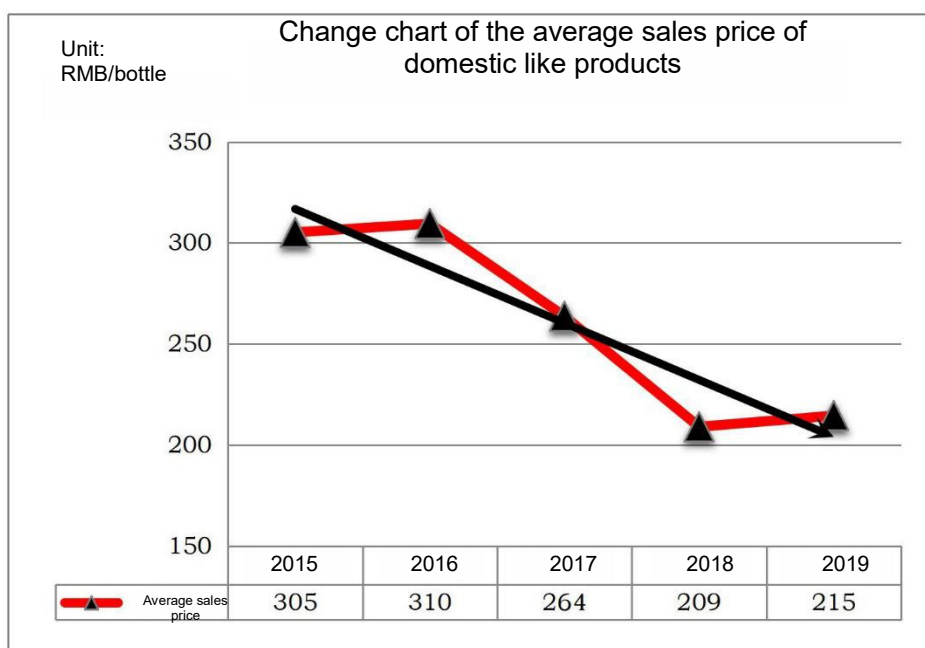
#### Changes in sales prices of domestic like products

Unit: RMB/bottle

Period	Market price of high-end wine	Variation	Market price of medium-and low-end wine	Variation	Arithmetic average price	Variation
2015	548	-	63	-	305	-
2016	549	0.28%	70	11.30%	310	1.41%
2017	454	-17.31%	73	4.85%	264	-14.81%
2018	349	-23.12%	69	-5.94%	209	-20.74%
2019	357	2.32%	72	4.27%	215	2.64%

Note: (1) The market prices of high-end wine and medium-and low-end wine are derived from the data statistics of "750ml of high-end dry red wine at 12% alcohol" and "750ml of medium- and low-end dry red wine at 12% alcohol" in the Average Price List of Industrial Consumer Goods in 36 Large and Medium-sized Cities disclosed by the Price Monitoring Centre of the National Development and Reform Commission of the People's Republic of China. For details, please refer to the "Annex IX: The National Development and Reform Commission's price monitoring data for dry red wine".

(2) Arithmetic average price = (high-end price + medium-and low-end price) / 2.





According to the statistics of the National Development and Reform Commission, due to the continuous price reduction of products subject to the investigation request, the prices of the domestic like products have been depressed and suppressed, resulting in an overall downward trend in the average sales price of the domestic like products during the investigation period. The average sales price rose 1.41% in 2016 compared with 2015, 14.81% in 2017 compared with 2016, 20.74% in 2018 compared with 2017, 2.64% in 2019 compared with 2018, and 29.71% in 2019 compared with 2015.

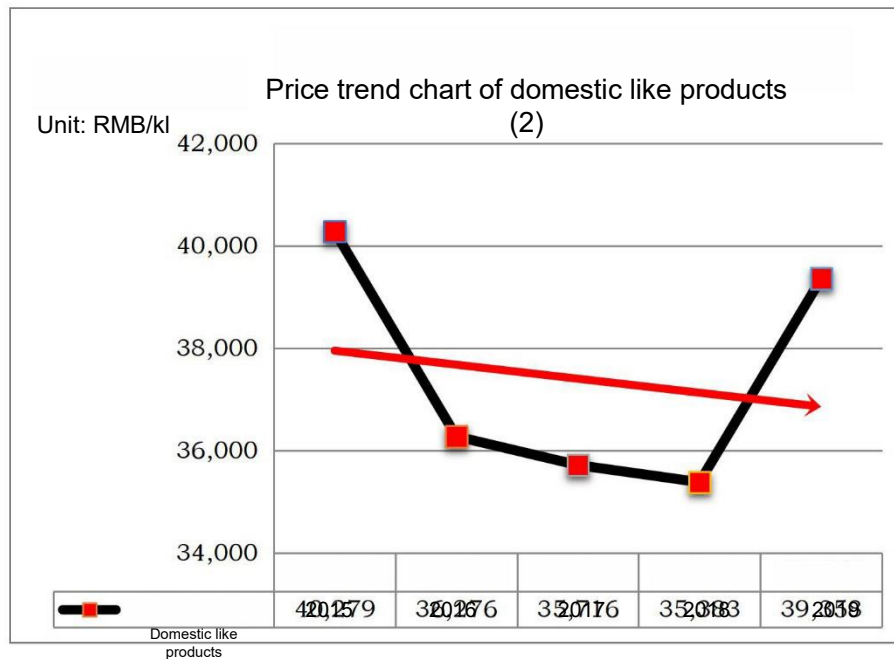
Moreover, according to the available annual report data of four listed domestic wine companies, it can be proven that the sales prices of domestic like products showed an overall downward trend during the investigation period.

#### Changes in sales prices of domestic wine products of four listed companies

Unit: RMB/kl

Period	Sales volume	Sales revenue	Sales price	Variation of price
2015	118,082	4,756,285,400	40,279	-
2016	131,941	4,786,275,366	36,276	-9.94%
2017	138,816	4,957,887,993	35,716	-1.54%
2018	141,544	5,008,197,783	35,383	-0.93%
2019	119,811	4,715,495,377	39,358	11.23%

Notes: The above sales data come from the annual reports of four listed domestic wine companies (Yantai Changyu Pioneer Wine Company Limited, Tonghua Grape Wine Co., Ltd., CITIC Guoan Wine Co., Ltd. and Wei Long Grape Wine Co., Ltd.). The above four listed companies are all large-scale wine production enterprises in China, the sales volume of which accounted for about 27% of China's total output in 2019, making them representative and influential. Their price situation can reflect the overall level of the domestic industry. Sales data from 2015 to 2019 can be found in "Annex X: Annual reports of four publicly listed wine companies".



According to stats above, the actual sales prices of domestic like products of the four listed companies also showed an overall downward trend from 2015 to 2019, with a decline of 9.94% in 2016 compared with 2015, 1.54% in 2017 compared with 2016, 0.93% in 2018 compared with 2017, and 12.16% in 2018 compared with 2015; prices in 2019 were 11.23% higher than those in 2018, but still 2.29% lower than those in 2015.

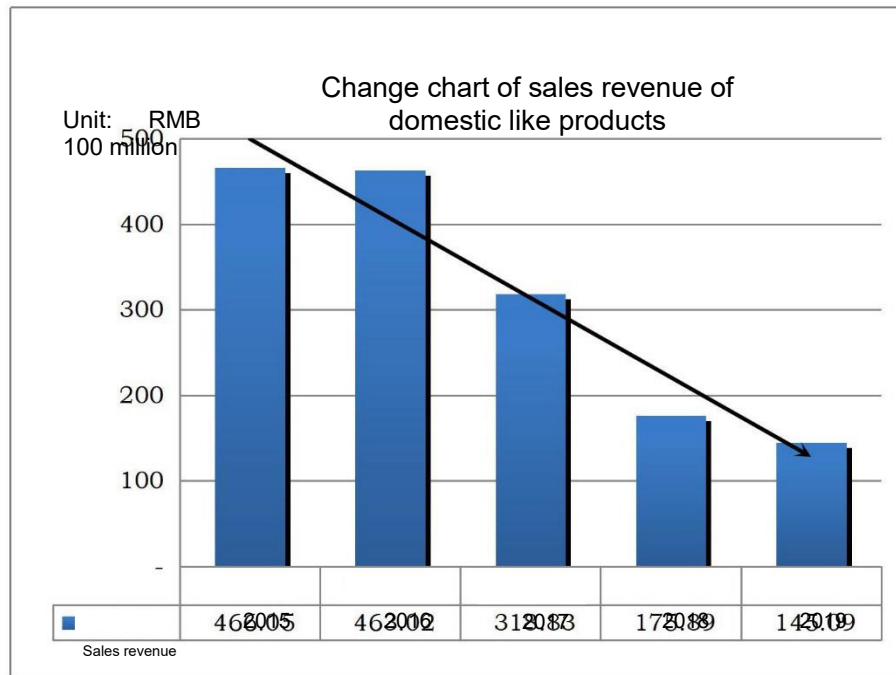
### 3.5 Changes in sales revenue of domestic like products

#### Changes in sales revenue of domestic like products

Unit: RMB 100 million

Period	Sales revenue	Variation
2015	466.05	-
2016	463.02	-0.65%
2017	318.83	-31.14%
2018	175.89	-44.83%
2019	145.09	-17.51%

Note: The data come from "Annex V: Description of the production and operation of domestic wine industry".



During the investigation period, due to the negative impact of reduced production and falling prices, the sales revenue of the domestic like products saw a continuous and significant decline. From 2015 to 2019, the sales revenue of the domestic like products was RMB 46.605 billion, RMB 46.302 billion, RMB 31.883 billion, RMB 17.589 billion and RMB 14.509 billion respectively, a decrease of 0.65% in 2016 compared to 2015, 31.14% in 2017 compared to 2016, 44.83% in 2018 compared to 2017, and a further decrease of 17.51% in 2019 compared to 2018. During the investigation period, the cumulative decrease was 68.87%.

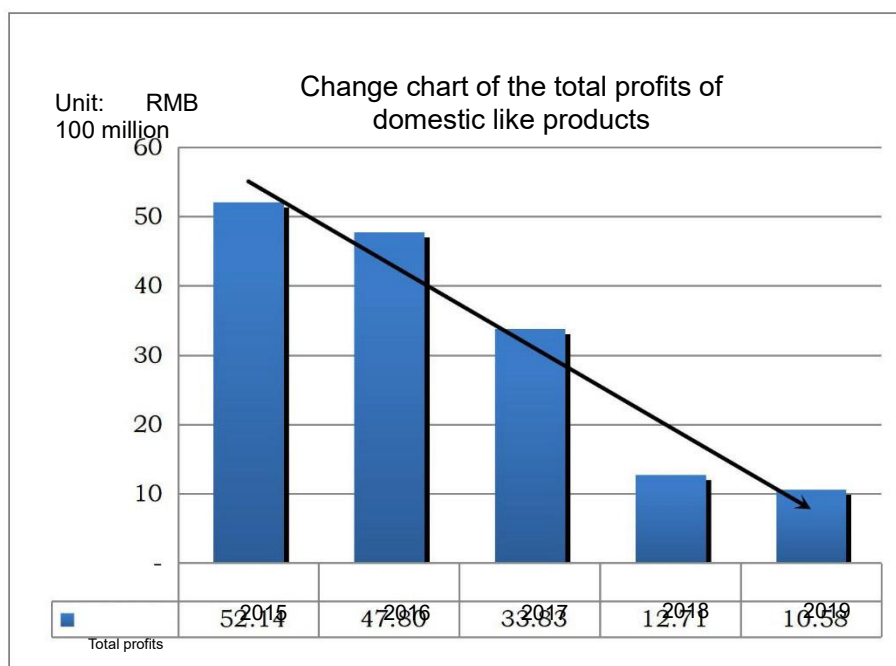
### 3.6 Profit changes of domestic like products

#### Profit changes of domestic like products

Unit: RMB 100 million

Period	Margin	Variation
2015	52.14	-
2016	47.80	-8.32%
2017	33.83	-29.23%
2018	12.71	-62.43%
2019	10.58	-16.76%

Note: The data come from "Annex V: Description of the production and operation of domestic wine industry."



Similar to the performance of sales revenue, the total profits of domestic like products also showed a continuous downward trend during the investigation period. From 2015 to 2019, the total profits of the domestic like products were RMB 5.214 billion, RMB 4.78 billion, RMB 3.383 billion, RMB 1.271 billion and RMB 1.058 billion respectively, a decrease of 8.32% in 2016 compared with 2015, 29.23% in 2017 compared with 2016, 62.43% in 2018 compared with 2017 and 16.76% in 2019 compared with 2018. During the investigation period, the cumulative decrease was 79.71%.

### (III) Degree and type of injury

Through the above analysis and explanation, we can see that under the impact of a large number of low-priced imports of products subject to the investigation request, a number of economic indicators of the domestic like products have declined to various degrees as set out below:

1. The total output of the domestic like products showed a continuous downward trend, from 1.1611 million kl in 2015 to 451,500 kl in 2019, a cumulative decrease of 61.11%.

2. Due to the occupation of the market, the market share of domestic like products was also shrinking significantly, from 74.43% in 2015 to 49.58% in 2019, a cumulative decrease of 24.85 percentage points.

3. Due to the low price and price restraint of products subject to the investigation request, the sales prices of the domestic like products showed an overall downward trend. The market prices from 2015 to 2019 monitored by the National Development and Reform Commission

and the price data from 2015 to 2019 disclosed in the public annual reports of four domestic listed companies all show the same trend of change.

4. Due to the double adverse effects of reduced output and falling prices, the sales revenue of domestic like products was also decreasing significantly, from RMB 46.605 billion in 2015 to RMB 14.509 billion in 2019, a cumulative decrease of 68.87%.

5. The total profits of domestic like products also showed a sharp downward trend, from RMB 5.214 billion in 2015 to RMB 1.058 billion in 2019, a cumulative decrease of 79.71%.

Generally speaking, during the investigation period, among the relevant economic indicators of domestic like products, sales prices showed an overall downward trend, while output, market share, sales revenue and total profits also showed a continuous downward trend, with both dropping to the lowest level during the investigation period. These facts fully show that the production and operation conditions of the domestic industry are deteriorating rapidly, and a large number of low-priced imports of products subject to the investigation request have caused material injury to the domestic industry.

#### **(IV) The nature of subsidies and their impact on trade**

Australia is one of the major wine-producing countries and one of the major wine exporters in the world. In order to ensure the sustainable development of its wine industry and maintain market competitiveness of its wine products, the Australian Federal Government and state and local governments have formulated a series of supportive policies to provide substantial subsidies to the wine industry, including, but not limited to, direct grants, cash assistance, concessional loans, tax exemption, agricultural services, etc.

The purpose of providing subsidies is to develop and support domestic economy and to improve the competitiveness of related industries and enterprises in the global market. In other words, providing subsidies can not only bring benefits to industries and enterprises but also increase the discourse power and initiative for industries and enterprises in the global market. This is also an important reason why Australian products subject to the investigation request are able to increase their exports to the Chinese market and seize more market share. Thus, obviously subsidies play an important supporting role in the price reduction and low price behaviour of Australian products subject to the investigation request.

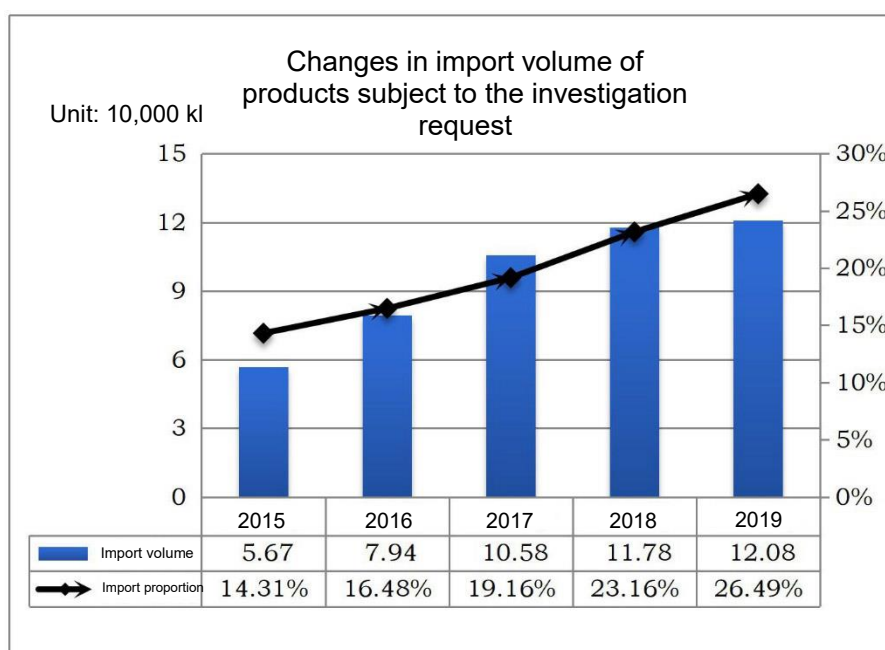
However, the volume increase and price drop of Australia's subsidised imports have disturbed the Chinese market order, and distorted the fair competition market environment, causing injury to China's wine industry. Against the context where the Australian government will continue to provide subsidies for products subject to the investigation request in the future, if corresponding countervailing measures are not taken in time, the domestic industry will face further impact of brought by imported products and suffer serious material injury.

## VII. The causal link between subsidy and injury

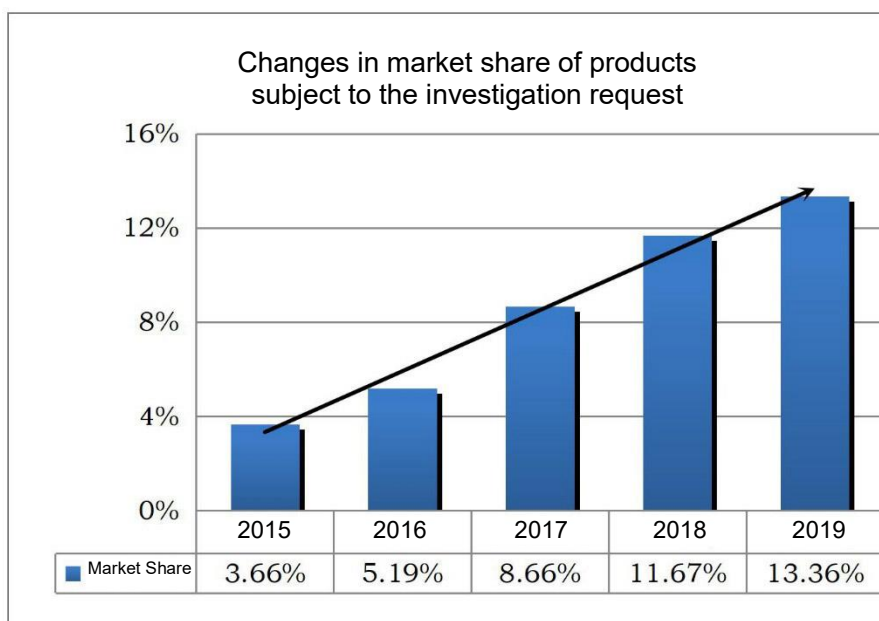
### (I) Analysis of how injury to domestic industry is caused by products subject to the investigation request

As a major wine consumer and an emerging wine consumption market, the per capita consumption of wine in China is lower than the global per capita consumption level and is far lower than the per capita consumption level of the major consumer countries. Moreover, China's wine consumption market has the potential to grow. Especially, with the generational shift of the mainstream consumer groups and the impact of consumption upgrading in the future, the capacity of China's wine market will continue to expand. This is of great appeal to Australian winemakers, making them eager to seize and expand their market share in China by means of low prices and price reduction.

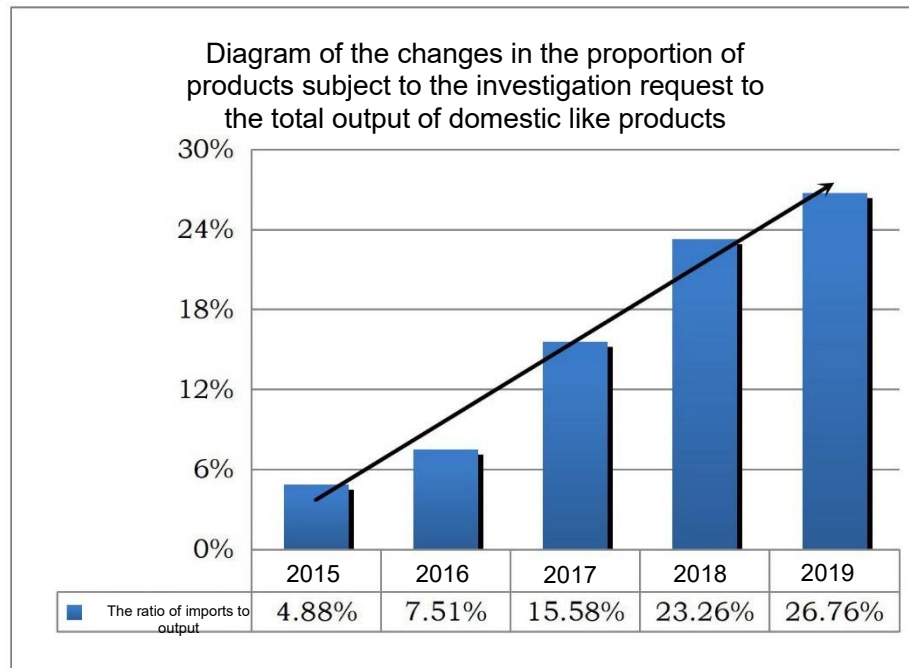
According to the statistics of China Customs, the absolute import volume of products subject to the investigation request continued to increase significantly during the investigation period. From 2015 to 2019, the import volume was 56,700 kl, 79,400 kl, 105,800 kl, 117,800 kl and 120,800 kl, respectively, with year-on-year increases of 40.05%, 33.31%, 11.36% and 2.52% in 2016, 2017, 2018 and 2019, respectively. The import volume in 2019 dramatically increased by 113% from 2015. During the same period, the proportion of products subject to the investigation request to China's total import volume also showed continued growth. From 2015 to 2019, the proportion was 14.31%, 16.48%, 19.16%, 23.16% and 26.49%, respectively, with a significant increase in 2019 of 12.18% from 2015. The import volume and the proportion of China's total imports in 2019 are the highest levels in the investigation period.



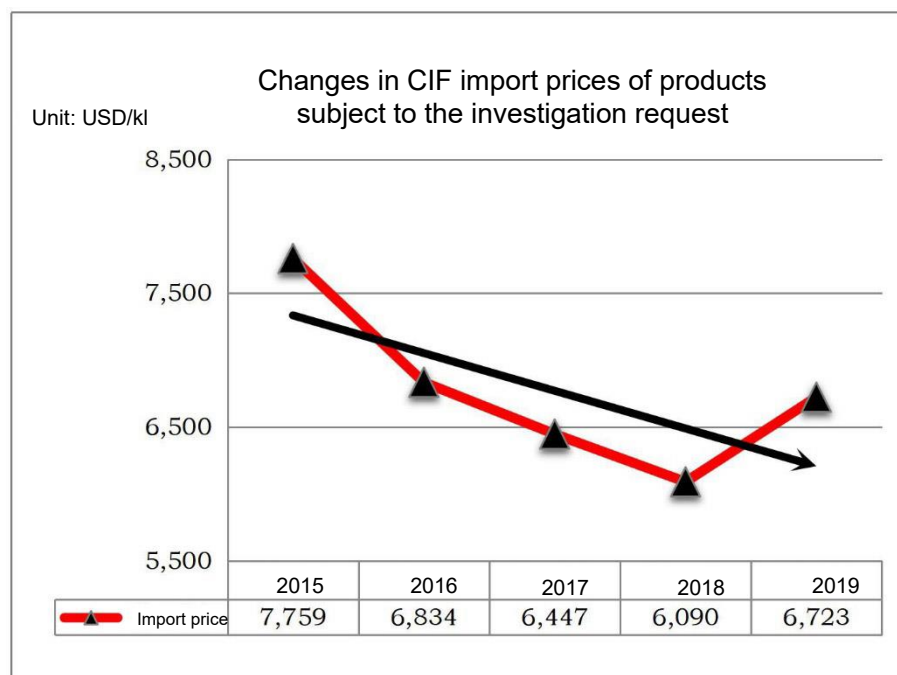
Driven by the continuous growth in import volume, the market share of products subject to the investigation request in China was also increasing. From 2015 to 2019, the market share was 3.66%, 5.19%, 8.66%, 11.67% and 13.36%, respectively, with year-on-year increases of 1.54 percentage points, 3.46 percentage points, 3.02 percentage points and 1.68 percentage points in 2016, 2017, 2018 and 2019, respectively. The market share in 2019 increased by 9.70 percentage points from 2015 and was the highest during the whole investigation period.



In addition, compared with the total output of the domestic like products, the proportion of products subject to the investigation request to the total output of domestic like products was also increasing. From 2015 to 2019, the proportion was 4.88%, 7.51%, 15.58%, 23.26% and 26.76%, respectively, with year-on-year increases of 2.63 percentage points, 8.07 percentage points, 7.67 percentage points and 3.50 percentage points in 2016, 2017, 2018 and 2019, respectively. The proportion in 2019 increased by 21.88 percentage points from 2015 and was the highest during the whole investigation period.



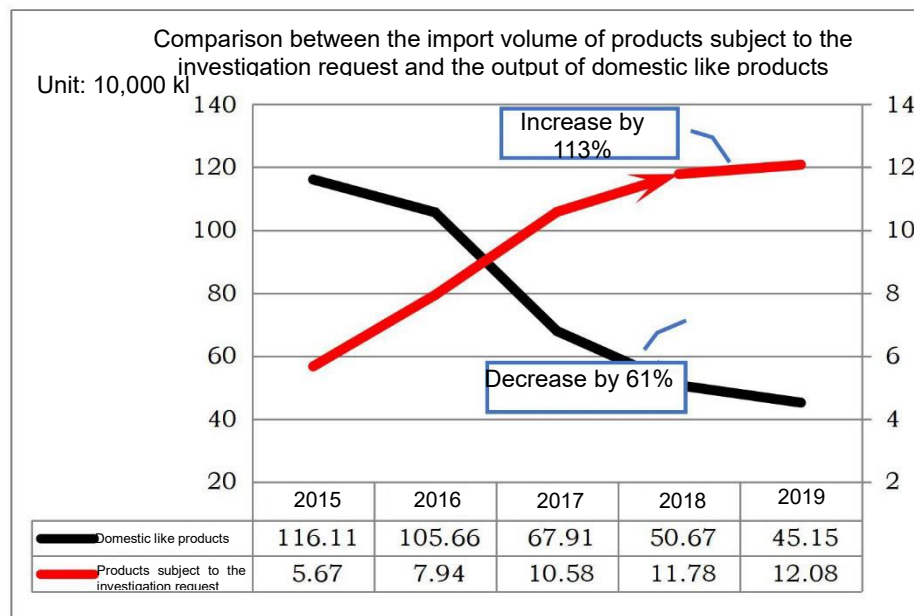
The reason for the sustained and substantial increase in import volume is closely related to the low price of products subject to the investigation request. In the same period, the import prices of products subject to the investigation request showed a continuous downward trend. From 2015 to 2019, the import prices of products subject to the investigation request were USD 7,759/kl, USD 6,834/kl, USD 6,447/kl, USD 6,090/kl and USD 6,723/kl respectively, down by 11.92% from 2015 in 2016, 5.67% from 2016 in 2017, 5.54% from 2017 in 2018 and 21.51% from 2015 in 2018. In 2019, the import prices increased by 10.39% over 2018 but still decreased by 13.36% compared with 2015.





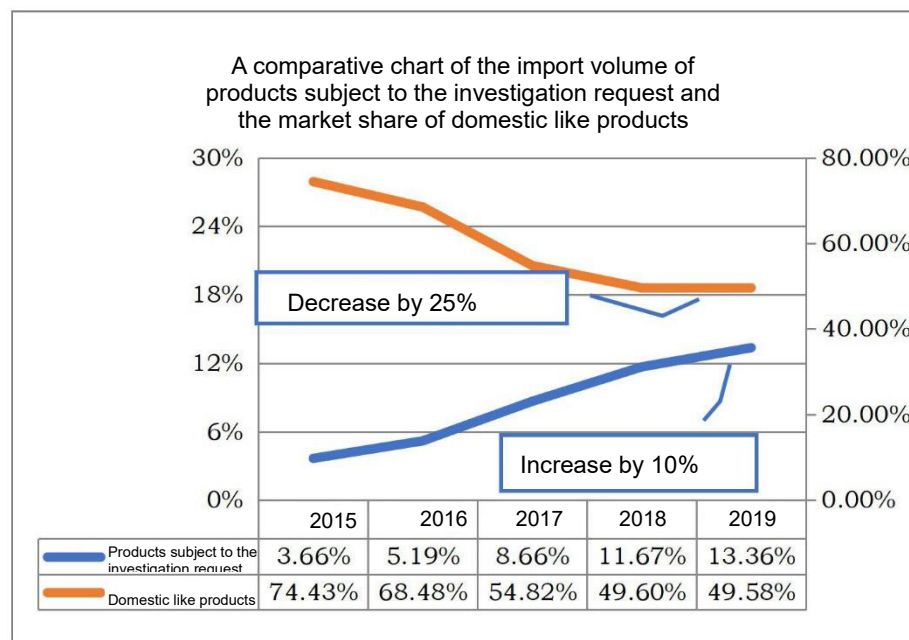
As products subject to the investigation request and domestic wine are like products which are competitive and mutually substitutable, and that product price has a significant impact on the purchase choices of downstream users, under the circumstances of substantial increase in import volume, continuous increase in market share and in proportion to the total output of domestic like products, as well as sharp decline in import prices, the import of products subject to the investigation request is sufficient to have an impact on the domestic market and domestic industry:

On the one hand, the output of domestic like products showed a continuous downward trend, which had a negative correlation with the increase in import volume of products subject to the investigation request. In particular: in 2016, compared with 2015, the output of domestic like products decreased by 9.00%, while the import volume of products subject to the investigation request increased by 40.05%. In 2017, compared with 2016, the output of domestic like products decreased by 35.73%, while the import volume of products subject to the investigation request increased by 33.31%. In 2018, compared with 2017, the output of domestic like products decreased by 25.39%, while the import volume of products subject to the investigation request increased by 11.36%. In 2019, compared with 2018, the output of domestic like products decreased by 10.89%, while the import volume of products subject to the investigation request increased by 2.52%. During the investigation period, the output of domestic like products decreased significantly by 61.11%, while the import volume of products subject to the investigation request increased by 113%.



Due to the negative impact of the output reduction, the market share of domestic like products also showed a continuous downward trend, which had a negative correlation with the increase in market share of products subject to the investigation request. In particular: in 2016, the market share of domestic like products decreased by 5.95 percentage points compared with 2015, while the market share of products subject to the investigation request

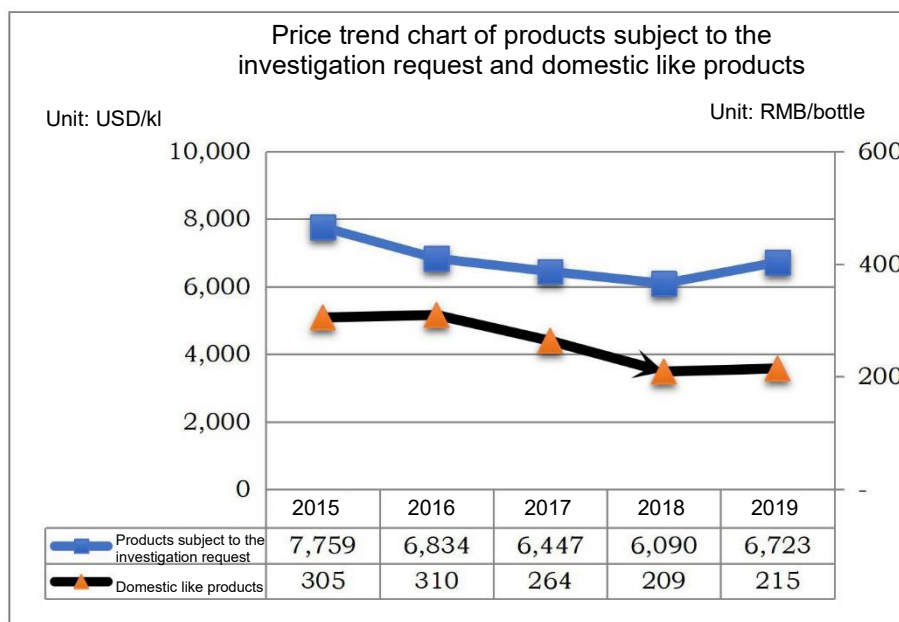
increased by 1.54 percentage points; in 2017, compared with 2016, the market share of domestic like products decreased by 13.67 percentage points, while the market share of products subject to the investigation request increased by 3.46 percentage points; in 2018, compared with 2017, the market share of domestic like products decreased by 5.22 percentage points, while the market share of products subject to the investigation request increased by 3.02 percentage points; in 2019, compared with 2018, the market share of domestic like products decreased by 0.01 percentage point, while the market share of products subject to the investigation request increased by 1.68 percentage points. During the investigation period, the market share of domestic like products decreased by 24.85 percentage points, while the market share of products subject to the investigation request increased by 9.70 percentage points.



On the other hand, while the increase in import volume led to intensified market competition, the price reduction of products subject to the investigation request depressed and suppressed the sales prices of domestic like products, resulting in a downward trend in sales prices of domestic like products. It also had a negative impact on the sales revenue and total profits of the domestic like products.

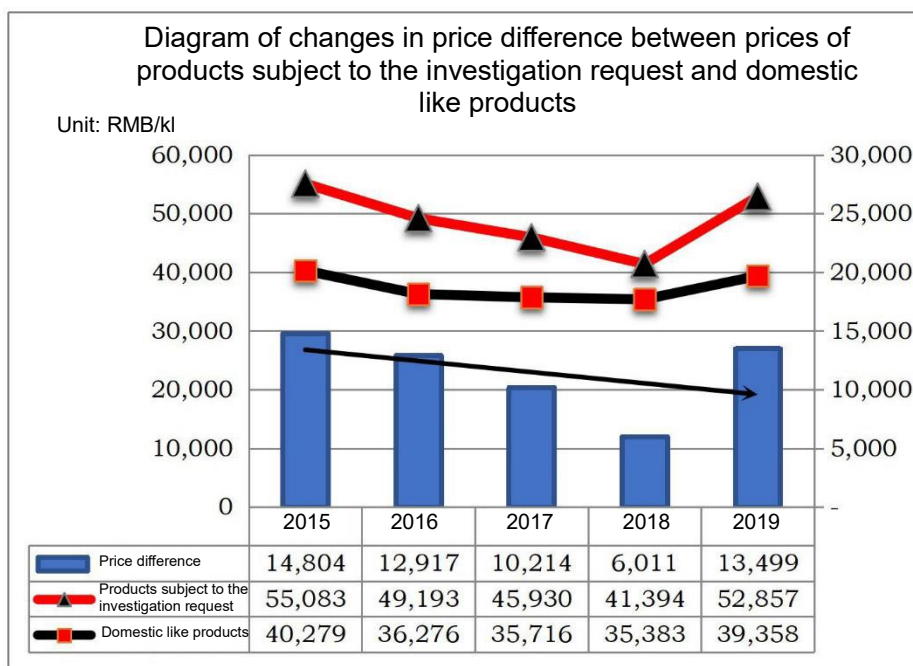
According to the average price data monitored by the National Development and Reform Commission and the import data from the Customs: in 2016, compared with 2015, the import prices of products subject to the investigation request decreased by 11.92%, while the prices of domestic like products increased slightly by 1.41%; in 2017, compared with 2016, the import prices of products subject to the investigation request decreased by 5.67%, while the prices of domestic like products decreased by 14.81%; in 2018, compared with 2017, the import prices of products subject to the investigation request decreased by 5.54%, while the prices of domestic like products decreased by 20.74%; in 2019, compared with 2018, the import prices of domestic like products increased by 10.39%, while the prices of domestic like products

increased by 2.64%; in 2018, compared with 2015, the import prices of products subject to the investigation request decreased by 21.51%, while the prices of domestic like products decreased by 31.52%. In 2019, the import prices of products subject to the investigation request and the prices of domestic like products both increased, but their prices were still 13.36% and 29.71% lower than those in 2015, respectively.

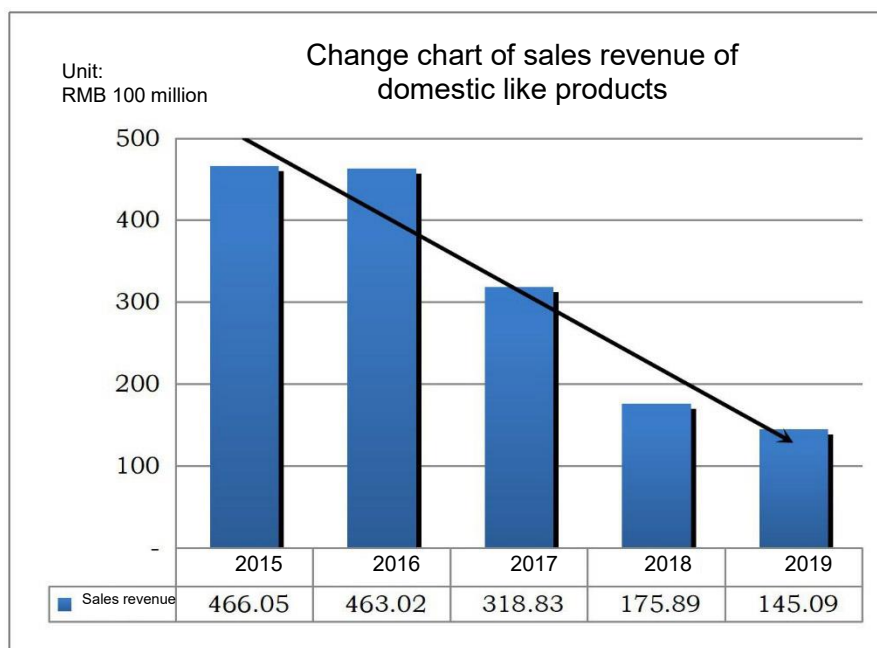


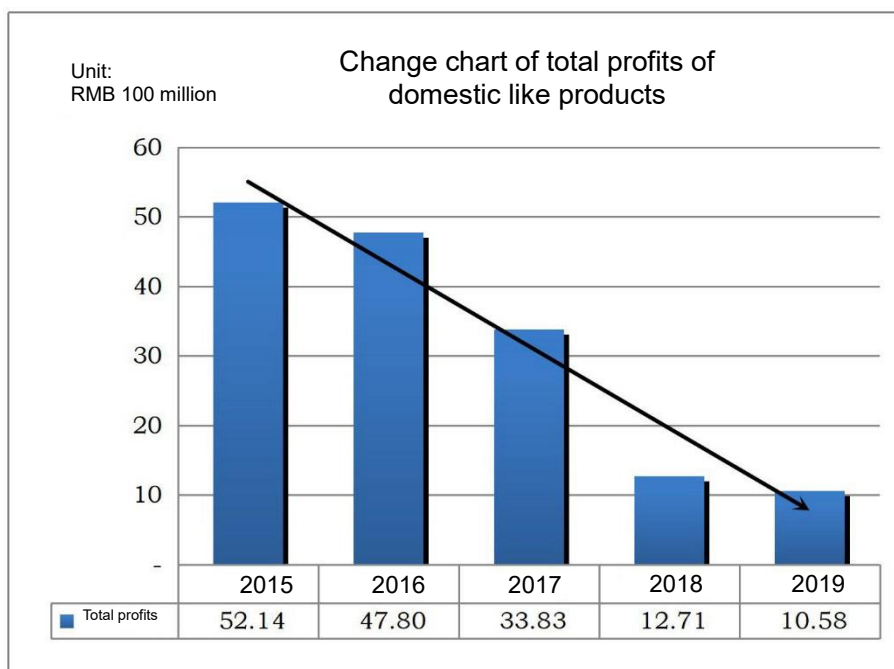
Moreover, the annual report data disclosed by four representative domestic listed wine companies can further prove that the sales prices of domestic like products showed an overall downward trend during the investigation period, down by 9.94% in 2016 compared with 2015, 1.54% in 2017 compared with 2016, and 0.93% in 2018 compared with 2017; the prices in 2019 were 11.23% higher than those in 2018, but still 2.29% lower than those in 2015.

During the investigation period, due to the overall sharp decline in import prices of products subject to the investigation request, the price differences between the products subject to the investigation request and domestic like products showed an overall narrowing trend. The price differences from 2015 to 2019 were RMB 14,804/kl, RMB 12,917/kl, RMB 10,214/kl, RMB 6,011/kl and RMB 13,499/kl, respectively, down by 9% in 2019 compared with 2015. Obviously the price reduction of products subject to the investigation request depressed the prices of domestic like products.



Under this adverse influence, the sales revenue and profits of domestic like products declined significantly in the same period. In particular, sales revenue in 2019 decreased by 68.87% compared with 2015, and total profits decreased by 79.71% in 2019 compared with 2015. In 2019, output, market share, sales revenue and profits of domestic like products were the lowest in the investigation period, which was inversely related to the highest level of import volume in 2019 and was a change in the same direction with the overall downward trend of import prices.





Based on the above analysis, the Applicant believes that the production and operation conditions of domestic like products are deteriorating rapidly, and the domestic industry is suffering from serious material injury. A large number of low-priced imports of products subject to the investigation request into the Chinese market is an important cause of the material injury to domestic industry, and there is a direct causal link between them.

## (II) Analysis of other factors which may cause injury to domestic industry

### 1. Influence of imported products from other countries and regions

According to the Customs statistics, China also imports like products from other countries (regions), such as the EU, Chile and the US. Data of imported wines from other countries (regions) during the investigation period is shown in the table below:

#### Changes in import volume of like products from other countries (regions)

Unit: kl

Period	Australia		Other countries (regions)	
	Import volume	Variation	Import volume	Variation
2015	56,681	-	339,460	-
2016	79,385	40.05%	402,394	18.54%
2017	105,826	33.31%	446,493	10.96%
2018	11.36%	11.36%	390,894	-12.45%
2019	120,812	2.52%	335,206	-14.25%

**Changes in import prices of like products from other countries (regions)**

Unit: USD/kl

Period	Australia		Other countries (regions)	
	Import price	Variation	Import price	Variation
2015	7,759	-	4,238	-
2016	6,834	-11.92%	4,107	-3.09%
2017	6,447	-5.67%	4,189	2.01%
2018	6,090	-5.54%	4,751	13.40%
2019	6,723	10.39%	4,116	-13.35%

Notes: Data of imported wines from other countries (regions) come from "Annex VIII: Customs statistics on wine import and export."

During the investigation period, the import volume of like products from other countries (regions) went up first and then declined. The overall trend was a decline, which was distinctly different from the sharp upward trend of import volume of the Australian products subject to the investigation request. During the same period, the import prices of like products from other countries (regions) stayed relatively stable, which was distinctly different from the clear downward trend of the import prices of Australia's products subject to the investigation request.

Therefore, the Applicant believes that changes in the import of like products from other countries (regions) cannot deny the existence of injury to domestic industry caused by Australian products subject to the investigation request.

## **2. Influence of changes in market demand**

During the investigation period, the apparent consumption of wines in China declined from 1.5494 million kl in 2015 to 904,500 kl in 2019, registering a decline of 41.62%.

Although there is no official statistical data on actual demand, the domestic wine consumption market remains good overall as reflected by all parties. According to the data analysis cited from OIV in related media reports, China is the world's fifth-largest wine consumer and one of the world's fastest-growing countries in wine consumption. China's per capita consumption is only about 0.6 l, which is not only lower than the global per capita consumption but also far below that of major consumers. Therefore, China's wine consumption market has the potential to grow. In particular, with the generational shift of mainstream consumer groups and the impact of consumption upgrading in the future, the capacity of China's wine market will continue to expand. These facts can explain the sustained growth of exports of Australian products subject to the investigation request to China during the investigation period.

To say the least, if the downward trend of apparent consumption would impact the market negatively, these negative impacts would affect both domestic like products and products subject to the investigation request, given that they were all in the same market and competing with each other. That is to say, when the domestic industry was being adversely affected, the import of Australian products subject to the investigation request should have been affected negatively as well. However, the fact is that the import volume of Australian products subject to the investigation request maintained a sustained and substantial growth during the investigation period, while the output of domestic like product plunged. The two performed completely differently in the same period.

Therefore, the Applicant believes that the downward trend of apparent consumption could not deny the injuries to domestic industry caused by Australian products subject to the investigation request.

### **3. Influence of changes in consumption patterns**

Up to now, China has not issued any policies restricting the use or consumption of wine products. In addition, the Chinese market was undergoing a generational shift and consumption upgrading of the mainstream consumer groups during the investigation period, both were beneficial to the wine industry and the wine market. Therefore, the Applicant believes that the change in consumption patterns during the investigation period did not cause any injury to the domestic industry.

### **4. Influence of changes in export**

According to the Customs statistics, the export volume of the domestic like product was minimal during the investigation period. And there was little change in export volume. The annual export volume was less than 10,000 kl, accounting for about 1% of the total national output. Domestic like products were mainly consumed in the domestic market. Therefore, the Applicant believes that changes in export were not the cause of injury to domestic industry.

### **5. Influence of healthy competition at home and abroad**

As mentioned above, the products subject to the investigation request and domestic like products are basically the same in physical and chemical properties and distribution channels. In terms of regions of distribution and customer groups, there exist intersections. Besides, domestic enterprises have been committed to improving their technological standard and to expanding their scale of production. In terms of production and operation management, domestic enterprises have also been focused on standardising and improving their management. At the same time, domestic enterprises also devoted themselves to comprehensive utilization of resources, energy conservation and emission reduction. They have made significant progress in the comprehensive utilization of by-products such as grape

skin residue, as well as wastewater treatment and recycle. Some enterprises extract ethyl alcohol and tannin from grape skin residues, which helped to improve their economic performance.

It can be seen that the domestic industry possessed good market competitiveness in terms of scale, product quality and production and operation management. If imported products from Australia were to engage in fair competition with domestic like products, the domestic industry which was blessed with such local advantages should not have been injured so severely.

## **6. Influence of the commercial distribution channels and trade policy**

With the further deepening of reform and opening up, as well as the constant improvement of the market economic system, wine products in China have fully adopted the market-oriented price mechanism, and their production and operation are regulated by the rules of market. Domestic like products and products subject to the investigation request share the same distribution channels. There's no factor in commercial distribution that would hinder the sales of domestic like products or cause injury to the domestic industry.

Moreover, so far China has not issued any other policies to restrict trade in the wine industry. The domestic industry did not suffer from adverse impact in this respect.

## **(III) Conclusion**

Based on the above analysis, the Applicant believes that there is a causal link between the products subject to the investigation request and the material injury inflicted on the domestic industry, and other factors could not deny the injuries caused by Australian products subject to the investigation request to the domestic industry.

## **VIII. Consideration of Public Interests**

The Applicant believes that countervailing aims to correct the unfair trade competition of subsidised imported products and eliminate the damaging effects of subsidies on the domestic wine industry. The purpose of the countervailing measures is to restrict non-standard import at low prices which damages the normal market order, to safeguard and regulate the normal trade order, and to restore and promote fair competition. According to the trade remedy practices of all countries, special attention should be paid to restoring the distorted market order and protecting effective competition when considering the public interests. However, the products subject to the investigation request originating in Australia was imported into the domestic market at low prices in large quantities, which severely damaged the fair competition order of the domestic market and caused severe impact and



injury to domestic industry. In this case, taking countervailing measures will help to restore the distorted competition order and safeguard the security of the domestic industry and the national economy as a whole, which is in line with the public interest.

Secondly, wine grapes in China are mainly produced in Shandong, Hebei, Ningxia, Xinjiang and Gansu, and the wine industry is closely related to grape planting which concerns the fundamental interests of growers. Developing and protecting the wine industry plays an active part in guiding the regional economic development and expansion of pillar competitive industries. It plays a leading role in helping farmers overcome poverty, achieve prosperity, and increase income. It has an important impact on our current efforts to achieve precise poverty alleviation and help people live a moderately prosperous life in all respects. Moreover, developing and protecting the wine industry is vital to social stability of border areas. Therefore, protecting the sound development of the wine industry through countervailing measures conforms to the national policy and the fundamental interests of farmers.

In addition, developing and protecting the wine industry is also conducive to the development of industrial chain and a diversified wine industry. It can accelerate the development of grape picking, wine appreciation and leisure tourism by making the most of enterprises' unique ecological, geographical and cultural advantages and drive the development of grape seed oil and other related products, forming a diversified industrial development model.

Moreover, what countervailing measures target is products imported through price discrimination. They do not boycott regular foreign trade, nor do they pose obstacles to legitimate and fair imports. Countervailing measures are taken to adjust the prices of subsidised imported products to a level that allows fair competition, not to completely prohibit imports. Therefore, if relevant countervailing measures are taken, Australian products subject to the investigation request can also be exported to the Chinese market at fair and normal prices in the future. Legitimate imports of these products will not be subject to any restrictions. Even if Australian products subject to the investigation request are affected due to the adoption of countervailing measures, imported wines from other countries (regions) can act as a supplement and meet the market demands.

Finally, the Applicant believes that countervailing measures are conducive to improving the business environment and standardising the business order of the wine market, so as to avoid market chaos caused by misleading low prices of imported wines. The quality of wines has a direct bearing on the interests, health and standard of living of consumers. If the product quality cannot be guaranteed, the interests of consumers will eventually be affected. Therefore, in the long run, only when the wine market is regulated and prices are kept at a reasonable, stable and orderly level can wine producers ultimately benefit from a stable market and form a mutually beneficial and harmonious relationship with consumers.

To sum up, the Applicant believes that it conforms to the public interest of the People's Republic of China to investigate and take countervailing measures against imported wines originating in Australia.

## **IX. Conclusion and Request**

### **(I) Conclusion**

On the basis of the above facts and grounds, the Applicant holds that there exist subsidies for imported wines originating in Australia, which have caused material injury to the domestic industry.

Under such circumstances, it is conducive to restoring the distorted market competition order, protecting the lawful rights and interests of the domestic wine industry, and ensuring sound development of the domestic industry to conduct a countervailing duty investigation in a timely and effective manner and to take countervailing measures. Furthermore, conducting countervailing duty investigation into and taking corresponding countervailing measures against imported wines originating in Australia will not only protect the domestic industry but also the national economic security and the fundamental interests of the farmers and the rights and interests of consumers. Thus, this conforms to the public interest of the People's Republic of China.

### **(II) Request**

In order to protect the lawful rights and interests and the development prospects of the domestic wine industry, in accordance with the *Foreign Trade Law of the People's Republic of China* and the *Regulations of the People's Republic of China on Countervailing Measures*, the Applicant requests the Ministry of Commerce of the People's Republic of China to initiate a countervailing duty investigation into imported wines originating in Australia and make recommendations on the basis of the investigation results to the Customs Tariff Commission of the State Council to impose countervailing duties on imported wines originating in Australia.

## **Section B - Confidential Application**

### **I. Confidential application**

In accordance with Article 22 of the *Regulations of the People's Republic of China on Countervailing Measures*, the Applicant requests that the materials and attachments in this application be treated as confidential. That is to say, these materials could be accessible to only the Investigating Authority and departments prescribed in the *Regulations of the People's Republic of China on Countervailing Measures*. These materials must be kept confidential and shall not be disclosed, or seen, or obtained or learned under any circumstances.

### **II. Non-confidential summary**

In order to make stakeholders well informed of the comprehensive information in the application and attachments, the Applicant hereby prepares a public version of the application and attachments which provide descriptions or non-confidential summary for the confidential materials and information.

### **III. Description of confidential treatment**

The Applicant shall provide a non-confidential written summary for the confidential information related to the Applicant in the public version the Application and the attachments.

## Section C - List of evidence

Annex I: The Applicant's Certificate of Registration as a Social Group Legal Person and Power of Attorney

Annex II: Description of wine producer members

Annex III: Meeting notes

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Annex V: Description of the production and operation of domestic wine industry

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