Australian Grape & Wine Pre-Budget Submission 2022-23

3 February 2022

Name – Date

Contents

Who are we

Australian Grape and Wine Incorporated (Australian Grape & Wine) is Australia's national association of winegrape and wine producers. Our activities focus upon the objective of providing leadership, strategy, advocacy and support that serves Australian wine businesses now and into the future.

We represent the interests of the more than 2,000 winemakers and 6,000 winegrape growers working in Australia. Our businesses support more than 160,000 people across Australia predominantly located in rural and regional areas. Our role is to help forge a political, social and regulatory environment - in Australia and overseas - that enables profitable and sustainable Australian wine and winegrape growing businesses. These businesses make a significant contribution to underpinning regional economies by driving growth in jobs, regional exports and food and wine tourism.

Australian Grape & Wine's voluntary membership represents over 75% of the national winegrape crush. We represent small, medium and large winemakers and winegrape growers from across the country. Policy decisions by the Australian Grape & Wine Board require 80% support, ensuring no single category can dominate the decision-making process and guaranteeing policy is only determined if it provides significant industry benefit. In practice, most decisions are determined by consensus.

Australian Grape & Wine is recognised as a representative organisation for winegrape and wine producers under the Wine Australia Act 2013, and is incorporated under the SA Associations Incorporation Act 1985. We work in partnership with the Australian Government to develop and implement policy that is in the best interests of winegrape growers and winemakers across Australia.

Summary of Recommendations

1) **Invest $1.817 million in Australian Grape & Wine's proposed ATMAC initiatives.**
2) **Invest $540,000 to enable Australian Grape & Wine to work with other stakeholders to develop a comprehensive Australian grape and wine sector brand strategy.**
3) **Invest $49 million in Wine Australia's marketing effort to drive diversification.**
4) **Invest $320,000 to protect Australia's GI's from intellectual property infringements in China.**
5) **Government to adequately resource its ongoing engagement in international wine related forums.**
6) **Invest in developing, with Wine Australia, a system to improve market transparency and information for grape growers and winemakers to address issues identified by the ACCC.**
7) **Increase funding for the Wine Tourism and Cellar Door Grants scheme from $10 million to $20 million.**
8) **Invest $500,000 in a dedicated wine-focused tourism strategy to be delivered by Wine Australia in consultation with Tourism Australia, Australian Grape & Wine and state and regional grape and wine and tourism industry associations.**
9) **Invest $28 million in the Sustainable Wine and Food Innovation Hub 4.0 project.**
10) **Lead inter-governmental process to recognise interstate RSA certifications for the purpose of carrying out tastings, with a view to quickly agreeing national RSA certification arrangements.**
11) **Invest up to $900,000 in promoting diversity and equality, and workforce participation, in the grape and wine sector.**
12) **Invest $1 million in the Virtual Psychologists rural and regional services.**
13) **Governments do not include wine bottles in existing, or future, CDS arrangements.**
14) **Resource an independent cost-benefit analysis of all recycling options wine bottles.**
15) **Invest $250,000 in the National Wine Foundation in 2022-23 to fund wine-related initiatives through DrinkWise, and job training and placements with the National Indigenous Culinary Institute.**
16) **No change to current taxation arrangements for wine, including the WET rebate.**
17) **No use of taxation or pricing measures in the context of public health objectives, which are better addressed by more targeted policy instruments.**
18) **Government seeks an equitable funding model for biosecurity ensuring there is appropriate capacity and capability across plant biosecurity departments at all levels of government.**
19) **Maintain status quo funding arrangements for Australia's rural R&D system.**
20) **Allow businesses to instantly write-off investments in grape and wine technology.**
21) **Increase Australia's duty-free allowance for wine to (up-to) six bottles (4.5 litres).**

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Executive Summary

Australian Grape & Wine's pre-budget submission for 2022-23 (PBS) is delivered to the Australian Government at a challenging time for grape and wine businesses across the country. As per our organisation's last PBS, much of this year's submission presents a case for the Australian Government to work with industry and invest in its survival as it works through the challenges of China's trade prohibitive import duties, Covid-19 and the ever-present risks of fires, smoke, drought and hail, with the latter destroying large swathes of vineyards across South Australia, New South Wales and Victoria over the summer.

However, while the challenges noted above are undoubtedly existential for some businesses, this PBS is cautiously optimistic for our sector. It puts forward a number of opportunities for collaboration and co-investment between government and industry that we firmly believe will help drive recovery and renewal for grape and wine businesses, and the communities they support across Australia's 65 wine growing regions.

Our recommendations for government investment are proportionate to the challenges the opportunities in front of our grape and wine businesses.

The impacts of the effective loss of the $1.2 billion China market last year will create very difficult commercial conditions in the coming years for both grape growers and winemakers. Despite the enormous efforts of our businesses and government bodies such as Wine Australia and Austrade to find new customers in a more diverse range of markets, as we begin 2022 Australia isn't reallocating premium wine fast enough to compensate for the market closure. We are at the start of a lengthy road to recovery, but in the short term, we expect prices for grapes, particularly red grapes, are likely to come under sustained and significant downward pressure.

It is important to note that the impacts of China's import duties flow-on beyond those who were focused on exporting to China. The Australian market, which consumes around 40 per cent of production each year, cannot soak up the wines that would otherwise have been destined for China. The market is mostly saturated with wine, with limited potential for growth. Further to this, the record-breaking 2.03 million tonne 2021 vintage will add to existing stocks in many regions too.

All this means is that without significant investment in growing and diversifying exports of Australian wine, it is likely that Australia will experience a significant oversupply of grapes and wine (particularly red varieties) over the next five-to-ten years, with price pressures starting this year. Neither industry, nor government, can solve this dilemma alone. Collaboration, co-investment and long-term commitment is required.

This PBS proposes co-investments and activities that aim to enable more businesses to export to more markets more easily. It proposes work which will break down barriers to export, improve commercial conditions in export markets, and increase the number of consumers of Australian wines through promotions and marketing efforts. It builds on and complements the Australian Government's Agribusiness Expansion Initiative, which we strongly support, and seeks to build on Australian Grape & Wine's Agricultural Trade and Market Access Cooperation (ATMAC) initiatives with a second tranche of funding.

But we are not solely focused on an export driven recovery. The grape and wine sector is a magnet to regional tourism, attracting investment; hospitality, tourism and retail expenditure; and ultimately driving economic and employment growth in Australia's regional towns and cities. This PBS proposes initiatives which will help strengthen the magnetism to regional Australia, in the form of an extended and expanded wine tourism and cellar door grants scheme, and an Australian regional wine tourism strategy. These initiatives would help attract more people to our regions, and encourage more consumers to buy their wines direct from the winery itself – which is ultimately the most profitable sales channel for most wine businesses in Australia, and in particular, for small businesses.

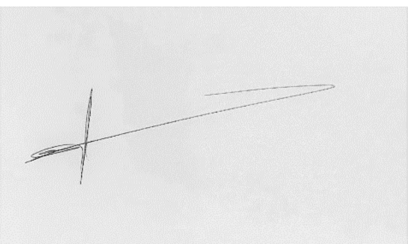
Domestically, we also need to ensure we continue to invest in our people. The Covid-19 pandemic has exposed weaknesses in our sector's ability to access workers in the vineyard, in the winery, and in technical roles. Indeed, our reliance on overseas labour extends beyond the grape and wine sector to other sectors like hospitality and tourism. Australian Grape & Wine wants to work with the Australian Government to make sure the sector is well-placed to attract the best and brightest people. We've also acknowledged that we need to do more to promote diversity and equality in our sector, and to make sure that our grape and wine businesses are inclusive, non-discriminatory and safe for anyone who works in the sector. This PBS proposes some modest co-investments that we believe could turbo-charge our work on these issues and make Australia's grape and wine businesses best-in-class as employers.

Understanding and complying with regulation at the federal, state and local level – is a challenge for businesses of any size. As a responsible, albeit highly regulated industry, we understand the need for governments to put in place rules and measures that aim to keep people safe and ensure businesses and individuals conduct themselves in accordance with the expectations of our society. It is critical, however, to make sure these regulations are evidence-based and developed in consultation with stakeholders, with a view to making sure government is getting the balance right in a highly-complex regulatory environment. For example, in this document we note the importance of ensuring alcohol and health policy is formed with these guiding principles in mind, recognising the significant improvements Australia has seen in its drinking culture in recent years. Furthermore, we also note the importance of developing environmental policies – such as recycling policies – that strike the right balance between our shared desire to improve recycling rates and commercial costs for wine businesses.

This PBS also highlights the importance of continuously investing in our competitiveness. The Australian grape wine sector operates in a global marketplace, competing with major producer nations with either lower-cost bases, or highly subsidised grape and wine businesses. For Australian businesses, we rely on our ability to harness innovation and work at the cutting edge of sector to compete. We also rely on our unique vineyard resources, some of which are the world's oldest. Given this, biosecurity is a major priority for the sector. Without ongoing investment in research, development and innovation, biosecurity, and our ability to manage other threats such as climate change, our competitiveness will quickly be eroded. Now, more than ever, we need to make sure industry and government is working together to bolster our strengths in the international market.

We are delighted to have the opportunity to submit this PBS to Government at such a critical juncture for many of our members. Indeed, we may never have submitted a more important PBS than this, and we hope it enables the Australian grape and wine sector to work with the Australian Government to implement initiatives that will help drive economic recover in the grape and wine sector and beyond.

Australian Grape & Wine would welcome the opportunity to elaborate on the recommendations presented in this PBS at any stage.



John Hart OAM
Chair

Grape growing and winemaking in Australia

A snapshot of the Australian grape and wine sector

Made in Australia

- Wine Grapes are grown in every state of Australia.
- More than 2000 wineries across Australia.
- More than 6,000 wine grape growers across Australia.
- Sixty-five distinct wine regions, which we call geographical indications (GI).

A pillar of regional economic prosperity

- Grape growing, winemaking and wine-related tourism contributed an estimated $45.5 billion to the Australian economy in 2019.[1]
- The sector supports the employment of more than 160,000 people across Australia (full and part time), the majority of which are located in rural and regional Australia.
- A magnet for regional tourism, with 8.3 million visits to wineries in the year to March 2019 (although this fell to 5.5 million visits to wineries in the year to September 2020 as a result of the Pandemic), and with these people tending to spend more per visit than those who did not visit a winery.[2]

Enjoyed globally – An export success story

- The world's fourth largest wine exporter nation by value in 2020, behind France, Italy and Spain.
- Around 60 per cent of production is exported.
- 747 million litres at a total value of $2.9 billion exported in the year ending 31 December 2020.[3]
- This equates to 19 million glasses of Australian wine enjoyed overseas each day.[4]
- Every bottle of Australian wine sold overseas tells a story about rural and regional Australia.

We are farmers…. amongst other things

- Grape and wine businesses are unique in agriculture. We are a leading example of a locally grown and manufactured, value-added agricultural industry
- While we are farmers first and foremost, our business models reach consumers in ways other agricultural industries do not, including through our roles as restaurateurs, events planners, wedding hosts, tourism managers and accommodation operators.

[1] https://www.wineaustralia.com/market-insights/australian-wines-economic-contribution
[2] https://www.wineaustralia.com/market-insights/australian-wines-economic-contribution
[3] https://www.wineaustralia.com/news/media-releases/global-demand-is-steady-for-australian-wine
[4] https://www.wineaustralia.com/news/media-releases/global-demand-is-steady-for-australian-wine

Market diversification remains critical

Exports are key to the profitability of Australian grape and wine businesses. Historically, our ability to attract consumers around the world has been driven by our reputation for producing wines of the highest quality, our clean and green image, and our willingness to embrace innovation. But attracting consumers is only part of the story. Our work with the Australian Government over many years to improve market access outcomes through free trade agreements (FTAs), multilateral engagement and technical and regulatory cooperation, has underpinned the ability for businesses to invest in entering markets with confidence.

Unlike many of our key competitors, Australia's export success story has not been driven by subsidies, or a comparatively lower cost base. Science, innovation, and collaboration have driven our rise to becoming the world's fourth largest wine exporting nation.

As we enter 2022, it is clear that efforts to grow our exports in a more diverse array of markets have never been more important to the sector.

Continued investment in market access, promotions and relationship building by both industry and government will be central to our economic recovery, enabling us to emerge from this very challenging period as a strong and sustainable grape and wine sector.

Agribusiness Expansion Initiative: Let's build on early wins.

The Australian Government's Agribusiness Expansion Initiative (ABEI) is a great example of how Government and industry can partner to drive positive outcomes for a broad range of stakeholders and deliver strategic benefit for Australia.

Australian Grape & Wine is extremely grateful for the funding provided under the ATMAC grants program, and we are excited about the activities we are undertaking for grape and wine businesses across the country. Much of the work undertaken in stage one of our ATMAC diversification project is designed to be either built upon, or replicated in other markets, in a second stage. While many other agricultural commodities have been able to weather the impacts, or even strengthen their position in the face of the challenges posed by China's trade policies, grape and wine businesses are facing an extremely difficult period in the short to medium term. To ensure businesses can keep their heads above water, further investment in diversification through the ATMAC program is required.

Recommendation 1: Invest $1.817 million in Australian Grape & Wine's proposed ATMAC initiatives.

A strategy for future growth

PARTNERING TO DIVERSIFY OUR EXPORTS

An Australian Government Agricultural Trade and Market Access Cooperation (ATMAC) grant is enabling Australian Grape & Wine to work with our members, Wine Australia, Austrade and the Australian Government to undertake a range of exciting initiatives to help grow and diversify Australia's wine exports.

With a focus on Japan and Korea, we are engaging Australian wine brand ambassadors in Japan and the Republic of Korea and undertaking retail activations in these key markets.

We're helping wine businesses to navigate the complex but lucrative United States market by delivering an online tool which identifies opportunities across various states and the best approach to breaking into the market.

We're delivering a comprehensive trade and market access strategy and access plan, which seeks to identify and reduce or remove trade barriers for Australian wine and make it easier for businesses to export with confidence.

In addition to the proposed funding under the ATMAC program noted in Recommendation 1, Australian Grape & Wine submits there is a need to refresh and renew Australia's brand strategy for wine. We have come to this position as a result of what we have learned from the first stage of our ATMAC project, and through discussions with members across the country.

While there is a lot of activity being undertaken by State Governments and associations, regional associations, Austrade, Wine Australia and Australia Grape & Wine, there is no unifying brand strategy. We are addressing many of the coordination issues though the ATMAC program, but the missing piece in the puzzle is the development of a brand strategy.

The brand strategy needs to be industry-led, but developed in close consultation with Wine Australia and Austrade to ensure we leverage expertise and resources, and to maximise industry buy-in to the strategy.

Recommendation 2: Invest $540,000 to enable Australian Grape & Wine to work with other stakeholders to develop a comprehensive Australian grape and wine sector brand strategy.

Wine Australia requires a funding boost to drive export growth

Recent investment by the Australian Government in targeted multi-year marketing campaigns that improve the perception and awareness of Australian wine in China (as part of the $50 million Export and Regional Wine Support Package) were greatly appreciated by the industry, however, this funding has expired. With the closure of the China market, it is clear that driving growth and recovery in our grape and wine sector will require significant investment beyond what we are able to achieve with existing levy funds.

Australian Grape & Wine supports investment of $49 million over three years to help open new markets and drive export growth for Australia's grape and wine sector. This kind of investment, complemented by the proposed ATMAC activities, would turbo-charge our recovery and help grape and wine businesses to emerge from their current challenging positions with a more diverse export footprint, and more customers around the world.

Category marketing investment to drive demand, premium paid and export growth

Priority markets represent the largest and most attractive wine markets in the world with a combined retail value of over US$50 billion with Australia holding an 8 per cent share. They provide biggest upside for Australian wine in both volume and the average price paid. Emerging markets are smaller but growing markets and Australia has an opportunity to grow with the market as well as increase market share. They represent a combined market value of US$25 billion and Australia holds a 6% share.

To drive consumer demand and achieve growth across all price points, we recommend a significant increase in the number of integrated marketing campaigns in priority[1], emerging[2] and new markets[3] [4] to drive trade and/or consumers to purchase. This requires new initiatives to increase the value of commercial wine exports.

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[1] North America, UK, Europe, Nordics, Hong Kong and Singapore

[2] South Korea, Vietnam, Thailand, Taiwan, Indonesia and Japan

[3] India, Brazil, Russia and Mexico

[4] Markets identified by Wine Australia market attractive analysis and verified by sector bodies, including Insights Advisory Group

This would include:

- Increased investment in ecommerce, retail and distributor promotions to place more product on shelf, in carts and on tables
- Increased commercial support and business development for wineries via market entry programs to extend reach, value and volume
- A significant Australian presence at key international trade events
- Resumption of inbound visits into Australia for key trade and media
- Drive increased market entry into the USA, Canada, ULK, Europe and APAC
- Key influencer and media engagement to further drive positive perceptions and consumer demand
- Development of immersive food, wine and tourism experiences and campaigns to engage a changing consumer demographic.

Request: $9M per year over three years

The Export and Regional Wine Support package (ERWSP) delivered significant legacy marketing pillars – a category brand, global education, content and digital B2B platform. We recommend:

- Increasing investment across all marketing pillars heightening marketing activity across channels (digital, social, media and comms), for all audiences, to drive awareness, consideration and advocacy
- Significantly increasing the investment in global education to increase trade and consumer knowledge
- Localising category brand building in the APAC region to engage consumers and bring them into wine
- Further development of the digital B2B trade platform Australian Wine CONNECT to capitalise on changing buyer behaviour.

Request: $6M per year over three years

We also recommend investment in obtaining additional qualitative market insights into consumer behaviour, wants and needs to increase market share in mature markets, open new markets, and attract and engage new customers. These insights will inform any Australian wine marketing strategy and activity in market, provide greater return on investment through a highly targeted approach and, most importantly, be provided to wine businesses to assist them develop their export marketing plan and support product innovation and diversification.

Request: $1.33M per year over three years

Wine Australia would continue to work closely with the sector, Austrade, Federal and State Government, regional bodies and other RDCs to amplify activity and achieve greater reach and impact.

Recommendation 3: Invest $49 million in Wine Australia's marketing effort to drive diversification.

Free Trade Agreements: Driving trade and investment for regional Australia.

Australian Grape & Wine is a strong advocate of comprehensive, high-quality, mutually beneficial free trade agreements. These agreements provide certainty for exporters and allow countries to deepen their economic and trade ties, opening-up opportunities for trade and other forms of cooperation. We are particularly supportive of efforts to fast-track the proposed agreements with the India and the European Union and congratulate the Australian Government for its recent agreement with the United Kingdom (UK).

The Australia – UK Free Trade Agreement: A great result, but clouds are on the horizon.

While the removal of all wine tariffs on Australian wine imports as part of the Australia – UK FTA is terrific news, the recent announcement of proposed amendments to the UK's alcohol taxation system by the UK Chancellor of the Exchequer may negate many of the market advantages the FTA would have brought. The proposed reforms would put wine at a distinct competitive disadvantage to other alcohol beverage categories in the UK. Furthermore, the greatest impact would be felt by red-wine producers and those growing red grapes. These growers and winemakers were also hardest hit by China's decision to impose import duties, as the vast majority of Australian wine exported to China was high-quality red wine. We estimate that the total impact of these reforms, if implemented, would equate to approximately 80-90 million pounds per annum for Australian wine producers, with logical flow-on effects for grape growers across the country. Australian Grape & Wine is working closely with its UK counterparts, its members and other stakeholders with a view to securing a more equitable and efficient alternative to that put forward by the UK.

Expanding the CPTPP could help strengthen trading rules and grow export opportunities.

We support work to expand the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to incorporate new members such as the United States of America, the United Kingdom, Taiwan and other economies that meet the standards and philosophical commitment to free and open trade required by the CPTPP.

The proposed Australia – European Union Free Trade Agreement carries significant risks.

As noted previously, Australian Grape & Wine has been a longstanding and consistent supporter of free trade FTAs. However, in the context of the Australia-EU FTA negotiations, we are deeply concerned by the potential risks associated with the EU's approach to protecting geographical indications (GIs). It is critical that the Australian Government continues to stand-up for the rights of Australian grape growers and winemakers to use long-standing, internationally recognised grape variety names such as Prosecco, Montepulciano and others. We will actively oppose a trade agreement with the EU that does not protect these interests.

Italy’s creation of a Prosecco GI is cynical protectionism

Prosecco has always been an internationally recognised grape variety, traditionally grown in the Valdobbiadene-Conegliano region of north-eastern Italy, but also grown elsewhere in the world. In 2009, in an attempt to restrict Prosecco wine production, Italy (through the European Union), changed the name of the “Prosecco” grape variety in the EU to “Glera”, a made up name that has no historical reference before this point in time. They then created a Prosecco GI within the 6,500 hectares of the Valdobbiadene-Conegliano region. To this day, Italy is the only country that is recognised by the OIV as producing “Glera” grapes.

The intention of this move was to restrict global Prosecco production to within the newly created Italian GI. The region of “Prosecco” had never existed previously, and nor had the grape variety “Glera”. There used to be a small village with no history of producing Prosecco grapes in Trieste named Prosecco, but this now a suburb falling on the edge of the current GI, over 150km away from the Valdobbiadene-Conegliano region.

In Italy, the Prosecco GI boundaries have grown rapidly. The variety used to be grown only within the 6,500 hectares of the Valdobbiadene-Conegliano region. However, in 2009, the total area where Prosecco could be grown increased to nearly 20,000 hectares. To put this change into perspective, this change would be akin to overnight in the Coonawarra (planted area of 5,600 hectares) growing to the size of the Riverina, Australia’s largest wine region (plated area of more than 20,000 hectares). Italy has chosen to expand the boundaries of the GI to accommodate market demand.

Prosecco is a different story to Champagne

The Prosecco variety and the attempts to create new regions for its production is a different story to the protection of the Champagne GI, which occurred in Australia some years ago. Prosecco is, and always has been, a grape variety, whereas Champagne is a region in which the winemakers produce a style of wine that can be made from several different varieties (typically it is made from Chardonnay, Pinot Noir and Pinot Meunier grape varieties, or a combination of the three). Restricting the use of Prosecco in Australia is like restricting Shiraz, Chardonnay or Riesling. There are other varieties that are currently under threat and more will follow if the Italian’s are allowed to dictate which varieties Australians can identify on their labels. Italy’s Prosecco GI is not based on any historical or cultural significance. It is simply an attempt to monopolise the market for this highly valuable grape variety with huge potential. We cannot undermine Australian producers, and we can’t undermine the long-standing system for protecting and registering GIs in Australia.

An Australia-India Free Trade Agreement would be a game-changer

Australian Grape & Wine strongly supports the Australian Government’s focus on deepening the bilateral relationship with India, including through pursuing a so-called ‘early-harvest’ FTA. We are keen to work with the Australian Government, the Indian Government, India’s grape and wine sector and other stakeholders to help negotiate an agreement in which Australian wine businesses can export to India at a reduced tariff-rate (currently tariff sit at 150 per cent at the federal level, with additional taxes and charges applied at the state level), phased down to zero over five-to-seven years. In addition, we would like to see a range of technical and customs barriers improved as part of a future agreement.

The enormous potential of the India market

The opportunity presented by the Indian market is immense. The country's population of 1.353 billion sees an additional 19 million people reach legal drinking age each year, and India's rapidly growing middle class is seeking opportunities to enjoy wine. While India's diverse religious and cultural demographics have led to different regulatory arrangements across India's 29 states (including prohibition of the sale and consumption of alcohol in six states – Bihar, Gujarat, Tripura, Lakshadweep, Mizoram and Nagaland – and prohibition in some districts of Manipur), across much of the country alcohol is well understood and accepted in society.

India's alcohol market is currently dominated by beer and whiskey. However, wine is becoming more popular, particularly with women and those seeking to transition away from spirits to drinks containing lower levels of alcohol. This growth is largely concentrated in cities such as Mumbai, New Delhi and Bangalore, and to a lesser extent in Goa and Pune.

This trend away from beer and spirits is consistent with the rise of the middle and affluent classes (MAC) in other markets, as people increasingly seek wine in the same way they do other luxury products. For example, the Chinese alcoholic beverage market was dominated by beer and baijiu two decades ago, before wine quickly gained traction as consumer education improved and the perception of wine as a symbol of status and sophistication grew.

Even when taking into account the impacts of Covid-19, Australia has seen immense growth in both volume and value terms in the year to September 2021, albeit off a Covid-effected low-base. Australia exported 2.5 million litres of wine to India over this time period, which equates to growth by volume of 144.2 per cent and 115.3 per cent value.

An early harvest agreement on wine trade with India would be a major step towards mitigating the impact of China's trade-prohibitive import duties on Australian wines, and support industry and government efforts to diversify Australia's wine export footprint over the long-term. We welcome the recent positive conversations between the Minister for Trade, Tourism and Investment, the Hon. Dan Tehan MP, and his Indian counterpart, Minister Goyal, and we are well placed to assist in future negotiations in any way the government deems appropriate.

Long-term market-access work is critical.

In working to diversify our exports it will be critical that we take a long-term, strategic approach to improving market access. In key emerging markets, such as India, we need to increase collective effort to develop a business enabling regulatory and political environment as soon as possible. This will require a sustained investment from both Government and industry, and a commitment to a 'team Australia' approach in which industry and governments (Commonwealth, State and Territory) work to coordinate efforts as effectively as possible.

There is also opportunity for the Australian wine industry to work more closely with the wine industries in emerging economies. By engaging in technical cooperation and information exchanges, for example, we open lines of dialogue, gain a better understanding of local industry concerns (and how this manifests politically), and share our experience in production, innovation, sales and marketing, to improve the reputation of the local industry and hopefully grow the size of the wine market in the process.

These principles of collaboration, dialogue and technical exchange will be central to Australian Grape & Wine's work under stage two of the ATMAC program if the Australian Government takes the decision to partner with us (see Recommendation 1).

Protecting our Geographical Indications in China

While the Chinese market is effectively closed to Australian wine exporters at present, risks associated with intellectual property infringements remain. These risks apply to trademark owners, but also to Australia's GIs, which serve as the marker of regional authenticity, quality and value for exporters and consumers.

Australian Grape & Wine sincerely hopes that, in time, Australian producers will be able to re-enter the China market. In preparation for this time, and to ensure our integrity as a producer nation is not tarnished by poor quality or dangerous products, it is critical that we work to protect our GIs in China.

Australian Grape & Wine is already working in conjunction with Wine Australia and a locally based Chinese law firm to monitor and object to the registration of terms that may infringe on our sector's GI rights. This process has been largely successful, but it is a time and resource intensive process.

While the protection of trademark rights for a business's brands and IP is the responsibility of the individual company, the protection of GIs largely falls to Australian Grape & Wine, Wine Australia and regional association in question. 'Trademark Squatting' is a relatively common problem for Australia in China and is the subject of an ongoing initiative managed by Australian Grape & Wine and Wine Australia.

Examples of 'trademark squatting' have become increasingly common in recent years, and have extended to numerous attempts by individuals to have Australian GIs registered as trade marks in class 33 for wine. Some examples of the terms for which applications have been lodged with the Chinese Trademark Office in the past include:

- Margaret River,
- Coonawarra
- Adelaide Hills
- Wrattonbully (in Chinese)
- Langhorne Creek (in English)
- Hill Top (in Chinese)
- Adelaide (in Chinese)
- Eden Valley (in English)
- "Brossa" (in English)
- Yarra Valley (in Chinese)

Pleasingly, all of the invalidations which we have made to date have been successful in invalidating the registration of our GIs in the Chinese trademark system. In addition, for those that had already been registered as trademarks in China for several years (such as Yarra Valley), to date, Australian exporters have not been prevented from using those GIs in China. This is because the Chinese trademark law provides a 'carve out' to the offence provisions where a GI is used in China. However, this relies on that GI being recognised in China. The carve out is applied on a case-by-case basis and there is no guarantee it will continue. It is likely that the carve out would not be applied in relation to less well-known Australian GIs because they are not recognised in China.

Proactively working to protect Australia's GIs is another major tool which can be utilised to reduce the risk of trademark squatting. It not only creates an extra defence against future registrations, but acts as a deterrent to potential future trademark squatting and other fraudulent activity.

Australian Grape & Wine has opened discussions with experts in the Chinese trademark system, and it appears the best options for proactive protection, would be to simultaneously protect our GIs as "collective trademarks" in the Chinese trademark System, and to register them as GIs in the Chinese GI system.. The Bordeaux wine region successfully protected the its GIs in the Chinese system in 2015to provide further protection for the region from the same trademark squatting issues noted above.

We have been running a ''proof of concept'' model with the GI ''Rutherglen" and we are confident that this approach should now be replicated for Australia's 64 other GIs. We believe committing to protecting all of Australia's GIs now will lead to considerable cost savings in the long-term, and allow all regions – not just those that can afford it – to obtain the right level of protection, creating a significant public good for the sector and the regional communities that work to promote their regional brand. We estimate we can protect all our GIS for around $5k per application, with the regions providing the technical input.

Recommendation 4: Invest $320,000 to protect Australia's GI's from intellectual property infringements in China.

Investing in international cooperation drives tangible commercial returns.

Like the Australian Government, Australian Grape & Wine is committed to doing what it can to support and strengthen the multilateral rules-based trading system. We are proud of our long and productive history of engaging in various international fora in support of this commitment and encourage the Australian Government to continue its investment and philosophical commitment to free and open trade.

Of particular interest to Australian Grape & Wine is ensuring the Australian Government continues to invest in organisations such as the International Organisation of Vine and Wine (OIV) and the World Wine Trade Group (WWTG), both of which involve government-industry delegations that seek to develop international technical standards and protocols that enable transparent, rules-based trade in wine. Another government-industry collaboration is the APEC Wine Regulators' Forum, which has paid dividends in the form of simplified and improved regulatory settings, particularly in emerging APEC economies. We strongly encourage the Australian Government to continue to provide its support to these groupings, just as we commit to doing so as an industry. Australian Grape & Wine's application for stage two funding under the ATMAC grants program includes a proposal to jointly host a meeting of the APEC Wine Regulator's Forum in 2022 and 2023 with WWTG colleagues (See Recommendation 1).

The issues Australian grape and wine producers face in export markets are often not confined to our sector. There are a variety of common concerns, barriers and complexities that wine exporters share with the broader Australian agriculture sector. Australian Grape & Wine will continue to work closely with counterparts across other agricultural industry groups to ensure the Australian Government has a clear understanding of the priorities from not only a grape and wine perspective, but across the pan-agriculture community. With this in mind, we support the recent creation of Australia's first Special Representative for Agriculture.

Recommendation 5: Government to adequately resource its ongoing engagement in international wine related forums.

Giving growers and winemakers the information they need

The ACCC has identified the need to improve market transparency in the grape and wine sector. While some progress has been made to improve the information available to growers, it is clear that more work needs to be done to bridge some of the disparate views across, and indeed within, sections of the supply-chain, about what is helpful and what is possible.

This is a challenging and multifaceted issue, but one that we need to get right to ensure grape growers have the information they need, at the right times in the production cycle, to make better commercial decisions. A well-informed, commercially viable grape-growing community is essential to ensuring Australia's grape and wine sector can bounce back stronger from the difficult position it is in at present.

We would welcome the opportunity to work closely with the ACCC, Wine Australia, our grape grower and winemaker members, and other stakeholders to co-design a system that works. However, it is clear that we would require government investment to achieve this objective. With this in mind, we hope to secure funding for the sector through the Australian Government's $5.4 million agricultural markets transparency grants program, which was instituted in response to a recommendation from the ACCC's Perishable Agricultural Goods Inquiry. The wine grapes sector has participated in the workshops held in advance of the grant guidelines being released, and we look forward to working with our industry and government partners further to see what is achievable.

Recommendation 6: Invest in developing, with Wine Australia, a system to improve market transparency and information for grape growers and winemakers to address issues identified by the ACCC.

Regional wine tourism drives regional prosperity

Australia's grape and wine sector is a magnet to regional tourism and a driver of jobs and economic growth across our sixty-five distinct wine regions, with 8.3 million people visiting wineries in the year to March 2019.[5]

While it did not make up for the widespread closures of restaurants, cafes and pubs due to Covid-19 lockdowns, the last twelve to eighteen months has seen an increase in regional wine tourism. Anecdotally, it appears many people who would normally have gone interstate or overseas chose to holiday in regional Australia, enjoying our exceptional food and wine offerings.

For winemakers in regions fortunate to experience this increase in visitation, this was truly business-saving, although it should be noted that some regions (such as the Mornington Peninsula and Yarra Valley) did not experience this wave of support as they were included in the lengthy lockdowns in the greater Melbourne region.

The tourism experience at cellar doors is a key driver of sales, creating loyalty to regions, winemakers, and brands. Cellar door visitation allows people to experience the wines of a region in a different light, with many signing up to online wine clubs, which leads to growth in direct-to-consumer sales, which are an increasingly important to wine businesses due to their higher margins. Regions and their food, wine and tourism businesses, are now working to make sure these tourists return to the regions.

Australia's 1500 small wine businesses rely on direct-to-consumer sales for the majority of their income. Direct-to-consumer sales, particularly cellar door sales, have the highest average case value of all sales channels and in each of the past 2 years have shown the strongest growth in value and volume[6].

There are over 1600 cellar doors in regional areas around Australia. Changes in cellar door practices over the past 2 years in response to Covid-19 have demonstrated the potential and increased the appetite among these businesses for delivering high-value, educational tourism experiences to international and domestic visitors, integrated into an overall digitally-supported customer management strategy. Wineries need support and

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[5] https://www.wineaustralia.com/market-insights/australian-wines-economic-contribution
[6] Wine Australia *Wine Direct to Consumer Survey 2020 and 2021*

education in implementing these new practices, including in particular setting up and using the right software to underpin their business strategy.

Wine Tourism and Cellar Door Grants are critical and should be extended.

Australian Grape & Wine supports the Australian Government's Wine Tourism and Cellar Door Grants scheme, administered by Wine Australia. The objective of the Wine Tourism and Cellar Door Grant is to support wine or cider producers who add value by attracting visitors to wine regions, and thereby encourage wine tourism.

Under the program, wine producers who have met the eligibility criteria in the preceding financial year may apply for a grant payment of 29 per cent of the notional wholesale selling price of their eligible rebatable domestic cellar door sales (up to $100,000 (GST exclusive)). Total funding under the grant program is currently capped at $10 million each financial year.

If the total value of all eligible applications exceeds the $10 million program cap in any one year, the value of individual grants will be reduced proportionally and be applied at a consistent rate for all approved applications.

The scheme has been significantly over-subscribed with eligible producers receiving far less than the total capped figure for which they are eligible.

We recommend the Government increase the pool of funding for eligible businesses, to ensure these businesses can capture the benefits of the scheme to the greatest extent possible.

This would be a significant driver of recovery for grape and wine businesses with flow-on benefits for regional communities. It will enable businesses to retain staff, explore alternatives to exports to China and/or invest in improving their tourism and cellar door offerings.

Recommendation 7: Increase funding for the Wine Tourism and Cellar Door Grants scheme from $10 million to $20 million.

Working together to develop and activate a dedicated regional wine tourism strategy to support the growth of international wine tourism

As noted above, Australia's wine regions and grape and wine businesses are a magnet for regional tourism and food and drink is at the heart of our regional wine sector communities. It is critical that we capitalise on the increased visitations experienced during Covid-19 by working to turn first-time or irregular visitors into return visitors. Doing so would help drive Australia's post Covid-19 economic recovery and help Australian grape and wine businesses mitigate the loss of the China market.

We encourage the Australian Government to support regional tourism in Australia by developing a dedicated wine-focused regional tourism strategy to support the growth of international wine tourism and services, products and experiences that complement international wine tourism, to be delivered by Wine Australia in consultation with Tourism Australia, Australian Grape & Wine and state-based grape and wine and tourism industry associations. This would complement investments being delivered by state governments, such as South Australia, and drive tangible benefits across rural and regional Australia. Australian Grape & Wine would be delighted to establish a working group to further develop this concept.

The strategy should encompass the opportunities for regional Australia that could flow from increasing food and wine tourism, but also look into strategies to deal with the barriers to success, including access to labour (discussed further in the following section) access to accommodation (for both tourists and grape and wine industry workers) and other issues identified by the industry and other stakeholders.

Recommendation 8: Invest $500,000 in a dedicated wine-focused tourism strategy to be delivered by Wine Australia in consultation with Tourism Australia, Australian Grape & Wine and state and regional grape and wine and tourism industry associations.

Labour issues: The right people for the job

The last two years exposed our industry's weaknesses.

Members across Australia are raising significant concerns about their ability to source workers, particularly ahead of the 2022 vintage.

Our interests in securing labour fall into three separate camps:

1. Vineyard work such as picking and pruning.
2. Winemakers – our sector relies heavily on winemaking expertise and cellar hand casual staff from overseas, primarily Europe and the US to complete vintage each year.
3. Technical expertise – we understand that for many businesses, the expensive winery equipment they purchase must be serviced by experts employed by the supplying company (usually European) that they work for.

The closure of Australia's international borders during Covid-19 was understandable, but posed significant problems for grape growers and winemakers in 2021. We are deeply concerned the 2022 vintage will cause even greater problems for the sector, particularly if the vintage requires a high volume of grapes to be harvested in a very short period of time.[7]

While we hope that in due course our sector will once again draw upon international workers for our labour needs – including through the Australian Government's foreshadowed Ag Visa – we do not expect a silver bullet from government in the short term. Moving forward, we would welcome the opportunity to work with the Australian Government and other stakeholders to contemplate options to further incentivize working in our wine regions. For example, incentives for gap year programs, removing or reducing the backpacker tax for those working in regional Australia, or other incentives for skilled migrants to move to rural Australia could be considered.

Attracting people to the grape and wine sector

The grape and wine sector's **Vision 2050** document sets an ambitious target to become the employer of choice in Australia's wine regions. Industries must relentlessly compete to attract and retain good people. Wine businesses are finding it difficult to recruit and retain workers from the vineyard through to the cellar door operations and, as demand for skilled professionals in the sector is increasing, tertiary course offerings and enrolments are in decline.

The skills based required in the sector is also rapidly changing. In addition to winemakers, viticulturalists and farm workers, those with skills in areas such as finance, marketing, exports, data management, design and social media

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[7] The 2021 vintage was considered unusual in that in most areas of the country, grape growers experienced a long ripening season, which meant there was more time than usual to get grapes off the vine. In some years, particularly if there is a major heat wave, or major rain-event during vintage, grape growers and winemakers are forced to make a decision to harvest quickly and at short notice – with entire regions picking at the same time. If this happens in a period of labour scarcity, it will cause a significant spike in demand for labour and potentially cause immense problems for many businesses, with fruit likely being left on the vine.

are becoming increasingly important to businesses wanting to maintain a competitive edge. Progressively, skills in artificial intelligence, big data and precision agriculture and other fields as yet unthought of, will also be important. It is imperative that we work to attract industry participants, but we cannot do it alone.

Australia's success in grape and wine production and exports has to a large extent been driven by our globally recognised ability to harness innovation. However, it has not only been an industry or political commitment driving this innovation as we have been able to source the right researchers and students to make it happen.

The Hickinbotham Roseworthy Wine Sciences Laboratory at the Adelaide University's Waite Campus was established in 1998, and has been central to this innovation agenda, playing an integral role in research, education, and service to the sector. Cutting edge at the time, it served as a magnet for researchers and students who wanted access to the world's leading research technology. Today, however, the winery is too small and dated to provide the infrastructure required to drive the innovation we need or attract the people we want. A new winery is urgently needed to ensure our researchers are on par with our competitors in the US, Europe and South Africa, all of which have invested in new facilities in recent years.

In addition to the importance of attracting talent to the sector, cutting edge research facilities are critical for all grape and wine businesses. In particular, small and medium-sized businesses benefit from the research conducted in such facilities, as they lack the capacity to engage in their own large-scale R&D activities.

Sustainable Wine and Food Innovation Hub 4.0

Overview

South Australia is uniquely positioned to be at the forefront of innovation, sustainability and technology advancement in food, wine and agribusiness. Now is the time to supercharge the Waite campus' potential into a national research-industry asset: To ensure Australia's food and wine sectors continue to be among the most productive and highest quality in the world – and to ensure we can train the best and brightest to be the workforce of the future.

Through investment into a Sustainable Wine and Food Innovation Hub, together we can transform Waite into a global-scale national AgTech-enabled innovation precinct, incorporating:

1. Vineyard and Fermentation Centre of the Future
2. International Collaboration Precinct
3. Sustainable Wine and Food Innovation Hub and Commercialisation Accelerator

The challenge

Agriculture is one of Australia's most significant industries, employing more than 250,000 people across the nation and producing enough food to feed in excess of 75 million people annually. The Australian Government and the National Farmers' Federation (NFF) have set an ambitious target to grow the value of the national agriculture sector from $46 billion in 2018 to $100 billion by 2030, delivering a major economic boost to the Australian economy and the regional and rural communities that rely on agriculture as their lifeblood. Similarly, the South Australian Government has set a goal of growing our state's largest export sector to $23 billion by 2030. With one in five South Australians working in agriculture, growth will be key to our state's success.

However, despite significant improvements in AgTech research and innovation over the past century, current trends suggest that business-as-usual practices are likely to fall short to meet these targets. Only through a targeted investment in agricultural innovation and sustainability, increased collaboration between key players in the agricultural sector, and by operating differently, is the $100 billion target within reach of the Australian agricultural sector.

It's clear the status quo will not be enough – new solutions are needed. The University, AWRI, CSIRO, SARDI and key agricultural industries based in SA share a vision for a world-leading innovation district to create these new solutions. While Australian Grape & Wine proudly represents the national industry, as opposed to those in any one state, we believe it makes sense to build on the capacity at hand in South Australia, and firmly support the proposal outlined below.

The proposal

To realise this shared vision, the University of Adelaide, AWRI, CSIRO, SARDI and key agricultural industries based in SA seek co-investment into modern infrastructure and linked research at the Waite – already the largest concentration of agricultural and wine research and teaching expertise in the Southern Hemisphere.

Central to this vision is a major new infrastructure build at the Waite which is underpinned by three key elements:

1. The hi-tech sustainable Vineyard and Fermentation Centre of the Future will link with industry to create value-added commercial opportunities that will continue to bolster Australia's beverage sector in the global market; teach the winemakers, brewers and distillers of tomorrow; provide state-of-the-art research facilities for wine and other beverages; and drive AgTech development and adoption in the sector.
2. The International Collaboration Precinct will be a state-of-the-art co-location space, bringing industry partners together with Waite Research Precinct partners, who together will be central to driving growth in the sector.
3. To incorporate a Sustainable Wine and Food Innovation Hub and Commercialisation Accelerator, and house the Waite Research Precinct partners world-leading AI, machine learning and robotics technology to generate new innovative AgTech and sustainability accelerator in food and wine.

The Waite Research Precinct partners estimate an investment of $40 million to create this global-scale national Sustainable Wine and Food Innovation Hub and Commercialisation Accelerator. To enable this development, the Waite Research Precinct partners is seeking a contribution from the Australian Government of $28 million, with other stakeholders and partners to leverage the additional investment of $12 million.

The Waite Precinct has played a significant national role underpinning the success of Australia's agricultural and wine sectors, delivering innovation and world-leading workforce skills essential to the sectors' competitiveness. Recognising the importance of the evolving workforce in a new world of work, the Waite Research Precinct partners seek to ensure that it is a significant contributor to the development of highly capable graduates who are agile and adaptable and ready to add real value to workplaces in South Australia, Australia and across the globe. Our new winery will provide the opportunity to deliver the world's best tertiary level education from undergraduate to PhD, and thereafter through lifelong learning, to build and sustain Australia's productivity into the future. The district's access to AgTech and sustainability expertise as well as the co-location of partners will play an important role for industry in enhancing existing skills and supporting a 'new product development' culture within the sector.

Ultimately, the Sustainable Wine and Food Innovation Hub 4.0 will supercharge the Waite's existing strengths to become a modern national asset which will drive critical advances, help the nation achieve its ambitious 2030 targets, and future-proof Australia's agriculture sector.

Recommendation 9: Invest $28 million in the Sustainable Wine and Food Innovation Hub 4.0 project.

Harmonising RSA certification States and Territories across Australia require employees associated with the selling of alcohol to hold Responsible Service of Alcohol (RSA) certification. Despite the widespread application of the national competency Provide Responsible Service of Alcohol in all jurisdictions, a certificate achieved in one jurisdiction is not easily or fully recognised in all others. For example, New South Wales and Victorian Governments require additional study and/or costs before recognising interstate certifications. This has a significant impact on the wine industry, especially when small businesses regularly undertake tastings in other states and territories for a short period, and are required to fully comply with RSA state requirements.

All Tourism Ministers announced in 2013 that as part of Tourism 2020, all jurisdictions had measures in place, or were introducing measures, to recognise interstate RSA certificates. This has not been achieved in a way that minimises costs to industry or facilitates the mobility of workers. Small winemaking businesses depend on a national sales market including member tastings and special events interstate. In 2018, a South Australian wine region, participating in a roadshow of regional wines in another state, incurred $28,000 in additional costs to achieve RSA compliance (beyond SA certificates already held) prior to one glass of wine being poured.

Short-term, automatic recognition of RSA certificates limited to tasting events is critical to the wine industry in diversifying markets, and will not undermine any jurisdictional integrity. Given consistency in national competencies, and common policy agreement under the Tourism 2020 Strategy, this should be achievable immediately.

Recommendation 10: Lead inter-governmental process to recognise interstate RSA certifications for the purpose of carrying out tastings, with a view to quickly agreeing national RSA certification arrangements.

Diversity and Equality

Promoting diversity and equality in the grape and wine sector is a high priority for Australian Grape & Wine. Aside from being the right thing to do, it is clear that it makes economic sense and is good for business. Through our Diversity and Equality Charter, we seek to promote a sector in which we treat our people fairly and equally, regardless of their gender, age, sexuality, culture, ethnicity, language or religious beliefs – and regardless of any disability. We are also committed to developing and rolling out strategies to help develop the knowledge, skills and experience of employers and employees necessary to realising the objectives of the Charter.

Australian Grape & Wine was unsuccessful in its application for a $900,000 Women's Leadership & Development Program grant to help turbo-charge our efforts to promote women in leadership in the sector. We would appreciate the Australian Government reviewing our application, which would lead to a series of activities designed to be rolled out to 65 wine regions and aims to establish benchmarks, create jobs, increase women's workforce participation and the number of women in leadership positions in the Australian wine industry. Of course, we would work to share the lessons-learned from our experience delivering these initiatives with other sectors to ensure the projects maximise their impact.

In addition to encouraging more women in leadership, we are also proud to note that the National Wine Foundation is investing $150,000 over three years into the work of the **National Indigenous Culinary Institute (NICI).** This investment will help NICI's unique and proven programs that combine on-the-job training with a contemporary industry designed qualification. The trainee chef program aims to produce a group of chefs trained in Australia's top restaurants who will be role models and leaders for up and coming Indigenous trainees. Australian Grape & Wine hopes this investment can lead to a lasting partnership with NICI, creating employment opportunities for young indigenous people in the winery cellar doors and restaurants and in regional communities.

These initiatives will help the grape and wine sector to attract, welcome and support the people we need to ensure a prosperous and competitive future.

Recommendation 11: Invest up to $900,000 in promoting diversity and equality, and workforce participation, in the grape and wine sector.

Mental health

With the grape and wine sector facing a suite of challenges beyond any faced in recent memory, Australian Grape & Wine is deeply concerned about the mental health of our growers and winemakers, their families and those in their communities.

Over the last 18 months we have worked with Mary O'Brien and her engaging **"Are You Bogged Mate?"** program, taking Mary to a number of wine regions across Australia to help boost awareness and start a conversation with the broader community about the rising issue of depression and suicide rates among men in rural areas. These events have been extremely well attended and feedback has been very positive.

One of the key recommendations Mary brings to her sessions is for people to utilise a program called "The Virtual Psychologist", a text-based mental health support service. Until recently, the service received funding from the Australian Government to provide free mental health support to people in rural Australia.

This was an excellent, reliable and cost-effective service that has saved many lives in rural areas. In our conversations with Ms O'Brien, she has mentioned that this cut in funding has left a real gap in what is available to people in need. While we acknowledge Lifeline provides an excellent service to people across Australia, we are not convinced that it goes far enough. For example, where the Virtual Psychologist offered 24-hour support services, we understand the text service that Lifeline offers is only a pilot project available at certain times. It is not a treatment service, and the staff attending to the Lifeline texts do not have the same professional qualifications as the Virtual Psychologist staff. We believe there is a strong case to revisit the decision to cease funding for the Virtual Psychologist's work in rural and regional Australia. While we completely understand that the Australian Government must make difficult decisions in the context of the Federal Budget, we are of the view that the $1 million per annum investment in this program will save lives, increase productivity and help ensure the continued growth of strong and resilient communities across rural and regional Australia.

Recommendation 12: Invest $1 million in the Virtual Psychologists rural and regional services.

Business-enabling regulation: Getting the balance right

The opportunities for recovery and growth highlighted above are heavily reliant on working to ensure our businesses can remain competitive here in Australia. Striking the right regulatory balance is central to the competitiveness of the sector.

Grape and wine businesses operate in a complex maze of federal, state and local government regulations extending across the full production and supply chain from agricultural production, onsite manufacturing, onsite packaging, food handling, export, workforce, transport and logistics, to cellar door sales and restaurant services.

Australian Grape & Wine understands the need for regulation. We support the development and implementation of well-designed, evidence-based regulations that are fit for purpose. But we are concerned about the potential for increasing instances of both regulatory creep and regulatory divergence across jurisdictions.

Recycling: When cheaper and more effective options are available, why pursue container deposit schemes?

The Australian grape and wine sector has a long history of working to reduce the impact of waste across its supply chain, with the majority of waste now recycled, reused or managed in a most efficient and cost-effective manner available. We have worked closely for many years with the Australian Packaging Covenant Organisation (APCO), with which we share the mutual objective of working with government to manage and minimise the environmental impacts of packaging in Australia. This commitment to action ensures we are well placed to comply with the requirements of the new *recycling and Waste Reduction Act 2020,* which became law on 17 December 2020.

Our commitment to improving waste and recycling outcomes across the supply chain is clear. However, Australian Grape & Wine is firmly opposed to the introduction of container deposit schemes (CDS) which include wine bottles. Our opposition is based on the fact that such a CDS would be enormously costly and burdensome to businesses, while providing little-to-no benefit to the recycling rates of wine bottles.

Most Australian states and territories manage, or will soon implement, CDS arrangements. In all cases, wine bottles are excluded from arrangements, as CDS's were established with the objective of reducing the amount of beverage containers in the public litter stream, and wine bottles do not tend to contribute to this stream in any meaningful way. Indeed, wines are almost always consumed either in the home, or licensed venues, after which they are recycled via the kerbside collection system and make up less than 1 per cent of the public litter stream.

South Australia is currently reviewing its CDS and is considering the merits of including wine bottle in the scheme. The South Australian Wine Industry Association (SAWIA) has estimated that if wine bottles were included in South Australia's CDS, the costs to wine businesses would be approximately 40-55 cents per bottle, per annum (including the container refund, registration fees, record keeping and compliance costs). Further to this, label redesign costs would add an estimated 16 cents to this figure. This equates to a $5.4 million cost to South Australian wineries, with an additional $5 million being incurred by wineries in other states that sell in South Australia.

We are deeply concerned by the proposal to include wine bottles in South Australia's CDS, or in any other CDS arrangements nationally. The imposition of costs of this magnitude for indiscernible increases in recycling rates or improvements in the quality of glass for recycling is unjustified, particularly when Australia's grape growers and winemakers are facing the unprecedented challenges of fires, smoke, hail, frost, poor fruit set, COVID-19 and the trade tensions with China.

We encourage all Australian Governments to consider the costs and benefits of a variety of approaches to improving the recycling of glass in Australia, rather than simply jumping to a CDS as the solution. We are particularly interested in the Victorian Government's roll-out of a separate domestic recycling bin purely for glass, which we believe is likely to encourage a higher level of collection and recycling of *all* glass containers (including bottles, pasta sauce jars etc), and decrease the contamination of glass from other recyclable materials like cardboard, which is acknowledged as a problem for some glass-recycling companies.

Recommendation 13: Governments do not include wine bottles in existing, or future, CDS arrangements.

Recommendation 14: Resource an independent cost-benefit analysis of all recycling options wine bottles.

SOUTH AUSTRALIA'S CONTAINER DEPOSIT SCHEME PROPOSAL

Australian Grape & Wine is deeply concerned by the South Australian Environmental Protection Agency's (EPA) recommendation that glass wine bottles be included in a reformed South Australian CDS. Our submission to the consultation process can be found **here.**

While there are a range of recommendations outlined in the EPA's **consultation paper** that could help harmonise South Australia's CDS with Schemes operating in other states, but we do not believe sufficient analysis on all the options, benefits, costs and impacts on all stakeholders, have been adequately considered. We take this view as we assess the EPA proposal to be:

- dismissive of alternative models which could deliver better recycling outcomes at a lower cost to wine businesses;
- highly inequitable in how it distributes costs along the supply chain, with the burden unreasonably sitting with wine producers; and
- based on several significant errors in the financial analysis and undefined costs which undermine our confidence in the EPA's assessment of costs and benefits.

In terms of the costs that will sit solely with wine businesses (despite forecasted benefits to glass manufacturers, the recycling sector and local governments), the South Australian Wine Industry Association's (SAWIA) independently verified costings estimated that if wine bottles were included in the CDS, South Australia's wine businesses would be negatively impacted by an annual cost of $8.32 million (55 cents per container in the first year and 40 cents per container per annum, ongoing). This is an enormous amount of money for winemakers to find at a time when the industry can least afford it.

Apart from the superficial financial analysis and other evidentiary deficiencies within the Discussion Paper, our primary concern is that the EPA is proposing a sub-optimal system at a significant cost to the grape and wine sector, the people it employs and the communities in which it is situated. If the option to extend the scope of containers to include wine bottles is implemented, it will amplify the pressures on the viability of grape and wine businesses in South Australia, particularly given the challenges to profitability already at play as a result of bushfires, smoke, COVID-19, China's import duties, global logistics delays and recent hail and storm events.

Further, as other states move to align the scope of their CDS containers with South Australia, the significant flow-on financial impacts will be magnified further on all wine businesses throughout Australia. This arrangement is sub-optimal for all stakeholders and incredibly costly for the grape and wine sector. We hope South Australia, and other states and territories across Australia, agree to pursue more effective and more equitable options.

Alcohol and health

Australian grape and wine businesses are proud to contribute to a long-standing food and wine culture which brings pleasure to consumers around the world and economic benefits to rural and regional communities. But we also acknowledge that the overconsumption of alcohol can cause serious social and health problems. This needs to be addressed through targeted programs, in collaboration with government, industry and health professionals. Drinking in moderation is the new norm in Australia.

The Australian Institute for Health and Welfare (AIHW) notes in its National Drug Strategy Household Survey that:

- the level of binge drinking in Australia is falling;
- the rate of underage drinking is declining;
- more Australians are abstaining from alcohol while pregnant; and
- Australians are drinking less frequently.

This is great news for Australia, and very much welcomed by the wine sector. It demonstrates that the sustained approach taken over the last decade to promote positive changes in the drinking culture in Australia, through organisations such as **DrinkWise Australia**, are having a real impact with consumers.

Australia's **National Alcohol Strategy 2019-2028** recognises that preventing and minimising alcohol-related problems cannot be achieved by governments alone and that coordination and collaboration across jurisdictions, portfolios and the community is essential. It specifically recognises that the alcohol industry, retail and hospitality industries, advertising, broadcasting and sporting industries play a significant role in Australia's economy and social fabric.

The DrinkWise model is based on an inclusive collaborative approach with influential corporate and for-purpose partners. Australian Grape and Wine's long-term support has allowed DrinkWise to take a generational approach to research programs and communications, essential for achieving lasting behavioural and cultural change. Australian Grape & Wine is committed to continuing to support the work of DrinkWise.

We also strongly support two industry codes which seek to ensure alcohol is marketed appropriately and delivered in a way that is safe for consumers. For example, the ABAC Responsible Alcohol Marketing Scheme (The ABAC Scheme) is the centrepiece of alcohol marketing regulation in Australia. It is a not-for-profit organisation established to promote the marketing of alcohol beverages occurring responsibly and consistently with standards of good practice via regulation, education and advice. The ABAC Scheme is:

- administered by a Management Committee which, along with government, includes representatives from industry and advertising;
- quasi-regulatory in nature as the Australian Governments are represented on the Management Committee and a Professor of Public Health, nominated by government, is part of all adjudication panel hearings; and
- funded by industry via membership levies, direct signatory fees and pre-vetting fees.

Australian Grape & Wine also strongly supports efforts within the alcohol beverage sector, led by Retail Drinks Australia (RDA), to enhance compliance in the responsible online sale and delivery of alcohol. Retail Drinks officially launched its Online Alcohol Sale & Delivery Code of Conduct (Code) in July 2019, with signatories representing more than 80% of all alcohol purchased online in Australia.

The voluntary industry Code was the culmination of extensive consultation with industry and government to provide a robust, best-practice and fit for purpose framework governing the rapidly growing online alcohol sale and delivery market.

The Code seeks to address one of the challenges in regulating online alcohol sale and delivery, which is that liquor licensing legislation is state and territory based, but the marketplace is national. In addition to this, it is pleasing to note that the cutting-edge code of conduct is now reaching beyond Australia, playing an integral part in the development of the International Alliance for Responsible Drinking's (IARD) Global Standards for Online Alcohol Sale and Delivery (Global Standards).

Visit www.code.retaildrinks.org.au for more information.

THE NATIONAL WINE FOUNDATION

"Growing a healthy community through reconciliation and education"

The National Wine Foundation was established as a joint initiative of the Winemakers' Federation of Australia (which merged with Australian Vignerons in 2019 to form Australian Grape & Wine) and the National Wine Centre of Australia to commemorate the Centenary of Federation. Proceeds from the production and sale of a 1999 vintage red wine, comprising barrels donated by winemakers from every Australian state and territory and blended, amounted to about $1 million in funds destined to promote the responsible consumption of alcohol and improving the lives of indigenous people in Australia. The Foundation's secretariate sits within Australian Grape & Wine, which reports to the Foundation's Council.

The Foundation has invested in some excellent initiatives in recent years. For example, our investment in the **National Indigenous Culinary Institute** (NICI) is making a tangible difference to the lives of young indigenous people in Australia by helping to fund training for apprentice chefs in some of Australia's finest restaurants. We are proud to note that our investment of $50,000 per year for three years is allowing NICI to expand into regional Australia, including into our wine regions and their many cellar door restaurants.

In 2019, the Foundation invested $400,000 towards a collaborative project between Australian Grape & Wine and DrinkWise Australia, to create the Fetal Alcohol Spectrum Disorder (FASD) Awareness Program. This initiative has helped drive positive messages of abstinence from alcohol when pregnant, across multiple channels and settings that reflect the lived experience of women, their partners, families and friends, and is making a real difference, including in remote indigenous communities. This program was launched by the Minister for Health, the Hon Greg Hunt MP, in September 2018.

The Foundation has also invested in a range of engaging materials to promote the importance of drinking in moderation when consumers visit a cellar door or wine festival. The materials allow consumers to track their intake of standard drinks and manage their overall consumption when visiting multiple cellar doors. These activities are targeted, evidence-based and effective, and supported by a broad cross-section of stakeholders.

In 2022, we hope to undertake a significant body of work to reinvigorate the Foundation, both in terms of its activities and investments, and its funding model. This will include opportunities for co-funding programs with businesses, philanthropic and civil society organisations and government.

Recommendation 15: Invest $250,000 in the National Wine Foundation in 2022-23 to fund wine-related initiatives through DrinkWise, and job training and placements with the National Indigenous Culinary Institute.

Health – Food Standards Australia New Zealand (FSANZ)

Australian Grape & Wine understands the importance of FSANZ, as the manager of schemes designed to safeguard the food we eat, and in our case, the wine we enjoy. We note the 2019 agreement of the Ministerial Forum on Food Regulation to review the entire food regulatory system, and that Australian Grape & Wine is engaging in the consultation process to help achieve this objective.

We agree that there is a need for some modernisation of aspects of the FSANZ Act or FSANZ's operations, particularly given the rise in new food and beverage products, e-commerce and food-delivery services. Some of the proposals outlined in the draft Regulation Impact Statement that Australian Grape & Wine supports, include:

- Adding a statement of intent alongside food standards and the provision of industry guidelines to help producers understand how to comply to food standards.
- Streamlining FSANZ Board governance through reforms to the composition and selection of a smaller, skills-based Board and moving to virtual Board meetings. (We also believe it is essential that some Board members should have experience in food production businesses to ensure the Board understands the financial and practical impacts of complying with new or changed food standards).
- Enabling joint priority setting between the FSANZ Board and Food Ministers' Meetings.
- Running pilots to explore the benefits of time-bound regulatory sandboxes.
- Building strategic relationships with comparable international regulators to share risk assessments, food standards or work together to develop new "international" standards. This would also help FSANZ support government policy in forums such as Asia-Pacific Economic Cooperation (APEC).
- Adopting new technologies, for example on food labelling, such as QR codes or the internet, to replace some information that has traditionally been included on labels.

Conversely, Australian Grape & Wine has concerns with other elements of the draft RIS, particularly where it is proposing to expand the remit of FSANZ into areas beyond its core object of ensuring consumers have a high degree of confidence in the safety of our food. Our key concerns with the recommendations in the draft RIS, include:

- The proposal to redefine the meaning of 'public health' in the Act, to include "long term, including preventable diet-related disease, illness and disability".
- The suggestion to add environmental sustainability considerations, in terms of the impact of agricultural practices, food processing, distribution and packaging on climate change, biodiversity, soils and waterways, etc. into the objects of the Act. This would overlap into regulatory areas already being managed by other federal, state and territory agencies.
- The proposal to delegate decision-making away from Food Ministers' Meetings would likely dilute Ministerial powers to develop food policy, and potentially lead to unintended negative consequences for the agriculture sector.

We anticipate progress will be made in reforming the FSANZ Act in 2022, and we sincerely hope the review of FSANZ and Australia's food system leads to positive and meaningful change that better enables FSANZ to focus on its core business, while improving how it interacts with industry in doing so. We will continue to engage as positively and constructively as possible to reach this outcome.

Health- Energy labelling

Australian Grape & Wine is currently engaging with Food Standards Australia-New Zealand (FSANZ) in its consideration of how producers can inform consumers about energy, sugar and carbohydrate contents of alcoholic beverages. We look forward to continuing to engage in this consultation process, and support the concept of providing transparency and helping consumers to make informed choices based on the latest scientific evidence available.

We note that many wine companies are already providing energy information via their own websites, and believe FSANZ should be open to dynamic and innovative solutions (such as QR codes) to achieve the objectives of improving the ability of consumers to make informed choices. As we saw from the 2020 decision of the Ministerial Forum on Food Regulation's decision to impose the most expensive and burdensome form of pregnancy warning label put to it, label changes can be extremely costly, putting further pressure on the viability of wine businesses in what is already an extremely difficult period. Further to this, adding more content to an already crowded back label is more likely to disengage consumers from the message than generate the behavioral response desired by policy makers.

Taxation

The Australian grape and wine sector is a major contributor to Australia's tax revenue, through the Wine Equalisation Tax (WET), company tax and other taxes. In global terms, Australian wine businesses also incur a far higher tax burden than many of their international competitors.

Australian Grape & Wine's position on wine industry taxation is clear. With the industry facing its greatest challenges in generations, uncertainty about tax arrangements would be further destabilising and a hindrance to our economic recovery. We recommend:

- No overall increase in the total tax revenue from the wine sector.
- Certainty in the tax system to create a stable and predictable business environment.
- Retention of the WET rebate as a targeted measure to support wine businesses and regional communities.
- No use of taxation or pricing measures in the context of public health objectives, which are better addressed by more targeted policy instruments.
- Maintaining the differential tax rates for wine, beer and spirits to reflect the significant differences between the production of wine and other forms of alcohol and wines unique economic contribution in regional Australia.
- Wine to continue to be taxed within the existing WET legislative framework, and not the excise system.

Recommendation 16: No change to current taxation arrangements for wine, including the WET rebate.

Recommendation 17: No use of taxation or pricing measures in the context of public health objectives, which are better addressed by more targeted policy instruments.

From a broader economic perspective, outside the scope of wine specific taxation, Australian Grape & Wine would also be supportive of reducing the company tax rate in Australia.

Investing in our competitiveness

Investing in Biosecurity: Insurance against catastrophe.

Australia is fortunate to possess some of the oldest grapevines in the world. No other country possesss so many surviving 19th century vineyards. This provides a significant competitive advantage for Australia's grape and wine sector. We cannot allow a biosecurity incident to put this at risk.

The grape and wine sector has increased its biosecurity efforts in recent years, working with Plant Health Australia and Wine Australia to raise awareness and improve preparedness. This year we plan to continue to work with State agencies to join industry in committing resources towards a national management action plan for Phylloxera. This work will provide an exceptional model of how 'shared responsibility' can work. We have appreciated the input from both Plant Health Australia and the Department of Agriculture, Water and the Environment. But it is early preventative measures by the Australian Government that have the highest rate of return for biosecurity investment. This highlights the importance of appropriate resourcing at the border and preborder.

Plant industries are forecast to contribute a record $43 billion in 2021–22 towards total agriculture production of $78 billion (ABARES 2021-22). The ability of agriculture to reach its $100 billion target by 2030 requires that plant industries can continue to grow productivity. It has been estimated that the arrival of Australis's number one plant industry pest, Xylella, could cost the wine sector alone up to $7.9 billion over 50 years. We remain extremely concerned about whether border security is adequately resourced to limit this risk, and should it fail, whether the capacity exists to manage the spread of such an incursion to minimise net cost to plant industries.

The frequency of pests evading border biosecurity is rapidly escalating, and lead agencies are not appropriately resourced to deal with the increasing workload. In comparison to livestock, plant industries are exposed to significantly more exotic plant pest incursions annually, however, receive a much smaller portion of biosecurity funding.

An even more significant inequity is that those responsible for the introduction of exotic plant pests are not contributing to dealing with the consequences. A case in point is that the wine sector has contributed significant levy payer funds towards recent eradication efforts for Brown Marmorated Stink Bug arriving on general cargo mostly unrelated to wine production. The decision by the Government not to proceed with the Onshore Biosecurity levy calls for an alternative mechanism to be considered in the immediate future, where biosecurity risk is appropriately resourced and the 'risk creator' bares a fair proportion of the cost.

Recommendation 18: Government seeks an equitable funding model for biosecurity ensuring there is appropriate capacity and capability across plant biosecurity departments at all levels of government.

Sustainability and climate change

Australian viticulture faces increasing environmental risk associated with climate change and water shortages. While such risks are common across all agricultural industries, the impact on winegrapes is in some cases exacerbated. For example, climate change is bringing forward the ripening period of winegrapes, into even warmer weather thereby exacerbating the impact.

Widespread recent rain has provided a false sense of water security to irrigators across south-eastern Australia. However, issues around water price and availability remain a critical threat to the long-term future of the grape and wine sector. A significant majority of our producers rely on the River Murray for irrigation, not only to produce a crop, but to keep vines alive. The capacity of the States to deliver projects to recover environmental water through efficiency measures, infrastructure upgrades, environmental works, et cetera is in doubt. Furthermore, flow constraints such as at the Barmah Choke are threatening the deliverability of water, placing even greater doubt onto the minds of irrigators.

Our sustainability in the face of a changing climate is a key priority for the sector and has direct bearing on our competitiveness. The grape and wine sector has recently set a bold target for net zero emissions and zero waste by 2050 and is now determining whether the net zero emissions target can be brought forward to 2030 or 2035. Our pathway towards this vision will be paved through actively encouraging uptake of our world class sustainability program 'Sustainable Winegrowing Australia' (SWA), which will see us measure our performance towards these targets.

The Government has an important role in supporting policy that rewards producers for their contribution to sustainable agriculture and biodiversity. We commend the Government's commitment to net zero emissions by 2050 and look forward to benefiting from Government investment in technologies to support this. Government policy can also assist by incentivising producers to transition to more sustainable production measures through industry led assurance programs such as Sustainable Winegrowing Australia. These programs offer efficient, industry led alternatives to burdensome regulatory measures. Greater recognition of voluntary compliance through these industry-led programs should be pursued in preference to costly and administratively inefficient measures such as such as container deposit schemes.

We commend the Governments for its significant investment through the Agriculture Biodiversity Stewardship Package however the cost of complying with the regulatory and reporting requirements should be considered carefully so that opportunities are accessible to small scale and more intensive production systems.

Continue to support Australia's world-class rural research and development system

Australia's model for investing in agricultural R&D is a world leading example of effective public-private partnership. It has underpinned our growth and our reputation for quality and sustainability for many years, but we cannot stagnate. It is critical that the current model for matching R&D levies is retained, and that every dollar invested in innovation extracts the maximum possible value for Australian grape and wine businesses.

While there will always be a need for grape and wine sector specific R&D, we support opportunities for cross-cutting research between sector specific rural research and development corporations (RRDCs), industry and other research providers. With this in mind, we support the Australian Government's establishment of Agricultural Innovation Australia (AIA). However, Australian Grape & Wine hopes to see ongoing genuine consultation with agricultural industry representative bodies, along with the RRDCs, to its priorities to ensure activities align with commercial needs.

Recommendation 19: Maintain *status quo* funding arrangements for Australia's rural R&D system.

Adoption of technology

New forms of agricultural technology present significant opportunities, but the current challenges businesses are facing mean most will lack the capacity to invest in this critical innovation in the near term. Given this, there is a risk that other producer nations, many of which are the recipients of significant government subsidies, will outcompete us on the basis of their ability to incorporate new technologies more easily.

Given the current challenges facing grape growers and winemakers across Australia, extending the instant asset write-off initiative, working with Australian Grape & Wine, would help businesses survive and set them up for recovery as conditions improve.

Recommendation 20: Allow businesses to instantly write-off investments in grape and wine technology.

Creating a level playing field for duty free sales

Australian Grape & Wine, the Australian Duty Free Association (ADFA) and a number of Australian wine businesses are seeking reform of Australia's duty-free purchase-limit restrictions to enable Australia's grape and wine sector to compete on a level playing field with our international competitors and help diversify sales channels. In addition to the benefits wine businesses would accrue, this reform would help Australia's duty-free industry – which has arguably been hit harder than any industry as a result of Covid-19-related reductions in international travel – bounce-back as international travel recommences.

Australia's duty-free alcohol allowance was set in 2004 and has not been adjusted for CPI in 17 years. It currently sits at 2.25 litres of alcohol beverages (there is no differentiation between beer, wine and spirits). We propose that the allowance for wine be increased to up to six bottles (4.5 litres) of wine, sparkling wine and/or fortified wine. By way of comparison, the New Zealand alcohol allowance is up to three bottles (3.375 litres) of spirits *and* up to six bottles (4.5 litres) of wine, champagne, port or sherry or beer. This places New Zealand at a significant competitive advantage in this sales channel.

Australian Grape & Wine is working to diversify markets and diversify sales channels. By increasing the duty-free alcohol allowance for wine, this would allow more international visitors to explore Australian wines and hopefully, educate new people to the fantastic wines that Australia has to offer. If the Australian Government agrees to this request, ADFA has committed to promote Australian wines in duty free stores across the country.

Recommendation 21: Increase Australia's duty-free allowance for wine to (up-to) six bottles (4.5 litres).

Conclusion

Australian Grape & Wine is committed to working with its members, the Australian Government and other stakeholders, to ensure our sector not only survives the current challenges it is facing, but thrives in the future. This PBS provides a framework or recovery and prosperity, and we are delighted to have the opportunity to put it to the Australian Government.

Should you wish to have a conversation about this document, please contact Tony Battaglene, the Chief Executive of Australian Grape & Wine, at the details below.

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