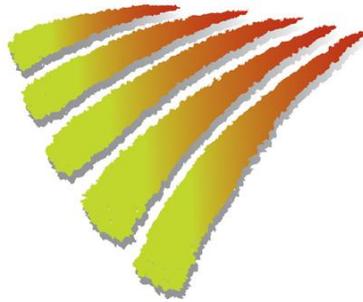


WINE TASMANIA



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SUBMISSION TO

GREEN PAPER ON AGRICULTURAL COMPETITIVENESS

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Submission to the Green Paper on Agricultural Competitiveness

Introduction

The Tasmanian wine sector is an important contributor to trade and the Tasmanian economy, regional employment, tourism and the overall Tasmanian brand.

Tasmania is one of Australia's strongest wine regions, with demand for its premium cool climate wines currently outstripping supply, widespread global recognition of Tasmania's wine quality, and some of the highest prices in the country being achieved for Tasmania's wines and winegrapes.

Importantly, this reputation has also led to a number of recent significant investments in Tasmania's wine sector, at a time when there is little investment in wine assets nationally. Not only are existing Tasmanian wine producers expanding their investment through new vineyard area and infrastructure, many new investors have entered the Tasmanian wine sector in recent years.

Tasmania enjoys advantages through growing conditions, biosecurity, research and extension collaboration and input to research priorities, a clear strategic plan, government support and cooperation, unified wine sector and collaborative marketing activities.

The Tasmanian wine sector has been recognised by both the Tasmanian and Australian Governments as having significant potential to continue and grow its contribution to the overall Tasmanian economy and reputation.

Wine Tasmania welcomes the opportunity to comment on the Australian Government's Agricultural Competitiveness Green Paper and contribute to policy development in an open and constructive manner. Comments have been made in this submission on those areas impacting on Tasmania's wine producers and Wine Tasmania is open to continuing dialogue on these and other relevant areas.

Snapshot of Tasmania's Wine Sector

The Tasmanian wine sector has developed a strong, clear and collaborative position in the wine world, built on quality and value. Tasmania has emerged as one of the strongest wine regions with an opportunity to lead and drive the new wave of interest in Australian wine.

Contrary to most mainland wine regions, demand for Tasmanian wine continues to outstrip supply, all Tasmanian wine produced is in the premium or ultra-premium wine categories, prices for both Tasmanian grapes and wine are some of the highest nationally, and our wines consistently receive independent wine show awards and accolades. Importantly, the wine sector has attracted significant investment by existing and new entrants in recent years, at a time when there is little investment in Australian wine assets.

Within Australia, the value of Tasmanian wine sales is growing at 11.1% compared with the total Australian bottled market, which is growing at 5.9%, whilst Tasmanian white wines are growing at 24.7% compared to total category growth of 6.7%. The value per litre of Tasmanian wine exported is almost four times the national average, and Tasmanian wine represents 6.2% of all national restaurant wine lists¹.

Tasmania has 160 individual licensed wine producers throughout the state. There are more than 200 vineyards covering around 1,500 hectares, with grapes processed through 29 wineries.

Key Statistics

- 1,100 full time equivalent positions
- 160 licensed wine producers
- 200+ vineyards covering 1,700 hectares
- 90 cellar door outlets, with 150,000 visitors -15% of all visitors (2013)
- Key varieties -Pinot Noir 43%, Chardonnay 25%, Sauvignon Blanc 11%, Riesling 9%, Pinot Gris 7%
- Sales percentages (approximate) -Tasmanian 45%, mainland Australia 47%, export 8%
- Highest pricing for Pinot Noir, Chardonnay, Riesling and Sauvignon Blanc in Australia
- More than 6% share of Australia's on-premise wine listings
- The value per litre of Tasmania's export wine sales is quadruple the national average

¹ References: Wine Australia (Winegrape Price Dispersion Report) and Wine Business Solutions (Wine On Premise Australia Report)

Wine Tasmania Overview

Wine Tasmania is the peak representative body for Tasmanian grape growers and winemakers, working to assist them to be recognised as world leaders in the sustainable production of premium cool climate wine.

Established in 2006 as a public company limited by guarantee, the Wine Tasmania Board is skills based and is chaired by independent director Graeme Lynch. Other directors are Will Adkins (Brown Brothers Tasmania), Keryn Nylander (independent), Rebecca Duffy (Holm Oak), Nick Glaetzer (Glaetzer-Dixon Family Winemakers), Natasha Nieuwhof (Goaty Hill) and Scott Dawkins (Deloitte - independent).

Wine Tasmania represents more than 98% of Tasmanian wine production, with around 100 state-wide producer members and 40 associated member businesses. All activities undertaken by the industry body are designed to generate value for our members. Wine Tasmania's Strategic Plan further outlines details of our role and is available at www.winetasmania.com.au.

Wine Tasmania's key roles, as outlined in the Strategic Plan, are as follows:

1. Drive demand for Tasmania's wines through targeted and collaborative marketing and promotion
2. Encourage sustainable production and market-led growth
3. Support individual wine businesses and profitability to stabilise the base for future growth
4. Advocate and manage issues on behalf of wine producers

Wine Tasmania's Submission

COMPETITION AND REGULATION

Policy Idea 2 – Improving existing transport infrastructure and transport regulation

As an island state, Tasmania is particularly affected by constraints on interstate and international transport. Streamlining transport options and reducing the costs to producers to gain access to markets is critical for Tasmania as much as for producers on the mainland.

As outlined in [Wine Tasmania's brief submission to the Tasmanian Shipping Inquiry](#), Wine Tasmania is supportive of extending the Tasmanian Freight Equalisation Scheme (TFES) to include exports and to retain the TFES on southbound goods. Wine Tasmania also supports retention of the Bass Strait Passenger Vehicle Equalisation Scheme, given the importance of tourism to the island's wine producers.

Policy Idea 3 – Enhancing communications

Access to reliable communications is critical for developing and maintaining business operations. Access to high speed reliable internet (such as the National Broadband Network) in rural and regional areas should be a very high priority.

Policy Idea 4 – State Government deregulation

Wine Tasmania supports the ongoing focus of deregulation, based on a long term and evidence-based approach. There is often a disparity between short, medium and long term benefits of native vegetation and wildlife regulation. The precautionary principle should apply before disturbing untouched or minimally exploited natural ecosystems, as business decisions for expedient profits may harm more sustainable land-use options.

Work health and safety (WHS) regulations are vital to protect employees and the improvements to integrate varying state-based systems to a national framework are positive. Employees' health and wellbeing should not be marginalised for the benefit of small increments in short term profitability. These regulations should always be open for review, though, as some outcomes are onerous to both employer and employee with no perceivable benefit to safety or productivity. The vast majority of Tasmanian wine businesses are small, and additional education and support to assist them interpret, adapt and apply WHS policies and procedures would be valuable.

Policy Idea 5 - Protecting the resource base

Wine Tasmania would like to highlight its recent submissions to the Tasmanian Government regarding [Genetically Modified Organisms](#) and [Hydraulic Fracturing](#), as key issues impacting on the natural resources upon which our sector relies.

COMPETITION AND REGULATION***Country of Origin Labelling***

The Australian wine sector is well supported by a rigorous labelling integrity program, managed through the statutory body of the Australian Grape & Wine Authority. This requires all wine produced to be labelled with the country of origin.

FINANCE, BUSINESS STRUCTURES AND TAXATION***Policy idea 11—Improving tax system efficiency and equity***

Wine Tasmania notes the reference to the Wine Equalisation Tax (WET) rebate, and supports the rebate being better targeted in line with its original intent. More than 100 of Tasmania's 160 licensed wine producers only sell their wines in Tasmania, with a key focus on tourism. The WET rebate was always intended to support small wine producers making a significant contribution to Australia's regional communities, such as in Tasmania. Increasing net taxes paid by Tasmanian wine producers would severely impact on this high quality and value sector, which is increasingly being recognised around the world.

Policy Idea 12 - Farm Business Improvement

Wine Tasmania supports the provision of independent business advice to support decision making, succession planning, governance, etc, particularly for small businesses. Wine Tasmania notes that this could be expansion of criteria for the Entrepreneurs' Infrastructure Programme, recognising the unique features of agriculture—such as the prevalence of very small businesses and the dominance of sole trader and partnership business models.

EDUCATION, SKILLS, TRAINING AND LABOUR***Policy Idea 14 – strengthening agricultural education***

There is a disparity between Tasmania's (and Australia's) reliance on agriculture (across all aspects from grass-roots production to ground-breaking research and development) and the understanding of this broad subject of agriculture in the community. This is partly due to agriculture being a minority subject outside specialist agricultural education institutions.

Integrating agriculture as part of an education continuum from the earliest primary school education through to post graduate study (including vocational education) would not only invigorate Australia's agricultural sector but have a profound influence on the broader community.

This would also need to be underpinned by an increased awareness of sustainability.

Integration of learning pathways is also critical in assisting (particularly) young people in developing careers in agriculture. Flexibility would allow specialisation or diversification for either vocational, professional or academic development, all of which are vital to a vibrant, competitive and sustainable agricultural industry.

Developing regional centres of excellence is supported, including continued support for the Tasmanian Institute of Agriculture (TIA), as recognised in the Green Paper. The collaboration between TIA and the wine sector is particularly strong, with a mutual focus on outcomes-focused, industry-led research, supported by strong extension to encourage adoption.

Given the significant differences between the growing conditions in Tasmania's cool climate, compared with the vast majority of Australia's wine production, TIA has been instrumental in supporting the growth and knowledge of the high value Tasmanian wine sector. Additionally, TIA has also demonstrated its global expertise across cool climate viticulture, with many projects including cross-country collaboration.

Policy Idea 15 – Strengthening labour availability

Wine Tasmania has put forward the following requested changes to the Wine Industry Award 2010, as part of the ongoing review by Fairwork Australia. There are inconsistencies between this award and related awards, such as the Horticulture Award, which are negatively impacting on both the profitability and quality aspects of Tasmanian wine production.

- Clause 13.3 - minimum four hours for casual staff - ***request reduction to 2.5 hours.***
- Clause 22.2 - 20% penalty for piecework, which particularly impacts on Tasmanian vineyards using hand harvesting - ***request reduction to 15% penalty for piecework, consistent with the Horticulture Award.***
- Clause 27.2(g) - high penalty rates applying to casual staff, which impacts on both cellar door (tourism) and vineyard operations (compromising quality). By comparison, the Horticulture

Award 2010, which applies to table grapes rather than wine grapes, provides for ordinary hours to be worked Monday to Friday and by agreement Monday to Saturday **without penalty**. There are no ordinary hours and therefore no overtime or Saturday or Sunday penalties for casuals in the Horticulture Award, in recognition of requirements for perishable goods. ***Request replication of these conditions in the Wine Industry Award 2010.***

Agriculture, and in particular the wine sector in Tasmania relies heavily on seasonal manual labour. Encouraging foreign visitors to work in agriculture through visa regulation is reasonable but should be an adjunct to aiding employers who rely on seasonal, “out of business hours” labour to employ local people without an extraordinary administrative or financial burden.

During the development of [Wine Tasmania’s Workforce Plan](#), a number of recommendations were developed in consultation with Tasmanian wine businesses, education providers and Skills Tasmania. Two key areas are relevant to this submission:

- **Anomaly in Eligibility for Commonwealth Government Employer Incentives** - currently a number of Tasmanian postcodes do not make vineyard or winery employers eligible to attract an Australian Apprenticeship employer incentive despite these being rural areas. This includes metropolitan postcodes, which are identified as head offices or postal addresses for regional wine businesses (e.g. Hobart). Sometimes these areas are adjacent to other postcode regions that are eligible for employer incentives. One example of this is Richmond (7025) where an employer is not eligible and Campania (7026) where an employer is eligible.
- **Facilitate job sharing of employees - within and across industry sectors** - many wine businesses are unable to employ trainees or permanent staff because they have quiet periods pre and post vintage when there is no meaningful work available. Some vineyard owners overcome this challenge by using employees in other areas of their business, such as olive groves, conservation work, gardening etc. The concept of sharing staff with other similar industries such as cherries/apricots could be explored to help overcome this problem. The Harvest trail concept could also be explored to assist the critical area of casual / seasonal vineyard workers. For example, introduction of a skills ‘passport’ for seasonal workers, allowing them to collect and demonstrate skills across industries and an online register matching available staff with employers. These people would be available to work across all rural industries limited only by their skills, qualifications and ability to travel. The register could be defined into regions of the state to facilitate local employment and used as a vehicle to promote training and skill set improvements to gain further employment. The training and skill set qualifications acquired in

this way could be used as part of a points-based system towards further qualifications at certificate or diploma level. In this way casual workers may see this as an opportunity towards developing a career path.

WATER AND NATURAL RESOURCE MANAGEMENT

Policy Idea 18 – Improving water infrastructure and markets

Irrigation is a vital part of long-term agricultural competitiveness in Australia and the development of infrastructure is supported by Wine Tasmania, including the significant activity of Tasmanian Irrigation, supported by the Australian and Tasmanian Governments. Wine Tasmania would note the precaution that the sustainability of such development and its long-term effects on the environment are taken into account. The concept of “just add water” is not appropriate and potentially damaging to the sustainability of affected regions.

Water availability can also make possible greater diversification of high value industries in an area that may not be possible otherwise. Of particular importance are frost-sensitive perennial horticulture crops (such as winegrapes) in areas that are considered otherwise at risk of frost damage. Water availability confers the capacity to manage frost and produce crops of potentially much higher value than traditional industries.

Investigation of such diversification, as well as improving water use efficiency and precision farming can all contribute to the invigoration of a region or state and improved community resilience.

RESEARCH, DEVELOPMENT AND EXTENSION

Policy Idea 20 – Strengthening the R,D & E system

Wine Tasmania supports the proposed increase in the capacity to attract and retain higher degree research candidates. Currently there is little incentive to undertake higher degree study as remuneration via professional employment is often considerably higher and a less risky career move for a graduate.

Extension is a vital contributor to the competitiveness of the agricultural sector and should be accorded a higher status as legitimate activity for Australian universities.

Wine Tasmania notes the reference to extension services and highlights this as critical for its sector, as with many other sectors. Extension activities were previously undertaken via the Tasmanian Government, and Wine Tasmania has been fortunate to secure support from Government and TIA, to retain this critical extension support, imbedded in industry.

As previously mentioned, the collaboration between the Tasmanian wine sector and TIA is particularly strong, with a focus on research activities of priority to the sector and adoption of relevant results. There is, however, no specific funding resource available for extension activities, and this is constantly at risk. Wine Tasmania would support the provision of specific funds for extension services, noting the importance of addressing dedicated industry and regional needs.

Policy Idea 21 – Improving the rural RDC's

Wine Tasmania has worked closely with the Grape and Wine RDC (now merged with the Wine Australia Corporation to form the Australian Grape and Wine Authority - AGWA). With Wine Tasmania and the Tasmanian Government, AGWA has supported extension efforts in Tasmania in 2014/15.

Much of the Australian wine sector is in warm, inland irrigate regions where winegrapes are produced in high volume but at low value and grapegrowing has been, for some time, unprofitable². Increasing global interest is directed towards higher value wines from cooler areas, such as Tasmania, yet much of the research and development funds still go to aiding warm, inland irrigated regions. Analysis of value chains and market demands by AGWA may show that shifting focus to higher value grape and wine research and extension (including marketing) would pay better dividends.

BIOSECURITY

Policy idea 23—Improving the biosecurity system

Wine Tasmania strongly supports a robust biosecurity policy that recognises regional issues. Biosecurity should not be sidelined for short term political or economic expediency. Freedom from pests and diseases of economic significance is a major factor in the competitiveness of many Tasmanian industries. Regional differentiation prevents serious pathogens and pests from entering Tasmania and having a significant economic impact on businesses such as salmon (infectious salmon anaemia), pome fruit (fire blight) and winegrapes (phylloxera).

² Winemakers' Federation of Australia 2014 Vintage Report - <http://wfa.org.au/information/vintage-report/>

ACCESSING INTERNATIONAL MARKETS**Policy idea 24—Strengthening Australia’s overseas market efforts**

Wine Tasmania supports the ongoing Government efforts to remove trade barriers, through its national wine bodies, the Winemakers’ Federation of Australia and AGWA.

Wine Tasmania also supports the development of national promotion, with the opportunity for states and regions to participate. The recent Tourism Australia initiative, Restaurant Australia, is an excellent example of promoting Australia’s wine and food to the world in a quality national message. Within this program, there was some opportunity for individual states to promote themselves. Wine Tasmania would support ongoing promotional activities through partnerships across relevant agricultural, trade and tourism organisations, with support for individual states to also implement (aligned) regional strategies.

Wine Tasmania supports the retention of the Export Market Development Grants and export ready assistance. Just 8% of Tasmania’s total wine production is currently exported, and this is seen as a major area of growth in the coming years.

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