

WINE TASMANIA



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**SUBMISSION TO**

**2012/13 TASMANIAN STATE BUDGET**

**January 2012**



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**Submitted to:**

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### Executive Summary

The Tasmanian wine sector is being held up as the model for other Australian wine regions to follow, with a focus on quality, technical improvement and innovation, demand-led growth, tourism focus and coordinated marketing.

Despite its size, less than 0.5% of the country's total production, Tasmanian wine continues to attract attention from around the world.

Whilst vineyards are being removed in other parts of Australia, Tasmania was the only state to see an increase in plantings in 2010/11, albeit modest. Tasmania is also one of the very few wine regions to see major investment recently, including through the acquisition of Tamar Ridge Estates by Brown Brothers and Shaw + Smith's purchase of Tolpuddle Vineyard in the Coal River Valley.

Strong collaboration between the Tasmanian wine sector and the Tasmanian Government has been a major contributor to the growing success and reputation of the sector. In order to maximise and grow the significant interest in Tasmanian wine, three funding priorities are recommended:

1. Support for existing wine producers to expand, contributing to economic development, regional communities and tourism, through reinstatement of the Tasmanian Government cellar door rebates;
2. Support for coordinated promotional and destination marketing activities, including commercialisation of the Tasmanian wine brand, the Tasmania Unbottled mainland roadshow and annual visiting journalist and trade programs; and
3. Continuation of the focus on wine quality and innovation, through research, extension and technical support for existing and new wine producers.

Budget Initiatives	2012-13	2013-14	2014-15	2015-16
Reinstatement of the Tasmanian Government cellar door rebate	\$300-400,000	\$300-400,000	\$400-450,000	\$400-450,000
Support for promotional activities in local and mainland markets	\$40,000	\$30,000	\$30,000	\$35,000
Support for research extension and technical advice to producers	\$110,000	\$115,000	TBC	TBC



### **Wine Tasmania Overview**

Wine Tasmania (WT) 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 WT Board is skills based and is chaired by independent director Graeme Lynch. Other directors are Will Adkins (Tasmanian Estates - formerly Tamar Ridge Estates), Keryn Nylander (Winemaking Tasmania), Julian Allport (Moores Hill), Nick Glaetzer (Frogmore Creek / Glaetzer-Dixon Family Winemakers), Natasha Nieuwhof (Goaty Hill) and Scott Dawkins (Deloitte - independent).

WT represents more than 98% of Tasmanian wine production, with around 100 state-wide producer members and 34 associated member businesses. All activities undertaken by the industry body are designed to generate value for our members. WT's Strategic Plan further outlines details of our role and is available at [www.winetasmania.com.au](http://www.winetasmania.com.au).

Additionally, WT's Strategic Plan is aligned to initiatives such as the Economic Development Plan, Innovation Strategy, Tasmania Together, Tourism 21, the Tasmanian Brand Project, Discover Tasmania, and regional wine groups such as the Tamar Valley Wine Route and WineSouth.

WT's principal role is to market and increase the awareness of the Tasmanian wine brand in local, national and international markets. This works in closely with three other key roles - advocacy, member services and technical / extension support.



### **Snapshot of Tasmania's Wine Sector**

In the past twelve months alone, Tasmanian wine and its producers have collected a multitude of prestigious awards and reviews, both at home and abroad. The best Australian sparkling award for a Tasmanian wine at the 2011 Decanter World Wine Awards led one respected UK wine commentator to state that "Tasmania is rapidly becoming Australia's 'little Champagne'".

This increasing recognition is despite Tasmania's total wine production representing less than 0.5% of the national wine grape production and around half of all wines sales taking place within the state.

Tasmania has 160 individual licensed wine producers throughout the state. There are some 230 vineyards covering around 1,400 hectares, with grapes processed through 29 wineries.

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 and prices for both Tasmanian grapes and wine are some of the highest nationally. The value per litre of Tasmanian wine exported is almost four times the national average, and Tasmanian wine represents 7% of Australia's overall premium wine sales and 6.2% of all national restaurant wine lists.

### **Key Statistics**

- Average farm gate value = \$60Mpa
- 1,033 full time equivalent positions
- 160 licensed wine producers
- 230 vineyards covering 1,400 hectares
- 85 cellar door outlets
- 166,300 tourists visited wineries - nearly one in five (2011)
- Key varieties - Pinot Noir 44%, Chardonnay 27%, Sauvignon Blanc 10%, Riesling 7%, Pinot Gris 7%
- Sales percentages (approximate) - Tasmanian 52%, mainland Australia 40%, export 8%



## Funding Priorities

### 1. Tasmanian Cellar Door Rebate

Tasmania's more significant cellar door / winery tourism operators are currently disadvantaged by comparison to their mainland counterparts due to the Tasmanian Government not maintaining the pre-Wine Equalisation Tax (WET) position of subsidising the licence fee on cellar door sales. It should be noted that the majority of cellar door sales occur in rural and remote regions, thereby supporting local economies, employment and tourism.

Currently, the Commonwealth Government collects a Wine Equalisation Tax (WET) at the rate of 29% of wholesale value (deemed to be 50% of retail value for winery direct sales). This 29% WET comprises:

1. 14%, which is the rate calculated to give revenue neutrality when the old Commonwealth sales tax was replaced by GST; and
2. 15% (previous State liquor licensing fee), which is now collected through the GST / WET BAS system on behalf of the states, and returned to the states via the GST system or direct to producers via the WET rebate scheme.

At the time the taxation system was changed, the Federal Government also introduced a WET rebate on wine sales, in recognition that the net wine tax position was not actually revenue neutral and to support Australia's smaller wine producers. The WET rebate scheme provides rebates up to \$0.5M per producer which, at 29%, is equivalent to \$1,724,138 of sales value.

All state governments, with the exception of Tasmania, have continued to offer state cellar door rebates to producers over and above the maximum \$0.5M Commonwealth WET rebate, as follows:

- Victoria - an uncapped rebate of 15% of direct sales to unlicensed consumers via cellar door, internet or mail order
- Western Australia - as above
- New South Wales - as above, with a maximum rebate of \$900,000
- South Australia - as above, with a maximum rebate of \$50,000 (reduced from \$521,000 in September 2010)
- **Tasmania - no additional rebate**



The Tasmanian Government's decision not to pass on this additional support for its wine producers has resulted in a critical disadvantage for Tasmania's cellar door operators. This impact is not only felt at a local level, but is an impediment for Tasmania's producers competing in the national marketplace.

It has also created a large financial disincentive for Tasmanian vignerons to grow or expand their cellar door / online operations or vineyards, thereby negatively impacting on opportunities for employment, wine tourism, capital investment, marketing and research / innovation growth. The 'cost' of this rebate would be significantly outstripped by the additional benefits realised in these growth areas.

Based on best estimates, there are around 10-12 Tasmanian wine producers that currently exceed the WET rebate offered by the Federal Government, with an approximate total annual rebate of \$300-400,000.

Given the importance of cellar door sales to the profitability of our wine producers, Wine Tasmania strongly urges the Tasmanian Government to reinstate this support, aligning with all other State Governments.

**Amount:** Approximately \$300-400,000 annually

**Term:** Annually / ongoing

**Lead Agency:** Department of Treasury and Finance

## 2. Promotional Activities / Destination Marketing

Tasmanian wine and its producers have attracted, and continue to attract, a reputation for quality that is disproportionate to the sector's small size. This reputation has been built on the focus of producers on innovation and continuous improvement, to secure the best quality results for winegrapes and bottled wine. It is critical that this focus on quality is communicated as part of a collaborative marketing strategy and under the auspices of the Tasmanian Wine Brand.

Whilst there have been a number of promotional activities undertaken over the past decades, the major focus on collaborative promotion commenced with the establishment of Wine Tasmania in 2006.



Wine Tasmania has undertaken significant work on developing and defining the Tasmanian Wine Brand, aligned to the broader Tasmanian Brand. This brand work now needs to be 'commercialised', with clear brand messaging and a comprehensive marketing strategy developed for key markets. It is proposed that this strategy be developed within the next 12 months to support initiatives such as the Wine Industry Development Program and other promotional activities.

As part of its focus on collaborative marketing, Wine Tasmanian has initiated the Tasmania Unbottled mainland trade / consumer roadshow, developed the annual Tasmanian Wine Routes guide, increased media communications and promotion, hosted a range of media and trade guests and secured the rights to host the 8<sup>th</sup> International Cool Climate Symposium in January / February 2012.

The majority of these activities have been made possible through support of the Tasmanian Government. Given the limited resources of the Tasmanian wine sector, ongoing support for the Tasmania Unbottled roadshow and trade / media hosting is requested.

**Amount:** \$40,000 (2012/13), decreasing in future years following development of the Tasmanian Wine Brand strategy

**Term:** 2012-2016

**Lead Agency:** Department of Economic Development, Tourism and the Arts

### 3. Research Extension / Technical Support

Tasmania's strong and increasing reputation is built on quality. It is imperative that existing and new producers retain this focus on quality in order to protect and grow the high value proposition of the Tasmanian wine sector.

A focus on sound technical advice and extension of relevant research is also an important consideration in encouraging new investment and growth. The Tasmanian Government, through the Departments of Primary Industries, Parks, Water and the Environment (DPIPWE) and Economic Development, Tourism and the Arts (DEDTA), has recognised the importance of this role through providing funding for a wine industry development officer position.



Over the past three years, this role has been expanded and tailored to assist the Tasmanian wine sector and potential investors. In 2010, with Government endorsement, Wine Tasmania and the Tasmanian Institute of Agriculture entered a formal agreement on joint responsibility for this role, in order to maximise extension activities to the grape and wine sector.

This role has also been increased to include responsibility for activities previously undertaken by DPIPW, including collection of winegrape production and vintage data.

Critical activities undertaken through this role include:

- Extension of a wide range of local, national and international research findings to encourage practical uptake (including the recent research into sparkling wines and Pinot Noir, supported by AusIndustry, and leading to the 8<sup>th</sup> International Cool Climate Symposium)
- Collection of production statistics and publication of an annual vintage report
- Delivery of a range of seminars and an annual technical Field Day on topics such as soil moisture management, spray efficacy, frost management, vine improvement, pest and disease management, alternate varieties and water use
- Production of a range of technical guidelines and support material
- Input into local and national issues, such as spray regulations, biosecurity, pest and disease management and smoke taint
- Development of the Tasmanian Sustainable Viticulture Program, assisting wine producers examine and improve their sustainability results within an accredited framework

With implementation of the Wine Industry Development Program, this role becomes even more important, in assisting new investors establish and manage vineyards using best practice. Wine Tasmania and the Tasmanian Institute of Agriculture are continuing to discuss future opportunities to consolidate this role, however its retention is particularly important over the next 2-3 years.

**Amount:** \$110,000

**Term:** 2012-2014

**Lead Agency:** Department of Primary Industries, Parks, Water and the Environment / Department of Economic Development, Tourism and the Arts