



WINE INDUSTRY TASMANIA LTD

SUBMISSION TO THE LEGISLATIVE COUNCIL ENQUIRY INTO TOURISM IN TASMANIA

Submitted to:

The Secretary
Legislative Council Select Committee - Tourism
Parliament of Tasmania
Parliament House
HOBART TAS 7000

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A. Realising Tasmania's Wine Tourism Potential

The Tasmanian wine sector is uniquely positioned to maximise its wine tourism potential. Tasmania's rapidly increasing reputation for sustainably-produced outstanding cool climate wines, together with a rich and diverse food, arts and natural culture, is well aligned with the broader tourism industry objectives.

The following initiatives will assist Tasmania realise its full wine tourism potential:

1. Ongoing investment in destination marketing, consistent with the objectives of Tasmania Together, including collaboration with the wine sector;
2. Support for commercialisation of the Tasmanian wine brand;
3. Support for annual independent Visiting Journalist Programs targeting key wine media;
4. Support for the 2012 International Cool Climate Symposium and launch of an annual Tasmanian Wine & Food Festival;
5. Ongoing data collection specific to winery tourism;
6. Educational and promotional program targeted at Tasmania's restaurant owners and sommeliers to encourage support of Tasmanian wine and strengthen the winery tourism experience; and
7. Reinstatement of the Tasmanian Government cellar door rebate.

B. Wine Industry Tasmania Overview

Wine Industry Tasmania Ltd (WIT) is the peak body representing Tasmania's grape growers and winemakers, working together to assist them to be recognised as world leaders in the sustainable production of premium cool climate wine.ⁱ

Established in 2006 as a public company limited by guarantee, the WIT Board is skills based and is chaired by independent director Graeme Lynch. Other directors are Dr Andrew Pirie AM, Andrew Hood (independent), Keryn Nylander, Steve Lubiana, Scott Dawkins (independent) and Natasha Nieuwhof.

The newly appointed CEO, Sheralee Davies, was previously International Public Relations Manager at Constellation Wines Australia (the world's largest wine company and owner of Tasmanian wine brands Arras and Bay of Fires)ⁱⁱ and has also worked for ten years in communications and marketing for the Winemakers' Federation of Australia.ⁱⁱⁱ

WIT also employs a full time Industry Development Officer, and part time Project Officer to administer a \$1.9 million research project under the Industry Cooperative Innovation Program (ICIP), of which WIT is the Consortium Leader. Other project consortium members are the Tasmanian Institute of Agricultural Research, the Australian Wine Research Institute, Tamar Ridge Estates, Croplands Pty Limited and Flextank International Limited.

WIT works collaboratively with individual producers and regional groups across the following key areas^{iv}:

1. Marketing
2. Member Services
3. Advocacy
4. Research & Development

WIT's Strategic Plan further outlines details of our role and is available at www.winetasmania.com.au. This Strategic Plan outlines two key marketing strategies related to winery tourism:

1.1 Tasmanian wine brand - to define and commercialise the Tasmanian wine brand

A copy of WIT's Tasmanian Wine Brand presentation is attached as Appendix A

1.5 Tasmania's wine tourism experience - to increase awareness of Tasmania's four wine routes

It is recognised that tourism needs to be aligned to other marketing strategies at a regional, state, national and international level. This to end, WIT's wine tourism activities are strategically aligned to the following initiatives:

- Tasmania Together^v
- Tourism 21^{vi}
- Winemakers' Federation of Australia National Wine Tourism Strategy^{vii}
- Tasmanian Brand Project^{viii}
- Wine Australia's Regional Heroes marketing program^{ix}

In November 2009, WIT lodged a Budget Submission with the three Tasmanian political parties and received in principal support from all three parties, including for the following items related to winery tourism:

- Commercialisation of the Tasmanian wine brand:
 - The development of a Tasmanian Wine Brand marketing and communications plan is critical to clearly differentiate Tasmania from other cool climate regions and gain worldwide recognition.
- Reinstatement of the Tasmanian cellar door rebate:
 - Tasmania needs a stable equitable tax system by which vineyards are not disadvantaged, but are able to work with and grow their businesses with some security.
- Visiting Journalist Programs:
 - To further build the Tasmanian Wine Brand, WIT is seeking support to conduct 1-2 major independent VJP programs per annum targeting key national wine journalists.

C. Snapshot of Tasmania's Wine Sector

Tasmania has 160 individual licensed^x wine producers throughout the state. There are some 230 working vineyards covering more than 1,500 hectares, with grapes processed through 29 wineries.^{xi}

Tasmania's "naturally elegant" premium cool climate wines are rapidly gaining an international reputation for outstanding quality, particularly our sparkling wines, Chardonnay and Pinot Noir (see below).

Tasmania's total wine production represents less than 1% of the national wine grape production, with an average annual vintage intake of around 6-8,000 tonnes^{xii}. Due to the boutique nature of the majority of Tasmania's wine producers, an estimated 85% of all Tasmanian wine sales are within the state / at cellar door. Less than 30 individual Tasmanian wine labels are available on the mainland and less than a dozen Tasmanian wine producers are actively exporting to international markets^{xiii}. Despite Tasmania's small wine export volume, it is worth noting that the value per litre of Tasmanian wine exported was the highest of any Australian wine region over the past twelve months.

Tasmania's growing wine reputation:

- *"...The most exciting wine area in Australia", "...the opportunity for Tasmania to be recognised as a region of cool climate excellence in a global sense"* - Paul Henry, General Manager - Market Development, Australian Wine & Brandy Corporation, ABC Radio
- *"Home to some of the world's finest sparklers, exemplary pinot and the odd trout, Tasmania offers a unique wine-drive experience"* - Ken Gargett, Australian Gourmet Traveller – WINE
- *"Australia's smallest and coolest state has become a wine hot spot"* - Winsor Dobbin, Reader's Digest Australia
- *"Tasmania - the epicentre of Australian Pinot Noir"* - James Halliday, Weekend Australian
- *"Tassie has long rated with me as one of the best places, if not the best, in Australia for Pinot Noir"* - Huon Hooke, Sydney Morning Herald
- *"Tasmania represents the best opportunity in Australia to match the great wines of France"* - Winsor Dobbin, OutThere Inflight Magazine
- *"Tasmania can build a unique position in wine and gourmet-experience tourism", "...substantial wine industry can strongly support tourism in Tasmania, by creating a powerful drawcard for an important sub-group within the overall tourism category"* - Jonathan West, Australian Innovation Research Centre
- *"Wine Industry Tasmania is the definitive information source for everything about our superb wine industry"* - Discover Tasmania (www.discovertasmania.com)

D. Response to Legislative Council Enquiry into Tourism in Tasmania Terms of Reference:

1. Impact of (wine) tourism on the local economy

With more than 80% of Tasmania's total wine production sold within our home state, the importance of wine tourism cannot be overstated. Tasmania's cellar doors offer more than just a great visitor experience; they represent significant profitability for our state's wine producers. For a bottle of Tasmanian wine retailing at \$30, the producer receives just a third of this price point (\$10) when selling to a wholesaler, but the full amount when selling direct to consumers.

All of our individual wine producers are in the business of tourism, and work together to attract visitation to the state's wine regions. Not only do Tasmania's cellar doors show wines, many of them have diversified their offering to include accommodation, food produce, restaurant / cafes, museums, art galleries, tours, function space and retail, including sales of wine from other producers. Examples include Moorilla, Josef Chromy Wines, Pirie Tasmania / Rosevears Vineyard, Meadowbank Estate, Stony Rise Vineyard, Home Hill Winery, Hartzview Vineyard, Leaning Church Vineyard, Barringwood Park Vineyard, Freycinet Vineyard and Coombend Vineyard, to name a few.

The leading source of information on Tasmania's cellar doors is the WIT Wine Routes brochure (refer Appendix B), 150,000 copies of which are distributed nationally. This brochure is supported by winery tourism information in various regional tourism brochures, including the Tamar Valley Wine Routes brochure (refer Appendix C), developed to provide local touring information for the region.

The Tourism Tasmania Visitor Survey 2008/2009^{xiv} indicates close to one in five visitors to the state call in to one of our cellar doors. Of the 907,200 visits to Tasmania over this twelve month period, a total of 150,700 visited wineries.

In 2007, a Tasmanian Cellar Door Customer Survey^{xv} was undertaken with the support of Tourism Tasmania, with more than 730 visitors to 10 of the state's cellar doors interviewed (further details on visitors are outlined under point 4 - page 8).

Of the international and interstate visitors interviewed through this survey, some 90% spent more than 4 nights in Tasmania - 20+ nights = 20%, 8-14 nights = 38%, 4-7 nights = 34%, 1-3 nights = 8%. Additionally, more than 70% of all visitors (including Tasmanian visitors) purchased wine during their visit to these cellar doors.

2. Factors influencing the development and growth of (wine) tourism in Tasmania

The Tasmanian wine sector is relatively young in terms of its tourism offering. Significant effort has been put into developing both a state-wide wine routes offering and regional wine touring information over the past three years to build on the interest in winery visitation.

WITs role in driving and growing Tasmania's wine tourism was recognised in 2008 by a grant from AusIndustry under the Australian Tourism Development Program, which facilitated visiting journalist programs, bolstered distribution of the state-wide wine routes brochure and allowed for the development of an online wine tourism portal at www.winetasmania.com.au. Our activities are aligned to Discover Tasmania's efforts to maximise winery tourism, including corresponding website links^{xvi}.

WIT works closely with its individual wine regions across the state to grow and develop wine tourism offerings and information. The Tamar Valley Wine Route has been particularly active in defining and promoting its regional wine tourism offering (refer Appendix C). With support from WIT, the Tamar Valley Wine Route was recently awarded TQUAL grant to further its wine tourism efforts in alignment with WITs Strategic Plan.

In developing and growing wine tourism in Tasmania, it is important to have consistent standards and information across all wine regions. WIT has facilitated cellar door training and instituted a code of conduct to this end.

WIT is a member of the Tourism Industry Council of Tasmania (TICT), with its Chairman Graeme Lynch on the TICT board. With the support of this group, WIT has been advocating tourism accreditation of its winery members, with some 80 wineries now fully accredited. WIT would like to express its support for the TICT submission to the Legislative Council Select Committee Tourism.

WIT is also an active participant in national wine tourism initiatives via the Winemakers' Federation of Australia.

3. Extent of Tasmanian Government support for (wine) tourism industry

Tasmania's wine sector has developed close collaboration with the state government, particularly the Department of Economic Development, Tourism and the Arts. Given the small size of the state's wine sector, and its resultant resource, working alongside government is imperative to maximise our winery tourism performance.

WIT partners with the Tasmanian Government on a range of promotional activities, including its Visiting Journalist Program, national roadshow “Tasmania Unbottled”, hosting of international and national trade, educators and media, and its Tasmanian Wine Routes brochure production and distribution. All of these activities benefit winery tourism in encouraging visitation to Tasmania’s cellar doors and wineries.

In recognition of the benefits of collaboration, WIT and Tourism Tasmania recently signed a Memorandum of Understanding, with the following objectives:

- align marketing strategies and develop joint strategic plans
- work together to extend brand partnership activities for benefit of tourism and wine industries
- facilitate communication for any activities relating to wine and tourism
- foster and support goodwill and generate mutually beneficial economic outcomes for both parties

WIT strongly supports the ongoing investment by the Department of Economic Development, Tourism and the Arts in driving overall tourism, which flows through to winery tourism.

4. Origin and number of Tasmania’s tourists

WIT refers to the latest Tourism Tasmania research on visitation statistics (Tasmanian Tourism Snapshot, December 2009), which shows:

912,100 - Total visitors to Tasmania (scheduled air / sea), including:

Domestic visitors:

- 346,800 - Victorian visitors
- 201,700 - New South Wales visitors
- 106,200 - Queensland visitors
- 48,600 - South Australian visitors
- 39,600 - West Australian visitors
- 17,500 - Australian Capital Territory visitors
- 6,700 - Northern Territory visitors

International visitors:

- 139,500 - Total international visitors, with top markets of origin including:
 - 21,900 - United Kingdom
 - 16,100 - United States of America

13,300 - New Zealand

9,400 - Germany

5,900 - Scandinavia

5,900 - China

In Tourism Tasmania's Visitor Survey 2008/09, a total of 150,700 visitors to Tasmania visited a winery / cellar door, representing 17% of the total 907,200 visitors to Tasmania over this period. With the support of Tourism Tasmania, a more detailed winery tourism survey was undertaken in 2007 - the Tasmanian Cellar Door Customer Survey - which interviewed more than 730 visitors to 10 of the state's cellar doors. It would be valuable to regularly repeat this survey to provide rigorous and measurable data.

In summary, this survey identified the cellar door visitor breakdown as follows:

29% - Tasmanian visitors

21% - New South Wales / ACT visitors

17% - Victorian visitors

14% - Queensland visitors

12% - International visitors, with the majority representing visitors from the UK (4%), USA and New Zealand (2% each)

5. Maximising Tasmania's (wine) tourism potential

With the support of WIT, the Tamar Valley Wine Route has recently obtained Federal Government funding under the TQUAL Grants initiative. This funding will be used to market and promote the region to the domestic tourism market, with the ultimate aim of increasing winery tourism to the area. This application was strongly supported by WIT, aligning with its Strategic Plan and building on a similar AusIndustry grant awarded to WIT in 2008, as previously mentioned.

An ongoing focus on Tasmania's cellar door experiences, standards and training will assist maximise our tourism potential. In addition, ongoing education of Tasmania's restaurants owners and sommeliers will encourage support for Tasmanian wines, rounding out the winery tourism experience for consumers.

WITs Strategic Plan identifies a number of marketing strategies to grow winery tourism within Tasmania, including a key initiative currently being progressed. As part of an AusIndustry research and development project into the production of cool climate sparkling wines and Pinot Noir, WIT will be hosting an international conference in 2012.

Wine sector representatives are travelling to Seattle with representatives from the Departments of Economic Development and Tourism in June 2010 to pitch for the rights to host the International Cool Climate Wine Symposium in 2012.

This conference typically attracts 400-600 international attendees and will be a showcase event for Tasmania's wine, tourism and associated industries. In order to maximise the potential of this conference, WIT is currently developing a proposal for a supporting festival of wine and food events to showcase Tasmania to the world.

The intention is that the wine and food festival will become an annual showcase of Tasmania's produce, attracting significant attention and visitation from both Australia and around the world.

6. Enlisting high profile Tasmanians to promote tourism

WIT is supportive of efforts to recruit high profile Tasmanians to promote tourism. As part of our winery tourism promotion, we use wine producers and recognised industry identities to communicate our Tasmanian wine brand attributes.

WIT is a partner in Visiting Journalist Programs (VJP) with Wine Australia, Brand Tasmania and Tourism Tasmania, which target high profile wine / lifestyle media to feature Tasmania in national and interstate media and attract visitation. WIT is seeking support to conduct annual independent VJPs with high profile wine writers to encourage winery tourism visitation from the mainland.

7. Other relevant issues - state cellar door rebate

It should be noted that some of Tasmania's more significant cellar door / winery tourism operators are currently disadvantaged by comparison to their mainland counterparts because of the different treatment of cellar door rebates made by the Tasmanian Government.

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%, 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, but with a maximum rebate of \$900,000
- South Australia - as above, but with a maximum rebate of \$521,000
- **Tasmania - no additional rebate**

It is important to note that the Commonwealth repays the **entire** 15% component to the states, apart from that rebated to producers as WET rebate, meaning that the cellar door rebate scheme is **cash neutral** for the four states currently offering state cellar door rebates. The Tasmanian Government currently retains funds that other states are passing on to their wine producers.

The purpose of the subsidy was to provide some tax relief to regional vineyards operating cellar doors. These regional, and often remotely located, businesses are important providers of regional employment and are significant attractions to draw visitors to country areas where tourist traffic is often limited.

The Tasmanian Government has elected not to pass on this additional support for its wine producers, which has resulted in a critical disadvantage for Tasmania's cellar door operators by comparison to producers in other states. It has also created a large financial disincentive for Tasmanian vignerons to grow or expand their cellar door / online operations or vineyards.

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

REFERENCES:

ⁱ Wine Industry Tasmania Strategic Plan 2008-2010

ⁱⁱ www.bayoffireswines.com.au / www.houseofarras.com

ⁱⁱⁱ www.wfa.org.au

^{iv} Wine Industry Tasmania Strategic Plan 2008-2010

^v <http://www.tasmaniatogether.com.au/>

^{vi} www.tourismtasmania.com.au/_data/assets/pdf_file/0017/35117/tourism21.pdf

^{vii} www.wfa.org.au/wine_tourism.aspx

^{viii} www.brandtasmania.com/show.php?ACT=Public&menu_code=100

^{ix} <http://www.wineaustralia.com/australia/Default.aspx?tabid=3854>

^x *Liquor Licensing Act 1990*

^{xi} 2009 Tasmanian Wine Industry Fact Sheet, Department of Primary Industries, Parks, Water & Environment lists the following vineyards (note, many of these vineyards are not open to the public):

- Coal River Valley - 64 vineyards
- Tamar Valley - 55 vineyards
- Huon / Channel - 34 vineyards
- Derwent Valley - 26 vineyards
- East Coast - 22 vineyards
- North East - 20 vineyards
- North West - 13 vineyards

^{xii} 2009 Tasmanian Wine Industry Fact Sheet 2009, Department of Primary Industries, Parks, Water and Environment

^{xiii} No qualitative data currently available, estimate based on information provided by wine producers and the Department of Economic Development, Tourism and the Arts.

^{xiv} www.tourismtasmania.com.au/research/tvs

^{xv} www.tourismtasmania.com.au/research/reports/tasmanian_cellar_door_customer_survey_2007

^{xvi} http://www.discovertasmania.com/activities_and_attractions/food_and_wine/vineyards_and_wine_regions