Wine industry

Introduction

5.1 The Australian wine industry is a model industry in that significant production growth and export sales have been achieved, particularly over the last ten years. This success is not just the result of having a quality product, although the quality of Australian wine is extremely good. It is more about having knowledge of, and responding to, consumer needs, applying expert marketing, recognising the importance of R&D, and overall having an innovative approach to winemaking and sales.

5.2 This chapter outlines some of the general features of the Australian wine industry focusing on its export and production status. In particular, the examination sought to identify some of the reasons for the recent successes of the Australian wine industry.

5.3 The performance of the Australian wine industry provides valuable lessons for other industries. In particular, other industries should note the wine industry’s quality approach to production, its organisation and structure, and its marketing and sales strategies.
Production and export status

5.4 The Australian wine industry has proven to be a successful value-adding industry. Wine exports, for example, have risen from $10.8 million in 1986 to over $1 billion in 1999. The $1 billion export mark is five years ahead of schedule. In 1986 Australia exported 9.3 million litres of wine compared to 310 million in 2000. The nature of wine exports has also changed dramatically during this time. In 1986 only 47 per cent of wine exports were in the form of 750ml bottles. The remaining 53 per cent consisted of bulk wine, flagons and soft packs. In 2000 nearly 85 per cent of exports were in the form of 750ml bottles.

5.5 The period since 1995 has shown the most growth. During this period the average annual value growth rate was 29.5 per cent, while the growth in volume was a compounded annual growth rate of 21.5 per cent.

5.6 Wine exports were forecast to exceed domestic sales for the first time in 2000-01. The Wine Federation of Australia (WFA) stated:

> The wine industry has a reputation of going along pretty well. It is fair to say that this year exports look to be growing at around 25 per cent by volume and about 20 per cent by value. That has been pretty consistent over the last few years. There has been a little bit of a slowdown from last year in the export market, and we are seeing a much tighter domestic market at the moment. It looks like business as usual, but we are running into a lot of pressure at the price points. We have seen a great increase in plantings, particularly of red wine grapes. Last year was the first year that we could actually meet our red wine grape demand for a decade, and that has been very good.

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1 Mr Anthony Battaglene, WFA, transcript of evidence, p. 276.
3 ibid., p. 394.
5 Mr Anthony Battaglene, WFA, transcript of evidence, p. 271.
The OUTLOOK 2001 conference heard that ‘wine grape production is forecast to increase by more than 20 per cent between 2001-02 and 2005-06’. However, because other countries are also expected to increase their production, ‘Australian wine grape prices are forecast to continue falling in real terms over the medium term’. The price for red grapes, particularly low quality, is expected to continue falling, although white grape prices and production are expected to stabilise.

5.8 Australia’s bearing area continued to expand with an additional 9000 hectares or eight per cent of vines in 1999-2000. This was expected to lead to increased production of 1.4 million tonnes in 2001-02. Australian wine exports were forecast to rise by 16 per cent in 2001-02 to 377 million litres with a value close to $1.8 billion.

5.9 Total wine grape production is expected to reach 1.7 million tonnes by 2006. Red wine grape production is expected to constitute over 1 million tonnes and white grapes will make up about 550 thousand tonnes. Table 5.1 shows Australian production of major wine grapes in 1999-2000 and projections for 2005-06.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Shiraz</td>
<td>228</td>
<td>394</td>
</tr>
<tr>
<td>Cabernet sauvignon</td>
<td>159</td>
<td>311</td>
</tr>
<tr>
<td>Merlot</td>
<td>54</td>
<td>102</td>
</tr>
<tr>
<td>Chardonnay</td>
<td>205</td>
<td>231</td>
</tr>
<tr>
<td>Semillon</td>
<td>79</td>
<td>91</td>
</tr>
<tr>
<td>Columbard</td>
<td>41</td>
<td>70</td>
</tr>
</tbody>
</table>


5.10 The total bearing area is projected to reach 150 000 hectares by 2005 which would make Australia the seventh largest area under wine grapes in the world. Table 5.2 shows the worldwide area of grapevines in 2000.

7 ibid., p. 387.
8 ibid., p. 386.
9 ibid., p. 386.
### Table 5.2 Areas of grape vines, 2000

<table>
<thead>
<tr>
<th>Country</th>
<th>Area under vines (ha)</th>
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<tbody>
<tr>
<td>Spain</td>
<td>1,100,000</td>
</tr>
<tr>
<td>France a</td>
<td>886,170</td>
</tr>
<tr>
<td>Italy</td>
<td>830,000</td>
</tr>
<tr>
<td>United States of America a</td>
<td>364,000</td>
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<tr>
<td>Argentina</td>
<td>210,000</td>
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<tr>
<td>Chile a</td>
<td>144,000</td>
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<tr>
<td>South Africa</td>
<td>116,000</td>
</tr>
<tr>
<td>Australia</td>
<td>115,068</td>
</tr>
<tr>
<td>Germany</td>
<td>104,200</td>
</tr>
<tr>
<td>New Zealand</td>
<td>9,097</td>
</tr>
<tr>
<td>Canada</td>
<td>7,000</td>
</tr>
</tbody>
</table>


### Value-adding opportunities

5.11 In the five years to 2005-06 the export of Australian wine is projected to more than double to reach 682 million litres or 59 per cent of total wine production. The value of wine exports in 2005 is expected to reach about $3.1 billion. The OUTLOOK 2001 conference heard that the ‘proportion of wine sold to the United Kingdom is expected to fall as exports to Germany, the United States, Canada, and the Netherlands increase’.

5.12 During the period to 2005-06 wine industry growth and export volumes will be influenced by macroeconomic factors. Slowing economic growth rates are expected to result in reduced demand for wine. On a regional basis, the Asian region ‘represents an export destination with significant long-term prospects due to the potential for substantial increases in per person consumption and the region’s proximity to Australian suppliers’.

5.13 For example, wine consumption per person in Japan increased from 1.4 litres in 1996 to 2.5 litres in 1998. While it is noted that these are small amounts, consumption is increasing. As a comparison, per person wine

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10 ibid., p. 387.
11 ibid., p. 385.
12 ibid., p. 388.
consumption in New Zealand and Australia is 16.1 litres and 20.1 litres respectively. The OUTLOOK 2001 conference heard:

The increasing trend of consumption is evident in other Asian countries, including China and Chinese Taipei. China’s large population means even a small increase in per person consumption translates into a large increase in total wine consumption. A significant increase in the demand for Australian wine from Asia is likely to occur over the long term rather than in the short to medium term.13

5.14 During the past two years, Australian wine companies have increased their sales efforts in the Asian region. For example, Southcorp is seeking to boost its sales of the Lindemans wine range particularly in Hong Kong, Malaysia and Chinese Taipei. At the same time, Rosemount ‘expects sales to Malaysia to increase by 30 per cent in 2001’.14

5.15 Part of the wine industry’s vision for the future is set out in Strategy 2025. A key target of this strategy is for Australia to provide five per cent of the world’s wine market by 2025, which would be up from less than two per cent in the early 1990s.15 The WFA suggested that this export focus came about through the objectives of some of the large wine companies and conglomerates which accepted that the domestic market is not growing.16

5.16 Some of the key factors for the export success of the Australian wine industry relate to the quality of the product and effective marketing. For example, the WFA noted that the labels of Australian wines are often creative and support marketing objectives.17

5.17 From a broader marketing perspective, the Australian Wine Research Institute (AWRI) commented that ‘the export value of Australian wine can be enhanced further through sophisticated marketing and it could be argued that Australia as a nation is not value-adding enough by enhancing the image of its products through trade offices and trade fairs’.

5.18 The OUTLOOK 2001 conference examined some of the reasons for the Australian wine industry’s strong performance. These reasons focus on the quality aspects of the industry and include:

13 ibid., p. 388.
14 ibid., p. 388.
15 WFA, submission no. 51, p. 1.
16 Mr Anthony Battaglene, WFA, transcript of evidence, p. 276.
17 ibid., p. 286.
quality of product;
- quality of offer – value and price;
- quality of consistency;
- quality of purpose – industry unity; and
- quality of structure.18

5.19 In relation to the quality of Australian wine, it was suggested that ‘Australian wines enjoy success overseas because our wines, at almost every price point, offer approachable yet richly flavoured wines with style and finesse’.19 Australia is fortunate in that over 70 per cent of total wine grape plantings is made up of the twelve major premium varieties. This is the highest of any wine producing country.

5.20 In addition to the quality of Australian wine, it is also considered to offer consistently good value for money. Australia offers ‘wines of all styles and price points in an uncomplicated, consumer-friendly package’.20 The consistency of quality and cost is also raised as a major advantage of the Australian wine industry. Australian wine makers, for example, are not restricted in the blending of material from different regions and varieties which helps to create a high level of consistency. The OUTLOOK 2001 conference heard:

These blending practices lessen the impact of vintage variation, particularly in the mass market popular brands, such as Lindemans Bin 65, Jacobs Creek and Nottage Hill — brands that continue to be market leaders in our export push.21

5.21 The quality of purpose or unity of vision is identified as a major feature of the Australian wine industry, which sets it apart from other wine producing countries. For example, Australia was the first wine industry ‘to develop and enunciate a strategic vision, with the launch of Strategy 2025 in 1996’.22

5.22 The structures which helped give rise to this industry unity include the formation of the Australian Regional Winemakers Forum (ARWF), and the Australian Wine and Brandy Corporation (AWBC). The ARWF provides a forum for smaller winemakers. The AWBC seeks ‘to provide an enhanced administrative and regulatory framework which, among other things, introduced mandatory testing to ensure that all exported

19 ibid., p. 394.
20 ibid., p. 394.
21 ibid., p. 394.
22 ibid., p. 394.
wine is sound and merchantable – another world first for the Australian wine industry’. In relation to the AWBC, the WFA stated:

It is a statutory body. It has an industry board with a government member and it answers to the Minister for Agriculture, Fisheries and Forestry. It controls the regulation of the industry. What we see as vitally important is that we keep the quality perception and the quality of the product high, because, on the export market, if you lose that quality perception, you are dead in the water. That is run very much with direction from industry, although it coincides with broader government policy. That is another key plank.

The focus on continuous improvement and quality enhancement is another feature of the Australian wine industry. This means enhancing, where possible, ‘viticultural and oenological practices as well as marketing and distribution’. The research and development organisations, which support continuous improvement, include the Australian Wine Research Institute, the Grape and Wine Research and Development Corporation (GWRDC), and the Australian Council of Viticulture.

In addition, educational institutions such as Adelaide University, the Charles Sturt Campus at Wagga and the Edith Cowan University in Western Australia conduct research and training in viticulture.

The immediate future of the wine industry is about quality enhancement, and how to deal with a forecast wine surplus. While this will have implications for all wine producing countries, Australia may be less affected because most of the world’s current surplus production resides in the basic wine segment where bottles of wine sell for less than A$5. This is a segment that Australia does not operate in. The OUTLOOK 2001 conference heard that while the medium priced segment will also grow, it is unlikely that there will ever be a surplus in the higher priced market segment. It was suggested that while the Australian wine industry will not abandon its current export market entry price points, it should be striving for continuous improvement in quality.

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23 ibid., p. 395.
24 Mr Anthony Battaglene, Wine Federation of Australia, transcript of evidence, p. 276.
While the issue of a possible global wine surplus is a challenge for the wine industry, the following section identifies those challenges that are domestic and can be influenced by government action.

**Key challenges influencing value-adding**

The WFA suggested that the recent successes of the Australian wine industry are not due to geographic, soil or climatic advantages over its competitors. The successes are due more to the contribution of effective R&D, training, and the overall innovativeness of the people in the wine industry. In particular, the industry is renowned for accurately assessing consumer needs and producing new products and styles together with expert marketing. The WFA stated:

In the medium to longer term, the key distinguishing competitive advantage for Australia will only be the quality of its human resources and its ability to innovate (which is strongly linked to the former). Human resources and innovation will be the key drivers behind the industry’s ability to: interpret trends and react quickly to them; develop new products and styles; and improve quality and lower costs.26

While evidence, in general, to the inquiry was positive about the performance and long-term goals of the wine industry, it was suggested that the Government could address certain matters. These issues relate to:

- the impact of inconsistent State Government legislation;
- the impact of the Wine Equalisation Tax;
- funding for R&D; and
- market access.

**The impact of inconsistent State Government legislation**

The WFA brought attention to a ‘major industry frustration’ involving different legislation between the states. The WFA noted that in relation to Liquor Licensing Acts and the introduction of the National Environment Protection Measure, no two states have the same legislation. The WFA stated:

26 WFA, submission no. 51, p. 15.
This creates enormous compliance difficulty for the large number of wineries that operate across different states. Whilst the Ministerial Council process attempts to address these issues, the process is cumbersome, is time consuming and lacks either political will or jurisdictional power in some instances.\textsuperscript{27}

5.30 The most likely forum for addressing jurisdictional differences is through the relevant Ministerial Council. The Industry, Technology and Regional Development Council (ITRDC) would have carriage for addressing the matters raised by the WFA. The objectives of the ITRDC ‘are to promote a national, consistent and coordinated approach to the development of industry, technology and regional development’.\textsuperscript{28}

5.31 The composition of the ITRDC includes Commonwealth, New Zealand, State and Territory Ministers for industry, technology and regional development. Published information about the ITRDC indicates that it meets ‘nominally at least once a year’, although it has not met formally since 1995. Commonwealth, State and Territory Industry Ministers, however, do meet. The most recent meetings were in February 2000 and April 2001. The agenda for these meetings focused around efforts to strengthen Australia’s industry competitiveness, innovation and investment.\textsuperscript{29}

5.32 The WFA brought attention to the location of alcohol volume statements on wine labels which are required to be placed on the front label. The WFA reported that in ‘South Australia they have started to prosecute our winemakers for putting the volume statement on the back label and not on the front label, as is required under the legislation’.\textsuperscript{30} The WFA explained that while this issue may sound trivial it does have significant cost implications. The WFA stated:

\ldots the reason winemakers do it is that you only have to change one label for all your markets. If you are a Southcorp, you can save millions of dollars; if you are a small company with small runs, you can save a heck of a lot of money and time. It seems trivial, but we cannot get the states to agree on this. We are currently doing some work in the international fora, at the New World Group, on getting a harmonised labelling system. We

\textsuperscript{27} ibid., p. 2.
\textsuperscript{28} Department of the Prime Minister and Cabinet, \textit{Commonwealth-State Ministerial Councils, A Compendium}, December 1999, p. 36.
\textsuperscript{29} Australian Industry Ministers’ Meeting, Communiques, 2 February 2000 and 27 April 2001.
\textsuperscript{30} Mr Anthony Battaglene, WFA, transcript of evidence, p. 283.
will be looking at this issue again and trying to convince our states as well as the other countries that this is a good thing.\textsuperscript{31}

5.33 The WFA suggested that the wine industry should be given more flexibility and be permitted to place alcohol volume information on the front or back label. The WFA commented that this would allow the ‘industry to use more creativity in labelling and allows the development of a single label for domestic and export markets’ because back label labelling is mandatory in some markets.\textsuperscript{32}

Conclusions

5.34 The Committee notes industry concerns about the application of inconsistent State Government legislation. Compliance costs can be increased where there are a range of different State regulations. The Committee is not in a position to make a blanket recommendation that there should be harmonisation between the States until the reasons for the differences are fully understood.

5.35 The Australian Industry Ministers’ meeting is the appropriate forum for addressing the concerns of the WFA about inconsistent state legislation. At recent Ministerial meetings, Australian Industry Ministers have agreed to ‘work together to strengthen industry competitiveness, innovation and investment’. The Committee believes that industry competitiveness could be enhanced through the harmonisation of State industry legislation and regulations.

Recommendation 10

5.36 The Committee recommends that the Commonwealth Minister for Industry, Science and Resources ensure that the issue of harmonisation of State legislation relating to the wine industry is an agenda item at the next meeting of Australian Industry Ministers.

The impact of the Wine Equalisation Tax

5.37 One of the more recent concerns of the wine industry is the wine equalisation tax (WET). WET was introduced as part of the new taxation system on 1 July 2000. Prior to this date, a 41 per cent wholesale sales tax applied to wine and wine products. Under the new taxation system,

\textsuperscript{31} ibid., p. 283.
\textsuperscript{32} WFA, submission no. 51, p. 7.
these products are subject to a 29 per cent wine equalisation tax in addition to the GST of 10 per cent.

5.38 The Department of Agriculture, Fisheries and Forestry - Australia (AFFA) indicated that a WET rebate scheme will help to ensure that small winemakers are not adversely affected by WET. This will complement the States’ schemes to provide winemakers with assistance of 15 per cent of the wholesale value of cellar door and mail order sales to unlicensed people.

5.39 The WET rebate scheme consists of the following components:

- a 14% rebate on cellar door and mail order sales up to a wholesale value of $300 000 per year.
  ⇒ this rebate then tapers to zero for sales with a wholesale value between $300 000 and $580 000 per year. Sales with a wholesale value above $580 000 attract the 15% State subsidy alone.

5.40 AFFA concluded that ‘the combination of the previous State subsidy and the new Commonwealth assistance will mean that cellar door and mail order sales up to a wholesale value of $300 000 per year are effectively WET free’.33 The WFA supported the introduction of the cellar door rebate scheme but was concerned that the rebate was not linked to CPI increases.

5.41 In relation to WET, in general, the wine industry was highly critical. The WFA argues that WET did not equalise the amount of taxation between the old and new taxation system but resulted in ‘an effective increase in the rate of tax’.34 The WFA commented that the Australian wine producers are at a disadvantage because ‘they are the most heavily taxed in the world’.35

5.42 However, the WFA acknowledged that probably 70 per cent of wineries are not worse off under the new tax treatment because they are mostly selling through the cellar door and mail order. The WFA stated:

Quite frankly, we are still waiting to see the final impacts of the tax. It is more the pay-as-you-go effects that we are worried about. We did not like to see a tax increase, but we were grateful for what happened with the rebate.36

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33 AFFA, submission no. 34.2, p. 18.
34 WFA, submission no. 51, p. 7.
35 ibid., p. 9.
36 Mr Anthony Battaglene, WFA, transcript of evidence, p. 272.
Mr Colin Gaetjens, in evidence to the inquiry, suggested that WET could undermine the wine industry’s export success. Mr Gaetjens commented that ‘what government and Treasury have failed to understand is that there can be no export success without strong domestic markets’.  

Conclusions

While the WET was criticised, it had not been in operation for more than six months when the Committee received evidence about it. Subsequently there have been a number of representations made to the Government concerning the WET. The Committee believes that, in time, the combined effect of the various taxation treatments impacting on the wine industry should be reviewed.

Recommendation 11

The Committee recommends that the Commonwealth Government in 2002 review the combined effect on the wine industry of all taxation impacts, including the wine equalisation tax.

Funding for research and development

Evidence to the inquiry confirmed that R&D has played, and will continue to play, a major role in the success of the Australian wine industry. AFFA commented that the ‘Australian industry has a strong reputation for technical R&D and is acknowledged as being at the forefront of innovation in the world wine industry’. The WFA stated:

We see R&D as probably the biggest reason for the success of the wine industry. We have a great product and a great climate, but why we are so successful is the innovative production and marketing techniques.

Two of the key initiatives, partly funded by government, which support R&D are the Cooperative Research Centre for Viticulture (CRCV) and the GWRDC. The GWRDC, as is the case with the RDCs examined in previous chapters, is partly funded by industry levies and matched by

38 AFFA, submission no. 34.2, p. 21.
39 Mr Anthony Battaglene, WFA, transcript of evidence, p. 274.
government funding up to a maximum of 0.5 per cent of industry gross value of production. The functions of the GWRDC include:

- investigating and evaluating requirements for research and development in the wine industry;
- coordinating or funding the carrying out of research and development activities; and
- facilitating the dissemination, adoption and commercialisation of the results of research and development.

5.48 In 2000 the total operating revenue for the GWRDC was $10.2 million which consisted of $5.6 million of industry contributions and $4.5 million from Commonwealth contributions.\(^{40}\)

5.49 The WFA was overwhelmingly in support of the GWRDC commenting that the purpose of the GWRDC should not be tampered with.\(^{41}\) The WFA was seeking to have funding for the GWRDC increased. The WFA stated:

> We continually vote for the Grape and Wine Research and Development Corporation and we are continually asking for an increase in the levies. In fact, we will be going to the government to ask for them to amend the legislation shortly to increase those levies so we can levy our members more so that collectively we can use that money in a better way.\(^{42}\)

5.50 The WFA suggested that the majority of winemakers would support an increase in the levies because they are based on a percentage of tonnage. Therefore, the smaller winemakers will pay less.\(^{43}\)

5.51 The CRC program is another initiative which brings together government and business in advancing R&D. CRCs are established under formal contracts with the Commonwealth Government, normally for seven years, to undertake long-term strategic research. The CRCV has four programs which are designed to deliver:

- improved wine quality and security of supply;
- enhanced sustainability of vineyard production systems;
- new and beneficial grapevine varieties via genetic engineering; and
- training and development of industry and professional staff.


\(^{41}\) Mr Anthony Battaglene, WFA, transcript of evidence, p. 274.

\(^{42}\) ibid., p. 274.

\(^{43}\) ibid., p. 275.
5.52 The GWRDC will ‘invest around $2.5 million per annum in the new CRC over the Centre’s seven-year lifespan, providing the major share of the wine industry’s contribution to the Centre’. 44

5.53 The Department of Industry, Science and Resources (DISR) ‘estimated that Australia has earned close to $1.5 billion from the CRC Program [there are 67 CRCs covering a range of industry sectors], nearly matching direct government investment in the program’. 45 The Backing Australia’s Ability policy statement ‘provides additional funding of $227 million to 2005-06, bringing total funding to over $947 million over five years’. 46

5.54 The WFA indicated that the Australian Wine Research Institute (AWRI), located in Adelaide, is an integral part of the CRCV. The WFA commented that the AWRI, which helps to coordinate research, ‘is taking great steps on some of the flavour and quality aspects of wine and on how to determine these beforehand’. In addition, the AWRI has conducted effective research on irrigation and environmental issues. 47

5.55 During evidence to the inquiry, the WFA noted its support for the CRCV. The WFA stated:

What we are looking at is that the CRC is due to run out in seven years, or however many years it is, and we are starting to look already at how we can maximise the research effort that is currently going on that was established through it. CRC is great. … The question is: how do we keep going with the existing CRC process, because it is working very well, and how do we leverage more funds? Probably we will be doing that through a joint venture with other industries and commercialising aspects of the research and so forth. 48

5.56 In 1999 the Committee noted the wide support for the CRC program, and recommended that the Government at least maintain real funding for the program at current levels. 49

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44 DISR, Science and Technology Budget Statement, 2000-01, p. 2.32.
46 ibid.
47 Mr Anthony Battaglene, WFA, transcript of evidence, p. 275.
48 ibid., p. 277.
Conclusions

5.57 It is evident that R&D is a significant factor in the success of the Australian wine industry. The WFA indicated that it fully supports the activities of the various wine and viticulture research organisations such as the CRCV, and the GWRDC.

5.58 The WFA commented that the majority of Australian winemakers would support an increase in the levies to support the GWRDC. As part of the Committee’s examination of the Dairy Research and Development Corporation, the Committee proposed in recommendation 8 that the levy for all RDCs be increased from 0.5 to 0.7 of gross industry value.

5.59 In relation to the cooperative research centres program, the Committee notes that the Government has expanded its support for the program through commitments made in the Backing Australia’s Ability policy statement.

Market access

5.60 The OUTLOOK 2001 conference heard that if the Australian wine industry is to achieve its export sales objectives then ‘the industry will require improved access to markets’. Enhanced market access will be sought through international trade fora such as the World Trade Organisation, bilateral and multilateral trade talks, the International Office of Vine and Wine, and the New World Wine Producers forum consisting of the non-European producers.

5.61 Subsidies and tariffs affect the world wine market. For example, international competition will be influenced by the effect of economic subsidies used by other countries. Over the medium term, EU subsidies are likely to increase investment in vineyards and the quality of grapes grown.

5.62 While tariffs are relatively low in most countries, the impact of non-tariff barriers is significant. For example, Australia is ‘negotiating wine agreements to reduce disputes over labelling and wine-making issues, as well as other technical barriers’ relating to wine making practices.

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51 ibid., p. 390.

52 ibid., p. 388.

53 ibid., p. 391.
From an alternative perspective, the WFA drew attention to the negative impact of Australian tariffs that apply to the importation of certain wine-making products. The WFA stated:

Currently, the Australian wine industry faces higher costs than our international competitors through the presence of tariffs on inputs. These tariffs place an unnecessary cost to Australian producers and in most cases there is no domestic industry producing these products. Of key concern to the industry are tariffs on oak barrels and cooper products, agglomerated cork and stainless steel. Import tariffs add substantially to the cost of wine production. WFA estimates that in 2000 the cost of tariffs could be around $5 million. In addition, there is currently an import tariff for wine and brandy. WFA would submit that all input tariffs should be removed as they place an unnecessary cost on production. WFA has a policy position of zero tariffs on wine and brandy imports.\(^\text{54}\)

In 1999 DISR conducted an exhaustive study of tariff items which individually collected less than $100,000. In addition, the study identified items for which there was no local manufacture. As a result, from 15 December 1999 the tariff on 268 ‘nuisance tariff items’ was set at zero.\(^\text{55}\)

Conclusions

Tariffs and non-tariff barriers are impediments that affect many industries. The Committee has discussed these matters as part of its examination of the other industry case studies used in this report. The Committee maintains that the Government must continue to negotiate reform to tariffs at international fora.

In relation to the wine industry, the Committee notes the concerns by the WFA about the adverse impact that Australian tariffs are having on the importation of certain wine-making products such as oak barrels and cooper products.

One of the Committee’s key objectives is to ensure that any unnecessary impediments on Australian industry are removed. The removal of ‘nuisance tariffs’ is one area where government can act decisively. The Committee notes that during 1999 DISR reviewed a range of tariffs and, as a result, set 268 ‘nuisance tariffs’ at zero. Based on the evidence

\(^{54}\) WFA, submission no. 51, p. 21.

received by the Committee from the WFA, a further review of tariffs affecting the wine industry should be undertaken.

**Recommendation 12**

5.68 The Committee recommends that the Department of Industry, Science and Resources review all tariffs on imports that affect the wine industry and, where there is no overriding reason for their continuation, they should be set at zero immediately.