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HAND CRAFTED SINGLE VINEYARD

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RESPONSE TO WET REBATE CONSULTATION PAPER

Sidewood Estate is a premium quality producer in the Adelaide Hills
We own 100 h.a of vines in the region producing approx. 1,000 mt of premium quality fruit which is used for our own Sidewood and Stable Hill labels as well as being sold to third party wineries.
We own a 1,000 mt p.a. winery and we lease a building which houses a cellar door.
We are the region's largest sustainably certified grower.

I have grave concerns regarding any cut in the WET tax rebate without matching rebates being passed on in the form of EMDG or cellar door winery/grant's.
At present the government has not indicated what form any grant will be and the monetary value of grants to be distributed to balance the reduction in WET rebates.

The Government is proposing that $50 Million be provided to the AWRI in lieu of the reduction in WET rebates.
The WET rebate was instigated for the purpose of supporting small to medium sized producers. I do not see how funding the AWRI or increased funding to Wine Australia will serve the same purpose as the WET rebate.

Reduction of the WET rebate will definitely have severe adverse effects on small boutique wine producers and I would expect a large number of these producers will go out of business very quickly, drastically effecting the nature of the Australian wine industry.

As an example in the Adelaide Hills there are over 100 wine brands, while there are less than 10 commercial wineries and approximately 40 cellar doors.
Under the proposals 60% of the wine brands will not be eligible for any form of rebate or grant and many will undoubtedly go out of business.
Few if any of these wine brands will be producing for National Retail chains or be involved in private labels.
On the contrary many of these will be from well-known small volume wine makers. The opportunities for "garagista" wineries, innovation, new brands developed by new winemakers, and new graduates of oenology will be seriously curtailed.
It is entirely obvious to anyone in the wine industry that the MAJORITY of wine brands DO NOT own or lease vineyards, DO NOT own or lease wineries and DO NOT own or lease cellar doors, yet they are critical to the character and nature of the Australian wine industry.

My position is that the restriction of WET rebates to wineries that have to own or lease wineries, vineyards or cellar doors will.

1. Only benefit larger brands by eliminating small boutique quality producers.
2. Force smaller wine brands to enter in to lease agreements with vineyards which will be costly and reduce flexibility of fruit sourcing thereby reducing overall quality of wines offered by small producers.
3. Be costly for the government to regulate and control and WILL NOT stop the rorting by large volume retailers. It should be obvious that large volume retailer's will have the financial and operational capability to enter in to vineyard leases with little effort. The only producers that will be effected will be the small boutique innovative, craft, producers.

The Australian wine industry is in a unique position due to the low value of the Australian dollar relative to EU and South American producers to rebuild its image on the international market and in doing so rebuild its export market.

The image of "Brand Australia" as quality producers of premium wine has been possibly irrevocably damaged by what the American's not so affectionately call Critter wines and further more by very cheap entry level wine shipped in bulk bags to EU, USA and China. Bottled and labelled as Australian wine. It only goes to follow that the perception by consumers Internationally is that Australian wine is of poor to average quality which should be sold at less than ₤ or US$9.99 a bottle.

As a case in point New Zealand which has not followed the downward spiral to mediocrity with the export of bulk wine is perceived very differently internationally as one of the world's best producers of high quality, boutique premium wine.

Does New Zealand produce higher quality wines than Australia? No they do not, but they export quality.

Another question that I have not ever received a valid answer to is why are Australian wines prohibited from exporting clean skin bottled wine, when we can export bulk wine in 20,000 lit bags and have it labelled product of Australia at a bottling plant in the EU.
The answer to that question would seem obvious. The restrictions benefit large bulk wine producers at the expense of boutique producers that do not make 20,000 lit of a single wine.

The EMDG I believe is ham strung by low levels of grants available for small to medium sized wineries that have been struggling to sell wine for many years in to export markets during the extended period of high A$ exchange rates. As a result, there is very little available to established producers who currently have a unique opportunity to develop their international export markets.
If the Government was serious about rebuilding the reputation of Australian wines in export markets the EMDG must as a matter of urgency be given a substantial boost, with small to medium sized wineries regardless of how many years they have been claiming the grant, eligible for a minimum $100,000 p.a
The proposed increases in funding for Wine Australia are commendable but I suggest that winemakers themselves can make better use of direct government EMDG grants as they should be aware of where their own wines have market opportunities.
EMDG grants should be controlled to a maximum of 50% of costs and a maximum of 20% of export sales but should NOT be reduced to below $100,000.
Service costs for export markets are substantial and can easily be in excess of $200,000 annually.

My recommendations for WET tax reform are.

- WET rebates are only eligible for wine that is sourced 100% from Australian grown fruit
- No requirements are placed on ownership or lease criteria of vineyards, wineries or cellar doors
- WET rebates are only eligible for wineries that "own" the trade mark of their wines. I do not accept that it is a practice for legitimate wineries NOT to own their trade marks.
- WET rebates should only be eligible for bottled/labelled/trademarked wine and not eligible for transfers/sale of bulk wine
- There should be no reduction of the $500,000 WET rebate or if there is it offset by increased EMDG or other forms of grants immediately so that there is no period where wineries would not be eligible for their maximum rebate/grant of $500,000 in one form or another.
- Wine companies who's turnover exceeds A$10 million per annum should not be eligible for any form of WET rebate, EMDG or other form of "cellar door" grants. These companies are well established and should not need mandatory government assistance. Controls need to be in place on the ultimate ownership of the companies/brands. This would restrict major retailers from rorting WET rebates and should be far easier for the Government to manage than auditing lease and ownership contracts
- WET rebates should be restricted to 1.5 lit bottles. 5 lit casks are mostly produced by bulk wineries producing lower quality wine. I believe the WET rebate should be directed to supporting premium quality wineries that can rebuild Australia's international reputation as a quality producer. Not as adding bottom line cash to large scale producers who consistently buy bulk wine at less than growers cost.
- Cider producers should have a separate WET rebate to wine producers. The markets are entirely different. Many ciders are produced now by established wineries. The Australian cider industry is in its infancy and dominated by cheap imports. Market development costs are high yet many producers would have no or reduced WET rebate support for their cider development and marketing as they would be absorbed by existing grape wine production and sales
- WET rebates on cider should be allowed for up to 50 lit vessels as keg sales represent a large proportion of sales of craft cider.

Yours faithfully

Owen Inglis
Owner & Vigneron OF Sidewood Estate