



Australian Grape & Wine Submission to:

**Joint Standing Committee on Treaties
(JSCOT) inquiry into the Free Trade
Agreement between Australia and the
United Kingdom of Great Britain and
Northern Ireland.**

March 2022



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Who are we

Australian Grape and Wine Incorporated (Australian Grape & Wine) is Australia's national association of winegrape and wine producers. Our activities focus upon the objective of providing leadership, strategy, advocacy and support that serves Australian wine businesses now and into the future.

We represent the interests of the more than 2,500 winemakers and 6,000 winegrape growers working in Australia. Our role is to help forge a political, social and regulatory environment - in Australia and overseas - that enables profitable and sustainable Australian wine and winegrape growing businesses. These businesses make a significant contribution to underpinning regional economies by driving growth in jobs, regional exports and food and wine tourism.

Australian Grape & Wine's voluntary membership represents over 75% of the national winegrape crush. We represent small, medium and large winemakers and winegrape growers from across the country. Policy decisions by the Australian Grape & Wine Board require 80% support, ensuring no single category can dominate the decision-making process and guaranteeing policy is only determined if it provides significant industry benefit. In practice, most decisions are determined by consensus.

Australian Grape & Wine is recognised as a representative organisation for winegrape and wine producers under the Wine Australia Act 2013, and is incorporated under the SA Associations Incorporation Act 1985. We work in partnership with the Australian Government to develop and implement policy that is in the best interests of winegrape growers and winemakers across Australia.

Terms of Reference

This inquiry will inquire into and report on the *Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland* (Adelaide, 17 December 2021 and London, 16 December 2021).

The Treaties Committee is empowered by its resolution of appointment to inquire into and report on 'matters arising from treaties and related National Interest Analysis and proposed treaty actions presented or deemed to be presented to the Parliament.'

As nearly all treaty actions proposed by the Australian Government are tabled in Parliament, this type of review activity accounts for much of the Committee's work.

The Committee invites interested persons and organisations to make submissions by 18 March 2022.

This treaty has been identified as a category one treaty. Category one treaties are generally tabled in the Parliament for 20 joint sitting days, at the conclusion of which the Committee tables its report. However, if the Parliament concludes before the 20 joint sitting day period ends, the inquiry into the treaty will lapse. Assuming the incoming Government wishes to proceed with the treaty, it will re-refer the treaty to the Committee in the new Parliament, at which point the 20 sitting-day period begins anew. The Committee can draw upon evidence received in the course of its inquiry in this Parliament, including any submissions received by 18 March 2022, as well as seek further evidence in the new Parliament.



United Kingdom and Australian Wine

The United Kingdom is a currently Australia's number one export market for wine. Our presence in the market is longstanding, with strong relationships with consumers, retailers and restaurateurs built over more than two decades. This trading relationship sees Australia exporting 251 million litres of wine in the 12 months ended September 2021, valued at AUD \$460 million¹. The total value of Australian wine sold in the UK in 2020 was estimated to be around £2 billion.²

A substantial portion of Australian wine exports are destined for the off-trade market, in which Australian wine has been the number one category for more than twenty years, currently holding approximately 23 per cent volume share.³

Australia currently has over 350 exporters of wine to the UK. Most of these exporters are small and medium family-owned companies who export small quantities of premium wine, sold both on-trade and off-trade. Following the completion of the Free Trade Agreement, we estimated that the number of exporters would double in the next five-years, providing and even greater choice of premium wine for the UK consumer. In addition to these smaller exporters, it is also noted that a considerable proportion of Australia's wine exports to the UK are bottled and labelled in the UK, with direct employment benefits in these bottling hubs, and flow-on benefits to those working in the transport and logistics fields. These investments provide mutual benefits for participating Australian wine companies and the UK economy.

The Free Trade Agreement (FTA) between Australia and the United Kingdom of Great Britain and Northern Ireland will further strengthen this already highly developed trade relationship. It will help build a more accessible and harmonised market for Australian wine businesses to grow their wine exports to the UK and Europe.

Free Trade Agreement outcomes and benefits

Tariffs for wine

Currently, the import tariff rates applied to Australian imported still wines entering the UK are:

- £297.57 per hectolitre <15% alc. (approx. £2.2 per 75cl bottle)
- £396.72 per hectolitre > 15% alc. (approx. £3 per 75cl bottle).

The current rate for Australian sparkling wine imports is £381.15 per hectolitre (approx. £2.9 per 75cl bottle).

Accordingly, based on the current export figures, Wine Australia data estimates that £760 million in duties was paid on Australian wine sold in the UK in the 12 months ending 30 September 2021.

Under the FTA these imports tariffs will be removed upon entry into force for all Australian wine exports, under these tariff lines, to the UK. This will provide a benefit to Australian exporters of approximately AU\$43 million. This change also creates a more level playing field with major competitors from Continental Europe who already enjoy zero tariff treatment for their wine imports into the UK. It also gives Australian wine exporters a significant comparative advantage over other major exporters who do not have tariff free access to the UK. This is particularly important given the proposed changes to the UK tax regime that are likely to increase the tax on most wine in the UK. It is important to ratify this agreement quickly to maximise the benefits to Australian exporters.

¹ Note this figure represents the Free on Board (FOB) value of Australian wine exported from Australia.

² International Wines and Spirits Record, May 2021.

³ IRI Worldwide, figures to the year ending September 2021.



Non-Tariff benefits for wine

Australian Grape & Wine is a strong advocate for using FTAs as a means of harmonisation of wine technical requirements in support of trade facilitation. Wine is a highly complex and technical product throughout the supply chain and imposed technical requirements can sometimes result in unnecessary cost or barriers to trade of wine. Typically, we would seek to address technical barriers to trade in FTAs through the inclusion of sector specific technical wine annexes which seek to clarify, streamline, and remove technical barriers. However, this FTA does not include such an annex. This is because the FTA evolved around the unique circumstances of Brexit which saw the UK replicated much of the European Union's (EU) existing standards, laws and regulations relevant to wine, in order to simplifying their transition out of the EU. The EU's regulations are complex, often overly restrictive and not as liberalised as many new-world wine producing countries, including Australia.

Another element of past EU measures applied to Australian wine that has been replicated by the UK as part of this process is the "Agreement on trade in wine between the Government of Australia and the Government of the United Kingdom of Great Britain and Northern Ireland" (the UK Wine Agreement). This treaty level document replicates the Agreement held between Australia and the EU which outlines allowable description, presentation, packaging or composition of wine between the two parties. It also holds provisions for Geographic Indications protection and most importantly establishes a Joint Committee to address wine technical elements and provisions under the agreement.

The Australian and UK governments therefore decided not to include a wine sector specific technical annex in this FTA as it was expected that many of the elements that could be addressed in such an annex, would be better suited to ongoing collaborative negotiations through the Joint Committee established under the UK Wine Agreement.

The UK regulators have expressed a genuine intent to work towards establishing their own regulations over time and to work together with the Australian Government and industry in liberalising wine technical requirements from burdensome EU regulation. It is expected that the UK wine agreement discussions through the Joint Committee will commence in 2022 and are a direct outcome of finalisation of the FTA and the linked negotiation within this FTA. The conclusions of this FTA will therefore initiate a platform for ongoing collaborative efforts to streamline wine technical barriers to trade between Australia and the UK.

Other benefits for wine sector trade.

There are general chapters and provisions within this FTA, which are not specific to wine however are beneficial to broader trade and economic growth. The following sections are expected to provide such benefit to the wine sector as they are understood:

1. Chapter 15 Intellectual Property (IP) – In particular, agreed IP provisions regarding Geographic Indications and trademarks.
2. Chapter 4 Rules of Origin – Establishing several key elements related to tariff treatment, alterations, origin declarations and others.
3. Chapter 27 Cooperation – General provisions to establish greater ongoing collaboration and cooperation in trade related activities.
4. Visa and movement of people provisions which provide for simplified entry and exchange of people, particularly businesspeople, skilled labour, expertise and knowledge exchange.



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Conclusion

Free trade agreements, which address tariff removal and technical barriers to trade, are a crucial tool for liberalizing trade and ensuring the grape and wine sector will continue to support economic growth and employment throughout Australia, but particularly in rural and regional communities.

Australian Grape & Wine welcomes the opportunity to contribute comments to the inquire into and report on the Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland. This FTA will provide the Australia wine sector with several key benefits for trade with our largest export market, which will support trade to continue to grow. We are highly supportive and encourage swift and bipartisan ratification of the Australia – UK Free Trade Agreement through the Australian Parliament.



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